

**FACTORS DETERMINING THE PERFORMANCE OF PENSION FUNDS: A CASE OF  
SELECTED PENSION FUNDS**

**BY**

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**BBM/112/02996**

**A PROJECT REPORT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF A DEGREE IN BUSINESS MANAGEMENT  
OF MOUNT KENYA UNIVERSITY**

**APRIL 2015**



## ABSTRACT

Pension funds act as an important stimulus to capital markets in most countries where they exist through financial intermediation. Pension funds complement, and hence stimulate development of capital markets, while acting as substitutes for banks as they generate returns themselves. The returns they realize depend on different factors that vary from country to country and from time to time. The purpose of this study was to establish the determinants of performance of pension funds in Kenya. The study was done on Kenyan pension funds at aggregate level using annual data on fund value, assets, age, contributions and returns. The data was from between 2000 through 2012. Time series regression analysis was used to determine the relationship between returns as the dependent variable and fund value, assets, age and the contributions of pensioners as the independent variables. The study found a strong positive relationship between age of the investors measured by national life expectancy of Kenya indicating that a longer life expectation positively affected returns. However, weak positive relationships between returns and fund value, assets and contributions of pensioners was weak which indicated that fund values, assets, and contributions were not utilized in the generation of income for the pension funds in Kenya. The study recommends the pension funds use the increasing value of their funds to generate returns for the pensioners. Secondly, there is need to utilize assets to generate income for the pension funds. Further, there is need to put the contributions of pensioners to more productive investments other than just keeping the funds safely for the pensioners.