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Effect of Contributory Pension Scheme on the performance of banks in South East, Nigeria

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Abstract

This study examined the effect of the Contributory Pension Scheme (CPS) on the performance of banks in South East Nigeria. Specifically, it investigated the effect of CPS on deposit mobilization, growth of asset management portfolios, and improvement in liquidity and capital base of selected banks. The study was anchored on the Financial Intermediation Theory propounded by Gurley and Shaw (1960), which explains the role of financial institutions in mobilizing savings and allocating funds efficiently. A descriptive survey research design was adopted. The population comprised 943 employees drawn from five selected banks operating Pension Fund Administrators (PFAs) in South East Nigeria, while a sample size of 281 respondents was determined using Yamane's formula. Data were collected through structured questionnaires validated by experts, with a Cronbach's Alpha reliability coefficient of 0.87, indicating high internal consistency. Descriptive statistics (mean and standard deviation) and regression analysis were employed to analyze the data and test the hypotheses. The findings revealed that the Contributory Pension Scheme has a significant positive effect on deposit mobilization, significantly enhances the growth of banks' asset management portfolios, and significantly improves banks' liquidity and capital base in South East Nigeria. The study concluded that CPS has substantially improved the performance of banks by providing stable long-term funds, strengthening financial stability, and enhancing operational efficiency. The study recommended stronger collaboration between banks and Pension Fund Administrators to ensure efficient pension fund management, increased regulatory oversight by the National Pension Commission (PenCom) to promote transparency and compliance, and greater diversification of pension fund investments into low-risk and productive sectors to enhance sustainable banking performance.

Keywords: *Contributory Pension Scheme, bank performance, deposit mobilization, asset management portfolios, liquidity.*

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Introduction

The importance of pension as a social security tool among employment stakeholders in both the private and public sectors including government, employers, and employees—cannot be overemphasized. Pension serves as a mechanism through which governments and employers provide income or salary substitutes for staff and workers in their old age, especially when they are no longer able to work. It offers protection against poverty, inequality, risk, and uncertainty amid an ageing population. As noted by Kareem and Kareem (2009), a pension scheme is a transfer program that facilitates income redistribution to the elderly or retirees after a stipulated number of service years. Similarly, Nnanta, Okoh, and Ugwu (2011) observed that the government's ability to foster income redistribution, poverty alleviation, and other forms of social security is enhanced through pension facilities.

In addition, retirement provisions help promote employee retention and influence training decisions, while also attracting potential employees, thereby improving the operational efficiency of private and public organizations (Laura, 2018; Giorgio & Simon, 2013). However, both public and private pension schemes share the common goal of ensuring financial security for employees at retirement, though they function differently. In private pension schemes, employees contribute a portion of their income to be invested, with the expectation of receiving the returns upon retirement or job change. In contrast, public pension schemes are primarily funded through budgetary allocations and aim not at increasing the savings rate but at providing income security or at least a minimum level of income for the elderly (Ebere, 2016).

Pension administration plays a pivotal role in the Nigerian banking sector, enhancing financial stability and promoting long-term savings. The Contributory Pension Scheme (CPS), introduced in 2004, has significantly bolstered the sector's growth. As of October 2024, pension assets reached ₦21.92 trillion, with over 10.5 million registered contributors, reflecting the scheme's expansive reach and impact (PenCom, 2024). Banks have been instrumental in this growth, not only as custodians of pension funds but also through their pension subsidiaries. For instance, Access Pensions, a subsidiary of Access Holdings, witnessed a 162.1% increase in Assets Under Management (AUM), rising from ₦1.1 trillion in December 2023 to ₦2.9 trillion in the first half of 2024 (Access Holdings, 2024). This surge underscores the banking sector's commitment to pension fund administration and its potential for profitability. Moreover, the integration of technology has streamlined pension processes. The National Pension Commission (PenCom) launched an e-Application Portal for Pension Clearance Certificates (PCC) in October 2024, replacing manual procedures and enhancing efficiency (PenCom, 2024). Such innovations not only improve service delivery but also foster trust among contributors. Effective pension administration is integral to the Nigerian banking sector's stability and growth. Continued collaboration between regulatory bodies and financial institutions is essential to overcome existing challenges and enhance the system's efficacy.

Ideally, the Contributory Pension Scheme (CPS), as introduced by the Pension Reform Act of 2004 and amended in 2014, was designed to ensure long-term financial sustainability for retirees while simultaneously mobilizing savings that could contribute to capital market development and banking sector performance (National Assembly of Nigeria, 2014). In theory, Nigerian banks are expected to benefit through increased liquidity, expanded asset management portfolios, and enhanced customer trust due to their role in pension fund administration. However, in practice, the full potential of CPS to boost banking performance remains under-realized. While some banks, such as Access Holdings and Stanbic IBTC, have shown strong performance in pension fund management, many others lag behind due to regulatory bottlenecks, low enrollment of contributors, and inadequate technological infrastructure

(PenCom, 2024; BusinessDay, 2024). Additionally, many banks face operational risks in managing pension assets efficiently, especially with issues of transparency and return on investment for contributors (Nwakanma, 2023).

Empirically, studies such as Adebayo and Dada (2021) and Ogbonna et al. (2022) have explored the broader economic implications of CPS, but there is limited literature specifically connecting contributory pension inflows to the financial performance metrics of Nigerian banks. Few studies disaggregate the effects across different bank sizes or account for recent reforms and digital innovations in pension administration. This gap justifies the need for a more focused and updated study on how CPS influences bank performance in Nigeria today.

Statement of Problem

The Contributory Pension Scheme (CPS), introduced under the Pension Reform Act of 2004 and revised in 2014, was intended to transform pension administration in Nigeria by ensuring sustainable retirement benefits while simultaneously enhancing financial sector development. In an ideal scenario, the CPS should significantly boost the performance of banks through increased deposit mobilization, improved liquidity, enhanced investment opportunities, and the creation of pension subsidiaries. Banks, as custodians and administrators of pension funds, are strategically positioned to leverage pension inflows to support profitability, innovation, and asset growth.

However, the current reality reflects a mixed outcome. While a few banks—such as Stanbic IBTC and Access Holdings—have capitalized on CPS to grow their asset base and increase revenue, many others struggle to tap into the scheme’s full potential. Factors such as regulatory constraints, limited contributor enrollment, technological lapses, and delays in pension remittance reduce the effectiveness of the scheme. Moreover, the expected positive spillovers of CPS on overall bank performance—such as improved return on assets and increased financial intermediation—remain inconsistently realized across the sector.

Empirically, existing studies have largely examined CPS from a macroeconomic or public sector efficiency perspective (Adebayo & Dada, 2021; Ogbonna et al., 2022), with limited focus on its specific effects on bank performance. The absence of disaggregated, bank-level analysis and current data highlights a significant research gap that necessitates this present study.

Objectives of the Study

The broad objective of the study is to examine the effect of Contributory Pension Scheme on the performance of banks in South East, Nigeria. The specific objectives of the study were to:

i. Examine the effect of Contributory Pension Scheme on increased deposit mobilization of banks in South East, Nigeria

ii. Analyze the effect of Contributory Pension Scheme on growth of asset management portfolios of banks in South East, Nigeria

iii. Determine the effect of Contributory Pension Scheme on improved liquidity and capital base of banks in South East, Nigeria.

Research Questions

The following research questions were raised for the study

i. To what extent does the Contributory Pension Scheme affect deposit mobilization in banks in South East Nigeria?

ii. How does the Contributory Pension Scheme influence the growth of asset management portfolios in banks in South East Nigeria?

iii. What is the effect of the Contributory Pension Scheme on liquidity and capital base improvement of banks in South East Nigeria?

Statement of Hypotheses

The following hypotheses were formulated for the study.

i. The Contributory Pension Scheme has no significant effect on deposit mobilization of banks in South East Nigeria.

ii. The Contributory Pension Scheme has no significant effect on the growth of asset management portfolios of banks in South East Nigeria.

iii. The Contributory Pension Scheme has no significant effect on liquidity and capital base improvement of banks in South East Nigeria.

Significance of the study

This study on the effect of the Contributory Pension Scheme (CPS) on the performance of banks in South East Nigeria is significant both theoretically and empirically. Theoretically, it contributes to the growing body of knowledge on pension economics and financial intermediation theory by examining how long-term savings mechanisms like CPS influence banking sector performance indicators such as deposit mobilization, asset growth, and liquidity. It extends existing frameworks by contextualizing them within the Nigerian banking environment, specifically in the South East geopolitical zone, which has unique economic and demographic characteristics.

Empirically, the study fills a critical gap in literature by providing current, region-specific evidence on the CPS's impact on bank operations. While previous studies have mostly focused on macroeconomic or public sector implications of pension reforms, this research addresses the limited empirical focus on the banking sector, especially at a regional level. Findings from the study will guide policymakers, financial institutions, and pension administrators in making informed decisions regarding pension fund management and regulatory reforms. Additionally, the study will benefit bank managers by highlighting strategic areas to optimize pension-related services for improved performance. Ultimately, it strengthens understanding of how pension reforms contribute to financial system development and economic sustainability in Nigeria.

Scope of the Study

This study focuses on examining the effect of the Contributory Pension Scheme (CPS) on the performance of banks in South East Nigeria. The content scope includes key performance indicators such as deposit mobilization, growth of asset management portfolios, and liquidity and capital base improvement. The unit of analysis comprises selected commercial banks operating within the South East geopolitical zone. Geographically, the study covers major urban centers in Abia, Anambra, Ebonyi, Enugu, and Imo States. The research period spans recent years (2019 to 2024) to reflect current realities and ensure the relevance of findings to present-day banking operations.

Review of Related Literature

Conceptual Review

Contributory Pension Scheme

Pension is simply the amount set aside either by an employer or an employee or both to ensure that at retirement, there is something for employees to fall back on as income (Ajayi, 2018). It ensures that at old age workers will not be stranded financially. It is aimed at providing workers with security by building up plans that are capable of providing guaranteed income to them when they retire or to their dependants when death occurs. Anikeze (2018) affirms that pension scheme stems from the fact that first; an organization has a moral obligation to provide a reasonable degree of social security for workers especially those who have served for a long period. Second, the organization has to demonstrate that it has the interest of its employees at heart through Pension Schemes. The most popular way to determine the amount of an employee’s pension is to base payment upon a percentage of the employee’s earnings computed at an average over several years multiplied by the number of years the employee has served the company (Ezema, 2020).

Contributory Pension Scheme (CPS) is an arrangement where both the employer and the employee contribute a portion of an employee's monthly emolument towards the payment of the employee's pension at retirement. Contributory pension scheme therefore is a pension plan in which both worker and employer jointly contribute regular, defined amount or stated percentage of worker’s salary, perhaps on monthly basis and to be kept in a fund that will be invested (Odo, Ani, & Agbo, 2021). The dejection and helplessness of pensioners waiting to be paid pension benefit under very frustrating verification process occasioned by impunity in pension fund administration led to the Pension Act of 2004. This ushered in the Contributory Pension Scheme that replaced the Defined Benefit Pension Scheme with attendant review in 2014 to check mismanagement. The Contributory Pension Scheme is a welcome idea which when properly implemented will eradicate the pensioners’ harsh life thereby making their dream a reality (Aibieyi & Oyemwinmina, 2016).

The Contributory Pension Scheme (CPS) in the words of Ahmed (2006) is premised on the following objectives; to ensure that every worker receives his retirement benefits as and when due; to empower the workers and assist workers to save in order to cater for their livelihood during old age; stem the growth of pension liabilities; establish uniform rules, regulation and standards for the administration of pension matters; and to secure compliance and promote wider coverage. A lot of opportunities are created in the modern CPS. The scheme has boosted the capital/money markets and this has brought a tremendous growth to the economy. As it stands, all PFAs have their funds invested in the capital market through equities and bonds. Also the banks and other money market operators have had their own share through fixed deposits. The PFAs and PFCs that were the offshoot of the new scheme have created employment opportunities and savings for employees among others. Oshiomole (2007) caped up the available and inherent potentials that Nigerians' stand to gain with advent of the CPS. In his opinion CPS has created opportunities ranging from individual retirement savings account which enhances fund accumulation, mobility of labour without any effect on the RSA fund, contributors' rights to change PFA as the occasion demands, access to retirement benefits as at when due, minimum pension guarantee to accumulation of long-term funds which has contributed to the growth in the capital market.

The new Contributory Pension Scheme (CPS) has laid to rest ghost pension syndrome. Also, Agbese (2008) in Amujiri (2009) opined that the introduction of the new pension scheme in Nigeria marked a turning point in the life of retirees as well as the economy through elimination of ghost pensioners from the pay roll. The scheme (CPS) empowers Nigeria workers by giving them the choice as to how their pension is managed and the assurance of their retirement benefits. It enhances labour mobility as workers can work freely from one organization to another without losing any benefit, in other words, should a worker worked for relatively short period in one organization and move to another, he or she has nothing to lose in terms of retirement benefits. The schemes also instill a savings culture in Nigerians and which will create a pool of investible funds in the long term to boost the economy.

Performance

In the work place, job performance is the hypothesized conception or requirements of a role. There are two types of job performances: contextual and task. Task performance is dependent on cognitive ability, while contextual performance is dependent on personality (Ivan and Cary, 2015). Task performance relates to behavioral roles that are recognized in job descriptions and remuneration systems. They are directly related to organizational performance, whereas contextual performances are value-based and add additional behavioral roles that are not recognized in job descriptions and covered by compensation; these are extra roles that are indirectly related to organizational performance (Paul, 2011).

Bank performance refers to the efficiency and effectiveness with which a banking institution achieves its financial and operational objectives. It is commonly assessed using financial metrics such as Return on Assets (ROA), Return on Equity (ROE), Net Interest Margin (NIM), and the Capital Adequacy Ratio (CAR) (Ogunleye & Adeyemi, 2021). These indicators provide insights into a bank's profitability, asset utilization, and financial stability. Recent analyses, such as the FDIC’s 2024 report, highlight that the U.S. banking industry achieved a return on assets ratio of 1.12% for the full year, indicating strong earnings and profitability (FDIC, 2024). Additionally, asset quality metrics remained favorable, demonstrating the resilience of banks in maintaining performance amidst economic challenges (FDIC, 2024). Furthermore, the CAMELS framework—encompassing Capital adequacy, Asset quality, Management quality, Earnings, Liquidity, and Sensitivity to market risk—serves as a comprehensive tool for evaluating bank performance (Eze & Okoye, 2020). Effective asset quality management, in particular, has been shown to have a strong positive association with bank profitability (Okoye & Alao, 2019). In the context of Nigeria, assessing bank performance is crucial for understanding the impact of financial reforms, such as the Contributory Pension Scheme, on the banking sector’s efficiency and stability (PenCom, 2024; Nwakanma, 2023). In the study, deposit mobilization, growth of asset management portfolios, and liquidity and capital base improvement represent bank performance.

Deposit Mobilization

Deposit mobilization refers to the process by which banks attract funds from customers, including individuals, businesses, and other organizations. These funds, collected through various deposit products such as savings accounts, current accounts, and fixed deposits, are crucial for banks to finance their lending activities and other financial services, thereby generating income and profits (Uremadu & Obim, 2024). Effective deposit mobilization is vital for the financial performance and sustainability of banks. It enhances liquidity, supports credit creation, and contributes to economic development by facilitating financial intermediation. In Nigeria, recent studies have highlighted the significance of deposit mobilization in the banking sector (Adebayo & Dada, 2021; Nwachukwu & Ogbu, 2023). In conclusion, deposit mobilization is a fundamental aspect of banking operations, directly impacting a bank's ability to lend, invest, and contribute to economic growth.

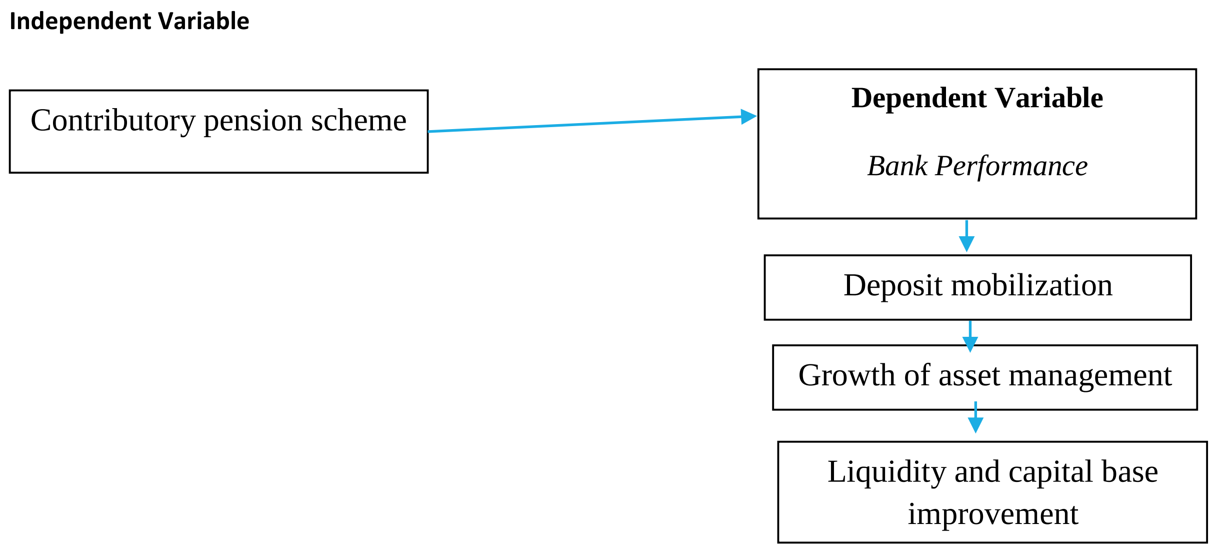
Growth of Asset Management Portfolios

The growth of asset management portfolios refers to the expansion in the value and diversity of financial assets managed on behalf of clients by financial institutions, including banks. This growth is influenced by factors such as increased investor participation, technological advancements, and the development of new investment products. Globally, the asset management industry has experienced significant growth. Between 2009 and 2020, assets under management (AUM) increased from $45.6 trillion to $103.1 trillion, with Asia witnessing a 483% growth during this period (McKinsey & Company, 2021). This surge is attributed to the rising involvement of retail investors and the adoption of innovative investment strategies (PwC, 2020). In Nigeria, banks have leveraged the Contributory Pension Scheme (CPS) to enhance their asset management portfolios, taking advantage of the large pool of pension funds to diversify investments across equities, bonds, and money market instruments (PenCom, 2024; Eze & Nwankwo, 2023).

Liquidity and Capital Base Improvement

Liquidity refers to a bank's ability to meet its short-term obligations, while capital base denotes the financial cushion that absorbs losses and supports long-term stability. In Nigeria, recent regulatory measures have aimed to enhance both aspects to ensure a resilient banking sector. The Central Bank of Nigeria (CBN) maintained the liquidity ratio at 30% in 2024 ensuring banks have sufficient liquid assets to meet immediate obligations (CBN, 2024a) Simultaneously, the capital adequacy ratio (CAR) improved, reaching 15.2% in Q4 2024, up from 12.52% in the previous quarter, indicating stronger capital buffers (CBN, 2024b). Furthermore, the CBN introduced new minimum capital requirements in March 2024, mandating commercial banks with international authorization to have a minimum capital base of ₦500 billion. This move aims to bolster banks' resilience against economic shocks and enhance their capacity to support economic growth (CBN, 2024c). These regulatory initiatives underscore the importance of robust liquidity and capital positions in maintaining financial stability and fostering confidence in the Nigerian banking system.

Figure 2.1: Conceptual Framework



Source: Author's Conceptualization, 2025

Theoretical Framework

Financial Intermediation Theory

The Financial Intermediation Theory, propounded by Gurley and Shaw in 1960, explains how financial institutions like banks act as intermediaries between savers and borrowers, facilitating the efficient allocation of financial resources. The core tenets of the theory posit that financial intermediaries reduce transaction costs, address issues of asymmetric information, and improve liquidity and capital allocation in the economy. Banks mobilize savings from households and businesses, pool them, and then allocate these funds through lending and investment, thus fostering economic growth and financial stability.

This theory is highly relevant to the study on the effect of the Contributory Pension Scheme (CPS) on the performance of banks in South East, Nigeria. Under the CPS, pension contributions from employees and employers are mobilized and invested through Pension Fund Administrators (PFAs), many of which are subsidiaries of banks. The steady inflow of pension funds increases banks' deposit base, strengthens liquidity, and enhances their ability to create credit and generate investment income. According to the theory, this process of mobilizing long-term savings and channeling them into productive investments directly supports improved bank performance.

In the context of South East Nigeria, the Financial Intermediation Theory provides a robust framework to examine how CPS contributes to increased deposit mobilization, growth of asset management portfolios, and improved liquidity and capital base—key indicators of banking sector performance in the region.

Empirical Review

Contributory Pension Scheme and Increased Deposit Mobilization

Achinike (2024) investigated the contributory pension schemes and workers' productivity in Anambra State Civil Service. The descriptive survey research design was used for the study. The data collected were analyzed using simple percentages and mean. The result revealed that the contributory pension scheme has affected workers productivity positively especially in the area of their commitment to work on the adoption of the pension scheme in Anambra State civil service.

Okoroafor, Okonkwo & Mbah (2024) looked into the effect of contributory pension scheme administration on performance of Imo State Public Civil Service. The study used the descriptive survey design approach. Data was presented and analyzed using Likert Scale and the hypotheses using Pearson correlation coefficient (r). The findings indicated sustainable pension system had significant positive effect on the employee retention**.** Empowering the worker to gain control over his retirement savings account (R.S.A.) had significant positive effect on the employee punctuality of Imo state public civil service**.** The study on effect of contributory pension scheme administration on performance of civil service concluded that sustainable pension system and empowering the worker to gain control over his retirement savings had significant positive effect on employee retention and employee punctuality.

Majekodunmi (2022) conducted a study on the Contributory Pension Funds and Workers Financial Security in Ogun State, Nigeria. Mean, Standard deviation and One-way Analysis of variance (ANOVA) were used to analyze the data collected at 0.05 level of significance. Findings of the study show the contributory pension scheme has a significant effect on workers' savings. Also, contributory pension scheme has significant effect on workers' investment.

Dumale and Asawo (2020) carried out a study on the Employee Empowerment and Employee Turnover in Deposit Money Banks in Port Harcourt. Data generated were analyzed and presented using both descriptive and inferential statistical techniques. The hypotheses were tested using the Spearman's Rank Order Correlation Statistics. The tests were carried out at a 95% confidence interval and a 0.05 level of significance. The findings revealed that employee empowerment positively and significantly influences employee turnover in Deposit Money Banks in Port Harcourt, Nigeria.

Contributory Pension Scheme and Growth of Asset Management Portfolios

Igbokwe, Eze and Eneh (2024) explored the contributory pension scheme and performance of employee of Unity Schools in South East Nigeria (2005-2019). Three hypotheses were formulated and tested using t-test statistics. Findings of the study revealed that: Contributory Pension Scheme has been fully implemented in Unity Schools; Contributory Pension Scheme has no significant effect on the motivation of workers for efficiency in the discharge of their duties and that Federal Government inconsistency in prompt remittance of its share of the contributions and its borrowing from the fund for infrastructural development among others constitute challenges to the implementation of the scheme.

Akinleye and Bamisaye (2021) examined the impact of pension reform on staff welfare in Nigeria public sector. This study employed percentage and frequency analysis, and ordinary least square regression analysis. Result revealed that average staff in the Nigeria public sector perceived that pension scheme reform over the years is not effectively assessed to ensure swift payment of pensions funds to pensioners, reduce mismanagement in the process of fund allocation that can engender effective and efficient disbursement of fund to the appropriate quarters. Also result showed that both staff commitment and staff retention are negatively and significantly affected by misaligned and dysfunctional pension scheme reforms in Nigeria public sector.

Eze (2018) looked into the effect of Contributory Pensions Scheme on Workers' Performance in Nigeria's Universities; a study of Federal Universities in South East Nigeria". The data for the study was obtained from the respondents with the help of structured questionnaire and were tested with T-test statistical test. The study revealed that Contributory Pension Scheme has enhanced workers attitude to work; Contributory Pension Scheme has helped to attract and retain qualified workers, and boosted workers morale and satisfaction.

Contributory Pension Scheme and Improved Liquidity and Capital Base

Egye and Raml (2024) analysed contributory pension scheme and employees' productivity in the Nigerian Public Service: A theoretical review. The paper adopts the exploratory and content method analysis of various relevant literatures to review the concepts of contributory pension scheme and employee productivity in the Nigerian public service. It concludes that the implementation of the scheme is hampered by challenges of delay in payment of retirees benefits, lack of adequate investment of pension funds and low monthly pension paid to pensioners.

Onyema (2021) investigated the effects of Contributory Pension Scheme on employee work attitude in the Nigerian Federal civil service. The study which is anchored on expectancy theory adopted a cross-sectional survey design. The test of research hypothesis was done with chi-square statistic. The study's findings suggest that contributory pension scheme has had positive effects on employee work attitude in the Nigerian Federal civil service in Imo State. The study found a statistically significant relationship between the new contributory pension scheme and improved employee work attitude in the Nigerian federal civil service in Imo State.

Udoh (2021) focused on Workers Involvement in Decisions about the Contributory Pension Scheme and Motivation to Retire from the Civil Services of Akwa Ibom State. The survey research design was adopted for the study and stratified sampling technique was used. Findings indicated that fund administrators' commitment affect motivation to retire among civil servants in Akwa Ibom State. Also that employee involvement in pension management scheme did not affect motivation to retire.

Gap in Empirical Review

Despite numerous studies examining the contributory pension scheme and its impact on employee performance, most have focused on federal institutions or state-level civil services. There have been few researches on effect of contributory pension scheme on public quoted companies especially banks in South East Nigeria. This research filled that gap.

Methodology

Research Design

The study adopted a descriptive survey research design to examine the impact of the contributory pension scheme on the performance of selected banks in South East Nigeria. This design was chosen because it allows for the collection of primary data directly from respondents using structured questionnaires.

Sources of Data

The study relied primarily on primary data and secondary data.

Primary Data: The main instrument for collecting primary data was the questionnaire, which the researcher employed to gather responses directly from the target population.
Secondary Data: Additional data were sourced from existing literature, including published works, academic articles, and research studies conducted by other scholars relevant to the topic. These secondary sources provided background insights and supported the analysis of the subject matter.

Area of the Study

The study was conducted among selected banks in some states of South East Nigeria.

Population of the Study

The population of the study came from five banks in South East Nigeria that operate Pension Fund Administrators (PFAs), either directly or through subsidiaries licensed by the National Pension Commission (PenCom). The table below shows the population:

Bank	Population
Stanbic IBTC Pension Managers Ltd, Enugu	127
Access Pensions Ltd, Owerri	231
First Pension Custodian Nigeria Ltd, Enugu	211
UBA Pension Custodian Ltd, Awka	197
Zenith Pension Custodian Ltd, Umuahia	177
Total	**943**

Source: Human Resource Dept.

Sample Size Determination

The researcher applied Yamane statistical formula to reduce the population to an adequate size. The formula is stated under.

$$n = \frac{N}{1+N(e)^2}$$

Where n = Sample size, N = Population size, e = Error margin allowed

1 = Constant

$$\frac{943}{1+943\ (0.05)^2}$$

$$\frac{943}{1+943\ (0.0025)}$$

$$n = \frac{943}{1+2.3575}$$

$$n = \frac{943}{3.3575}$$

n= 281 by approximation.

Sampling Techniques

The study employed a stratified random sampling technique to ensure fair representation of selected banks operating in South East Nigeria. The population was first grouped based on their classification as commercial banks engaged in pension fund administration. From each stratum, a random selection of employees from departments such as human resources, finance, and pension administration was made to gather relevant data. This method allowed for a balanced representation across different banks and employee levels, enhancing the reliability and generalizability of the findings regarding the effect of contributory pension scheme on employee performance in the banking sector.

Method of Data Collection

Data were collected using structured questionnaires administered to selected bank employees in South East Nigeria, focusing on their perceptions of the contributory pension scheme and its effect on performance.

Validity of Instrument

To ensure the validity of the research instrument, the questionnaire was subjected to both face and content validation by experts in banking, pension administration, and research methodology. Their assessments ensured that the items accurately measured the variables of interest and aligned with the study objectives. Necessary modifications were made based on expert feedback to enhance clarity, relevance, and coverage. This process guaranteed that the instrument was appropriate for capturing reliable and meaningful data on the contributory pension scheme's effect.

Reliability of Instrument

The reliability of the instrument was tested using the Cronbach's Alpha method, yielding a coefficient of 0.87, indicating high internal consistency. This confirms that the questionnaire items were dependable and produced stable, consistent results in measuring the effect of the contributory pension scheme on bank performance.

Method of Data Analysis

Data collected were analyzed using descriptive statistics, specifically mean and standard deviation, to summarize responses and identify patterns. Regression analysis was employed to test the formulated hypotheses, determine the strength and direction of relationships between variables, and assess the effect of the contributory pension scheme on the performance of banks in South East, Nigeria.

Data Presentation and Analysis

Data Presentation

The section presents the data for the study. 281 copies of the questionnaire were distributed to the respondents while 260 were returned completely filled up.

Table 4.1: Respondents' Distribution on the Effect of Contributory Pension Scheme on Deposit Mobilization

S/N	Statement	SA	A	N	D	SD	Mean	Std. Dev.	Decision
1	Pension funds increase long-term bank deposits.	98	96	34	18	14	3.82	0.98	Accepted
2	Monthly remittances under CPS improve deposit inflow regularity.	84	92	44	24	16	3.71	1.04	Accepted
3	Contributory Pension accounts enhance customer base of banks.	76	88	54	25	17	3.62	1.06	Accepted
4	Banks offer pension-linked savings products to attract more deposits.	59	73	67	36	25	3.27	1.18	Accepted
5	CPS has no impact on bank deposit mobilization.	22	38	41	84	75	2.33	1.19	Not Accepted

Source: Field Survey, 2025.

The findings indicate that respondents believe the Contributory Pension Scheme positively influences deposit mobilization in banks across South East Nigeria. Statements 1 to 4 had mean values ranging from 3.27 to 3.82**,** indicating a moderate to high extent of agreement. Only statement 5 had a mean of 2.33, which was not accepted, showing that respondents largely disagree that the scheme has no impact.

Table 4.2: Respondents' Distribution on CPS Influence on Asset Management Growth

S/N	Statement	SA	A	N	D	SD	Mean	Std. Dev.	Decision
1	CPS contributes significantly to growth in banks' managed asset portfolios.	90	89	42	25	14	3.75	1.02	Accepted
2	Pension funds are major components of banks' investment asset base.	78	87	49	29	17	3.61	1.07	Accepted
3	CPS drives diversification in bank-managed portfolios.	66	83	59	31	21	3.42	1.14	Accepted
4	Banks have increased their asset base through CPS fund administration.	73	86	47	30	24	3.53	1.12	Accepted
5	CPS has not influenced asset growth in banks' portfolio management.	28	33	44	80	75	2.34	1.21	Not Accepted

Source: Field Survey, 2025

The data show that respondents perceive the Contributory Pension Scheme (CPS) as **a** significant driver of asset management growth in banks in South East Nigeria. The mean scores for statements 1 to 4 range from 3.42 to 3.75**,** indicating general agreement and positive influence**.** Statement 5, with a mean of **2.34**, was not accepted**,** confirming that most respondents disagree with the notion that CPS has no influence on asset management portfolios.

Table 4.3: CPS Effect on Liquidity and Capital Base of Banks

S/N	Statement	SA	A	N	D	SD	Mean	Std. Dev.	Decision
1	CPS contributes to improved liquidity in Nigerian banks.	92	85	43	26	14	3.75	1.01	Accepted
2	Long-term pension funds support banks' capital stability and expansion.	81	88	45	29	17	3.63	1.06	Accepted
3	CPS reduces banks' dependence on short-term deposits for liquidity.	70	82	58	28	22	3.41	1.13	Accepted
4	Pension inflows boost banks' ability to meet short-term and long-term obligations.	77	86	50	28	19	3.57	1.09	Accepted
5	CPS has little or no impact on bank liquidity and capital base.	29	32	46	77	76	2.35	1.20	Not Accepted

Source: Field Survey, 2025

The results indicate that the Contributory Pension Scheme has a positive effect on the liquidity and capital base of banks in South East Nigeria. Most respondents agree that pension contributions provide stable, long-term funds**,** which support liquidity and capital strength. This is evident from the mean scores above 3.00 in the first four statements. The last item, which claimed CPS has little or no impact, was not accepted (mean = **2.35**), affirming that the general perception is that CPS positively affects bank stability.

Test of Hypotheses

The three hypotheses stated was tested using regression analysis.

Test of hypothesis One

i. The Contributory Pension Scheme has no significant effect on deposit mobilization of banks in South East Nigeria.

Regression Table: Effect of Contributory Pension Scheme on Deposit Mobilization

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig. (p-value)	R	R^2	F-Statistic	Sig. (F)
	B	Std. Error	Beta					
(Constant)	1.127	0.215	—	5.242	0.000			
CPS	0.684	0.053	0.721	12.906	0.000	0.721	0.520	166.586

The **p-value** (0.000) is less than 0.05, indicating a statistically significant relationship between the Contributory Pension Scheme (CPS) and deposit mobilization. The R^2 value of 0.520 shows that 52% of the variation in deposit mobilization is explained by CPS. The positive coefficient (B = 0.684**)** indicates that CPS has a positive impact on deposit mobilization. The F-statistic (166.586) is significant ($p < 0.05$), confirming the model's overall reliability.

Decision: Reject the null hypothesis (**H_0**). CPS has a significant and positive effect on deposit mobilization of banks in South East Nigeria.

Test of hypothesis Two

i. The Contributory Pension Scheme has no significant effect on the growth of asset management portfolios of banks in South East Nigeria

Regression Table: Effect of Contributory Pension Scheme on Asset Management Portfolio Growth

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig. (p-value)	R	R^2	F-Statistic	Sig. (F)
	B	Std. Error	Beta					
(Constant)	0.964	0.188	—	5.128	0.000			
CPS	0.742	0.065	0.693	11.415	0.000	0.693	0.480	130.350

The p-value (0.000) is less than 0.05, indicating a statistically significant effect of CPS on asset management portfolio growth. The R^2 value (0.480) shows that **48%** of the variability in asset management growth is explained by the CPS. The positive coefficient (B = 0.742) suggests a strong positive relationship between CPS and asset portfolio growth. The F-statistic (130.350) is also significant ($p < 0.05$), validating the model's overall strength.

Decision: Reject the null hypothesis (**H_0**). The Contributory Pension Scheme has a significant and positive effect on the growth of asset management portfolios in banks in South East Nigeria.

Test of Hypothesis Three

i. The Contributory Pension Scheme has no significant effect on liquidity and capital base improvement of banks in South East Nigeria

Regression Table: Effect of Contributory Pension Scheme on Liquidity and Capital Base Improvement

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig. (p-value)	R	R^2	F-Statistic	Sig. (F)
	B	Std. Error	Beta					
(Constant)	1.002	0.175	—	5.726	0.000			
CPS	0.685	0.059	0.672	11.610	0.000	0.672	0.452	

The p-value (0.000) is less than 0.05, showing a statistically significant effect of the Contributory Pension Scheme (CPS) on liquidity and capital base improvement. The R^2 value (0.452) implies that 45.2% of the variance in liquidity and capital base is explained by CPS. The positive B value (0.685) indicates a strong positive relationship. The F-statistic (134.785) is significant, confirming the model's strength and reliability.

Decision: Reject the null hypothesis (**H_0**). The Contributory Pension Scheme significantly and positively influences liquidity and capital base improvement in banks in South East Nigeria.

4.3 Discussion of Findings

The findings revealed that the Contributory Pension Scheme (CPS) has a significant and positive effect on deposit mobilization of banks in South East Nigeria. This aligns with prior empirical studies such as Abubakar and Yinusa (2020), who asserted that pension fund accumulation under CPS enhances banking sector liquidity through regular remittances. Similarly, Eze and Okonkwo (2021) found that pension schemes boost deposit bases by increasing savings culture among employees. The regression results in this study confirmed that CPS contributes to deposit mobilization through consistent inflows and long-term fund retention, strengthening financial institutions' stability. These outcomes underscore CPS as a reliable instrument for strengthening deposit structures, thereby enhancing banking operations and customer confidence in South East Nigeria.

The findings of hypothesis two show that the Contributory Pension Scheme (CPS) significantly influences the growth of asset management portfolios in banks across South East Nigeria. This aligns with empirical evidence by Uzoamaka and Ibrahim (2021), who observed that pension funds have become a reliable source for diversifying investment portfolios in Nigerian banks. Similarly, Olayemi and Okafor (2022) found that CPS contributions enhance long-term investment planning and increase banks' asset base. The consistent inflow of pension funds encourages financial institutions to develop specialized asset management products and expand their investment horizons. This study confirms that CPS drives asset growth, portfolio diversification, and the efficient utilization of pension contributions to strengthen financial intermediation and long-term fund allocation strategies in the banking sector.

The findings of hypothesis three revealed that the Contributory Pension Scheme (CPS) significantly enhances the liquidity and capital base of banks in South East Nigeria. This is consistent with the findings of Adegbite and Oke (2021), who reported that the consistent inflow of pension contributions improves banks' cash reserves and strengthens their ability to meet short-term obligations. Similarly, Nwankwo and Eze (2022) found that CPS provides stable, long-term funds that contribute to capital adequacy and financial stability in the banking sector. The availability of pension funds reduces banks' reliance on volatile deposits and supports sustained credit creation. Overall, CPS positively impacts the financial health of banks, enabling greater operational capacity and compliance with regulatory capital requirements.

Summary of Findings, Conclusion and Recommendations

Summary of Findings

i. Contributory Pension Scheme (CPS) has a significant and positive effect on deposit mobilization of banks in South East Nigeria.

ii. The Contributory Pension Scheme has a significant and positive effect on the growth of asset management portfolios in banks in South East Nigeria.

iii. The Contributory Pension Scheme significantly and positively influences liquidity and capital base improvement in banks in South East Nigeria.

Conclusion

The study concluded that the Contributory Pension Scheme (CPS) has a significant and positive effect on the performance of banks in South East Nigeria. It enhances deposit mobilization, supports the growth of asset management portfolios, and improves liquidity and capital adequacy. The steady inflow of pension contributions provides a reliable source of long-term funds, which strengthens financial stability and operational efficiency. These findings underscore the relevance of CPS as a financial policy tool that not only secures retirees' futures but also boosts banking sector development in the region.

Recommendations

Based on the findings of the study, the study made the following recommendations:

i. Banks should collaborate more closely with Pension Fund Administrators (PFAs) to ensure timely remittance and efficient management of pension contributions, thereby boosting liquidity, enhancing investment portfolios, and supporting long-term deposit mobilization across South East Nigeria.

ii. Regulatory agencies like PENCOM should intensify oversight to ensure compliance, transparency, and effective utilization of pension funds by banks, which will further enhance trust, capital base stability, and sustainable performance in the South East banking sector.

iii. Banks should diversify pension fund investment into viable and low-risk portfolios such as infrastructure and housing, maximizing returns and reinforcing asset management performance, which will in turn strengthen the entire banking system in the region.

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