EFFECT OF MICRO-PENSION UPTAKE ON PERFORMANCE OF SMES OPERATING WITHIN THE INFORMAL SECTOR OF NIGERIA

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Abstract

The objective of this research was to investigate the impacts of micro-pension schemes on small and medium-sized enterprises that operate within the informal sector of Nigeria. Data was elicited from one hundred and three (103) small and medium-scale enterprise business operators and their employees in Nigeria via the administration of a questionnaire. The study used a regression analysis model to test the stated hypotheses. According to the results, the adoption of micro-pension plans in Nigeria during the study period was significantly influenced by income level and financial literacy, but not by the socio-demographic characteristics of the participants. Therefore, it was recommended that in a bid to increase the participation of Nigerian SMEs in the uptake of micro pension schemes, efforts should be geared toward improving their level of education through various mandatory continuous education programs.

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1. INTRODUCTION

The transition from pension plans with a guaranteed benefit payout (defined benefit plans) to those where contributions are made and the benefit payout is not guaranteed (defined contribution plans) has been observed globally, as the latter has proven to be more advantageous while the former faced setbacks. In light of unfavorable demographic trends and the successful implementation of this new system in countries such as Chile, various nations across Europe, North America, Latin America, Asia, and Africa are currently re-evaluating and updating their pension and social security programs (Obasa, 2019). The old defined benefit system, which required provisions for pension systems in both private and publicly owned firms in Nigeria, was replaced by the contributory pension system in 2004 (Abdulazeez, 2014). Workers had their suspicions about the new program, nevertheless, as a result of the large fraud believed to be connected to the contributory pension plan of 2004 that was discovered by the National Assembly in 2012 (Odo, Orga, & Ozoemenam, 2019). This, along with other elements, compelled sector stakeholders to start over in order to solve some problems and gaps in the 2004 Act. Subsequently, the Pension Reform Act of 2014 was introduced, which not only increased the severity of penalties and sanctions for non-compliant companies but also expanded the reach of the contributory pension scheme. This act provided an opportunity for self-employed individuals and employers with less than three workers to voluntarily participate in the Contributory Pension Scheme, enabling them to save for their retirement years (Pension Reform Act, 2014; Ikwor & Nkwagu, 2020).

In developing countries, the informal sector is rapidly expanding and serves as a "safety net" for the working poor by providing employment opportunities and income. However, the government does not formally recognize, register, protect, or regulate this sector (Onwe, 2013). The informal sector has evolved beyond unprofitable manufacturing activities and now includes small-scale enterprises with low entry criteria, labor-intensive production techniques, and skills acquired outside formal education. Despite its significant economic impact, a high proportion of the population working for small and medium-sized businesses (SMEs) lack access to social security and retirement plans. Micro-pensions have gained popularity in Nigeria as a potential solution to this problem. As a relatively new financial product, micro-pensions offer retirement savings options to workers in the informal sector (Eniola, 2014).

The necessity of having funds to sustain oneself in retirement or during periods of inability to work is universal; however, many people fail to prioritize long-term savings for such situations. As a result, the Nigerian government recently implemented a policy aimed at enhancing the benefits received by workers who retire or leave their jobs due to old age or work-related illnesses. Nigeria's informal economy lacks formal structures, and most workers, excluding those on fixed salaries, earn low and unpredictable wages. Additionally, the workforce in the informal sector is highly mobile, flexible, and often lacks a fixed place of employment (Onwe, 2013).

A micro pension program is aimed at the self-employed people in society, particularly those with inconsistent income who are typically employed in the unorganized sector and who have little to no access to financial services, including pension plans. Small and medium-sized businesses, craftsmen, and independent contractors make up the majority of this market in Nigeria. Nigeria's National Bureau of Statistics reports that more than 70% of the country's working population is employed in the informal sector, which is largely excluded from formal pension plans (Etim & Daramola, 2020; IMF, 2020). A micro-pension is a type of long-term savings plan that differs from a defined contribution plan in that it is voluntary and designed to accumulate savings over time with the goal of generating returns in the future. Professional fund managers usually handle and invest the savings in financial or capital markets at a relatively affordable cost, making them attainable for individuals with lower earnings. When individuals reach retirement age, they can obtain their accumulated savings in the form of a lump sum payment, an endowment, or a blend of both alternatives, according to Onyekwere (2015).

Small and medium-sized businesses in Nigeria have unquestionably performed exceptionally well, making up nearly 90% of the country's firms, 95% of formal manufacturing activity, and 70% of industrial businesses. Despite the SMSEs' dominance of the Nigerian economy, their share of the GDP is less than 5% (Eniola, 2014). The Contributory Pension Scheme (CPS) is open to numerous small and medium-sized companies (SMSEs) with fewer than three employees, home workers, and many others as part of the micro-pension effort. In addition to motorcyclists, taxi drivers, or bus and truck drivers, food vendors, hawkers, and self-employed individuals, artists, and other informal sector workers, the micro-pension scheme is attracting attention as it offers them an opportunity to save for a comfortable retirement. The program is designed to improve the productivity of informal sector workers at all levels, including performers, technicians, chauffeurs, seamstresses, fashion designers, tire repair technicians, barbers, and hairdressers, among others.

The micro-pension program in Nigeria may encounter various challenges from the demand side, such as income limitations, insufficient financial knowledge, unavailability of short-term retirement benefits, lack of understanding about pension schemes, complexity of pension issues, difficulties in claiming benefits during retirement, absence of a pension scheme, low involvement in management, irregular income, mistrust in formal systems, and low returns. However, despite the existing design of the pension system, no research has been conducted on the uptake of pensions in Nigeria's informal sector (Sogunro, Adeleke, & Ayorinde, 2019). This study will explore the feasibility and efficacy of the micro-pension program in Nigeria, particularly for individuals employed in the informal sector. The research aims to identify the challenges encountered by this sector in accessing retirement benefits and assess the potential of the micro-pension program in resolving this issue. The study will also investigate the reasons for the slow uptake of the program by the target population and its impact on the financial wellbeing of beneficiaries. The study will cover the Nigerian informal sector and the micro-pension program implemented by the Nigerian government, including the regulations and policies that govern it. The study will also explore the experiences and perceptions of stakeholders, including policymakers, pension fund administrators, and beneficiaries of the program.

2. LITERATURE

2.1. CONCEPTUAL REVIEW

2.1.1. INFORMAL SECTOR

Various criteria have been used to classify the informal sector, including the type of activity, employment category, location, income level, and employment potential (Swaminathan, 1991; Bangasser, 2000; Onwe, 2013). According to Iwelumo & Olanipekun (2017), the informal sector, as defined by the International Labour Organization (ILO), comprises small-scale units that engage in the production and distribution of goods and services, including self-employed producers operating in both urban and rural areas of developing countries. These units usually employ low levels of technology and skills, have minimal or no capital, rely on family labor, and hire only a few workers or apprentices. Consequently, those who work in the informal sector experience highly unstable employment with irregular and very low income, as well as low levels of productivity.

The informal sector is confronted with a significant challenge of restricted access to a broad range of financial services, such as micro-credit, micro-savings, micro-insurance, remittance products, and micro-pensions, as stated by Iwelumo & Olanipekun (2017). Additionally, most informal sector employees have limited awareness of these financial products, resulting in pension coverage being restricted to formal labor markets. In sub-Saharan Africa, over 80% of the employed population does not have any pension plan due to various factors such as general joblessness, low income, poor savings culture, and pension systems that tend to favor formal sector workers. This issue is especially alarming considering that projections indicate that by 2050, the majority of the world's aging population will be in Africa (Help Age International, 2006; Iwelumo & Olanipekun, 2017).

2.1.2. MICRO PENSION SCHEME

In light of increasing life expectancy and significant changes in migration and family dynamics, the provision of micro pensions for workers in the informal sector has become a pressing issue (Agravat & Kaplelach, 2017). According to Ekpulu and Bingilar's (2016) study, the exclusion of the informal sector from the 2004 pension scheme has contributed to low capital formation and hindered investment. A voluntary defined contribution plan that enables long-term savings accumulation is referred to as a micro-pension scheme. According to Iwelumo & Olanipekun (2017), this scheme is designed explicitly for individuals in the informal sector or low-income earners and does not require a plan sponsor, unlike formal sector plans. It can be structured as either a hybrid pension and savings product or a long-term savings scheme. Although informal sector workers do not typically retire in the conventional sense like those in the formal sector, they still need to prepare for a reduction in their earning capacity during old age, primarily due to declining health conditions.

Preparing for retirement is a considerable challenge for workers in the informal sector, who often struggle with restricted access to long-term savings options, uncertain employment, and fluctuating incomes. Moreover, the erosion of customary family support structures brought on by labor migration further intensifies the susceptibility of the working poor to poverty in their old age, making it imperative for them to take responsibility for their own retirement planning. However, despite efforts to encourage enrollment through voluntary contributions, many informal sector workers do not prioritize pension contributions due to immediate consumption needs. While high enrollment can lower administrative costs, it can also lead to diseconomies of scale in the long run. Nevertheless, saving for the future is critical in minimizing old age poverty, even if it means lowering the amounts available for consumption today, especially for those in the informal sector who have limited means.

The micro pension program is a financial security scheme designed for individuals at the lower end of the income spectrum in society. Studies have shown that if properly implemented, the program would be well-received by the public and there would be a high demand for it among informal sector employers (Heenkenda, 2017). However, many employers and employees in the informal sector do not prioritize retirement planning due to factors such as low awareness, lack of financial literacy, income level, and other socio-demographic factors (Lusardi & Mitchell, 2014).

2.1.3. FINANCIAL LITERACY

According to the OECD (2005), financial literacy goes beyond understanding financial concepts and risks and includes having the necessary skills, motivation, and confidence to apply this knowledge in various financial situations. It improves the financial well-being of individuals and society, as well as encourages participation in economic activities. Despite the existence of well-established financial markets, financial literacy is still low, even in advanced economies, with only around a third of the global population having familiarity with fundamental financial concepts (Lusardi and Mitchell, 2011). Thus, financial education should be a continuous endeavor, allowing consumers of all ages and financial standings to remain informed about changes in their financial needs and circumstances and access products and services that align with their objectives. Bernanke (2011) suggests that consumers who are empowered and capable of advocating for themselves are among the most effective measures to prevent the spread of financial products and services that are unsuitable, excessively costly, or abusive.

2.1.4. INCOME LEVEL

The lifecycle hypothesis proposes that individuals strive to maintain a steady income over their lifetime by balancing their consumption and saving patterns. During their early years, people tend to have higher expenses than their income due to significant purchases such as buying a home and starting a family. As a result, they tend to save aggressively with the expectation of dis-saving during retirement. Essentially, this approach assumes that individuals borrow from their future income to meet their current needs. In mid-life, income and expenditure tend to level out, and individuals begin to pay back past borrowing and save for the future. When individuals retire, they start to de-save and rely on retirement income until their death (Ruby, 1999).

2.1.5. DEMOGRAPHIC PROFILE

The development of micro-pension in Africa is to curb the effect of population ageing so as to increase the economic and social welfare of individual and households (Albouy & Nogues, 2019). To plan for retirement, demographic factors can have both accounting and behavioral effects, especially with regard to life expectancy. Longer life expectancies can lead to longer working lives, increased savings, and better retirement planning. The social security arrangements, such as retirement incentives, can impact the response of individuals. While the current life cycle model focuses on retirement planning and saving, it does not consider the influence of social security policies on retirement decisions. Future studies could extend this model by investigating how life expectancy affects schooling choices. Bloom, Canning, Mansfield, and Moore (2007) propose that investigating the influence of expected longevity on life cycle behavior by utilizing individual and family-level data across diverse social security systems can provide valuable insights.

2.2. THEORETICAL FRAMEWORK

Discussions on the nexus between demographic factors and micro pension uptake have been based on several theories. Some of the theories that are relevant to this study include the life cycle theory of savings, social exchange theory, and economic theory. The life cycle theory of savings postulated that individuals save money during their young ages to cater for the needs of old ages especially after retirement while the social exchange theory which can be linked to information asymmetric theory hypothesised that individuals with adequate information choose a particular course of action due to expected benefits and costs (Agravat & Kaplelach (2017). Furthermore, the economic theory posited that individuals make decisions regarding their participation in a particular program based on the perceived satisfaction / gains derivable from such a transaction (Collin-Sowah, Kuwornu & Tsegai 2013).

Theoretically, the present study is based on the social exchange and economic theories. The two theories of pension uptake explain the reason certain individuals decide to take a particular pension scheme. An entrepreneur's interest in a pension scheme will depend on whether they experience a higher level of welfare during participation compared to their welfare prior to participation.

2.3. EMPIRICAL REVIEW

Florence (2022) utilized mixed-methods to investigate the factors that determine informal sector traders' participation in voluntary MBAO pension savings in Nairobi City County, Kenya. The study identified income levels, financial literacy, perceived benefits, trust, and access to information as significant determinants of the uptake of voluntary pension savings. However, the research's focus was limited to the traders in Nairobi City County and did not assess the impact of such savings on their retirement outcomes.

Sogunro et al. (2021) surveyed informal sector workers in Nigeria to investigate their attitudes toward retirement policies. The study found that while the majority of respondents recognized the significance of retirement savings plans, only a fraction had actually saved for retirement. The research also identified age, income level, and education as significant factors that influence attitudes toward retirement policies. The study was limited to a specific geographical location and a relatively small sample size, which may restrict its generalizability.

Ikwor and Nkwagu (2020) conducted a quantitative research study to examine the impact of various pension schemes on the Nigerian economic growth. The study found a positive and significant effect of Post 2014 Retirement Savings Account (RSA), Portfolio Performance (PP), Closed Pension Fund Administrators (CPFA), and Contributory Pension Scheme (CPS) on the Nigerian economic growth.

Miti et al. (2020) aimed to identify the key factors that influence informal workers' willingness to pay for health insurance and pension schemes in low- and middle-income countries. The study found that low and flexible contribution rates, government intervention programs, and the quality of pension scheme administration were significant determinants of individuals' enrollment in such schemes.

Guven (2019) conducted a survey study to explore various strategies that can increase participation in pension schemes among individuals in the informal sector. The study collected data from several African countries and identified different initiatives implemented by African governments to extend pension coverage to informal sector employees.

Marcinkiewicz (2017) conducted a panel regression analysis on data from 2006-2014 to explore the factors affecting the growth of voluntary pensions in Central and Eastern European countries. The study revealed that only income per capita had a positive correlation with the number of pension plan members, and education was the most significant factor affecting additional pension savings.

Agravat and Kaplelach (2017) investigated the influence of demographic characteristics on the adoption of micro-pensions among informal employees of Kenya Ports Authority. The study found that financial literacy, income level, and socio-demographic characteristics significantly affected the uptake of micro-pension.

Sahu (2014) surveyed unorganized sector workers in India and found that they were at a high risk of old-age poverty due to their unstable job market connections, low irregular income, and limited access to regulated long-term savings products.

Collins-Sowal, Kuwornu, and Tsegai (2013) examined the factors that led four urban informal groups to participate in a micro-pension scheme and discovered that socio-economic variables played a significant role in the decision-making process of informal workers when deciding whether to participate in any pension scheme.

Moorthy et al. (2012) investigated the retirement planning behavior of working individuals in Malaysia and found that age, education level, income level, goal clarity, attitude towards retirement, and potential conflict in retirement were the factors influencing retirement planning behavior.

Finally, Njuguna and Otsola (2011) studied financial and pension literacy among formal sector employees in Kenya and found that efforts should be made to enhance people's interest in managing their pension schemes, even though the literacy level among the respondents was above average.

3. METHODOLOGY

The research employed a descriptive survey methodology and gathered information from 130 Small and Medium Scale Enterprises (SMSEs) that operate within Nigeria's informal sector. The survey questionnaire included questions on the respondents' demographic profiles, micro-pension performance, income levels, and financial knowledge. The study targeted economically active SMSEs operators and their employees who engage in daily trading activities in the market center. The questionnaire used in the study was adapted from previous research, which enhanced its validity.

The study employed regression analysis to determine the significance of the independent variable on the dependent variable, which is the performance of small and medium-sized enterprises (SMEs) operating in the informal sector of Nigeria. The regression analysis was structured as follows.

$$PERF_t = f(FL, INL, SOCIO) \quad (1)$$

$$PERF_t=(\alpha_o+\beta_1 FLt+\beta_2 INL_t+\beta_3 SOCIO_t+\mu_t) \quad (2)$$

Where;

$PERF_t$ = Performance of small and medium scale enterprises at time t

INL = Income Level at time t

SOCIO =	Socio-demographic profile at time t
FL =	Financial Literacy at time t
μ =	Disturbance term/White noise at time t
α_0 =	Intercept
$\beta_1 - \beta_3$ =	Coefficient of the Independent Variables.

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION OF RESULTS

4.1. DESCRIPTIVE ANALYSIS

The study employed principal component analysis to evaluate the degree of variability and divergence in the research inquiries. For this purpose, the research utilized the Statistical Package for Social Sciences (SPSS), and a 5-point Likert scale was used. The scale ranged from '1' representing Strongly Disagree to '5' representing Strongly Agree, with '4' indicating Agreement, '3' being Undecided, and '2' representing Disagreement.

Micro-pension Uptake
- Financial Literacy
- Income Level
- Socio-demographic Factor

Performance
- Efficiency
- Achievements
- Innovations

Table 1: Correlation Matrix

The following tables display the results of the pairwise correlation analysis conducted on different dimensions of the independent variable in the study. It should be noted that according to Field (2005), the correlation coefficient should not exceed 0.800 to prevent issues of multi-collinearity.

Table 1.1. *Financial Literacy*

	FINLIT1	FINLIT2	FINLIT3	FINLIT4	FINLIT5
FINLIT1	1				
FINLIT2	0.2663***	1			
FINLIT3	0.4791***	0.2391**	1		
FINLIT4	0.2139**	-0.0029	0.1743*	1	
FINLIT5	0.2894***	0.1746*	0.1708*	0.0084	1

Table 1.1 depicts the interrelationships among the different dimensions of financial literacy. The table indicates that the highest correlation coefficient is 0.4791, which is lower than the recommended limit of 0.800, thereby indicating the absence of multicollinearity issues. On the other hand, Table 6 exhibits significant positive correlations between financial literacy 2 ($r = 0.2663$, $p \leq 0.01$), financial

literacy 3 (r = 0.4791, p≤ 0.01), financial literacy 4 (r = 0.2139, p≤ 0.05), and financial literacy 5 (r = 0.2894, p≤ 0.01).

Table 1.2. *Income Level*

	INCOME1	INCOME2	INCOME3	INCOME4
INCOME1	1			
INCOME2	0.2194**	1		
INCOME3	0.1478	0.0725	1	
INCOME4	0.1211	0.3190***	0.4243***	1

Table 1.2 displays the interrelationships between the dimensions of income level. The maximum correlation coefficient in this table is 0.4243, which is below the threshold of 0.800, suggesting the absence of any multicollinearity issue. The findings exhibited in Table 4 reveal that a significant and positive correlation exists between income level and micro-pension performance (r = 0.2194, p ≤ 0.05).

Table 1.3. *Socio-demographic Profile*

	SOC1	SOC2	SOC3	SOC4
SOC1	1			
SOC2	0.1781*	1		
SOC3	0.1068	0.2402**	1	
SOC4	0.1659*	0.0227	0.0651	1

Table 1.3 depicts the interrelationships among the dimensions of socio-demographic profile. The highest correlation coefficient observed in this study is 0.2402, which is less than 0.800, suggesting the absence of multi-collinearity issue. The results presented in table 5 indicate a noteworthy and affirmative correlation between socio-demographic profile 2 (r = 0.1761, p≤ 0.1) and socio-demographic profile 4 (r = 0.1659, p≤ 0.1).

Tabel 2. *Financial Literacy Model*

	Efficiency	Achievements	Innovations
Finlit1	0.2397**(0.1144)	0.1677(0.1092)	0.3842**(0.1730)
Finlit2	0.1773**(0.0913)	0.2733***(0.0871)	0.1316(0.1381)
Finlit3	0.1925*(0.1064)	0.05345(0.1015)	-0.0783(0.1609)
Finlit4	0.2375***(0.0885)	0.3222***(0.0845)	0.3130**(0.1339)
Finlit5	0.3336***(0.0928)	0.3803***(0.0886)	0.1924(0.1404)
No of Obs	130	130	130
F-Stat. (Prob.)	152.96***(0.0000)	168.54***(0.0000)	43.90***(0.0000)
R-Squared	0.89	0.90	0.69

*Note: ***, ** and* represents 1%, 5% and 10% significant levels, respectively. Standard errors are presented in parenthesis.*

Table 2 displays the results of principal component analysis, which involves converting variables into models to facilitate making inferences. Model one of financial literacy (Finlit1) shows a significant positive impact on the efficiency and innovative capacity of Small and Medium Scale Enterprises in Nigeria, with a level of significance of 0.05%. Financial literacy (Finlit2) model two has positive significant effect on efficiency at 0.05% and on achievement at 0.01%. Financial literacy (Finlit3) model three has positive significant effect on efficiency at 0.1%. Financial literacy (Finlit4) model four has positive significant effect on efficiency at 0.01%, achievement at 0.01% and Innovation at 0.05%. Financial literacy (Finlit5) model five has positive significant effect on efficiency at 0.01%, and achievement at 0.01%.

R square are 0.89, 0.90 and 0.69. This suggests that the collective impact of the predictor variables (finlit 1, finlit 2, finlit 3, finlit 4, and finlit 5) accounts for 89%, 90%, and 69% of the variances in micro-pension adoption and performance, as well as the efficiency and innovative capacity of small and medium scale enterprises in Nigeria. The model summary table above shows F-statistics of 152.96, 168.54, and 43.90, indicating that the predictor variables (finlit 1, finlit 2, finlit 3, finlit 4, and finlit 5) significantly account for the variations in the performance of small in Nigeria informal sector.

Tabel 3. *Income Model*

	Efficiency	Achievements	Innovations
Income1	0.3968***(0.1037)	0.4771***(0.1001)	0.4321***(0.1408)
Income 2	0.3983***(0.1136)	0.3353***(0.1096)	0.0463(0.1541)
Income 3	0.2639**(0.1127)	0.3679***(0.1088)	0.4166***(0.1529)
Income 4	0.2240*(0.1174)	0.1093(0.1133)	0.1466(0.1594)
No of Obs.	130	130	130
F-Stat. (Prob.)	152.56***(0.0000)	164.32***(0.0000)	56.30***(0.0000)
R-Squared	0.86	0.87	0.70

*Note: ***, ** and* represents 1%, 5% and 10% significant levels, respectively. Standard errors are presented in parenthesis.*

Table 3 displays the outcomes of the principal component analysis utilized to assess variations and disparities in the research queries. To draw conclusions, the variables were transformed into models during the analysis. The Statistical Package for Social Sciences (SPSS) was the tool used for this purpose, with a 5-point scale being applied.

Model one, which considered Income 1, showed a significant positive impact on the efficiency, achievement, and innovative capacity of small and medium scale enterprises in Nigeria's informal sector at a 0.01% level. Model two, which considered Income 2, demonstrated a significant impact on efficiency at 0.01% and achievement at 0.01%. Model three, which considered Income 3, revealed a significant positive impact on efficiency at 0.05%, achievement at 0.01%, and innovation at 0.01%. Model four, which considered Income 4, showed a significant positive impact on efficiency at 0.1%.

The models' R-squared values are 0.86, 0.87, and 0.70, indicating that the predictor variables (Income 1, Income 2, Income 3, and Income 4) explain 86%, 87%, and 70% of the variation in micro-pension uptake and small and medium scale enterprise performance in Nigeria's informal sector. The F-Stat values are 152.56, 164.32, and 56.30, respectively, suggesting that the impact of the predictor variables (Income 1, Income 2, Income 3, and Income 4) accounts for the variations observed in the performance of small and medium scale enterprises in Nigeria's informal sector. The Statistical Package for Social Sciences (SPSS) was utilized to perform the analysis, and a 5-point scale was used..

Tabel 4. *Sociodemographic Model*

	Efficiency	Achievements	Innovations
Socio1	0.3119***(0.1022)	0.3428***(0.992)	0.3539**(0.1436)
Socio 2	0.3046***(0.1063)	0.3689***(0.1032)	0.3802**(0.1494)
Socio 3	0.3454***(0.1059)	0.2993***(0.1028)	0.2932**(0.1488)
Socio 4	0.3619***(0.0881)	0.3175***(0.0855)	0.0840(0.1238)
No of Obs.	130	130	130
F-Stat. (Prob.)	170.53***(0.0000)	181.27***(0.0000)	58.54***(0.0000)
R-Squared	0.87	0.88	0.70

*Note: ***, ** and* represents 1%, 5% and 10% significant levels, respectively. Standard errors are presented in parenthesis.*

Table 4 displays the outcomes of a principal component analysis that aimed to simplify the variables and facilitate drawing conclusions. The models, based on various socio-demographic attributes (Socio 1, Socio 2, Socio 3, and Socio 4), had a significantly positive impact on the efficiency, achievement, and innovative capacity of small and medium scale enterprises in Nigeria's informal sector. For instance, Model 1 had a significant positive effect on efficiency, achievement, and innovation at the 0.01% level, while Model 2 had a significant positive effect on efficiency, achievement, and innovation at the 0.01% and 0.05% levels, respectively. The R-squared values for the models were 0.87, 0.88, and 0.70, indicating that the combined effect of the predictor variables (socio 1, socio 2, socio 3, and socio 4) accounts for 87%, 88%, and 70% of the variation in micro-pension uptake and the performance of small and medium scale enterprises in Nigeria. Moreover, the F-Stat values were 170.53, 181.27, and 58.54, suggesting that the predictor variables (socio 1, socio 2, socio 3, and socio 4) explain the variations in the performance of small and medium scale enterprises in Nigeria's informal sector.

5. CONCLUSION

In Africa, pension reform is a pressing matter that goes beyond addressing demographic pressures and poverty among the elderly, but also involves providing support during their old age. However, coverage of these systems is limited and mostly exclusive to civil servants or a minority of well-paid workers in the formal sector. While efficient pension arrangements are necessary in the region, introducing them comes with challenges, particularly in the large informal sector. In Nigeria, the informal sector plays a crucial role in the country's development and economic growth, and micro-pensions can improve the welfare and living standards of workers in this sector. To encourage participation in the micro-pension scheme, the government should help improve the education level of small and medium scale enterprises (SMSEs) through mandatory continuous education programs and establish basic infrastructure to reduce their operating costs. Based on the study, income level and financial literacy significantly influenced the performance of SMSEs in Nigeria's informal sector, while socio-demographic profile had a positive but insignificant effect. Therefore, it is recommended that efforts be made to encourage Nigerian SMSEs to participate in micro-pension schemes by enhancing their education level and providing basic infrastructure to reduce operating costs.

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