
Determinants of Financial Performance of Pension Fund Administrators in Nigeria

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Abstract

This research studies aimed at examining financial performance of pension fund administrators in Nigeria. Therefore, the consider fund expenditure and fund size as some determinants of financial performance of pension fund administrators. The study further aims to identify the difference in performance between the classes of funds, which are based on multi fund structure system. This study uses 19 PFAs firm-year panel data for a 6-year period ranging from 2018 to 2023 to analyse the findings. To arrive at the desired results, Analysis of variance (ANOVA) was used to analyse the performance difference between the classes of funds and the financial performance of each of them accordingly. The findings revealed that there are significant differences in performance between the classes of funds. Furthermore, The findings about the determinants established the fact that fund expenses significantly influence the financial performance of funds, while fund size have no significant impact on the financial performance of pension fund administrators in Nigeria. Overall, the research findings provide evidence on the performance of the different categories of fund, which will help the contributor(s) to decide on whether to stay on their default fund or move to another fund. Moreover, the findings of this study should be of interest to managers in minimizing expenses and proper utilization of assets to improve company's financial performance respectively.

Keywords: Fund expenditure, Fund size, Financial Performance.

1. Introduction

Pension funds are the principal sources of retirement income for millions of people in the world. Pension schemes are financial institutions that manage the savings of the employees to the point of retirement. The need for better managed pension funds in many countries has been compelled by rising populations around the world (Hamis, 2024). Pension funds administrators are created for the purpose of managing funds created from employee contributions during their working time. These funds are intended to provide benefits in the form of income to contributing workers after their retirement. Pension funds enable individuals to accumulate savings from their work to be able to finance their consumption needs in retirement. Pension funds are institutional investors that collect, accumulate and invest funds from contributors to provide future benefits to the holders. Employees and employers contribute to pension funds. Managers invest in these contributions conservatively so as not to lose the principal. An annuity plan is a plan that requires an employer to make contributions to a set of funds designated for the employee's future benefit. The funds package is invested in the employee's name and the investment income generates the income for the employee after his or her retirement (Mazreku et al., 2020).

The pension scheme in Nigeria has experienced a highly deficient service delivery regardless of the growing numbers of pensionable public outlets of the public sector service (Nwanna & Ogbonna, 2019). In order to address the shortcomings of the previous system, the new Pension Reform Act was created in 2004 and is based on a defined contribution scheme. The 2004 Act has undergone numerous modifications throughout the many years since it was established. These include the Provisions Act of 2012, which examined the retirement age and benefits of university professors; the Pension Reform Act of 2014; and the Pension Reform Amendment Act of 2011, which exempts the personnel of the military and security agencies from the Contributory Pension Scheme (CPS), as well as the universities (other). This included the Third Alteration Act, which altered the 1999 Constitution by giving the National Industrial Court authority over pension disputes (Peter et al., 2024). However, a significant question is whether the new pension laws have been successful in addressing the issues related to retirement plans in the past. Some have specifically questioned whether the Contributory Pension Act of 2004 has been able to address the issues of economic development, corruption, poor pension fund administration, embezzlement, insufficient pension fund build-up, poor monitoring and evaluation, and the overall institutional failure that characterized pension schemes in Nigeria. The financial security of workers after retirement faces significant challenges as a result of this circumstance (Peter et al., 2024). It is obvious that the operation of the funded pension program in Nigeria has been hindered, as it faces several difficulties that endanger its prospects due to weak institutions, corruption, social inequality, and insecurity. Despite the change from a defined benefit to a contributory pension system, a number of problems have emerged, such as money misappropriation, which raises questions about whether the program is actually boosting the financial performance. This question has been addressed by academics. For instance, research conducted by (Sabiya & Joel, 2023) concluded that firm characteristics has a significant effect on financial performance of PFAs, (Aliyu et al., 2024) indicate that corporate age and corporate revenue has positive and significant influence on the financial performance of PFAs in Nigeria. While corporate expenditure has a significant negative impact on the financial performance of PFAs in Nigeria, as such has inverse relationship with the PFAs financial performance.

Prior to 2004, the Nigerian pension industry practiced the old defined-benefit system (in which retirement benefits are fixed) which are paid from the employer's current revenue or by government out of current taxes. This scheme was burdened with a lot of problems and increasingly became unsustainable. The huge deficit, arbitrary increases in salaries and pension along with poor administrative structure brought about the need for pension reform (Ovosi, 2016). The reform led to the setting up of a private system where employees fund their own retirements through compulsory savings. This is a fully funded, define contributory scheme that necessitates the employer paying into the pension account a minimum of the employee's 8% of his pensionable salary to the same account while the government pay 10% (revised in 2014) to make a total of 18% minimum of the pensionable salary (Pension-Reform-Act, 2014). The contributions are deducted and transferred into the relevant retirement savings account managed by Pension Fund Administrators (PFAs) and Pension Fund Custodians (PFCs). (Ovosi, 2016). While PFAs invest the contributions in Government, and Corporate bonds, Shares, Bank Deposits and Certificates as well as Open Ended Investment Funds, among others, the PFCs hold the assets and funds of the pension funds (Ovosi, 2016).

Pension funds need to be well managed in order to have a better balance between the available funds generated from available investment opportunities and payment to retirees. This normally depends on the performance of pension funds to deliver stable and sufficient income to cover retirement benefits. Thus, the performance of pension funds is quite crucial since they play a very significant role in the economy of any country (Hamis, 2024). Pension Fund Administrators (PFAs) are also known as pension companies are allowed to handle

pension money and assets for individuals and organizations within the terms of the pension law. In Nigeria, pension funds are privately managed by PFAs whose activities are monitored by the National Pension Commission (PenCom). The pension fund custodians are licensed financial institutions that are allowed by the Act to keep pension savings. The PFC should notify the Pension Fund Administrator (PFA) within 24 hours of any receipt of contributions. In the past, Pension schemes have always been non-contributory and came from budgetary allocations (Fapohunda, 2013). Due to the complete reliance on administration, regulation, and funding by the government, a lot of issues arose such as diversion of remittance or allocated fund, existence of ghost pensioners on the pension's payroll, non-availability of records, unskilled administration, inadequate funding and delay or lack of payment after retirement (Sabiya & Joel, 2023).

The performance of pension funds is very important as they play a very significant role in the economy of any country as they are designed to assist the retired. They are also sustained by administrative fiat by the government otherwise workers will not willingly accept it. There is need for pension funds to engage in proper management of the resources entrusted to them (Ovosi, 2016). According to (Antolín & Stewart, 2009), pension funds need to measure their financial performance against long term optimal benchmarks. Some of the parameters that may be important in measuring the financial performance include: The presence of other sources of retirement income, including the income from public retirement schemes, the rate of contributions, fund size and fund expenditures among others.

As of July 2, 2018, all Nigeria's PFAs adopted the Multi Fund Structure for RSA, whereby the funds are separated into four different fund categories. The Multi Fund Structure is a framework that aligns with the age and risk profile of RSA holders. The multi fund system allows for inter-fund movement. The fund classifications are:

- **RSA FUND I:** (An active contributor who is under 50 years old and elects to have his/her contribution invested in this fund). A large portion of the fund is invested in purchasing shares of firms, compared to other fund types; therefore, it has the biggest exposure to the stock market among all the funds within the multi fund structure.
- **RSA FUND II:** (default fund for all active contributors who are under 50 years old). Most RSA holders belong to this group.
- **RSA FUND III:** (default fund for all active contributors aged 50 or over). The PFAs are mandated to transfer anyone at 50 years of age or older from Fund II to Fund III.
- **RSA FUND IV:** (Fund solely for retirees). The Retiree fund is another name for it. The Fund IV category is the default location for all RSA holders who have retired from active duty, and retirees are not allowed to change to any other fund categories (Nairametric, 2020).

2. Literature Review

2.1 Theoretical Framework

2.1.1 Resource-Based View (RBV) Theory

Resource-based view (RBV) is the underlying theory that support this research. Resources are generally defined as “all assets, capabilities, organizational processes, firm attributes, information, and knowledge, controlled by a firm” (Barney, 1991). The RBV is the perfect theory for analyzing a business's performance since it investigates the relationship between firm's internal features and its competitive advantages (Cruz & Haugan, 2019). RBV theory focuses on an internal analysis of the variance in resource endowments to explain the heterogeneity in firm performance (Barney, 1991; Miller & Shamsie, 1996). The present study, therefore, considers RBV as the most suitable theory because a firm's resources are the main factors that determine how well it performs and can help the company maintain a competitive advantage. In the case of Pension Fund Administrators, the resources include the fund size (which represent assets under management), and the amount of money expended in managing

the PFAs which is examined by the present study. Overall, the reasons for choosing RBV theory, as the underlining theory in this study is that, it recognize fund expenses and fund size as the firm's resources, which could be used to determine the firm's financial performance.

Conceptual Review of the Determinants of financial Performance of Pension Funds

There are several determinants that influence the financial performance of pension funds administrators. However, in this study, the following determinants were considered.

Financial Performance.

Financial Performance refers to the degree to which financial objectives has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period and can also be used, to compare similar firms across the same industry or to compare industries or sectors in aggregation. The financial performance analysis identifies the financial strength and weakness of the firm by establishing relationship between the items of the balance sheet and profit and loss account. However, the financial performance of a firm reflects how effectively the firm has been managed and resources utilized. It can be measured in terms of profitability. There are various measures of financial performance. For instance, return on sales reveals how much a company earns in relation to its sales, return on assets explain a firm's ability to make use of its assets and return on equity reveals what return investors take for their investments (Alamro & Al-soub, 2012). Company's performance can be evaluated in three dimensions. The first dimension is company's productivity, or processing inputs into outputs efficiently. The second is profitability dimension, or the levels at which company's earnings are bigger than its costs. The third dimension is market premium, or the level at which company's market value exceeds its book value (Sabiya and Joel, 2023). One way of determining the financial performance of pension schemes is by use of ratios. According to Gallagher and Martin, (2005) ratios are defined as association between two Financial balances or calculations. Examples of these include Liquidity, Leverage Asset Management, Profitability and Market Value ratios. This study focuses particularly on Return on Equity and Return on Assets. ROE (Return on Equity) refers to a measure of how well the management has utilized the capital invested by shareholders (Brunner et al., 2008). Brunner et al., (2008) also defines Return on Assets (ROA) as the measure of the net income returned on each shilling of assets and Profit Margin as a measure of profit percentage generated for each shilling of sales. This study focuses on investment performance particularly returns on investments. This choice is informed by the researcher's opinion that the difficulties experienced by pension plans are only partially attributable to the performance of stock markets.

Fund Expenditure and Financial Performance.

Expenditure of the Fund (EXFD) refers to expenses incurred for the administration and management of the fund. Expenses that may accrue specifically to the fund; professional valuation fees, trustee fees and custodial fees, fees for investment management, costs of records retention, benefit calculation, member communications, legal or consulting fees, costs to carry out governance regulations, Audit fees, bank charges and other professional costs approved by the PenCom, 2018 (Sabiya and Joel, 2023). OECD (2019), defines pension expenditure as the payments made by the pension scheme including lump sum upon retirement or to the beneficiaries (Philip., 2019). There are administrative and operational expenses that needs to be taken into account while looking at the performance of pension scheme including labour costs, costs of supplies, taxes and utilities (Philip., 2019). Tijjani, (2012) in Sabiya and Joel, (2023), stated that for Pension Fund Administrators to maintain good finances over a long period of time, they must ensure that their income always outweighs the expenses. Therefore, this study consider fund expenses as one of the determinants influencing the financial performance of pension fund administrators in Nigeria as by some scholars. For instance,

Philip., (2019), Sabiya and Joel, (2023), Aliyu et al., (2024) and Afolabia & Erasmus, (2023), in their respective studies used fund expenses as a metric for the financial performance of pension administrators in Nigeria. In their study, Aliyu et al., (2024) reveals that corporate expenditure has a significant and negative impact on the financial performance of PFAs in Nigeria. In contrast, the findings of Sabiya and Joel, (2023), Philip, (2019) and (Temitope et al., 2018) revealed that expenditure of the fund (EXFD) does not have a significant effect on the financial performance of pension administrators in Nigeria.

Fund size and Financial Performance.

Pension fund size is a significant determinant of pension performance and is measured by pension contributions, number of active members, number of active schemes, and active assets (Jangogo, 2019; Kigen, 2016). For this research, the variable fund size is expressed by the Net Pension Asset under Management. The result of empirical studies about fund size and performance of mutual fund is mixed. Some studies reported that funds with larger size can generate better performance because larger funds can achieve more level of economies of scale and diversification (Kimeli, J and Wepukhulu., 2018). Michira (2013) in Jangogo, (2019) and Kimeli, J and Wepukhulu., (2018), states that size matters when choosing a retirement scheme to join. He concludes that bigger pension schemes outperform smaller ones due to economies of scale. For relatively small funds, the performance increases as fund size increases (Kimeli, J and Wepukhulu., 2018). The findings of Jangogo, (2019) revealed that fund size significantly influences investment strategy choice resulting to improved financial performance for Defined Contribution Schemes in Kenya. Bauer, (2010) states that fund size negatively affects scheme performance. The findings of Kimeli, J and Wepukhulu., (2018) show that there is a significant relationship between fund size and performance. In contrast, the findings of Baima et al., (2008) presented a relationship inverse to performance. Smits, (2011) investigates the influence of pension fund size on pension fund Performance. He concluded that no significant positive or negative relationship between pension fund size and pension fund performance is found.

2.2 Empirical Review and Hypotheses Development

In line with the recently established multi-fund structure in 2018, the current study is therefore interested to find out whether there is a significant difference in the performance among the set classes of funds under the PRA, after implementing the multi-fund structure. The study also attempts to examine some determinants influencing the financial performance of pension fund administrators in Nigeria for the years 2018 to 2023. This is achieved by analysing and comparing each factor on the financial performance indicator (using ROI as the performance indicator). Hence, the following hypotheses are proposed to determine whether there are significant difference among the four types of funds in terms of their financial performance.

H1: There is significant difference in the financial performance among the four set types of pension funds.

However, the empirical literature on fund expenses also revealed mixed results. Some studies found that fund expenditure has a positive and significant influence on the financial performance of pension fund administrators (Afolabia & Erasmus, 2023; Kigen, 2016; Philip., 2019). Aliyu et al., (2024) observe a significant and negative impact on the financial performance of PFAs in Nigeria. In contrast, fund expenditure was proven to have an insignificant effect on financial performance (Sabiya and Joel, 2023; Temitope et al., 2018). Based on the available literature and empirical evidences, the study hypothesises that:

H2: Fund expenses positively influence the financial performance of pension fund administrators.

Furthermore, the empirical literature on fund size revealed mixed results. From their findings, Gallagher and Martin, (2005) a pension fund's performance improves as it grows in size. The outcome of Kigen, (2016) shows that fund size has a negative and significant relation with the financial performance of pension funds, while the result of Oluoch, (2013) shows that there is no significant relationship between the amount of assets and the financial performance of the pension funds. Njuguna, (2010) observed that size of funds had no significant influence on operational efficiency of these funds. The findings from the study indicate that fund size is a significant determinant of the financial efficiency of pension funds. The study of Maria (2011) states that pension fund size erodes performance. In their findings Alamro & Al-soub, (2012) Funds size has a significant statistical impact on Financial Performance. Therefore, hypotheses that:

H3: Fund size positively influence the financial performance of pension fund administrators.

3. Methodology

This study employs the quantitative approach, which involves the Ex-post Facto research design. This means that the investigation started after the fact has occurred without interference from the researcher. Data Sources and Sample Selection. The population of the study consists of 19 PFAs, who operate in Nigeria. The study covered a period of six years, 2018 to 2023 (i.e. period within which a multi-fund system was introduced) using secondary data. The sources of data were annual reports of the RSA published by the PFAs that manage the RSA fund. Data were extracted from the statement of income and expenditure for the year, the statement of assets and liabilities as at the year-end and annual reports from PENCOM, which is responsible for the prudential supervision of the PFAs. Model Specification Statistical tests were conducted using descriptive statistics, regressions and Pearson correlations to examine the determinants of the financial performance of PFAs. In addition, Analyses of Variance (ANOVA) was also employed to examine the performance of funds among set classes of funds accordingly.

To achieve the objectives of the study, a model is developed for this study as follows:

$$ROI_{i,t} = \alpha + \beta_1 F_{exp,i,t} + \beta_2 F_{size,i,t} + \epsilon_{i,t}$$

Where:

ROI = Return on investment

F_{exp} = Fund expenses

F_{size} = Fund size

ϵ = Errors that may occur

I = is a notation for the individual PFAs

t = the time period

Measurement of Variables

Variables	Measurements	Sources
Financial Performance	ROI, which will be computed as: Net profit as a percentage of total assets during the year	Yearly amount accrued as a return on the investment of pension contributions of members (Afolabia & Erasmus, 2023)
Fund expenses	Expenses incurred for the administration and management of the fund.	(Sabiya and Joel, 2023)
Fund size	Fund size is measured by the value of its assets under management.	(Michael et al., 2022)

4. Results

FUNDS (FUND I-IV) PERFORMANCE ANALYSIS

Descriptive Analysis for each type of fund

Descriptive statistics for the whole sample that is 19 PFAs across the country is depicted in Table 1. The results indicated that the mean value for average ROI (Avrroi) is 12.034, with a standard deviation of 5.601. The mean values for Fund I, Fund II, Fund III, and Fund IV are 11.252, 12.559, 11.595, and 12.303 respectively. The standard deviation for each type of fund is 8.672, 6.096, 6.222, and 4.337.

Table 1.

DESCRIPTIVE STATISTICS

Variable	Obs	Mean	Std. Dev.	Min	Max
AVR ROI	120	12.034	5.601	-1.84	35.62
FUNDI	120	11.252	8.672	-9.06	38.9
FUNDII	120	12.559	6.096	-3.22	39.27
FUNDIII	120	11.595	6.222	-2.91	39.88
FUNDIV	120	12.303	4.337	3.01	36.23

Source: Researcher's computation using STATA 17.0

The analysis of variance results in table 2 proved a significant difference in performance among different type of funds (Table 2). Fund I (F-value = 1.34, p-value = 0.3185), Fund II (F-value = 56.69, p-value = 0.0000), Fund III (F-value = 298.46, p-value = 0.0000), and Fund IV (F-value = 12.03, p-value = 0.0010). The model has an overall p-value of 0.0000

Table 2

RESULT OF ANOVA TEST

Source	Partial SS	df	MS	F	Prob>F
Model	3684.93396	4	921.233489	2219.36	0.0000
Fund i	3494.1182	1	32.0561303	1.34	0.3185
Fund ii	3728.55825	1	33.2906987	56.69	0.0000
Fund iii	3731.76815	1	33.6195329	298.46	0.0000
Fund iv	3713.37945	1	33.1551737	12.03	0.0010
Residual	47.7353416	115	.415089927		
Total	3732.6693	119	31.3669689		

Number of obs = 120

R-squared = 0.9872

Root MSE = .64427

Adj R-squared = 0.9868

Statistics for independent variables in the regression model

For the regression model, the descriptive statistics for the whole sample is demonstrated in Table 3. The results revealed that the mean value for ROI is 33.163, and the standard deviation is 17.062. The mean values for Fund expenses and Fund size are 4294.129 and 35674.295 respectively. The standard deviation for each of the determinants are 5302.926 and 24553.139 respectively.

Table 3
DESCRIPTIVE STATISTICS

Variable	Obs	Mean	Std. Dev.	Min	Max
ROI	36	33.163	17.062	8.6	75.58
FexpsRSA	36	4294.129	5302.926	.856	16589.35
FsizeRSA	36	35674.295	24553.139	105.415	85159.662

Source: Researcher's computation using STATA 17.0

The model in Table 5 examined the effect of the two measures of the independent variables (fund expenses and fund size) on financial performance (ROI). The model had a coefficient of determination (R^2) = 0.09, indicating that 9% of the variation in financial performance of pension fund administrators was explained by the model leaving 91% of the variations in financial performance as unexplained. The result of the F-statistics with probability value of **0.199** implies that some measures of the independent variables (fund expenses) insignificantly influenced financial performance. However, the regression result depict that, fund expenses has a p-value of 0.331, indicating that it does not have a significant influence on the financial performance, thus, Hypothesis 2 is not supported. Fund size has a p-value of **0.078**, which proves that it has a positive significant influence on the financial performance (ROI), therefore, H3 is supported.

Table 4
REGRESSION ANALYSIS

Variables	Coefficient	Std Error	t-statistics	Prob.
Constant	26.248	4.994	5.26	0.0000 ***
ExpsRSA	-.001	.001	-0.99	0.331
FsizeRSA	0.00	0.00	1.82	0.078 *
R-squared	0.093			
F-statistics	1.696			
SD dependent var	17.062			
Number of obs	36.000			
Prob > F	0.199			

Notes: *, **, *** Indicates significance at 10, 5 and 1% levels, respectively. Dependent Variable: ROI.

Source: Researcher's computation using STATA 17.0

Table 5 shows the Pearson's correlation matrix of the variables under study. Pearson Moment correlation was done on the dependent and explanatory variables respectively. The study shows a significant positive correlation between fund size and fund expenses.

To set this study free from multicollinearity issue, we calculated the variance inflation factors (VIFs) for all the variables (Wooldridge, 2014). The VIFs ranged from 1.75 each, which means all the VIFs are below the cut-off point of 10 (Wooldridge, 2014). This proved that there is no multicollinearity issue among the variables.

Table 5
PEARSON'S CORRELATIONS MATRIX

Variable	ROI	Fexp	Fsize	VIF
ROI	1.000			
Fexp	0.045 (0.793)	1.000		1.75
Fsize	0.258 (0.129)	0.655* (0.000)	1.000	1.75

Note: ***, ** and * indicate significant at 1%, 5% and 10%, respectively.

5. Practical Implications

The results of the study have several policy implications for regulators and policymakers. Firstly, the results highlight some significant influence of fund size funds because PFA with larger fund size can generate better performance because larger funds influences investment strategy choice resulting to improved financial performance (Jangogo, 2019). Secondly, the significant influence of density contribution testifies that the amount contributed tremendously enhances PFAs' financial performance; it is being invested into the variable instruments and fixed income accordingly. Thirdly, the regulators, as well as policymakers, shall ensure that having seen the insignificant results in some variables such as board size, gender diversity and audit quality, it is time to modify the rules and regulations and come up with provisions that advance the number of board members, the appointment of women directors on such boards and determine the modalities for engaging the appropriate audit firm.

6. Discussion and Conclusion

The main objective of this study is to identify whether there are significant performance difference among the four set of funds, which were implemented under the new PRA, after the recent multi-fund restructuring. The study also aims to examine the influence of fund expenses and fund size on the financial performance of PFAs in Nigeria. We adopt the RBV theory to explain the relationship between the selected factors and PFAs' financial performance in Nigeria.

The findings of the study showed that there are significant differences in term of performance among the different fund classification. Empirical evidence revealed that Fund II, with a mean value of 12.559, is the best performing fund. This is justified by the fact that most RSA subscribers belong to this class of fund. Fund IV, with a mean value of 12.303, is the second best performing fund. This is proved by the fact that all the contributors of the former Retirees account and those who retired under the new structure shifted to Fund IV. Fund III, with a mean value of 11.595, is the third performing fund. This is mainly because the subscribers under this fund are few in numbers (pre-retirement), compared to Fund II and IV. Lastly, Fund I, with a mean value of 11.252, is the lowest performing fund because Fund I is optional, that is, the contributors may decide to shift from Fund II or III to Fund I at their own will. Therefore, Fund I may not necessarily have as many contributors as other classes of funds. Furthermore, our regression analysis revealed that fund size positively and significantly influence PFAs' financial performance in Nigeria. The empirical findings lend support to RBV theory. The findings on fund size is in line with RBV theory, which posits that the resources controlled by a firm tend to retain the firm's sustainable competitive advantage (Omari, 2021).

The findings provide evidence on the performance of the different categories of fund, which will help the contributor(s) to decide on whether to stay on their default fund or move to another

fund. Furthermore, the findings of this study should be of interest to contributors in making appropriate choices about firm characteristics to improve company's financial performance. This study is able to give the significant contribution on both theoretical and contextual view. The research mainly contributes to the limited knowledge of pension fund particularly pension fund administrators. In addition, our research has theoretically paved way for understanding the influence of some factors towards PFAs' financial performance. Therefore, each factors' role has been identified and clarified. From the contextual view, this research has indicated that the implementation of multi fund structure under the new PRA has significantly enhance the PFAs financial performance. The overall contribution shows that PFAs performance varies differently as classified into Fund I, II, III and IV. It is hoped that this research may help the contributors to have insight into the research pattern and enable them track the activities of their respective PFAs as well as each fund class. It may also help them identified the best performing class of fund and in turn decide on whether to maintain their fund or move to another class of fund. This research is very significant to the existing knowledge as it covers the new PRA, which is implemented in 2018.

This research is not void of limitations. Future study might consider incorporating more areas, such as age of PFA, number of contributors and contribution density as variables in the study. In addition, future research might need to gather data for a longer period of time, which would provide a better understanding of the relationship between the selected factors and the financial performance. Finally, this study focused only on short-term performance measurement (i.e., ROA), future research could consider long-term performance measurement, such as Tobin's-Q.

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