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Exploration of Pension Fund on Indian Economy: A Literature Review

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Abstract
Pension funds facilitate the accumulation of savings by individuals during their working period to meet their consumption needs in retirement. These savings can be provided in the form of a lump sum or an annuity. Additionally, the funds can be used for investment or consumption by corporations, other households, governments, or corporations. A comprehensive literature review was conducted in order to find relevant seminar references and journal articles for the present study. The present study has included papers that were not older than ten years. The purpose of the study is to examine the effect of pension management on economic growth of the country. The study came to the conclusion that contributory pensions may raise GDP if pension fund administrators and custodians managed risk and portfolios well (GDP). The results showed that retirement pension assets and economic growth were positively correlated. The study suggested that in order to protect the interests of pension fund owners, legislators and regulators of pension funds should come up with workable strategies for investing in pension fund in a way that would both significantly boost the economy and preserve the security of invested assets. The report also recommended removing administrative bottlenecks, corruption and delays in pension fund management in order to improve economic growth.

Keywords: Pension Fund, GDP, Economy, Assets

INTRODUCTION

Pension funds are specialized institutional investors that gather, aggregate and allocate contribution from sponsors and beneficiaries to cover the beneficiaries future need (Davis, 2015). By allocating current retirement resources into investment in financial assets and subsequently transforming these assets into a predictable post-employment income, pension plays a significant role in effective economic growth. Throughout the duration of an individual’s career this procedure is repeated multiple times. The economic ramifications of administrating pension funds are particularly evident in three areas: income distribution, labor contract negotiation and money routing to other financial markets (Juks, 2018). There are many different ways to solve the issues, but they are all entail changing the way pension system s are set up, adjusting the retirement age or the maximum amount of money that can be contributed to pension funds and raising the retirement age as it stands. These kinds of measures are usually established by taking into account the state's financial resources together with socioeconomic and demographic aspects (Davis, 2015).

Funded pension systems have made it possible for pension funds to amass that can be used as investments in the financial markets. The accrual of pension fund investment is expected to significantly improve the intensity and cash flow in capital market due to the differences in investment behaviour between household and pension fund even if pension savings overwhelm other household savings and total savings in the economy do not increase. This is a result of pension funds' and households' inconsistent investment behaviour. Pension funds have an incentive to invest more in long term, illiquid assets that yield higher returns. Additionally, due to their accruing assets and long-term liabilities, pension funds have the capacity to supply a consistent stream of cash to the stock markets over an extended period of time (Davis, 2015).

Additionally, if a household has a stake in illiquid pension funds, they will boost their liquidity by investing in traded stocks, open ended mutual funds and bank deposits rather than illiquid assets like real estate or non-traded financial instruments. The reason for this is because households already own a portion of illiquid pension funds. The phrase "economic growth" describes the rise in an economy's ability to generate goods and services from one period to the next. Economic growth can be measured in nominal (adjusted for inflation) and real (adjusted for inflation) terms.

When comparing the economic growth rates of various nations, it is crucial to consider GDP or GNP per capita as these metrices account for the influence of population variations. Additionally, if a household has a stake in illiquid pension funds, they will boost their liquidity by investing in traded stocks, openend mutual funds, and bank deposits rather than illiquid assets.

Technological advancements are typically associated with economic expansionFor example, t he United States economy experienced a notable expansion during the initial introduction of t he Internet and the associated technologies to the US corporate community.

A country's economy can be said to be expanding if its population enjoys a higher standard of living in addition to a rise in its production capacity (Walubengo, 2018).

Lefort and Walker's (2019) research indicates that pension funds can lower financing costs in emerging market economics (EMEs) through three distinct avenues. A more developed capital market and a decrease in the cost of issuing securities are the outcomes of the pension system reform.

LITERATURE REVIEW:

Odo and Okeke (2016) looked into the effects of the contributory pension scheme on the development of Nigeria's financial system. Contributory pensions have been shown to have the potential to strengthen the financial system by an increasing amount of research in both theoretical and empirical literature. Prior empirical studies have demonstrated a significant growth in capital market capitalization and total domestic savings (TDS) during the post-pension period. It was also noted that the implementation of this strategy has produced an impressive scenario in which the capitalization of the bond and stock markets is accounted for by new pension funds at 30% and 8% respectively. This was in addition to the heightened activity within the insurance industry's life sub sector.

Musawa and Mwaanga (2017) evaluated the capital market's impact and pension funds. Thus, the study aimed to explore the long term impact of pension fund investments on the performance of the Lusaka securities exchange. The study applies vector error correction and cointegration to analyse quarterly data covering the period from January 2009 to December 2015; the findings demonstrated the presence of longterm correlations between market capitilization and pension funds. The relationship suggests that pension funds will develop if they are encouraged to invest more in equity. This will help the capital market thrive.

Agbata, Ekwueme, and Edirin (2017) came to the conclusion that efficient management will lessen the scheme's obvious fraudulent activities, thereby improving the Pension Scheme's administration in Nigeria. By adhering to the library research principle via A 5-point Likert scale questionnaire was used in the survey design to determine the main details regarding pension issues from a sample of 435 informed participants. The gathered information was shown and examined.

Mpavido and Musalem (2000) use Ordinary Least Squares (OLS), Error Component (EC), and Error Component Two Stage Least Squares (EC2SLS) estimators on a panel of 26 countries, five of which are developing countries, to study the effects of contractual savings and non-life insurance institutions on stock markets. Contractual savings financial assets are found to have a statistically significant effect on stock market capitalization, but not on stock value exchanged.

Pension reform and capital markets are positively correlated, according to Walker and Lefort's(2002) panel analysis for 33 emerging markets using a Generalized Least Squares (G LS)
estimator. They discover that assets held by pension funds lower dividend yields and raise price-to-book ratios, which suggests a lower cost of capital.

They do, however, acknowledge that some of their estimation results might be seriously affected by measurement error issues, that their findings are preliminary, and that they should be confirmed once more when more data covering a longer time span become available. The concept of stack holder management sometimes referred to as stakeholder approach to strategic management suggests that managers must create and put into place procedures that satisfy all stakeholders having an interest in the company according to Freeman (Crane and Glozer, 2016). In order to guarantee the company’s long term success the main goal of this technique is to efficiently manage and integrate the relationship and interests of the owners, employees, clients, suppliers, communities and other organizations.

Impavido and Musalem (2000) use Ordinary Least Squares (OLS), Error Component (EC), and Error Component Two Stage Least Squares (EC2SLS) estimators on a panel of 26 countries, five of which are developing countries, to study the effects of contractual savings and non-life insurance institutions on stock markets. Contractual savings financial assets are found to have a statistically significant effects on stock market capitalization, but not on stock value exchanged. A well-funded pension system supports a nation’s financial stability and economic progress, according to Sun and Hu (2014). The value of the capital market can rise by 0.15-0.23 percent for every 1% increase in pension fund assets, according to the authors’ research.

Stewart et al. (2017) accept that pension assets have a favorable impact on the capital market, but they also highlight the impact's limitations due to pension assets' propensity to invest in short-term assets (government bonds and bank deposits). The authors argue that this lowers investment returns. Limits on foreign investment ought to be raised while The research suggests that promoting creative investment channels has to be given top priority.

An analysis of Jordan's 1980-2017 development in the stock market concerning pension funds. Notably, Daradkah and Al- Hamsoun (2021) discovered no pension funds and the growth of the capital market, yet they discovered a statically meaningful long term balance between pension funds and the development of the capital market.

Arellano and Bond (1991) present a differenced GMM approach that employs extra instruments whose validity is predicated on the orthogonality between the transformed error and the lagged values of the dependent variable, resulting in more efficient estimates phrases.

Nwanne (2015) examined the effects of Nigeria's contributory pension plans on economic growth between 2004 to 2012. Examining the effects of mobilized pension savings and pension funds on economic growth were the goals of the study. An ex-post-facto research design was employed in the study. The data analysis method employed in this study was Ordinary Least Squares Regression.

According to the study, pension funds have a negative influence on economic growth, but pen sion savings have a significant beneficial impact. This essentially indicates that the objective of creating longterm capital to sustain economic growth through the use of pension funds was accomplished. The fact that the pension savings contribution is so tiny further suggests that the program's coverage is minimal. Increased efforts should be made to guarantee improved. "The link between Pension Fund Assets and Economic Growth in Kenya" was the main area of study that Wanjala and Christopher (2013) focused on.

The main objective of the study was to determine whether there was any relationship between Retirement Pension Assets, Equity Turnover, Treasury Bills, Inflation, and Domestic Debt.St udies looked at the connection

between GDP, domestic debt, and pension assets. This study has established a direct correlation between stock market capitalization and pension assets. A thorough analysis of the connection between pension assets and inflation was also conducted. A thorough analysis of the pertinent literature was done. The conceptual field of pensions, which was established and evaluated for significance by numerous experts, was the main main focus of the study. Secondary data was gathered using the Consumer Price Index of the Ministry of Finance and Planning, the Ministry of Finance and Planning's Consumer Price Index, and the financial records of the National Social Security Fund. They employed frequency tables, percentages, and SPSS to analyze data from 2002 to 2011 in order to determine the interactions between the various factors. The qualitative data was evaluated using the content analysis approach, which comprised inferential statistics like multiple regression analysis and descriptive statistical techniques like measure of central tendency. The study conclusions showed a connection between Kenya's economic expansion and its retirement pension assets.

Fashagba (2021) looked into the effects of income disparity in Nigeria's insurance sector. To find out how the new plan might impact Nigeria's economic growth, research was done. Because secondary data on GDP and pension funds from the public and commercial sectors was easily accessible for a ten-year period, it was employed. For the data analysis in the study ordinary least squares were employed. The analysis indicate that the introduction of new pension fund led to a notable expansion of Nigeria's GDP. The report concludes that in order to support economic growth, the nation's contributory pension system has to be consolidated. Ebenezer et al.'s (2019) study looked at Ghanaian workers' contributions to the various

pension plans available and how it impacts GDP (GDP).A crosssectional design, a quantitative approach to scientific inquiry, was used in the study.With this strategy, the researchers wereable to gather pertinent research data within a set time range.The great majority of the information in the study came from secondary sources.
Regression models and descriptive statistics were employed to identify and assess the research variables as well as their performance across the period in the Ghanaian economy. The GDP of Ghana and pension fund assets were shown to be correlated by the study.
The data shows that pension fund assets account for about 94.93% of Ghana's GDP volatility. With the exception of Kenya, the World Bank does not gather data on the assets of pension fu nds in African economies.
Financial market volatility cannot be avoided; thus the Trustee and other pension fund manag ers were encouraged to monitor local and worldwide financial
markets closely in pursuit of the greatest investment "deals" to assure higher real returns on pension fund investments. The "principles of security, profitability, and liquidity" ought to direct pension fund managers investment choices. To guarantee flexibility and quick reaction tochanges in global investment possibilities and challenges, the Regulator, Board of Trustees, and other fund managers must assess their present investment framework and skills to match modern global norms.
Reducing operating and investment costs is a crucial first step toward expanding retirees' investment options. Millions of people's lives would be better as a result of the smart investments made by the Trustee and other fund managers.

CONCLUSION:
The study used a desktop approach. Secondary data, or data that may be gathered without fieldwork, is referred to as desk research. Since desk research mostly entails gathering data from already-existing resources— executive time, phone bills, and directories it is frequently regarded as a less expensive method than field research.
The findings were categorized into knowledge and methodological gaps, among other research gap categories:
Research by Nwanne (2015), Wanjala and Christopher (2013), Farayibi & Adesoji (2016), N gugi (2012), Fashagba (2021), Sun and Hu (2014), Stewart et al. (2017), Daradkah and Al-Hamdoun (2021), Sanusi & Kapingura, (2021), and Ebenezer et al. (2019) revealed gaps in th eir understanding. Furthermore, the significance of economic growth was not established by any of the aforementioned research. Consequently, the goal of the current work is to fill in these knowledge gaps.
The following studies have methodological gaps: Nwanne, (2015), Farayibi & Adesoji (2016) Ngugi (2012), Fashagba (2021), Sun and Hu (2014), Stewart et al. (2017), Daradkah and Al-Hamdoun (2021), Sanusi & Kapingura, (2021), and Ebenezer et al. (2019).
Furthermore, none of the aforementioned research used desktop review methods. Consequently, the goal of the current work is to fill up these methodology gaps.
Pension funds influence the economy through wage contract conflicts, income redistribution, and financial markets.
Pension funds have the potential to enhance economic growth by means of enhanced corporate governance.
According to the research, there are several ways in which pennies contribute to economic

growth at the family, community, and national levels.
By tackling stunting and ensuring that children can attend and do well in school, households may help their children grow into more useful and productive members of society.
Cash infusions can have a huge positive impact on local economies, which can then ripple throughout the entire region. People spending their pensions can create demand and raise consumption, which is good for national economies.
Pension fund administrators and custodians can increase GDP through risk and portfolio man agement, according to the findings of the study (GDP). The study found a positive correlation between the amount of retirement pension assets and the growth of the economy. According to the findings, policymakers and pension fund regulators should devise practical methods for investing pension funds in order to significantly benefit the economy while also maintaining the safety of invested assets in order to avoid putting pension fund owners' interests at risk. The report also recommended eliminating delays in pension fund management, administrativ e bottlenecks, and corruption in order to boost economic growth. To further boost economic g rowth, the research suggests that the country's contributory pension system be strengthened.

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