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FINANCIAL INCLUSION IN A DEVELOPING COUNTRY: AN ASSESSMENT OF THE NIGERIAN JOURNEY

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Abstract

Financial inclusion is regarded as a fundamental element that makes economic growth inclusive as access to finance should enable economic agents to make long-term consumption and investment decisions, engage in productive activities, and effectively cope with sudden, unexpected short-term shocks.

This research set out to investigate whether the financial inclusion goals set in 2012 by the National Financial Inclusion Strategy committee to reduce the levels of financial exclusion has been achieved. The findings reveal that, there have been sensible gains in increasing the levels of financial inclusion on a macro-perspective: more men and women are gaining access to financial services and products. However, a breakdown of the financial inclusion data on geo-political arrangements tells a different story. Financial inclusion in Nigeria is not even, with financial exclusion rates significantly higher in North East and North West Nigeria, where exclusion rates are above 60%. Southern geo-political regions have better financial exclusion rates, with financial exclusion rates below 35%, In general, women tend to have higher financial exclusion rates than men, rural population have a higher financial exclusion rate than urban areas.

The National Financial Inclusion strategy committee is closer to achieving its 20% exclusion rate in the Southern geo-political zone than the Northern geo-political zones. To attain its 2020 targets on financial inclusion in Nigeria, the focus of inclusion should be increasing access to finance in the rural areas. The method to do this should be the use of branchless banking, improving digital finance infrastructure and designing financial services and products that are tailored to meet the needs of rural men and women, since more than 60% of the population of Nigerians live in rural areas.

Keywords: Financial inclusion, financial exclusion, financial institutions, economic growth, banking, Nigeria

Introduction

The broad objective of financial inclusion is simply to increase accessibility to a broad range of financial products and services; designed specifically to meet the needs, and requirements of adults (Mehrotra et al, 2009; Allen et al, 2012; Garg and Agarwal, 2014). The providing of these financial instruments, products and services should be done at affordable costs and should be delivered in an accountable and sustainable manner (Demirguc-Kunt and Klapper, 2012; Oji, 2015). Chakraborty (2012) maintains that financial inclusion is an instrument that provides access to financial products and services that households, businesses, and vulnerable members of the society need at affordable costs.

The research on the influence of financial inclusion on economic development suggest that there is a positive relationship between financial inclusion development and the growth of business firms (Kings and Levine, 1993; Akinlo and Egbetunde, 2010; Allen et al., 2012; Nyasha and Odiahuma, 2014). These studies have focused on attaining a better understanding of how financial inclusion can significantly influence a firm's ability to not only mobilize investments but also reduce labour costs (Andrianaivo and Kpodar, 2011; Fafchamps and Schundeln, 2012), and enhancing innovation through a business firms productivity (Claessens and Laeven, 2005; Dabla-Norris et al., 2010; Laeven et al., 2015). Chauvet and Jacolin (2015) have identified three avenues through which financial inclusion development directly affects business firms. These avenues include traditional financial intermediation, financial markets, and ensuring products and services availability at reduced transaction costs.

Despite these significant benefits of financial inclusion development to a firm's productivity and growth there is evidence to suggest that the developing of the financial sector may not lead to a positive growth (Asiedu et al., 2013; Asongu, 2015). For instance, Castelli, Dwyer and Hasan (2009) find that the performance of Italian firms reduces as the number of banking associations increases. Yazdanfar and Ohman (2015) observe that firms which have a heavy reliance on debt and bank credit to grow their business tend to be less profitable than firms who choose not to use these banking facilities to grow their business. As is evident, there are contrary relationships between financial inclusion development and a firm's growth, these is caused by the following: financial market imperfections, increased transaction and contract enforcement costs and inadequate information that are peculiar to developing countries.

Still, the need for financial inclusions is only too evident and as such should not be trivialized for a developing country like Nigeria where the current economic climate is difficult for the average Nigerian (Aro-Gordon, 2016; Fanta and Makina 2016). The economy has been struggling to get back on its feet, after falling into an economic recession two years ago (CBN, 2017). The crashing of oil prices in the world markets set an ugly trend in motion that has resulted in massive loss of jobs in the public and private sector, inability of federal and state government to meet there monthly obligations, resulting in workers being owed wages (CBN, 2016). A massive devaluation of the naira against other international currencies has resulted in an increase in inflation from a single digit to double digits. To make matters worse, militancy in the northern and southern parts of Nigeria have made it difficult for business activities to flourish without interruption (Weeraratne, 2017; Iwilade, 2017).

These economic ills that have plagued the Nigerian economy have also spread to the financial sector, and also significantly affected the financial industry. The financial industry recorded severe job losses, downsizing of business operations and activities across the country (Isukul and Dagogo, 2018). Consequently, banks and insurance firms have recorded sizable reduction in profitability as a result of the economic decline Thus far, economists and policy makers have advised that the government should take proactive measures targeted at reversing the current economic woes by increasing financial accessibility to Nigerians. Ikhide (2015) acknowledges that financial inclusion has a crucial role to play in promoting financial development and bootstrapping economic growth in particular. He stresses that there is the need to improve access to finance to urban and rural areas through the strengthening the capacity of micro-finance banks to meet the needs of small and medium scale enterprises.

The poor economic situation facing the country; explains one side of the story, in relation to financial development, the Nigerian economy does not fare any better. In 2012, the World Economic Forum ranked Nigeria 61 out of the 62 country in terms of its level of financial development (Efobi et al., 2016). The rank for improving financial intermediation was slightly worse; Nigeria was ranked at the bottom of the index (61 out of 61). With relation to financial development indices, Nigerian economy ranked 136 for soundness of banks, 125 for ease in access to loans, 93 in availability of financial services and 75 for availability of financial services. Obviously with ranking as poor as these, there is the need to improve the levels of financial inclusion in Nigeria.

The need for developing countries to improve the levels of financial inclusion has been debated extensively in the literature. In a bid to enhance the level of financial inclusion in Nigeria and issue of the poor state of financial development in Nigeria the National Financial Inclusion Strategy (NFIS) was launched in 2012 with set specific objectives and timelines to achieve specific financial inclusive goals in 2020.

This research has been borne out of the need to re-examine some of the specific objectives and timelines set by the National Financial Inclusion strategy initiative to ascertain if specific financial inclusion goals have been met or attained or better still if these goals have been surpassed.

The research questions investigated in this research are:

1. Have the National Financial Inclusion Strategy set for the six geo-political zones been attained?
2. Has the National Financial Inclusion Strategy been able to reduce the gender gap in financial inclusion between men and women?
3. How has the National Financial Inclusion Strategy initiative performed with regards to its set targets on improving payments, savings, credit and the number of women who are financially included?

This research paper is outlined as follows: an extensive discussion of the literature on the theoretical linkage between financial development and economic growth, a discussion on financial inclusion and developing countries and financial inclusion in Nigeria. The research methodology applied to investigate this research will be described and the finding of the research will be discussed extensively.

Theoretical Relationship between Finance and Economic Growth

Financial development takes place when financial instruments, financial markets and financial intermediaries reduce the influence of information, and transaction costs. Doing so, improves provision ex ante information of possible investments, enhances corporate governance practices, mobilizing savings and encouraging trade, exchange of goods and services while managing risks (Levine, 2004; Claessens & Love, 2005; Demirguc-Kunt et al., 2007; Wolde-Rufael, 2009). The theoretical linkage between finance and economic growth can be trace to earlier works of Schumpeter (1912) and more recently the works of Shaw (1973) and McKinnon (1973). The main policy thrusts of the works of Shaw (1973) and McKinnon is that government intervention and restrictions placed on the banking systems (such as manipulation of the interest rates, directed credit programmes and high reserve requirements) limit financial developments and consequently reduce economic growth.

The theory on finance and growth assumes there is a relationship between finance and economic growth. It expects that financial institutions are capable of the following: enhancing the efficiency of investment productivity, enhancing the provision of liquidity that enables the accumulation of capital, and mitigating the problem of information of information between financial institutions and business firms. The relationship between finance and growth has been debated extensively in the finance literature, and the debate has also been very divisive (Easterly and Levine, 1997; Ang and McKibbin, 2007; Luintel et al., 2008; Rousseau & Wachtel, 2011; Anwar & Cooray 2012).

While financial economists have reached some consensus on the importance of financial development on economic growth, there are still extensive debates in the literature. The findings of the literature on the relationship between finance and economic growth can be categorized into four broad categories: financial development is responsible for creating an enabling environment for economic growth, economic growth is responsible for creating an enabling environment for financial development to occur and the bi-causality relationship – this simply maintains that financial development leads to economic growth, and economic growth also leads to financial development.

Advocate of financial development maintain that financial development variables prompts economic growth through the encouraging of a savings culture, subsequently building capital formation and thus economic growth (Menyah et al., 2014). In a seminal paper Kings and Levine (1993) investigate the relationship between financial system development and economic growth; they use data from 80 developed and developing countries and their findings reveals that there is a robust correlation between financial development, economic growth, physical capital accumulation and economic efficiency improvements. As such, financial development does not shadow economic growth, financial development leads economic growth, and other researchers in the field of finance and economic growth have also reached similar conclusions (Odedokun, 1996; Calderon & Liu, 2003; Christopoulos & Tsonia, 2004; Badun, 2009).

Holding a different view, proponents of economic growth leads to financial sector development, Stem (1989) suggests that an increasing in economic growth leads to an increase in financial sector development. The demand side hypothesis argues that the demand for financial instruments, financial services and financial markets, basically, occurs because of an increase in economic growth which spills into the financial sector (Ang and McKibbin, 2007). The logical explanation for this is that an increase in economic growth has a positive influence on the demand for financial instrument and as such, the financial markets growth is a response to the increasing demand for financial services (Chowa and Fung, 2013).

In a different perspective on financial sector development and economic growth, the two-way causality relationship between finance and growth identifies a bi-directional relationship. Chowa and Fung (2013) argues that financial market development is a result of economic growth and economic growth impels growth in the financial markets. Akin et al. (2010) examined the relationship between financial sector development and economic growth, they find a bi-directional relationship between finance and growth. Furthermore, a number of endogenous growth research findings appear to support the existence of a bi-directional relationship. In the literature, the research has convincingly established a relationship between finance sector development and growth. However, Levine (2010) holds a different position, he maintains that without an intentional and consistent development of the financial sector, there will be an appreciable decline in the quality of financial services, and this will result in a reduction in the rate of economic growth.

The research literature in the field of financial inclusion supports the view that there is a link between financial development and economic growth (Beck and Demirguc-Kunt, 2008; Dupas and Robinson, 2009). Strengthening of financial inclusion at an institutional level can positively influence economic growth. At the institutional level, the importance of the rule of law, financial regulatory oversight and the banking infrastructure are critical determinants of the degree of financial inclusion. In general, developing countries with strong financial institutions, rule of law and regulatory oversight have better financial inclusion than emerging countries which have weak financial institutions, rule of law and regulatory oversight.

Moreover, the levels of banking sector penetration, number of banks branches network, automated teller machines, information communication technology sophistication and private sector ownership of banking institutions are important determinants of better access to financial services and financial inclusion. Beck et al. (2005) maintains that there is a relationship between financial development and economic growth and that the banking sector penetration is an important in providing an enabling environment for growth to take place. Haiss et al. (2011) warn that an excessive intentional policy response that deepens financial markets could have an adverse effect on financial sector development and economic growth and more importantly it can cause financial crisis that may end up destabilizing the economy. When banks fail, the ramification in terms of negative externalities affects both the private and public sectors. It can cause a financial contagion affecting not only the financial sector, but all other sectors in the economy (Laeven and Valenca, 2008).

An Assessment of Financial Inclusion in Developing Countries

In evaluating the research on financial inclusion in developing countries, the research on financial inclusion can be classified into the following groups: the development of the financial and regulatory infrastructure to strengthen financial institutions and markets (Allen et al., 2011; Oji, 2015: Aro-Gordon, 2016), identifying the constraints that are causing setbacks in increasing the levels of financial inclusion (Guieze, 2014; Isukul & Dagogo, 2018), the role information communication technology and globalization are enhancing levels of financial inclusion in developing countries (Aker & Mbiti, 2010; Rasmuseen, 2010) and measures of developing the necessary infrastructure to enhance the current levels of financial inclusions in developing countries (Ikhide, 2015).

The importance of an enabling environment in enhancing the levels of financial inclusivity must be emphasized. Allen et al. (2011) evaluate factors that strengthen financial inclusion in 123 countries; the findings of their research reveal that there is positive relationship between an environment that enables people access financial services and lowers the costs of getting savings and current accounts. In concluding, they recommend financial institutions should have specific policies focused on reducing barriers that hinder people from owning personal bank accounts.

These polices include the removal of excessive bank fees and charges for usage of personal bank accounts and reducing the documentation required to open bank accounts. Oji (2015) suggests that for financial inclusion to improve in developing countries the following restrictions should be removed: upfront minimum deposits required to open bank accounts, provision of financial institutions in rural environments, and unnecessary bottle necks and bureaucratic documentation required by banks should be reduced.

The constraints that hinder financial inclusion are not limited to constrains in the financial sector. Guieze (2014) in his investigation of financial inclusion in developing countries finds that there are number of structural constraints such as rising levels of public debts, poor infrastructure, and undiversified economies that are hindering financial development. These constrains that hamper financial inclusion are also gender related. Demirgüç–Kunt et al. (2013) investigates the discrimination against women with regards to access to use of financial services and they find that women in developing countries face legal restrictions in their ability to head households, work, receive inheritance and are not likely to own an account.

To address the some of the issues that are hindering financial inclusion in developing countries, the use of innovation and information technology have been suggested as a way to enhance financial inclusivity. Andrianaivo and Kpodar (2011) maintain that the usage of mobile phone penetration in developing countries and has encouraged the increase of financial transfers, improved access to deposit and credit facilities. Also, it has strengthened the drive to improve financial inclusion. Ondiege (2015) studied the application of information communication technology to addressing the financial inclusion challenges of 4 African countries, he discovered that the varying differences in levels of financial inclusion could be attributed to government regulatory policies and frameworks in the banking industries. He concluded that policy regulations in Eastern African countries that enabled the mobile network operators to promote financial inclusion did better than bank led financial inclusion strategies led by Nigerian banking institutions.

Financial Inclusion in Nigeria

Most developing countries like Nigeria have serious financial inclusion challenges, and various governments have put in place several economic policy measures to address financial inclusion problems. Financial inclusion reforms in Nigeria were focused on addressing the following issues: reducing the number of financially excluded Nigerians; promoting a national savings culture; increasing the number of Nigerian women who had access to financial services; recapitalization of existing banking institutions; digitalization and the use of information technology in enhancing levels of financial inclusion; enhancing financial payment processes, introducing a variety of financial services and products and strengthening levels of domestic investments through enhancing financial intermediation channels between borrowers and lenders (Ikhide and Alawode, 2002; Ogun and Akinlo, 2011; Akinlo, 2012; Kama and Adigu, 2013; Oji, 2015; Aro-Gordon, 2016).

A particular concern for the Nigerian government in 2012 was the number of financially excluded Nigerians. The Nigerian men and women who did not have access to financial services and bank accounts were 40 million (CBN, 2014). The consequence of financial exclusion includes but are not limited to the following:

exclusion from mainstream financial service such as personal bank accounts, savings and pension schemes (Demirguc-Kunt and Klapper, 2012). Financial exclusion increases levels of poverty and worsens societal burden, it also acts as a serious barrier to individual and personal development (Oji, 2015). To address the financial inclusion needs in Nigeria, the Central Bank divided the country into six geo-political needs, since the various geo-political zones had different levels of financial inclusion, it made some logical sense to address the issue based on the zones (CBN, 2014).

One policy response measure that was designed to increase strengthen the levels of financial inclusion among Nigerians in the rural area was the encouraging of rural banking, community banking and microfinance banking institutions. This policy was targeted at bring the banks to rural area, since there were severe shortages of financial institutions in the rural areas (Okorie, 1992). As a result, several rural banking facilities were opened in the rural locations, 196 at the end of 1980, advances and loans to rural financial institutions was N26 million and bank deposits were N125 million (Kama and Adigu, 2013).

Immediately, the result of planting so many rural banking facilities across Nigeria translated into increased use of banking facilities, improvement in the saving and usage of bank facilities. However, the success of the rural banking was not sustained, as other pertinent problems became obvious. Poor usage of banking institutions in rural areas, poor savings mobilization culture, increase in bank failures in rural areas and government policy reversals and summersault (Oluban, 2008). Consequently, the rural banking scheme failed as a result of inability of government to sustain the banking policy initiative.

Still, the financial inclusion agenda continue to be burning issue for the Nigerian government. The Central Bank of Nigeria (CBN) decided to design a National Financial Inclusion strategy that was launched in 2012 and one of its objectives was to reduce the percentage of adults excluded from the financial services from 46.3% in 2010 to 20% by 2020 (Aro-Gordon, 2016). On a further analysis of the demographic profile, the following issues were discovered: 55% of the excluded population were women, and 34% had no formal education. These numbers caused serious concern for the CBN.

To reduce the financial exclusion rates, a collective implementation process was initiated. It involved not only Deposit Money Banks (DMB), but also critical stakeholders such as National Insurance Commission, Security Exchange Commission, Nigeria Deposit Insurance Corporation, Federal Ministry of Finance, National Communication Commission and state governments that have high financial exclusion rates. States which have high financial exclusion rates include Kano (75.2%), Jigawa (64.9%), Katsina (64%), Zamfara (58.7%) and Kaduna (54%).

Ajakaiye (2013) suggested that some of the factors responsible for high rates of financial exclusion in Nigeria include low levels of education, high transaction costs in the formal sector, gender related issues, poverty and access to financial services. From the recommendations of the CBN (2014) report, various policy reforms were initiated with the sole purpose of enhancing the levels of financial inclusions across the six geo-political zones. Some of the measures introduced including the informal sector in contributory pension scheme, optimal pricing of mobile payment services by mobile network operators, increasing deposit insurance coverage to subscribers of mobile money, and the development of a Security Exchange Commission capital market master plan.

Methodology

The research methodology informs on the research philosophy, the research design, the research methods and the research method applied in executing the research. The researchers have adopted a positivist perspective in carrying out the research. Positivism argues that scientific knowledge can be verified, in comparison to speculation, dogmatism and superstition (Delanty, 2005). Positivism is any approach that embraces the use of scientific methods and that there is an objective way of knowing through study of facts. The researchers in positivist philosophical positions believe that reality is objective, that data can be observed, quantified, measured, analysed and conclusions can be reached based on the available information (Fay, 1996). The adoption of positivist research philosophy, design and methods was informed on the researchers view, knowledge in their understanding of reality as objective and independent of the researcher.

In conducting a research investigation of this nature, it is important to stress that the nature of the data collected determines the kind of research methods and the research instruments that can be applied in the analysis of the data. Secondary data was employed in conducting the research. The use of secondary data has the following benefits, easily accessible when compared with the collection of primary data, ethical issues that arise in the use of primary data are not existent for secondary data and secondary data is cheaper to collect, as it makes for cost effective research. Ordinal data from central bank annual reports was used to examine the research questions. Ordinal data tends to limit the statistical analysis that can be performed on the data. A non-random sampling technique was

In 2012, the National Financial Inclusion Strategy committee made specific projections in terms of increasing the levels of financial inclusion in Nigeria. Some of these goals were set based on geo-political arrangements, since the levels of financial inclusion defer with regards to geo-political arrangements. A geo-political approach was used in analysing the data on financial inclusion based on percentage differences. The researchers want to evaluate the goals set in 2012 against the results that have been attained in 2012, 2014 and 2016. This assessment will to some extent serve as a basis for informing on how well the targets set by the National Financial Inclusion Strategy committee have been met.

The goals for financial inclusion were not limited to geo-political arrangements, gender specific goals where also set. To reduce the number of women who had been financial excluded from the use of financial services from 55% to a more modest level. The second approach adopted the research is assessing the projections by central banks with regards to access to financial services. The Central Bank of Nigeria estimated that access to payments, savings, credit, insurance and pension for 2020 should be 70%, 60%, 40%, 40% and 40%. A similar approach has been taken in evaluating the goals set in 2012, against the results that have been achieved in 2012, 2014 and 2016.

Financial Exclusion Rates in Nigeria: A Geo-Political Evaluation across the Regions

Overall, the results with regards to improvements in financial inclusion for Nigerians across the six geo-political zones were mixed. The North West and North East appear to have the lowest levels of financial inclusion amongst the six geo-political regions. In table 1, the North West in 2012 financial exclusion rates 64%, that figure reduced by 12% in 2014, but it worsened in 2016. In 2016, the number of financially excluded rose by 11%. This meant that in 2016, 70% of the population were financial excluded. This figure is 6% higher than the 2012 figure of 64%.

In the North East, the results are only marginally better. In 2012 financial exclusion was pegged at 60%. For 2014, financial exclusion numbers in the North East worsened by 8% and by 2016 there was a reduction in financial exclusion rate by 6%. A breakdown of the figures reveals that financial inclusion is better within the formal than the informal channels for North West and the North East Region.

For the North Central and South South region, the level of financial exclusion rates is significantly better than figures obtained for the North West and North East regions. For instance, the North Central in 2012 financial exclusion rate stood at 32% and declined by 1% in 2014. In 2016, financial exclusion rate returned to its 2012 level. The South South region results differed, as the financial exclusion rates became marginally worse in 2014. A decline by 3% as can be seen in table 2. For South South region, the financial exclusion rate increased marginally between 2014 and 2016 by 1%,

Finally, the South West and South East region: these regions tend to have the lowest levels of financial exclusion in Nigeria. The South-West and South-East region come close to achieving the National Financial Inclusion Strategy committee target of 20%. As the results reveal, both South West and South East region financial exclusion rates are below 26%. In fact, from a glance, South West region beat the target set by the National Financial Inclusion Strategy target of 20% exclusion in 2018 with an exclusion rate of 18%. As the results for South West region reveal, from 2014 to 2016, a 15% decline in the financial exclusion rate brought the rates to less than 20%. The results in the South-South region, on the whole were not as impressive. The financial exclusion rates between 2012 and 2014 improved by 1%. However, the marginal improvement was not sustained in the 2014 to 2016 period. A slight decline in the financial exclusion rate was recorded.

Table 1: Financial Access by Geo-Political Zones

North West	2012	2014	2016	North East	2012	2014	2016
Formally included	23%	35%	24%	Formally included	26%	26%	25%
Informally one	14%	9%	6%	Informally one	15%	5%	14%
Financially Excluded	64%	56%	70%	Financially Excluded	60%	68%	62%
North Central	**2012**	**2014**	**2016**	**South South**	**2012**	**2014**	**2016**
Formally included	48%	49%	48%	Formally included	52%	52%	55%
Informally one	20%	19%	14%	Informally one	18%	15%	14%
Financially Excluded	32%	33%	39%	Financially Excluded	30%	33%	31%
South West	**2012**	**2014**	**2016**	**South East**	**2012**	**2014**	**2016**
Formally included	58%	63%	78%	Formally included	52%	63%	59%
Informally one	18%	13%	4%	Informally one	22%	11%	13%
Financially Excluded	25%	25%	18%	Financially Excluded	26%	25%	28%

Source: CBN (2017) Annual Report

Table 2: Financial Access by Geo-Political Zones: Variations and Improvements in Percentage Terms

North West	2012-2014 Growth/Decline	2014-2016 Growth/Decline	2020 Financial exclusion Target	North East	2012-2014 Growth/Decline	2014-2016 Growth/Decline	2020 Financial exclusion Target
Formally included	12%	-11%		Formally included	0%	-1%	
Informally one	-5%	-3%		Informally one	0%	-9%	
Financially Excluded	-8%	14%	20%	Financially Excluded	8%	-4%	20%
North Central	**2012**	**2014**	**2020 Financial exclusion Target**	**South South**	**2012**	**2014**	**2020 Financial exclusion Target**
Formally included	1%	-1%		Formally included	0%	3%	55%
Informally one	-1%	-5%		Informally one	18%	15%	14%
Financially Excluded	1%	6%	20%	Financially Excluded	30%	33%	31%
South West	**2012**	**2014**	**2020 Financial exclusion Target**	**South East**	**2012**	**2014**	**2020 Financial exclusion Target**
Formally included	5%	15%		Formally included	11%	63%	
Informally one	-5%	-9%		Informally one	-11%	-2	
Financially Excluded	0%	-7%	20%	Financially Excluded	-1%	3%	20%

Demographic Analysis of Financial Exclusion Rates

In Figure 1, a different expression on access to finance is given based on demographic profile. Access to finance is classified into four categories: banked, formal, informal and financial exclusion. The demographic profile teases our data on financial exclusion in ways that geo-political zone cannot.

Of serious concern is the high rates of financial exclusion for the following age groups 18-25 and 56 years and above. This group of persons in Nigeria are considered the most financially excluded. Age 18-25 has a financial exclusion rate of 53.5%, while 56 years and above has a financial exclusion rate of 47.2%. However, some positive developments in regards to lowest levels of financial exclusion rates, lowest figure occur for age group 26- 35 and 36 - 45. The financial exclusion rates for 26-35 is 35.9% and for 36-45 age group it is 32.6%.

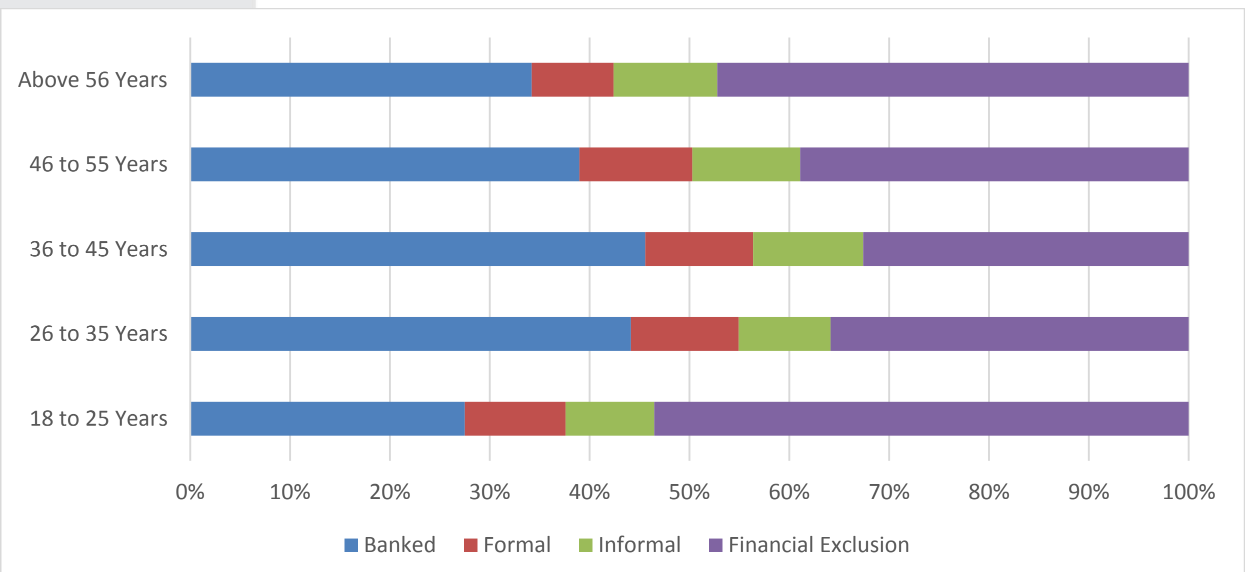

Figure 1: Financial Access by Age Group

Source: Enhanced Financial Access to Financial Services in Nigeria 2018 Survey

In the demographic profile, a particular focus for the National Financial Inclusion Strategy committee was to address high rate of financial exclusion of Nigerian women. In 2012, financial exclusion rate stood at 55%. As table 2 reveals, some modest achievements have been attained in reducing the level of financial exclusion for women. In 2014, the financial exclusion rate for women was 42.7%.

In just six years, the number of women who lacked access to finance in Nigeria had been reduced by 9.1%. Yet, despite the modest improvement in financial inclusion for women, the financial exclusion rate for women is still relatively high.

Table 3: Financial Access by Gender

Variable	Male (2014)	Male (2018)	Growth/Decline	Female (2014)	Female (2018)	Growth/Decline
Banked	44.1%	46.1%	2%	29.4%	33.3%	3.9%
Formal	10.0%	8.9%	-1.1%	14.4%	9.1%	-5.3%
Informal	10.2%	12.5%	2.3%	13.5%	16.7%	3.2%
Excluded	35.8%	32.5%	-3.3	42.7%	40.9%	-1.8%

Source: Enhanced Financial Access to Financial Services in Nigeria 2014 and 2018 Survey

The need to improve access to financial services for women cannot be understated. As research studies reveals that women in control of her own finances are more likely to invest in nutrition, health and education of her immediate family members. These investments in her family are capable of driving inter-generational change that will have effect in her community.

At the macro perspective, expansion of financial inclusion for women will have a positive impact on community development and economic growth. For women to achieve better financial inclusion, it is important that they have access to financial tools and financial services that go far beyond loans. Thus, it would mean ensuring more women have access to financial services that allows them to save, access insurance and more importantly the necessary training and education that allows them to use these tools effectively.

Access to Finance in Nigeria Based on Products, Channels and Enablers

The National Financial Inclusion strategy had a two-pronged approach to addressing financial inclusion in Nigeria. The first approach focused more in reducing the financial exclusion rate to about 20%. The second approach which appears to be the harder of the two, is targeted at increasing access to the usage of financial products and services. In financial service categories, improvement is focused on enhancing the following categories: payments, savings, credit, insurance and pension services.

Specific goals where set by the National Financial Inclusion Strategy committee to increase payments to 70%, savings to 60%, credit to 40%, insurance to 40% and pension to 40% by 2020. Some modest achievements have been achieved in increasing the levels of payments can be seen in table 3. Payments and savings in 2012, were 22% and that figure was increased to 40% by 2018. The other categories have performed poorly, savings, credit, insurance and pensions have had marginal improvements over the six-year period. However, the results show that in 2016, savings increased to 38%, but by 2018 that figure had declined to 24%, a decline by 14% in a two-year period. Insurance and pension did not make any significant strides in the six-year period. Based on the following results, it is doubtful that the payment, savings, credit, insurance and pension targets set by the NFIS committee will be met by 2020.

Table 4: Financial Inclusions: Pension, Savings Credit, Insurance and Pension Targets

S/n	Variables	Target by 2020	2012	2014	2016	2018	Variance to 2020
1	Financial Exclusion	20%	46.3%	39.7%	41.6%	36.8%	**-16.8%**
2	Payments	70%	22%	20%	38%	40%	**-30%**
3	Savings	60%	24%	25%	36%	24%	**-36%**
4	Credit	40%	2%	2%	3%	2%	**-38%**
5	Insurance	40%	1%	3%	2%	2%	**-38%**
6	Pensions	40%	5%	2%	7%	8%	**-32%**

Source: Central Bank of Nigeria Annual Report (2017)

An important element of improving financial inclusion in Nigeria by the central bank of Nigeria was focused on improving banking infrastructure in terms of the number of Deposit Money Banks (DMB), Microfinance Banks (MFB), Automated Teller Machines (ATM), Point of Sale (POS) terminals and Agent Banking.

Again, some positive developments can be seen in terms of the use of digital infrastructure in increasing levels of payments. The use of automated teller machines has increased within the banking industry and also the use of point of sales terminals have had recorded significant levels of improvements. Although the growth in percentage terms have been marginal and can be improved.

Clearly, the adoption of these technologies has led to increase in financial payments and financial services. The automated teller machine for instance can be accessed 24/7. This has revolutionized how customers access financial services. It has increased available ours banking services can be used, even when banking office outlets have for business activities. A similar feat has been achieved with the point of sale terminals that allows bank customers engage in bank transactions at locations that are convenient for them.

Table 5: Channels for Formal Financial Services

Classification	Baseline 2010	2016	2017	Target 2017	Target 2020
Number of DMB branches per 100,000 adults	6.8 5797 B	5.7 5564 B	5.5 5457 B	7.5 7478 B	7.6 8398 B
Number of MBF branches per 100,000 adults	2.9 2456 B	2.2 2181 B	2.4 2367 B	4.7 4462 B	5.0 5525 B
Number of ATM per 100,000 adults	11.8 9,958 ATM	17.6 17,131 ATM	17.7 17,131 ATM	49.6 49,115 ATM	59.6 65,859 ATM
Number of POS Terminal per 100,000	13.2 11,223 POS	12.4 121,388 POS	12.6 125,608 POS	60.6 606,606 POS	850 939267 POS
Number of Agents per 100,000	0	15 15,145 Agents		38 37,552 Agents	62

Source: Central Bank of Nigeria Annual Report (2017)

Increasing the number of deposit money bank branches and received some negative growths over the period of 2016 and 2017. For 2016, growth of DMBs was 5.7%, however in 2017 a decline of 0.2 percent. The NFIS target for growth of DMBs for 2017 was 7.5%, the actual growth of DMBs for 2017 was 5.5%. Growth of DMBs missed the set target for 2017 by 2%. Microfinance banks also received negligible levels of growth between 2016 and 2017.

The most abysmal figures are recorded with regards to increasing the use of Agent Banks. Agent banks are meant to act as financial intermediaries between DMBs and MFBs and are useful financial instruments that can increase the levels of financial inclusion especially in rural areas. Thus far, the use of Agent Banks has been poor, and the figures can be improved. In 2016, there were 15,145 number of agents per 100,000. In 2017, no actual figures where given for Agent Banks, all that was given are 2017 targets. From the result, it is difficult to say there has an improvement in the number of Agent Bank figures.

Discussion of Findings

In deciding to aggressively address the financial inclusion challenges facing Nigeria, the National Financial Inclusion Strategy committee designed a robust framework set to address the financial inclusion problems (CBN, 2017). A collaborative approach was adopted, this strategy enabled the working with critical stakeholders to address the financial inclusion difficulties. At the macro levels collaborations was sort with the following stakeholders: state governments which had high financial exclusion rates, Security Exchange Commission, National Communication Commission, Federal Ministry of Finance and Nigeria Deposit Insurance Corporation. At the micro level the focus was two folds, increasing infrastructure, number of DMBs and FMBs and also strengthening the digital financial infrastructure that through increase in ATMs, POS and Mobile phone banking services.

Thus, a well thought out policy mix was targeted at strengthening the financial inclusion in Nigeria. Specific projections where made to reduce the financial exclusion rate from 46.3% in 2010 to 20% in 2020. Some measures of success have been recorded in reducing the level of financial exclusion to 36.8% in 2018. However, this macro-analysis does not give a detailed picture of financial exclusion. To probe deeper into the issue of financial exclusion, an analysis of financial exclusion level across the six geo-political zones was done.

In deconstructing the financial exclusion rate along geo-political, interesting results begin to emerge. Financial exclusion rates are much higher in Northern Nigeria than Southern Nigeria. The worst hit regions are the North East and North West, where financial exclusion rates are above 60%. As compared to Southern region where financial exclusion rates are below 30%. A few genuine explanations may be responsible for the significant differences. The North Eastern region have been particularly hard hit by increasing levels of insurgency from the terrorist sect called Boko Haram. The terrorist group have been responsible for destroying lives, property, and destabilizing business activities.

Consequently, the instability in the region will significantly affect access to financial services and products. This is not to suggest that the Southern region is free of militancy, militancy is also a significant problem in Southern Nigeria, where the restive youths have actively engaged in sabotaging the productive activities of multi-national oil companies within the region. However, the militancy activities in Southern Nigeria is not as devastating as Boko Haram in Northern Nigeria. A federal government amnesty initiative achieved some results in retraining and reducing levels of militancy activities in Southern Nigeria.

Furthermore, the findings of this research are consistent with the works of Ikhide (2015) and Aro-Gordon (2016). The levels of financial inclusion for men and women differ, with a larger portion of women being financially excluded from access to usage of financial products and services. In 2012, financial exclusion rate for women was poor, it was above 50%. The National Financial Inclusion Strategy committee set in motion an aggressive policy mix to reduce the financial exclusion rate. At the national level financial exclusion rate of 20% was set.

Conclusion

As the results reveal, financial exclusion rates have reduced in general, and women too have enjoyed an increase in the levels of financial inclusion. In 2016, financial exclusion rates for women had reduced by 10% over the six-year period. This modest success can be attributed to the following increasing penetration of digital infrastructure such as electronic payment platforms, electronic banking, and use of mobile phones in conducting banking transactions. Yet, the modest achievements with regard to financial inclusion at 59.1% of women falls short in comparison to global average of 65% for women. As such the National Financial Inclusion Strategy still have a lot of work to do.

To reduce the financial exclusion rates to meet the 2020 targets. It is important that the National Financial Inclusion Strategy revise its strategy and focus on branchless banking or Agent Banking. In adopting this approach, the aim would be to increase access to banking within the rural areas. In the rural areas, the costs a of setting up DMBs and MFB in rural areas outweighs any benefits or profits that any financial institution can obtain from those regions.

So, a different approach needs to be sought. The use of financial intermediaries who can act on behalf of the DMBs and MFB to increase access to finance to these obscure regions. Currently, the use of branchless banking remains limited, in comparison to what can be achieved. Agent bank models have been successfully used in Kenya and Bangladesh to increase the financial inclusion rates in rural vicinities. Also, to improve the financial exclusion rates of rural areas, it is important that financial services be designed to meet the needs of the rural dwellers. Designing financial products and services in that manner, is likely to yield an increase in the financial inclusion rates of rural dwellers.

Finally, it is important that research in financial inclusion should focus on expanding understanding of branchless banking or Agent Banking and how it can be used to increase the levels of financial inclusion in Nigeria. As it stands, very few papers on Agent Banking have been published in the Nigerian finance literature.

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