

Title: An Evaluation of Individual Pension Funds in Kenya, the Factors that affect their Growth and the Opportunities they have

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Abstract

One of the sectors in the economy that has been involved in mobilization of the savings is the Pension fund industry. The role of savings in economic growth has been given considerable attention given the fact that for any sustainable growth and development, resources must be effectively mobilized and allocated efficiently so as to achieve the growth objectives.

The general objective for this study was to evaluate individual pension funds. The specific objectives were:-To establish the factors that affect the growth of pension funds in Kenya, to find out the impact of the mentioned factors on the growth of pension funds and to identify the opportunities that pension funds in Kenya have to encourage their growth.

Literature was reviewed of the famous scholars in the Pension world. Such included John Campbell a professor of Economics at the Harvard University who has done research on financial literacy and concluded that financial illiteracy leads to consumers not maximising on their welfare. Robert Holzoman, emphasis on the need of IPPs investing in long-term Infrastructure bonds and using derivatives such as swaps to mitigate against certain risks such as interest rate risk. Jeffrey Carmichael, a World Bank researcher concludes that transparency is the factor that has greater impact on the growth of IPPs.

A questionnaire was administered to the twenty eight Individual Pension Plans in Kenya and twenty two pension plans responded. The data was regressed in Microsoft Excel to find out if those factors do have any effect on the growth of IPPs. A p-value of 0.01554 showed that there was strong evidence to signify that a relationship did exist between the factors suggested from the Literature and the growth of IPPs.

In addition to the questionnaire an analysis of the annual reports of the specific Individual Pension Plans was done to determine the number of schemes they have invested in.

It was clear from the views of the respondents that liquidity has the highest impact on growth of IPPs. From the findings, 45% of the respondents stated that liquidity was the factor that impacted the growth of IPPs, 32% of the respondents said it was regulation and 14% said it was administration.