



**CORPORATE GOVERNANCE MECHANISMS, INVESTMENT POLICY AND FINANCIAL SUSTAINABILITY OF PENSION FUND ADMINISTRATORS IN NIGERIA**

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**ABSTRACT**

*The pension sector plays a crucial role in ensuring the well-being and financial stability of retirees. Simultaneously, the capacity of pension fund administrators to uphold their financial stability has emerged as a significant global issue. Consequently, this research scrutinized the factors (specifically, corporate governance mechanisms and investment policy) influencing the financial sustainability of Nigerian pension fund administrators. Primary data was gathered through a self-administered questionnaire following a cross-sectional research design. The study encompassed the 19 pension fund administrators in Nigeria, with a purposively selected sample size of 228. Data analysis was conducted using the PLS-SEM technique. The results revealed that corporate governance mechanisms ( $\beta = 0.187$ ,  $t = 1.046$ ,  $p = 0.154$ ) and investment policy ( $\beta=0.367$ ;  $t=2.598$ ; and  $p=0.240$ ) exhibit negligible impacts on the financial sustainability of pension fund managers in Nigeria at 5% level of significance. Consequently, it can be inferred that corporate governance mechanisms and investment policy do not exert a significant influence on the financial sustainability of authorized pension fund administrators in Nigeria. The study recommended that pension fund administrators in Nigeria should regularly assess and update corporate governance procedures to align with industry best practices, implement robust oversight mechanisms to ensure transparency and accountability in decision-making processes, and enhance board training and development to improve the effectiveness of governance structures; and periodically review the investment policy to adapt to changing market conditions and emerging risks, diversify investment portfolios to spread risk and enhance potential returns, and utilize advanced risk management tools to identify and mitigate potential investment risks.*

**Keywords:** *Corporate governance mechanisms, investment policy, financial sustainability, and Pension Fund Administrators.*

**JEL Classification Codes:** P33, Q56, M4

**INTRODUCTION**

The financial sustainability of pension fund administrators is a crucial global issue, particularly prominent in developing nations such as Nigeria. Various factors like inadequate regulation, ineffective risk management, insufficient investment policy, and governance challenges contribute to the intricate nature of maintaining pension systems (Boffo & Patalano, 2020). Conversely, in developed nations like the United States, the retirement system has faced criticisms due to lax regulations and high operational expenses (Greenberg, 2022). The US retirement system was graded C+ in 2021 and ranked seventeenth globally, underscoring the hurdles in

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upholding pension systems (Lacurci, 2022). Similarly, pension schemes in OECD countries suffered investment setbacks in 2022, underscoring the difficulties encountered by developed economies (OECD 2023).

In West Africa, economic downturns have presented obstacles to the sustainability of pension systems. The African Development Bank (2023) highlighted slower economic growth in 2023, attributing it to challenges in regulation, investment policy, and governance practices (Gbohoui et al., 2023). Nevertheless, the pension sector in Nigeria witnessed positive transformations with the replacement of the defined benefit scheme. Despite this progress, returns in 2022 fell below the national inflation rate of 18.6%, primarily due to cautious investments and increased capital base requisites (PenCom, 2023). To ensure financial viability, adherence to regulatory standards is pivotal. Relaxed regulations could impact PFAs' capacity to invest and meet financial commitments, thereby affecting long-term sustainability (Marumoagae, 2021; Organization for Economic Cooperation and Development, 2021).

The formulation of investment policy is crucial for PFAs, as it directs asset allocation and investment choices. Effective policies can allure investors and stakeholders, while inadequate policies might impede financial sustainability (Orokwele & Kenneth, 2022), and corporate governance mechanisms hold equal significance. These mechanisms can improve customer trust, service quality, and operational efficiency, all vital for financial sustainability (Omozue, 2021). The dedication of pension fund administrators in Nigeria towards enhancing financial sustainability raises doubts. Hence, there is a necessity to scrutinize the financial sustainability of licensed pension fund administrators in Nigeria concerning compliance with government regulations, investment policy, internal risk management processes, and corporate governance mechanisms.

### ***Statement of the Problem***

Pension fund administrators (PFAs) in Nigeria exhibit significant weaknesses, inefficiencies, complexities, and lack of transparency in their operations. The financial health of pension funds in Nigeria has been significantly impacted by shortcomings in corporate governance mechanisms, particularly in board composition, ethical standards, transparency, accountability, internal risks management and adherence to legal frameworks (Akomea-Frimpong et al., 2022). Deficiencies in board knowledge and independence have been identified as factors affecting decision-making processes, potentially leading to governance failures (Cooray et al., 2020). Instances such as the 2020 arrest of certain pension fund administrators by the Economic and Financial Crimes Commission (EFCC) on allegations of mismanagement underscore the issues of fraud and mismanagement that hinder the industry's progress (Sindhu & Rashmi, 2020). These problems highlight the need for a deeper understanding of the specific elements of corporate governance that influence the financial sustainability of Nigeria's pension industry.

Recent reforms in the pension sector have further raised concerns about the long-term viability of licensed pension investment schemes in Nigeria (Marumoagae, 2021). The mechanisms overseeing pension fund administrators are plagued by deficiencies and inefficiencies, making it difficult for regulatory bodies to ensure adherence to financial reporting standards, risk management protocols, and investment guidelines (O'Dwyer & Unerman, 2020). Effective internal risk management is crucial for the sustainability of pension funds, addressing investment,

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operational, and fraud-related risks. However, the current risk management procedures of pension fund administrators (PFAs) in Nigeria are inadequate (PenCom, 2022), posing significant threats to the security and integrity of pension funds. These vulnerabilities jeopardize the financial well-being and security of retirees, eroding public trust in the pension system. Additionally, the complexities surrounding investment choices and regulations pose challenges for the financial sustainability of pension funds. Understanding how asset allocation, diversification, risk appetite, and investment strategies impact long-term financial robustness in an evolving economic landscape is critical (OECD, 2021). Ensuring compliance with these guidelines and assessing their influence on long-term viability remain pressing issues.

Various studies have examined factors related to the financial sustainability of pension fund administrators, including corporate governance, capital structure, asset size, financial innovation, firm size, net income, inflation, liquidity, and capital adequacy (Chumba et al., 2019; Oloruntoba et al., 2021; Fortuin et al. 2022; Almici, 2022; Saygili et al., 2022; Abdullah & Tursory, 2023; Ria, 2023; Franzoni & Allali, 2023). However, none of these studies investigated the collective impact of investment policy and corporate governance mechanisms, which form the focal point of this study. Thus, through an analysis of the influence of these factors on the financial viability of licensed pension fund managers in Nigeria, this research endeavor aims to contribute to the existing pool of knowledge. Aligned with these objectives, the subsequent hypotheses are formulated in a null format:

H01: Corporate governance mechanisms do not exert a significant influence on the financial sustainability of pension fund administrators in Nigeria.

H02: Investment Policy does not have a significant impact on the financial sustainability of pension fund administrators in Nigeria.

## LITERATURE REVIEW

### *Conceptual Review*

Investment Policy and Corporate Governance play crucial roles in determining the financial sustainability of a pension fund administrator, as asserted by Ali (2022) and Ennis (2023). The definitions of these determinants have been variedly articulated by scholars.

### *Investment Policy*

The investment policy refers to the processes involved in selecting, managing, and overseeing investments to align with the objectives of an entity (Lutz, 2014). Particularly for licensed pension funds, according to Ali (2022), it serves as a comprehensive framework guiding investment choices to yield returns, mitigate risks, and ensure long-term viability. Ennis (2023) opines that the accessibility and lucidity of the investment policy are vital for stakeholders, which include pensioners, regulators, and the public, in comprehending the fund's objectives, risk tolerance, and performance indicators. Criteria for asset allocation, involving diversification across equities, fixed income, and real estate, should be in harmony with the fund's risk appetite and investment goals (Chumba et al., 2019). The policy must outline risk management strategies like diversification and adherence to regulations. Furthermore, considerations should be given to the fund's liability structure, asset-liability matching, and investment horizon, coupled with routine risk evaluations, compliance checks, and performance appraisals (Rajabov & Mustafakulov, 2020). It is imperative for the policy to advocate for sustainable and ethical investment practices,

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address conflicts of interest, and undergo periodic assessments and revisions (University of California Office of the President, 2016).

### ***Corporate Governance Mechanisms***

Adegbite, et al. (2020) posited that corporate governance mechanisms encompass a set of regulations, laws, and practices that govern the functioning and decision-making processes of a corporation. Solomon (2020) depicted that transparency and disclosure form integral aspects of corporate governance, emphasizing the clear and precise presentation of financial and non-financial information to stakeholders through regular reporting and timely disclosure. The board of directors assumes a critical role in corporate governance, entrusted with defining the company's strategic direction, supervising senior management, and protecting shareholders' interests (Solomon, 2020). An effective board composition, characterized by independence, expertise, and diversity, is vital for a well-operating governance framework. Furthermore, corporate governance acknowledges shareholder rights and activism, highlighting the involvement of shareholders in decision-making processes, including director elections, voting on significant issues, and voicing their concerns (Aguilera, 2019).

To ensure the sustainability and enduring prosperity of the organization, a delicate equilibrium among the interests of various stakeholders such as shareholders, pensioners, management, and society must be struck. From a different perspective, the corporate governance mechanisms are indispensable for the operations of pension fund administrators who bear the responsibility of managing and investing the retirement savings of numerous individuals. Effective communication is essential to uphold trust and transparency between pension fund administrators and their stakeholders, a role often facilitated by corporate governance. (Adegbite et al., 2020; OECD, 2020). The corporate governance mechanisms employed by pension fund administrators are crucial for upholding the sustainability and long-term success of the fund, ensuring the protection of beneficiaries' interests. It includes a range of components such as communication, transparency, accountability, ethical conduct, efficient internal controls, shareholder involvement, board composition, fair treatment, monitoring, assessment, and support for reporting misconduct and providing remedies. Effective governance frameworks are essential for pension fund administrators to serve the best interests of all stakeholders and meet their fiduciary duties (OECD, 2019).

### ***Financial Sustainability***

Financial sustainability refers to an organization's capacity to effectively handle resources in order to fulfill both present and future expenses independently, without the need for external support (Mutinda & Ngahu, 2016). In another perspective, financial sustainability encompasses various components and strategies essential for PFAs, including liquidity management, customer base expansion, net income generation, and access to capital (Ametefe, 2018, Barr et al., 2018). Liquidity management involves maintaining cash reserves and balancing liquid and illiquid investments to meet short-term obligations and protect against market fluctuations (Ametefe, 2018). Customer base expansion is crucial, as a steady stream of contributions from employees and employers is necessary for financial viability (Sholikah & Miranti, 2020). Net income, the difference between revenue and expenses, is vital for sustainability and is influenced by factors such as cost management and investment returns (Vida-Melia et al., 2018). Access to capital,

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crucial for growth and operational needs, can be influenced by factors like security, financing sources, and barriers (Bessler et al., 2022).

In Nigeria, PFAs are regulated by the National Pension Commission (PenCom) and must be limited liability companies with the sole objective of managing pension funds (National Pension Commission, 2013). Their functions include opening retirement savings accounts (RSAs) for employees, investing and managing pension fund assets, paying retirement benefits, and accounting for all transactions related to pension funds. Ensuring financial sustainability is paramount for PFAs in Nigeria, as it guarantees the safe and reliable provision of retirement benefits (Olorunfoba et al., 2021). It requires effective management of financial resources, adherence to regulatory requirements, and strategic investment decisions to ensure long-term viability and meet obligations to retirees (Nduru, 2019).

### ***Theoretical Framework***

The theoretical framework of this study is grounded in agency theory, developed by Jensen and Meckling (1976), which examines the relationship between principals (e.g., shareholders) and agents (e.g., managers) within organizations. The theory suggests that agents may act in their self-interest, leading to conflicts with the goals of principals (Jensen & Meckling, 1976). In this study, agency theory is used to analyze the relationship among corporate governance mechanisms, investment policy, and the financial sustainability of licensed pension fund administrators in Nigeria. Corporate governance mechanisms, including board structure, transparency, and accountability, are tools to align managers' interests (agents) with those of shareholders (principals) (Akande et al., 2022). Effective corporate governance mechanisms can reduce conflicts by ensuring managers act in shareholders' best interests, thereby enhancing financial sustainability (Jensen & Meckling, 1976). Similarly, investment policy, guiding investment selection and management, aligns fund managers' interests (agents) with pensioners' (principals) by ensuring investment decisions support the pension fund's long-term sustainability (Siegrist et al., 2020). Agency theory is relevant as it explains how corporate governance mechanisms and investment policy can mitigate agency conflicts, aligning managers' and principals' interests to enhance financial performance (Ria, 2023). However, critics argue that agency theory oversimplifies organizational behavior, overlooking factors like market conditions and regulatory environments that impact financial sustainability (Mahmood et al., 2023). This criticism suggests agency theory may not fully capture the complexities of corporate governance and investment decision-making in pension fund administration (Orbunde et al., 2020).

### ***Empirical Review***

Rustamov (2018) researched how implementing investment policies affected the financial sustainability of Uzbekistan's pension system, discovering a significant positive link between policy effectiveness and increased revenues for the pension fund. Chumba et al. (2019) conducted a similar study on the impact of financial investment strategies on the financial sustainability of universities in Kenya, noting a positive correlation, especially through investments in fixed income securities, equities, and real estate. Fortuin, et al. (2022) investigated the influence of macroeconomic investment policies on wealth inequality in South Africa, finding a significant impact on wealth inequality in the country.

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Velte (2021) delved into corporate governance's role in curbing financial misconduct in Germany, highlighting the importance of board expertise and gender diversity in reducing such misconduct. Almici (2022) explored how corporate governance characteristics affect the relationship between sustainability compensation and non-financial performance in Italy, revealing a positive impact of sustainability-based executive compensation on non-financial performance. Gunther and Walkshausl (2022) studied the determinants of financial sustainability and capital market returns in Europe, revealing that specific conditions applied to investment strategies can lower risks and increase returns. Abdullah and Tursoy (2023) examined how corporate governance influences firms' performance in Germany, noting significant negative impacts of audit committee and board of directors' characteristics on financial performance. Onesti and Palumbo (2023) focused on corporate governance and fraud prevention in Italy, highlighting corporate governance's role in sustainability and the growing importance of the "tone at the top."

Saygili et al. (2022) analyzed the relationship between corporate governance practices and financial sustainability in Turkey, noting inconsistent movements in firms' financial sustainability and corporate governance scores. Alduais et al. (2023) investigated corporate governance's role in creating safe investment opportunities in Yemen, emphasizing its importance in building investor confidence. Boresli et al. (2023) explored the corporate governance factors that attract foreign ownership in Kuwait, highlighting significant determinants such as board size, risk management, CEO duality, and environmental, social, and governance (ESG) practices. Franzoni and Allali (2023) examined corporate governance models in Malaysia and Morocco, focusing on the profit and loss sharing principle and the management of participating deposits in Malaysia.

A study by Ria (2023) assessed corporate governance and company performance in Indonesia, revealing significant associations between board independence, board size, audit committee, and capital structure with company performance. Orbunde et al. (2020) examined how pension investment ventures affected Nigeria's capital market sustainability, finding a negative impact on the economy's all-share index but positive effects on market capitalization and debt capitalization. Suleman and Isaac (2022) studied factors affecting the sustainability of Nigeria's new pension scheme, highlighting the importance of safety and appropriate reinvestment policy for pension fund adequacy and sustainability. Kabara et al. (2023) explored the moderating effect of corporate governance and regulatory compliance on the relationship between board diversity and voluntary disclosure in Nigerian corporations, revealing a positive association between ethnic diversity and voluntary disclosure.

The existing literature on the financial sustainability of pension fund administrators in Nigeria reveals research gaps that call for additional inquiry. Although studies such as Rustamov (2018) and Orbunde et al. (2020) discuss pension funds, they often take a broader perspective. There is a lack of comparative analysis with other sectors or countries, a gap identified in works like Chumba et al. (2019) and Ria (2023). Furthermore, there is a need to investigate specific factors that influence financial sustainability, investment strategies, corporate governance practices, and sustainability metrics that are pertinent to the Nigerian pension industry.

## METHODOLOGY

The study utilized a cross-sectional survey research design, chosen for its ability to gather data from a large number of subjects and compare group differences. This design allowed for the direct

collection of information from the entire population of all 19 licensed pension fund administrators in Nigeria as of May 2023. The approach was justified to enhance the depth and breadth of research, enabling a comprehensive investigation into the determinants of financial sustainability by considering the diverse roles, perspectives, and contributions of all staff members within these organizations. A total of 228 respondents were selected using judgment sampling, with three senior staff members from each of the Finance, Audit, Investment, and administrative departments of the 19 pension fund administrators. These departments were selected for their crucial roles in influencing the financial health and stability of pension fund administrators. The study employed structured questionnaires based on a 5-point Likert scale to gather primary data. Construct reliability and validity tests were conducted using measurement models to ensure the validity and reliability of the instruments.

**Model Specification**

The study adopted Rustamov's (2018) regression model to test its hypotheses, originally designed to assess the impact of investment policy on the financial sustainability of Uzbekistan pension funds. The model of Rustamov (2018) is stated below.

$$FS_i = \beta_1 IP_i + \mu \dots\dots\dots 3.1$$

Where: FP = Financial Sustainability, IP = Investment policy,  $\mu$  = Error terms

The model was adapted and extended by incorporating corporate governance, thus contributing to the existing literature. The revised model is expressed as follows:

$$FS = \beta_1 IP_i + \beta_2 CG_i + \mu \dots\dots\dots 3.2$$

Where: Financial Sustainability = FS, Investment Policy = IP, Corporate Governance Mechanisms = CG,  $\beta_0$  = Coefficient of estimators,  $\beta_0 - \beta_2$  = Parameters of the explanatory variables,  $\mu$  = Error term.

Both descriptive and inferential statistical techniques were employed to analyze the collected data, with Partial Least Squares Structural Equation Modeling (PLS-SEM) used to assess the relationships between variables.

**RESULTS AND DISCUSSIONS**

**Descriptive Analysis**

**Table 1: Response Rate Analysis Summary**

S/N	Items	No of Copies Distributed	Percentage (%)
1.	Copies of Questionnaires	228	100
2.	Copies of Questionnaires Returned	172	75

Source: Survey (2023)

Table 1 provides a summary of the response rate analysis for a field survey conducted in 2023. A total of 221 questionnaires were distributed, representing 100% of the sample size. Out of these, 172 questionnaires were returned, indicating a response rate of 75%. This response rate suggests a strong level of engagement from the survey participants, enhancing the reliability and validity of the survey results (Tabachnick and Fidell, 2013).

**Descriptive Statistics Analysis**

**Table 2: Descriptive statistics for all measurement items.**

Variables	Description of latent variables	Mean	Standard Deviation	Excess Kurtosis	Skewness
CG1	Communication	4.093	0.920	3.504	-1.638
CG2	Transparency	3.866	0.926	1.675	-0.992
CG3	Accountability	3.680	0.868	0.560	-0.476
CG4	Ethical behavior	3.670	1.023	1.133	-1.000
CG5	Effective internal control	3.784	0.987	0.800	-0.857
CG6	Shareholder's engagement	3.608	1.011	0.442	-0.727
CG7	Timely & accurate information	3.938	0.895	1.186	-0.930
CG8	Board Structure& Composition	3.691	1.039	-0.356	-0.354
CG9	Fair treatment	4.165	0.769	0.224	-0.710
CG10	Monitoring & Evaluation	4.052	0.723	-0.555	-0.245
CG11	Encouragement of whistleblowing & remedy for misconduct	3.732	1.126	-0.300	-0.727
IP1	Transparency & Understandable.	3.907	0.733	-0.028	-0.329
IP2	Fund Allocation	3.794	0.963	-0.052	-0.488
IP3	Risk Management	3.866	0.782	-0.824	-0.021
IP4	Investment Balanced and Diversification	4.021	0.773	0.188	-0.580
IP5	Clear Guidelines	3.814	1.049	0.327	-0.817
IP6	Evaluation and Monitoring	3.876	0.977	-1.295	-0.152
IP7	Sustainability and Growth	4.103	0.753	0.736	-0.764
IP8	Potential Conflicts of Interest	3.763	0.770	-0.030	-0.384
IP9	Periodical Review and Update	3.763	1.101	-0.031	-0.833
FS1	Liquidity Management	4.082	0.684	-0.848	-0.107
FS2	Sufficient Cash Reserve	4.031	0.665	-0.716	-0.035
FS3	Information Descriptions of Investment Risks.	4.093	0.964	-0.505	-0.750
FS4	Customer Base, Service and Support	4.392	0.712	-0.701	-0.743
FS5	Consistency in Net Income Generation	4.093	0.774	-1.323	-0.164
FS6	Cost Management to Maximize Net Income	4.052	0.751	-1.226	-0.086
FS7	Steady Growth in Net Income	4.206	0.772	-1.241	-0.378
FS8	Steady Growth in Net Income	3.433	0.973	0.090	-0.286
FS9	Nexus between Investors and Financial Institutions	4.330	0.638	-0.667	-0.425

Source: Author's calculation (2024).

Table 2 presents the descriptive statistics for all measurement items related to various latent variables in the study. Overall, the mean scores for the different latent variables range from 3.433 to 4.392, indicating moderate to high levels of agreement with the statements. The standard deviations range from 0.638 to 1.126, suggesting some variability in responses. The excess kurtosis values range from -1.323 to 3.504, indicating varying degrees of peakedness or flatness in the distributions. The skewness values range from -1.638 to -0.021, suggesting some degree of

asymmetry in the distributions of the variables. These descriptive statistics provide insights into the distribution and variability of responses for each latent variable, which are important for understanding the data distribution before further analysis. It indicates a normal distribution of data since most of the numerical value are within the threshold of  $-1$  and  $+1$ .

### ***Test of Multicollinearity***

**Table 3: Collinearity Statistics (VIF)**

	VIF
CG -> FS	2.807
IP -> FS	2.411

Source: Author’s calculation (2024).

Table 3 displays the outcomes of the multicollinearity test conducted using the variance inflation factor (VIF). It presents the VIF values representing the relationships among various sets of variables, specifically between corporate governance (CG) variables and financial sustainability (FS) variables, and between investment practices (IP) variables and financial sustainability (FS) variables. The VIF values of 2.807 and 2.411 for CG -> FS and IP -> FS, respectively, are below the commonly used threshold of 10, indicating that multicollinearity is not a major concern between these sets of variables. This suggests that the variables in each set are relatively independent of each other, which is important for the reliability of the regression analysis results. The measurement model demonstrates good reliability and validity, supporting the robustness of the constructs used in the study. The statistics are within the threshold of 0.50, as suggested by Chin (1998).

**Table 4. Construct Reliability and Validity Analysis**

Variables	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)	Cross Loadings of Latent Variables
CG	0.858	0.904	0.885	0.596	
CG-2					0.693
CG-3					0.766
CG-4					0.611
CG-5					0.562
CG-6					0.743
CG-8					0.743
CG-10					0.840
CG-11					0.766
FS	0.807	0.834	0.858	0.671	
FS1					0.522
FS2					0.804
FS3					0.574
FS4					0.781
FS5					0.566
FS6					0.881
FS7					0.641
IP	0.847	0.853	0.877	0.547	

IP-1					0.775
IP-2					0.731
IP-3					0.813
IP-4					0.675
IP-5					0.602
IP-6					0.539
IP-7					0.685
IP8					0.577

**Source:** Author's Calculation (2024)

The table 4 presents the results of the measurement model assessment, focusing on construct reliability and validity analysis. The constructs are Corporate Governance (CG), Financial Sustainability (FS), and Investment Practices (IP). Cronbach's alpha values for CG, FS, and IP are 0.858, 0.807, and 0.847 respectively, indicating high internal consistency. Composite reliability ( $\rho_a$ ) values are 0.904, 0.834, and 0.853 for CG, FS, and IP respectively, exceeding the threshold of 0.70, indicating good reliability. The average variance extracted (AVE) values are 0.596, 0.671, and 0.547 for CG, FS, and IP respectively, above the threshold of 0.50, suggesting good convergent validity. Cross loadings of latent variables are also provided, showing the strength of the relationships between each latent variable and its indicators.

**Table 5: Path Coefficient Analysis**

Constructs	Coefficients	Sample mean	Standard deviation	T statistics	P-values
CG -> FS	0.187	0.158	0.178	1.046	0.154
IP -> FS	0.367	0.386	0.141	2.598	0.240

**Source:** Authors' computation (2024)

The path coefficient analysis presented in Table 5 explores the connections between corporate governance (CG) and financial sustainability (FS), as well as between investment policy (IP) and financial sustainability (FS) within pension funds administrators.

### ***Restatement and Testing of Hypotheses***

H0<sub>1</sub>: The influence of corporate governance mechanisms (CG) on the financial sustainability of licensed pension fund administrators in Nigeria is not statistically significant. The path coefficient for the CG -> FS relationship is 0.187, indicating a positive yet relatively weak association. With a T-statistic of 1.046, the relationship is not statistically significant at the 5% level, as the p-value is 0.154, leading to the acceptance of the null hypothesis. Despite the effective implementation of corporate governance mechanisms by authorized pension fund administrators, enhanced financial sustainability is not guaranteed. Inadequate corporate governance practices may potentially lead to financial challenges for licensed pension fund administrators in Nigeria.

H0<sub>2</sub>: The impact of Investment Policy on the financial sustainability of licensed pension fund administrators in Nigeria is not significant. Contrarily, the path coefficient for the IP -> FS relationship stands at 0.367, indicating a stronger positive correlation. With a T-statistic of 2.598, the relationship is statistically significant at the 5% level, as the p-value is 0.240. The results suggest that while investment policy positively influences financial sustainability in pension funds administrators, corporate governance mechanisms do not exhibit statistical significance. The null

hypothesis is thus accepted, implying no significant link between investment policy and financial sustainability of licensed pension fund administrators in Nigeria.

### ***Discussion of Findings***

The research findings reveal no substantial relationship between corporate governance mechanisms and the financial sustainability of licensed pension fund administrators in Nigeria. The analysis demonstrates a non-significant, weakly negative impact of corporate governance mechanisms on financial sustainability, indicating a lack of effectiveness in enhancing financial sustainability among pension fund administrators in Nigeria. This deficiency in financial sustainability may be attributed to inadequate board structures that fail to adhere to pension regulations, potentially resulting in unfavorable financial outcomes. These findings align with the outcomes from the studies of Saygili et al. (2022) and Abdullah and Tursory (2023), suggesting that corporate governance mechanisms may not always enhance financial sustainability. In contrast, studies by Almici (2020), Boresli et al. (2023), Ria (2023), and Kabara et al. (2023) indicate that corporate governance mechanisms can indeed improve financial sustainability. The agency theory principles, which elucidate the correlation between corporate governance and financial sustainability in pension fund administrators.

Similarly, concerning investment policy, the study identifies no significant relationship with financial sustainability. The analysis highlights a non-significant, weakly negative influence of investment policy on financial sustainability, indicating that the absence of a robust investment policy framework within pension fund administrators in Nigeria has contributed to their poor financial sustainability. This finding is in line with Orbunde et al. (2020) and Guther and Walkshausi (2022), who suggest that investment policy does not have a significant relationship with financial sustainability. However, studies by Rustamov (2018), Chumba et al. (2019), and Fortuin et al. (2022) indicate that investment policy does indeed have a significant influence on financial sustainability. These outcomes, supported by the principles of agency theory, elucidate the complex relationship between investment policy and financial sustainability in pension fund administrators.

## **CONCLUSION AND RECOMMENDATIONS**

Considering the discourse surrounding the findings, the investigation posits that the influence of corporate governance and investment policy on the financial sustainability of licensed pension funds administrators in Nigeria is deemed insignificant, and based on the findings of this study, specific recommendations are delineated. Individually, the study concludes that the effectiveness of corporate governance mechanisms in bolstering the financial sustainability of licensed pension funds administrators in Nigeria is deficient. This suggests that the adherence to suitable communication, transparency, accountability, ethical conduct, effective internal control, shareholder involvement, timely & precise information, board structure, composition, equitable treatment, monitoring, evaluation, promotion of whistleblowing and redress for misconduct by the licensed pension funds administrators would not result in an improvement in financial sustainability. Considering this conclusion, the study recommends the implementation of a diversified corporate governance mechanism to govern the pension funds administrators efficiently. Pension fund administrators should also implement robust oversight mechanisms to ensure transparency and accountability in decision-making processes and enhance board training and development to improve the effectiveness of governance structures.

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Furthermore, the study concludes that that the influence of investment policy on the financial sustainability of licensed pension funds administrators in Nigeria is not significant. This implies that elements such as transparency & comprehensibility, Fund distribution, risk management, investment equilibrium and diversification, explicit guidelines, assessment and supervision, sustainability and expansion, potential conflicts of interest, periodic reassessment, and revision would not lead to an augmentation in financial sustainability for pension funds administrators. Therefore, the research advocates for the formulation of a comprehensive investment policy framework to enrich the financial sustainability of licensed pension funds administrators in Nigeria. The pension fund administrators should diversify investment portfolios to spread risk and enhance potential returns and utilize advanced risk management tools to identify and mitigate potential investment risks.

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