A Case for Shari'ah Compliant Pension Fund Administration in Nigeria

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Abstract

According to Islamic teachings, dealing in interest related activities, investment in harmful and unproductive activities such as phonography, pork etc. is strongly prohibited. Nigerian Muslim employees who are under the contributory pension scheme came into dealing with interest and unproductive investments compulsorily through the investment of their pension contribution. This whole dilemma came into being with the introduction of a contributory pension scheme by the Nigerian Government in 2004. The scheme is based on investment of pension fund asset via some investment vehicles of which most are interest based. The study explores the case of a Shari'ah compliant pension fund administration in Nigeria. Survey design was used only for the study. The sample size of 150 respondents was selected and was issued a questionnaire out of which 120 questionnaires were returned. Data collected were analyzed with statistical software of STATA 12.0. Descriptive Statistics and regression analysis was used to establish relationships between the dependent and independent variables. The Study found out that Nigerian Muslims workers are only embracing the conventional pension scheme under the concept of necessity. It was further revealed that majority are likely to opt out if a Shari'ah Compliant Pension fund Administrator is available. However, it was found that establishment of a shari'ah compliant pension scheme is bound to face several challenges. The study recommends that Muslims workers under the scheme should start making a collective effort towards establishing a Shari'ah compliant pension fund.

Keywords: *Shari'ah Compliant Pension Fund, contributory pension scheme, Nigeria*

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Introduction

Muslims represent nearly a quarter of the world's population (Herlinger, 2009). There is US$2.5 trillion or more in managed Muslim wealth worldwide, almost none is managed Islamically and yet most of their financial assets are not sharia compliant. In Nigeria, with a population of almost 170 Million (NBS, 2013), where over 50% of the populations are Muslims (NPC, 2006), yet Islamic financial institutions are very few. The few Islamic Financial Institutions with their instruments are insufficient to satisfy the pecuniary demands of Nigerian Muslims. As at April 2017, Total Pension asset in Nigeria under the Contributory Pension Scheme stood at N6.4 Trillion, out of this amount, 55.7% were invested in Federal Government of Nigeria Bonds 16.66% on Treasury bills, investment in Domestic shares constitute 7.4%, Foreign Shares represent 1.41%, State Government Securities represent 1.94%, Corporate debt instruments stood at 4.79%, Supra National Bonds represent 0.19%, local money market securities represent 6.85%, Real estate 3.38%, foreign money market securities 0.35%, Open and closed ended funds stood at 0.17%, Private equity 0.27%, investment in cash and other assets represent 0.95%, (Pencom, 2017).

Today, Nigeria, a country with over 80 million Muslims is still having only three Islamic Banks (only one is operating as a full fledge, perhaps operating with a regional license, hence outreach is being restricted), there are only three existing Islamic Insurance players providing Islamic insurance products and services through window operation. These institutions are not enough to quench the sharia compliant financial thirst of the Nigerian Muslims, even though they are yet to record the expected growth due to multifaceted issues hindering their success. If a significant portion of the Pension asset can be shifted to a Shari'ah compliant managers, the success and growth of Islamic financial Institutions in Nigeria can be accelerated. Such a mechanism was launched in Pakistan in 2005, which created a Voluntary Pension System which now holds 3.4billion rupees ($32.4million) of Islamic assets. While modest in absolute terms, Islamic Pension Asset account for much larger portion of the financial sector than the Islamic Banks, (Hamzaetal. 2013).

According to Ahmad (2012), the concept of pension is seen to fit into the maqasid of Shari'ah which includes protection of life, family and wealth. However, there are some haram (non permissible) elements, such as annuities and nominees (which affect the law of inheritance), that need to be eliminated in the legislation and pension models currently available. This assertion is quite similar to what is obtainable in Nigeria, in addition to the programmed withdrawal product being offered to retirees

by the Pension Fund Administrators (this include actual contribution plus interest earned), the Life assurance companies are also licensed to offer annuity to the retirees.

In Nigeria today, majority of workers (Muslims and non- Muslims alike) have their Pension asset managed in line with the Defined Contribution Pension Scheme. Defined Contribution is a Pension Plan that provides a payout at retirement that is dependent upon the amount of money contributed (by both employer and employee, or either of the two) and the performance of the "investments" vehicles utilized. This pension scheme as at 2004 became compulsory for employees of the Federal Government, Private Sector and Employees of FCT, with the amended of the pension reform act in 2014 State and Local Government are inclued.

Pension Fund Investments in Nigeria today are based on Investment Guidelines issued by the National Pension Commission. Going by the investment activities, overwhelming majority of the investment vehicles provided for the Pension fund administrators to invest the pension assets are interest based, hence the returns on these investments are not sharia compliant. In a nutshell, the compulsory pension system in Nigeria is exposing the Nigerian Muslims to earn an illegitimate income from sharia perspectives. Perhaps, all Muslims employees under this category cannot be exonerated from dealing in interest and other prohibited investment activities. So far, to the best of the researcher's knowledge and ability, no empirical research has been conducted to explore the applicability of sharia compliant pension scheme to meets the Pension needs of Nigerian Muslim employees, especially those that are conscious of their spiritual identity. This study therefore is an attempt to fill this vacuum in the literature. The major objective of the study is to explore the case of a Sharia Compliant Pension in Nigeria. The research came up with five research questions that would be answered based on the findings from the relevant literatures and the result of data analyzed.

Theoretical Framework

Overtime, theories related to pension has largely been focused on the impact of pension schemes to economic development, pension reforms and pension fund investment decision making. Perhaps, the reforms in the pension industry have exposed most developed and developing countries to the establishment of Private Pension Fund Administrators. The new pension scheme requires pension funds to be privately managed by licensed Pension Fund Administrators (PFAs). The PFAs have been duly licensed to open retirement savings account for employees, invest and administer the funds in a manner as the commission may from time to time prescribe (Adejoh, 2013).

Previous researches adopted the theory of deferred compensation or deferred wage. Malaski, et al. (1982) and March (1980) cited in Adejoh, (2013) viewed a Pension Plan as a method to defer some compensation until an employee retires. Several reasons are apparent for the employer to provide a plan for the staff, under the Deferred Wage Theory, the firms offer pension plans because of economies of scale in administrative portfolio management and other costs (Adejoh, 2013).

The deferred compensation theory generally incorporates a long-term or lifetime implicit labor contract between the employer and the employee that has a various implications for the employer (Logue, 1979 cited in Adejoh, 2013). Deferred Compensation Theory and Efficiency Theory were the most commonly studied approaches adopted in recent studies. While other methods can induce effort from employees, there are a number of additional questions related to their effect on both employer and employees that warrant further investigation (Machpherson, et al. 2013). This current research adopts the compensation theory as a framework.

Butler et al (2011) in a report prepared by (MORI, 2011) explored the demand for sharia compliant pension funds. The study revealed that generally, pensions as a product had very little top of mind salience with participants, reflecting the general lack of consideration about retirement. On concern for Sharia compliant pension fund investment, the study outcome shows that some people would opt out of the conventional pension if informed at the outset that their money was being invested in instruments forbidden under Shari'ah, or would feel they ought to opt out for a Shari'ah alternative if available (Butler et al, 2011). The study was conducted with the main objective of exploring demand for Shari'ah compliant pension, focused on Muslim workers in the United Kingdom. Thus, the current study is the only available research conducted in this noble unexplored area Nigeria.

Recent study confirms that amid sharia compliant capital markets, pension funds in several fast growing emerging markets, including the UAE, Saudi Arabia and Malaysia, who have sufficient assets available to take the first step towards Islamic propositions (Ghose, 2013). According to a report from Earnst and Younst Global Islamic Banking Centre (cited in Ghose 2013), global demand for Islamic Pension Funds could be between $160b and $190b. Most of the Pension funds in these countries currently operate under conventional sovereign structures. This is an indication that the Islamic Financial Institution has huge prospects if structures, policies and products can be designed to capture the pension fund.

Nazim (2013, cited in Ghose, 2013) pointed that the challenges to capture such funds are similar to conventional banks transforming into Islamic banks which include operational changes, legal and regulatory issues and customer focus. As for operational aspects, it would include policies, procedures, risk management, reporting, marketing, etc.

Stewart and Yermo (2008), Oxera (2007) and Davis (2002) as acknowledged in Davis (2014) agree that trustee related costs and other factors such as governance through the agency problem, fund size and domestic market liquidity have had a profound bearing on pension funds' performance. The influence of the regulator in terms of investment restriction has further aggravated these factors (Davis, 2014). A previous study by Mercers (2012, cited in Chowa2014) revealed evidence of a domestic bias, albeit with increasing non domestic allocations across the EU. Literatures suggest that home bias generally observed in pension fund investment should translate into sufficient potential demand for domestic financial assets so as to deepen the market and develop the institutional infrastructure.

Growing influence of Islamic law and concern for religious preference for worker by their employers will have a positive correlation with the establishment of a Sharia compliant pension fund. Kenya for example, licensed Takaful Insurance Africa to offer a Shari'ah compliant Pension (Cuiri, 2013). This was a huge breakthrough to the Muslims community who for long has shunned pension schemes due to their element of interest (Ciuri, 2013).

Odundo (2013, cited in Ciuri2013) believed that the scheme will bring an equal playing ground to all citizens and deepen the retirement benefit sector. In Kenya, pension funds invest about 60% of their assets in equities or government securities which limits the participation of fund managers guided by Sharia law since they an element of interest payment (Ciuri, 2013)

In the UK, where Muslims are said to be the minority, Shari'ah Compliant Pension Scheme exists. HSBC Amanah Pension, Islamic Bank of Britain and Pointon York among other institutions offers Sharia compliant pension. Choudhury (2008), opined that retirement planning has been neglected because among other reasons, the specific needs of Muslims were not been addressed.

In 1999, Malaysia launched the first Sharīʿah-compliant annuity plan dubbed Employment Provident Fund (EPF) takāful Annuity Scheme (SATK) (Yusof et al., 2011) as cited in Soualhi, (2017). Although the product was widely received by the

industry and employees, it was withdrawn in 2002 due to pricing and risk-based capital (RBC) requirements, among other reasons (Ismail, 2017) as cited in Soualhi, (2017).. Some institutions, such as Amanah Raya offered a Sharīʿah-compliant Public Mutual Private Retirement Scheme (PRS) that invested the contributions in both ṣukūk and stocks as a strategy to diversify returns in view of the volatility of the stock market. HSBC Amanah offered a non-guaranteed annuity up to the age of 75 years (Ismail, 2017) as cited in Soualhi, (2017).

The National Pension Commission of Nigeria is the regulatory body of the Pension industry. The Commission exists to regulate, supervises and ensures the effective administration of pension in Nigeria. Under its regulatory powers, the commission has made provisions for the PFAs to invest in Sharia Compliant instruments. However, no single trace of investment in any of the allowed sharia Compliant Instruments by the PFAs. This can be attributed to two factors. Firstly, there is a serious lack of concern by the Muslim workers with regards to where the funds are invested and what is the nature of the returns on investment viz-a-vis the Shari'ah implications on the returns? Secondly, PFAs in their investment decision making process are face with the challenge of lack of knowledge about Shari'ah compliant investment.

Emmanuel et al. (2011) stated that one of the major challenges confronting the PFAs is the dearth of investment outlets. According to PENCOM (2008, cited by Emmanuel, 2011), the Nigerian Capital Market continues to be underdeveloped. The top 20 companies in the capital market have more than 70% of the total market capitalization. tThus there will be a pool of pension funds chasing few quality investments. This current research is designed to explore the applicability of sharia compliant pension fund in Nigeria.

Sharia Implication on Pension Fund Investment

The contributions by employer and employee in a typical defined contribution scheme as operated in Nigeria is remitted into a Retirement Savings Account managed by a chosen Conventional Pension Fund Administrator, held by a Pension Fund Custodian on behalf of the employee. The contributions are subsequently pooled out and invested after being unitized. Up to this stage, the scheme appears sharia compliant.

A deep scan of the scheme revealed the Sharia issue embedded in it. It was earlier highlighted that the pension fund is invested via some specific instruments and institutions. Not much concern has been shown to whether these instruments and institutions are Sharia compliant or not. Obviously, the aforementioned investment

vehicles for the Pension fund are interest base. Hence, the returns on investment on all retirement savings account are prohibited. This return is just a replica of the interest on savings or fixed deposit account offered by a conventional bank. Other prohibited issues related to pension funds are investment in companies that deals in prohibited activities such as gambling, pork, and liquor.

In a related research by Ado (2011), conventional banking is haram due to the activities contained in it that are strongly condemned by Islam. These prohibitions include interest (RIBA), uncertainty, gambling, exploitation, financing haram activities etc. There are so many verses in the Holy Quran and some hadith of the Prophet (PBUH) that confirms the prohibition of interest in Islam.

The same prohibition on conventional banking can be extended to conventional pension fund administration. Although a lot of Muslims that are in the scheme seems to be reluctant and silence about it. The fact remains that the scheme is compulsorily exposing Muslims to dealing in Riba and other prohibited activities.

The Issue of Dharurah and Conventional Pension Scheme

With reference to the existing investment guidelines issued by the Nigerian National Pension Commission on investment of pension asset, it is very clear that more than 90% of the returns on Pension Fund Investment are being generated through interest earning financial instruments.

Prohibition on dealing on with interest is very clear in both texts.Interest is undoubtedly one of the grievous sins in Islam. It is strongly prohibited by Allah (SWT) in the Holy Quran. Allah Says: "... And Allah has permitted trade and prohibited riba (interest)" (2:275).

The Holy Prophet (PBUH) has cursed all parties involved in riba transactions. This includes among others the payer, the receiver, witness, writer or recorder etc.

Right from June 2004 when the new Contributory Pension Scheme that brought about Private Pension Fund Administrators in Nigeria, Nigerian Muslim employees were compulsorily exposed to earn interest on their retirement savings account. This interest in some cases is quite higher than the interest earned on conventional savings accounts.

In as far as Muslims consider dealing with conventional banks as prohibited, same consideration should be extended to conventional Pension Fund Administration. In doing that some Muslims argue that interest paid by commercial banks is not the same

as interest prohibited during the time of the prophet. In a response to a question on the legality of interest paid on deposit, The Azhar Institute of Islamic Research based in Cairo issued a verdict in 1965 legalizing same. Some Muslims however relate with such banks on the ground of necessity (dharurat), that there is no availability of Islamic banks (Ado, 2011).

Methodology

Instrument, Sample Size, Sampling Technique

The research collected data through a survey technique. In line with the survey adopted, data will be gathered via questionnaires. The Questionnaire was structured into two sections as: the demographic section and the general question section. A total of 25 questions were asked. Each variable was assigned 5 questions. From 150 respondents out of which 120 were returned and used for in the research. The questionnaire was designed based on likert scale of 5. On the scale, strongly disagree was coded as 1, Disagree was coded as 2, Neutral was coded as 3, Agree was coded as 4 and lastly strongly disagree coded as 5.

Sample was taken from the stakeholders of the contributory pension scheme. 150 respondents in Jigawa state were chosen to represent the entire population, which was deemed adequate to generalize the findings on other states.

Palys (2008) opined that purposive sampling especially stakeholder sampling is useful in context evaluation research and policy analysis.In the same vein, Sallehetal, (2014) in their survey research, adopted purposive sampling technique in order to figure out the practice and generate a set of Shari'ah compliant hotel in Malaysia. The current research employed the use of purposive sampling to select 150 respondents, 150 respondent include 50 respondents from Federal University Dutse, 50 respondents from Banks and other Private sectors, and the remaining 50 from different Pension Fund Administrators. Purposive sampling was used for the fact that the population is specialized.

Data Analysis Technique, Result and Discussion

Data collected were analyzed with statistical software of STATA 12.0. Descriptive Statistics and regression analysis used to establish the relationships between dependent and independent variables.

In an attempt to analyse the relationship between the dependent and independent

variables, statistical software called STATA 12.0 was used utilized. The descriptive statistics shows the summary of statistics for all the variables. Regression analysis was further run to establish the relationship between the dependent variable and each independent variables viz-à-viz .Pension, Shari'ah Compliance, Muslims, Investment and Challenges. Where Pension is the Dependent variable and others are independent.

Table 1: Background Information

Variable	Respondents	No. of respondents	Percentage
Gender	Male	95	79.16
	Female	25	20.83
	Total	120	100
Employment Type	Federal Government	45	37.5
	State Govt.	-	-
	Private Sector	75	62.5
	FCT	-	-
	Others	-	-
	Total	120	100
Income Level	35,000-100,000	20	16.66
	101,000-200,000	60	50.0
	201,000-300,000	25	20.83
	300,000 and Above	15	12.5
	Total	120	100
Qualification	Masters and Above	15	16.66
	First Degree	60	50.0
	Diploma/NCE	45	37.5
	School Certificate	-	-
	Total	120	100

Source: Authors computation

From the above table, the result shows that, male respondents represent 79.16% of the sample population, while female respondent represents 20.83% of the sample population. Total questionnaire distributed were 150, which were evenly distributed, where 50 were distributed to staff of Federal University Dutse, 50 to Staff of different Banks in Dutse, and 50 to employees of Pension Fund Administrators. A total of 120 questionnaires retrieved from the respondents. From the above table, it can be seen that respondents from the University constitute 37.5% of the entire sample population while respondents from the private sector represent 72.5%.

However, the survey further revealed that, the majority of respondents are within the income bracket of 100,001-200,000. Statistically, 50% of the respondents were within this income level. Additionally, another 20% are having the income of 200,001-300,000. This shows great potentials for establishment of Islamic Pension.

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
pension	600	4.143333	.956197	1	5
comp	600	3.783333	1.24993	1	5
inves	600	3.018333	1.34574	1	5
musl	600	3.791667	1.154911	1	5
chall	600	3.926667	1.118051	1	5

Source: STATA (VERSION 12)

Table 2: above shows the summary statistics for the five variables under study. It includes mean and standard deviation. From the above result, the statistics reveals that the response of the dependent variable is closer to the mean considering the Likert scale of 5 used, where strongly agreed was assigned the highest magnitude of 5.

Most of the respondents therefore are close to strongly agreeing on all the five questions clustered around the dependent variable (Pension) with a mean of 4.14.The result on Sharia compliance as an independent variable with a mean of 3.78 is above the neutral value on the scale, but closer to an agreement with a value of 4. This shows that the respondents are on the brink of agreeing that a sharia compliant pension is applicable in Nigeria. Investment is another independent variable with a mean of 3.018, which is slightly above the neutral value on the scale. This reveals that though the respondents are in agreement with investing pension fund, most of them are either unaware of where or how the pension asset could be invested.

In terms of the religious inclination, the mean of Muslims was found to be 3.79. This shows that the Nigerian Muslims have concern for a Shari'ah compliance pension and they also have the potentials to establish a Shari'ah compliant pension scheme. With regard to challenges as another variable it was found that as a variable recorded a mean of 3.92 which is quite close to the agreeing level on the scale. This can be interpreted to mean that respondents agree that the establishment of a sharia compliant pension scheme is exposed to various challenges such as regulatory, Islamophobia and business environment challenges.

Table 3: Regression Result

pension	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
comp	.0418951	.0318105	1.32	0.188	-.0205793	.1043696
inves	.0126324	.0293501	0.43	0.667	-.0450101	.0702748
musl	-.0766511	.0345521	-2.22	0.027	-.14451	-.0087922
chall	-.0262601	.0353833	-0.74	0.458	-.0957513	.0432312
cons	4.340451	.2613394	16.61	0.000	3.827191	4.853711

Source: Regression output

The above table displays a regression result of the dependent and independent variables. The pension as the dependent variable was regressed against the four independent variables.

Regression result of pension against Shari'ah compliance (comp) shows a P value=0.188, meaning that the relationship is insignificant. Pension against investment (invest) shows a P -value=0.66, revealing a statistically insignificant relationship between the two variables. Pension against Muslims (musl) gives a P-value=0.027 showing a statistically significant relationship between the variables. Pension against challenges shows a P-value=0.458, which is statistically insignificant.

The general effect of all independent variables to the dependent variable is R-squared=0.0159. In general, the fitness of the model P-value=0.048 which is less than 0.05 confirmed that the model is fit for the observations.

Looking at the result of the descriptive statistics and the regression analysis in addition to relevant literatures explored, the researcher was able to come out with the following findings:

i. The current conventional Pension scheme is not in any way Shari'ah compliant. The regression result of pension against sharia compliance gives a P-value=0.188, showing no statistically significant relationship between the two variables. Thus, Nigerian Muslims find themselves dealing with the scheme under the concept of necessity. However, Vadello (2006, as cited in Ado, 2011) defines Dharurat (necessity) as "a legal instrument applicable in cases of extreme necessity or vital interest in which a person is allowed to act in a manner that would otherwise normally be forbidden." He added that "the most critical characteristic of Dharurat is that it is a temporary measure. Once

we find ourselves in a situation of Dharurat, it is obligatory to do everything in our power to move away from that situation. It is not allowed to dwell in the situation forever.

ii. Based on the above, the study further found out that no effort is being made by the Nigerian Muslims towards establishing a Shari'ah compliant Pension Manager.

iii. Therefore, the question as to whether the current conventional pension schemes in Nigeria can be accepted by Muslims under the concept of Dharurat has now been answered. Accepting the Current Pension Scheme by Muslims under the concept Dharurat (Necessity) will only be applicable if we can begin to make an effort towards moving away from the conventional system that is deeply embedded in interest and other prohibited activities. This is by establishing a Sharia Compliant Pension Manager.

iv. The second question offered by the researcher was what structure, policies, or guidelines exist that would enable the establishment of sharia compliant pension fund. A review of various literatures revealed the existence of the Guidelines and policies that would enable the establishment of a Shari'ah Compliant Pension Fund Manager in Nigeria. The Regulatory body of the Pension industry in Nigeria is the National Pension Commission; the Commission has provided a place for Shari'ah compliant investment of pension asset.

v. What is the satisfaction level of Muslims with the current interest based pension scheme in Nigeria? The research questionnaire was designed to address among other issues the satisfaction level of Nigerian Muslims with the current conventional pension scheme. The findings revealed that the scheme is being patronized by the Nigerian Muslims only for the fact that there is no alternative; hence the satisfaction was low as it did not comply with the teachings of Islamic law.

vi. What are the potentials of Shari'ah compliant pension funds in Nigeria?The study found out that if a Shari'ah Compliant Pension Fund Administrator can be established in Nigeria, Chances are very high that the Scheme will be embraced by both Muslims and non-Muslims. The entire story would be that of Islamic Bank, where the recorded patronage is from both Muslims and Non-Muslims. As at April 2017, Total Pension asset in Nigeria under the contributory pension scheme stood at N6.4 Trillion. If some of these funds are moved to a proposed Shari'ah compliant fund manager, the Islamic Finance industry may find a surprising boost to grow.

vii. What are the challenges of Shari'ah compliant funds in Nigeria? The study pointed out several challenges before a Shari'ah compliant pension fund administration can be applied in Nigeria. The challenges are similar to that of conventional banks trying to transform to Islamic Bank. From various respondents as shown in the regression result of pension against challenges, review of related literatures and interview response, the challenges include operational challenges, legal and regulatory issues and customer focus. As for operational aspects, it would include policies, procedures, risk management. The most prevalent challenge envisaged by most respondents centered on Religion. For the fact that Sharia Compliant Pension emanate from Islamic Finance and unfortunately, Nigeria is one such country that anything tagged Islam normally generates a high tension. Based on empirical evidences, it is obvious that some of the countries offering Shari'ah compliant finance are not countries where Muslims are the majority.

Conclusion and Recommendations

The current conventional pension scheme is not Shari'ah compliant. Thus Shari'ah compliant pension can be applicable in Nigeria. The Concept of pension or retirement planning was not top of mind from most respondent. Hence little concern is given to whether it is Shari'ah compliant or not. This lack of concern is largely as a result of being ignorant about the operations of the conventional pension. The study further made the following concluding remark.

The conventional pension scheme is declared non- Shari'ah compliant because the investment vehicles utilized by the conventional pension fund administrators are interest based, and some investments are in companies that deal in harmful or rather unproductive items. This sort of investment is strongly prohibited under Islamic law, hence Muslims should desist from embracing it by making an effort to establish a sharia compliant Administrator.Although most of Nigerian Muslims are likely to opt out of the conventional pension for a Shari'ah complaint pension, they are yet silent about the contributions being invested in non-Shari'ah compliant activities.There is in existence investment guidelines that would enable the establishment of a Shari'ah compliant Pension fund administrator, thus no trace of record of any effort towards establishing a Shari'ah compliant pension fund administrator.Despite challenges exposed earlier, there is yet a great potential for the establishment of a Shari'ah compliant pension fund administrator.

Sequel to the findings of this research and subsequent conclusions thereafter, the following recommendations were offered,

a. There should be awareness to educate people about the pension. Especially Muslim workers. This is with a view to awaken concern for seeking Shari'ah compliant finance;

b. Muslims workers under the scheme should start making a collective effort towards establishing a Shari'ah compliant pension Manager. Thereby saving Muslims workers from being compulsorily dealing with Riba knowingly or unknowingly throughout ones working life and beyond;

c. Establishment of a strong Islamic Financial Markets;

d. Professionals in the area of Islamic finance especially fund management should come up with suitable investment vehicles that would adequately accommodate the pension fund thereby guaranteeing a relatively high return;

e. Risk management guidelines also need to be put in place by both the Regulator and experts in the field;

f. Assistance in form of technical advice and expertise from International Islamic financial institutions would also play a great role;

g. While awaiting the establishment of Shari'ah Compliant Pension Administrator, Muslim Retirees should only utilize what they had actually contributed, as any increase as a form of return on investment is interest; and

h. Finally, this research work has some limitations such as limited sample size, duration of the study and the use of cross sectional data. Further research could be carried out to cut across region with large sample size.

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