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Financial Inclusion Policy and the Poor: Evidence from Nigeria

Allison, Patricia[1]
Ndukwe, Oko[2]

Authors' Affiliation

[1]Department of Business Management, Godfrey Okoye University, Enugu State, Nigeria

[2]Department of Public Administration Caritas University Enugu, Enugu State, Nigeria
jamisco2@yahoo.com

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ABSTRACT

This paper is on financial inclusion policy and the poor: Evidence from Nigeria. The main aim of the paper is to assess the financial inclusion policy implementation in Nigeria in order to determine its impact on availability, accessibility, and affordability of financial services in Nigeria. The paper adopts qualitative and quantitative approaches in the collection and analysis of data. Using a population size of 250 respondents, a census sampling technique in which all the entire population was utilized was adopted. Findings from the study show that financial inclusion has to a great extent encouraged the availability, accessibility, and affordability of financial services in Nigeria. The paper concludes that access to and affordability of financial services allows the poor to save money outside the house safely and helps in mitigating the risks that the poor faces in times of economic shocks. The paper therefore recommends that in order to remedy comprehension issues about financial inclusion, it will be important to make operating interfaces and documentation available in major Nigerian local languages (e.g., Igbo, Yoruba, Hausa, etc). Again, in order to further promote use of mobile money and lessen the preference for cash, there is need to target education of the public to anchor the notion that mobile money is safe and more cost-efficient than traditional cash-in-cash out operations.

Introduction

It is generally accepted that finance is a key conduit to development and poverty alleviation. Financial inclusion is a catalyst for economic growth and development hence its increasing importance. Financial inclusion is today widely considered as a right of all citizens to social inclusion, better quality of life and a tool for strengthening the economic capacity and capabilities of the poor in a nation (Banco Central do Brazil, 2010). Evidence shows that large portions of Nigerians especially those living in the rural areas fall outside the formal financial sector. Sanusi, (2011) had attributed the rise in poverty level in Nigeria to the challenges of financial exclusion. According to him, ‘‘achieving optimal level of financial inclusion in Nigeria means empowering 70.0 per cent of the population living below poverty level, and this would boost growth and development’’. It is believed that inclusion of this segment of the society would generate multiple economic activities, cause growth in national output and eventually reduce poverty.

Financial exclusion is harmful to poverty alleviation for low-income and emerging market countries. This exclusion has resulted in the existence of parallel financial institutions that lie outside the formal sector. Different kinds of barriers such as high associated transaction costs and the nature of formal financial systems that rely on informational transparency exist and result in the exclusion of large populations from the financial sector. Again, many people remain outside the formal sector, constrained by inadequate infrastructure, and sometimes lack knowledge about the availability of services that could help them. A survey by EFInA (2021) found that in Nigeria more than half of adults have limited financial literacy and capability particularly in financial planning. Thus, the exclusion of the poor from financial markets is exacerbated by a mismatch between the services provided by financial institutions and the financial needs of the poor. Findex survey also found a significant urban-rural divide. The widening of these gaps is mainly due to stagnating account ownership among women, citizens with basic education, and low-income earners (Findex, 2019). A survey by EFInA (2020) also indicates that preference for cash is the primary reason in Nigeria for not having a mobile money account.

Over the years, there have been increased calls to expand the reach of financial services being provided to the poor. Prior to the efforts to promote financial inclusion, the Nigerian economy was largely a cash-based economy with significant proportion of the narrow money stock in the form of currency outside the banking system (CBN, 2012). Several developing and emerging countries have signed treaties committing to the achievement of specific goals regarding the inclusion of the poor in financial services. Many researchers have suggested that the achievement of key Sustainable Development Goals (SDGs) related to poverty depends upon successful financial inclusion efforts (Klapper, El-Zoghbi & Hess, 2016). For example, eliminating extreme poverty as articulated in SDG1 can be facilitated by providing the poor with better access to finance to enable investment in human capital as well as productive investments. This would result in the elimination of hunger, thus generating inclusive growth.

In about 2006, there was a serious concern that African countries would be unable to meet the Millennium Development Goals (MDGs) by 2015 especially the part that relates to financial inclusion. To arrest the situation, the United Nations hosted a financial inclusion conference in Dakar, Senegal in June 2006. The World Bank also held a conference in 2007 in Washington DC on the theme, Banks’ Access to Finance. The UK Department of International Development in collaboration with the World Bank also hosted a financial inclusion conference in June 2007 (Brune, Giné, Goldberg, and Yang, 2011). The United Nations General Assembly met in September 2015 to adopt the 2030 Agenda for Sustainable Development by committing to pursue 17 Sustainable Development Goals (SDGs). All these were efforts made to help Africa chart a new course to achieve economic growth. Klapper, El-Zoghbi, & Hess (2016) note that although the SDGs do not explicitly target financial inclusion, the achievement of financial inclusion is implied in several of the goals. With the mandate from the G20 Group Leaders, the Financial Inclusion Experts Group (FIEG) began to work on a roadmap towards global development through financial inclusion. At the G20 Summit in Seoul, South Korea, the Global Partnership for Financial Inclusion (GPFI) was launched in December 2010. The GPFI is a body charged with helping countries to imbibe the G20 Financial Inclusion Action Plan (FIAP) as well as the G20 Principles of Innovative

Financial Inclusion. Financial inclusion is a critical part of the United Nation's 2030 Agenda for Sustainable Development.

The importance of financial inclusion derives from the promise it holds as a tool for economic development; particularly in the areas of poverty reduction, employment generation, wealth creation and improving welfare and general standard of living of the people. Innovations in technology have changed the financial sector landscape and expanded access to digital financial services (DFS) to large segments of the poor. Nevertheless, such access is still very limited to remittances and payments, mainly because of the underdevelopment or absence of complementary markets. There is evidence that emphasis on credit may be misplaced, and that the poor prefer financial services that help them safeguard their assets more than those that give them access to borrowing. Moreover, there is also increasing evidence that shows that payment instruments play a key role in reducing poverty and promoting inclusion and growth (Beck et al. 2015). In view of the above, the central bank of Nigeria has put in place programmes in pursuit of financial inclusion promotion. The implementation of the programmes is said to be impacting positively on the rate of access to financial services. Financial inclusion rates have gradually improved but still fall short of the targets adopted in Nigeria's 2012 financial inclusion strategy (CBN, 2018). The share of the adult population with a bank account has consistently increased and now accounts for more than two-thirds of financially-included individuals.

Several empirical studies have examined the impact of financial inclusion on poverty and income inequality (Joseph, 2017). For example, Burgess and Pande (2005) discovered that ‘‘state-led expansion of rural bank branches in India has led to reduction in poverty’’. These authors specifically found robust evidence that increase in the number of bank branches in rural unbanked locations in India was associated with reduction in rural poverty rates in those areas. In like manner, Brune et al. (2011) submitted that ‘‘increased financial access through expansion in savings account in rural Malawi improves the overall well-being of poor households as it makes provision for accessibility to their savings for agro-based input use’’. Also, Allen et al. (2013) concluded that ‘‘when the resources of the underprivileged households are tapped by commercial banks, financial access of the poor in Kenya will be enhanced’’.

Most of the above researches were done in other countries, hence, this paper is on financial inclusion and the poor: Evidence from Nigeria with particular focus on determining the extent to which financial inclusion has ensured affordability, availability, and accessibility of financial services to the poor through the set product targets, channels, and enablers of financial inclusion.

Methodology

The paper adopts qualitative and quantitative approach in the collection and analysis of data.

Literature Review

Conceptual Clarification

Financial Inclusion is a state where financial services are delivered by a range of providers, mostly the private sector, to reach everyone who could use them (Kama and Adigun, 2013). Specifically, it means a financial system that serves as many people as possible in a developed or developing country. In the words of Kama and Adigun (2013), financial inclusion is defined as a process or situation which allows for ease of access to, or availability of and usage of formal financial systems by members of the economy. It describes a process where all members of the economy do not have difficulty in opening bank account; can afford to access credit; and can conveniently, easily and consistently use financial system products and facilities without difficulty. It is the process which ensures that a person's in-coming money is maximised, out-going is controlled and can exercise informed choices through access to basic financial services (PCC Financial Inclusion Strategy, 2009).

It therefore means that, financial exclusion is the inability of individual, household or group to access particularly the formal financial products and services. According to Mohan (2006), financial exclusion signifies lack of access by certain segments of the society to appropriate low cost, fair and safe financial products and services from mainstream providers. According to Joseph (2017), the definition of financial inclusion given by the Centre for Financial Inclusion (CFI) can be broken into: access to full financial services, quality of service, use of financial services by everyone, financial capability, and delivery through a diverse and competitive marketplace. Thus, financial inclusion has therefore become an explicit strategy for accelerated economic growth and is considered to be critical for achieving inclusive growth in Nigeria.

Though there may not have been a universal agreement, it is widely agreed that financial inclusion is multidimensional, encompassing access to, use of and capability in relation to a range of financial services. This is why AFI (2011) defines it as "the state of financial system where every member of society has access to appropriate financial products and services for effective and efficient management of their resources; get needed resources to finance their businesses; and financial leverage to take up opportunities that will lead to increase in their income" Thus, one can rightly infer that where there is financial inclusion, all people have access to banking services including financial literacy and capabilities.

Financial Inclusion products, channels and services

In Nigeria, there is the Financial Inclusion Secretariat set up within the Central Bank of Nigeria (CBN). This agency is charged with the responsibility for day-to-day reporting, coordination and implementation of the financial inclusion. The body is mandated to continuously receive guidance on its activities from the constituted Steering and Technical Committees (CBN, 2018). The overall responsibility for supervision of the activities of the Secretariat is carried out by the Financial Inclusion Steering Committee, which in turn, provides updates to the National Economic Council (NEC). The Central Bank of Nigeria (CBN) has implemented various regulations and guidelines to promote financial inclusion. These include; the National Financial Inclusion Strategy, agent banking guidelines, and mobile money regulations. These frameworks have created conducive environment for the provision of financial services to a wider population. Policies promoting digital financial services have focused on incubation and financial infrastructure.

In 2021, the CBN published a framework for its new regulatory sandbox (CBN, 2021) to reduce the time-to-market for innovative products and business models advancing financial inclusion and selected the first cohort of projects focused on creating inclusive products. The same year, the CBN issued a regulatory framework and subsequently operational guidelines for its open banking framework (CBN, 2021 and 2022) that promotes, through Application Programming Interface (API) technology, direct debit, mobile money accounts, payment card use, and data exchange among banks and with non-bank providers (e.g., fintechs). It also provides a full picture of a client's indebtedness through consolidation of lenders' information. Another effort has been the introduction of simple access technology (by QR codes, USSD strings, near-field communication) to onboard citizens without Smartphone.

Financial institutions can now offer financial products and services that are tailored to the needs of underserved populations such as: savings accounts which can help individuals build up their savings and access credit in the future; microcredit in which microfinance institutions can offer small loans to individuals and small businesses that do not have access to traditional banking services (CBN, 2020). These loans can help individuals start businesses, purchase assets, improve their livelihoods; and carry out remittance services which allow individuals to send and receive money across borders and which can be especially important for migrants and their families. Financial institutions can also adopt a range of strategies to promote financial inclusion. Such strategies might include: partnering with other institutions, developing digital financial services such as mobile banking and digital wallets that can help individuals access financial services regardless of their location, offering financial education to help individuals build their financial literacy and make informed financial decisions, mobile banking and digital wallets that allow individuals to access financial services through their mobile phones, which can be especially important for individuals living in rural or remote areas, digital wallets which allow individuals to save and transfer money using their mobile phones.

These wallets can be used for a range of transactions, from saving and investing, paying for goods and services to sending money to friends and family, blockchain technology which is a decentralized ledger that records transactions in a secure and transparent way (CBN, 2021). Experts say one application of blockchain technology for financial inclusion is in remittance services. By using blockchain technology, remittance services can reduce costs and increase the speed of cross-border transactions. This is particularly important for individuals who rely on remittances from family members living abroad. There is also biometric technology, such as fingerprint and facial recognition that can be used to verify the identity of individuals who may not have traditional forms of identification, such as a government-issued ID (CBN, 2021). It is said that by using biometric technology, financial institutions can reduce the risk of fraud and provide financial services to individuals who may have previously been excluded from the formal financial system.

Financial Inclusion and Availability of Financial Services in Nigeria

Financial inclusion policies in Nigeria have played a significant role in ensuring the availability of financial services to previously underserved individuals and communities. The introduction of agent banking has been instrumental in expanding access to financial services in rural and remote areas (EFInA, 2021). Agent banking where operational, allows licensed agents such as small business owners and post office operators, to render essential financial services on behalf of banks. This has helped surmount geographical barriers and brought banking services closer to underserved persons.

The adoption and promotion of mobile money services have played a crucial role in enhancing financial inclusion (EFInA, 2019). Mobile money platforms allow individuals to carry out a variety of financial transactions, such as payments of bills money transfers, savings, and using their mobile phones. Monetary policies have encouraged partnerships between financial institutions and telecommunication companies to enlarge the reach of mobile money services across the country. In 2018, the CBN created a license for a payment service bank (PSB) that offers digital payments but no loans, and in 2022 it granted PSB licenses to two large telecommunication firms functioning as mobile money operators (MMOs), which propelled inclusion (CBN, 2022). In 2019, the CBN created SANEF (Shared Agent Network Expansion Facilities) in cooperation with commercial banks, the national payments system NIBSS and MMOs to promote financial access points, provide a platform for account opening at any agent location, propel enrollment for bank verification numbers (BVN) and deepen financial literacy (IMF, 2022).

Financial inclusion policies have emphasized the importance of financial education and consumer protection (IMF, 2022). Policies have focused on educating youths and enhancing the financial capabilities of consumers and civil servants. SANEF has been using its agent network to educate communities on financial inclusion and literacy, including through an e-learning portal (SabiMoni) promoting digital financial literacy (EFInA, 2019). The CBN has worked on curriculum development and deployed trainers to all localities. A development partner (GIZ) has specifically focused on training of entrepreneurs. The two institutions also partnered to create literacy modules that explain less understood conditions of loan contracts, including for agriculture, and payments, fraud protection, consumer rights and financial decision-making (EFInA, 2019). In addition to training, there has been emphasis on developing all-encompassing products that are better adapted to the circumstances of would-be borrowers (e.g., less rigid loan conditions), while also educating lenders about the specifics of their clients' value chain. Initiatives have been implemented to increase financial literacy among individuals, ensuring they have the needed information and skills to make informed financial decisions. Consumer protection measures, such as complaint resolution mechanisms and fair lending practices, have also been put in place to preserve the rights of clients.

The Nigerian government has supported the growth of microfinance institutions (MFIs) to provide financial services to low-income individuals and microenterprises. Policies have focused on strengthening the regulatory framework for MFIs, promoting capacity building, and facilitating access to funding for these institutions (EFInA, 2021). This has enabled MFIs to extend credit, savings, and other financial services to previously unbanked individuals. The micro finance model which involves majorly the provision of financial services to the poor and low-income earners has been identified as a potent instrument for promoting financial inclusion as well as poverty alleviation. The government, in 2005 launched the National Microfinance Policy which provided the supervisory and regulatory frame that will not only facilitate the growth of privately-owned microfinance institutions but also permits and facilitate the participation of mostly the third sector institutions, including market associations, cooperatives, non-governmental organisations, self-help groups, in the microfinance model (Joseph, 2017). These institutions together remain the major vehicle for the inclusion of the large and many users of the informal sector where the bulk of the unbanked exist. The strategy highlighted the objectives of financial inclusion as the state in which adults (persons above the age of 18) have formal easy access to a broad range of financial products, which are appropriate, provided at affordable cost and with dignity for the clients (IMF, 2022b).

Financial inclusion policies have acknowledged the importance of infrastructure development to increase access to financial services. Efforts have been made to improve the country's payment systems, expand the network of banking agents, and enhance connectivity in underserved areas (CBN, 2020). This has helped overcome physical barriers and enabled the provision of financial services in remote regions. Payment cost savings from integrating CBDC acts as a viaduct vehicle in the existing remittance process and substantially promotes financial inclusion. Through these measures and initiatives, financial inclusion policies in Nigeria have advanced the availability of financial services to a larger section of the population, empowering individuals and communities with access to recognized financial products and services.

Financial Inclusion and Accessibility of Financial Services in Nigeria

Financial inclusion policies in Nigeria have taken various steps to ensure the accessibility of financial services to a wider population. To grant simple access means to reach and be reached by the unbanked at any time and also to function in such a way that any desiring client can easily access the institution and the services within. The step was to ensure that the procedures for accessing the services of financial institutions services were simple and flawless (CBN, 2020).
The Central Bank of Nigeria (CBN) and other regulatory bodies have encouraged the expansion of banking infrastructure across the country. Efforts have been made to increase the number of bank branches, especially in underserved areas. This physical presence improves accessibility for individuals who prefer face-to-face interactions and need access to services like cash deposits and withdrawals. Adopted to accelerate the use of modern electronic payments channels, the cashless policy was implemented in pursuit of three major objectives (EFInA, 2021). These objectives according to EFInA (2021) include to: develop and modernise the payment system, reduce banking cost to drive financial inclusion; and improve effectiveness of monetary policy. In other words, the policy was expected to drive financial inclusion based on the inherent postulation that reduced banking cost and more efficient payment system will give confidence to more people and business to embrace the formal financial service platforms.

Agent banking and mobile money services have played a significant role in improving the accessibility of financial services (EFInA, 2021). In 2018, the CBN created a license for a payment service bank (PSB) that offers digital payments but no loans, and in 2022 it granted PSB licenses to two large telecommunication firms functioning as mobile money operators (MMOs) which has propelled inclusion. In 2019, the CBN created SANEF (Shared Agent Network Expansion Facilities) in cooperation with commercial banks, the national payments system NIBSS and MMOs to promote financial access points, provide a platform for account opening at any agent location, propel enrollment for bank verification numbers (BVN) and deepen financial literacy. The goal of having 500,000 agents by 2020 was exceeded by far (1,375,000 as of September 2022). Authorized agents, such as retail shops or post offices, act as intermediaries, allowing individuals to perform basic financial transactions in their localities. Mobile money services, accessible through mobile phones, have unmitigated financial services to remote areas where traditional banking infrastructure is limited.

Financial inclusion policies have aimed to simplify the process of opening bank accounts. Banks have sponsored agents (e.g., one large bank running a banking agent program) and, in individual cases, opened a virtual bank subsidiary. Developments partners have helped recruit banking agents (e.g., in 2017, IFC partnered with local Lift Above Poverty Organization to establish an agent-banking network (IFC, 2019; EFInA, 2021). EFInA organized a “fintech challenge fund” in 2018, helping develop innovative financial products for the low-income population (e.g., low-income investment vehicle, social-media based algorithm for lending, and point-of-sale credit by merchants). Also, know Your Customer (KYC) rules have been revised to make account opening procedures less burdensome, reducing documentation requirements and addressing affordability concerns. This simplification has made it easier for individuals, particularly those in underserved areas, to access formal banking services (EFInA, 2021).

The improvement of digital technology has played a crucial role in improving accessibility to financial services. Nigeria has witnessed significant growth in digital banking solutions, including internet banking, mobile apps, and USSD (Unstructured Supplementary Service Data) codes. These digital platforms allow individuals to access various financial services, such as account management, funds transfer, bill payments, and savings, conveniently through their mobile devices (EFInA, 2021). In an effort to advance efficiency, establish assurance in the process and draw more users, the Central Bank of Nigeria embarked on a redefining process of the nation's payments system. Some of the specific policies include: the introduction of a national switch platform to capture all electronic payments within the economy; the automated cheque payment system designed to engender trust and confidence in the user; and the introduction of the Nigeria Uniform Bank Account Number (NUBAN). All these policies led to increased activity in the nation's payments system, reduction in money outside the banking system and enhanced financial inclusion (CBN National Financial Inclusion Strategy, 2012).
Financial inclusion policies involve collaboration between government agencies, financial institutions, fintech companies, and other stakeholders. Partnerships and collaborations have helped to create innovative solutions, leverage existing networks, and extend the reach of financial services to underserved communities (EFInA, 2021). For example, collaborations between banks and mobile network operators have facilitated the provision of mobile banking services (Torsten and Jack, 2023). To improve confidence in the cheque system and other financial instruments, government strengthened and implemented the law against the issuance of dud cheque in addition to other laws designed to enhance the integrity of the market. The increased confidence encourages illiterates who hitherto were averse to the use of the banking system and its instruments.

These measures have collectively improved the accessibility of financial services in Nigeria by expanding physical infrastructure, leveraging digital knowledge, simplifying account opening procedures, and nurturing collaboration among stakeholders. As a result, a larger segment of the populace has gained access to formal financial services, empowering individuals and promoting economic inclusion.

Financial Inclusion and Affordability of Financial Services in Nigeria

Financial inclusion policy in Nigeria has taken several steps to ensure the affordability of financial services for its citizens. The Central Bank of Nigeria (CBN) has promoted the establishment and regulation of microfinance institutions. These institutions provide financial services such as loans, savings, and insurance to individuals and small businesses at affordable rates. By targeting low-income (Torsten and Jack, 2023), individuals and small-scale enterprises, MFIs help bridge the affordability gap by offering tailored financial products and services.
The introduction of mobile money services has significantly contributed to financial inclusion in Nigeria. Mobile operators and financial institutions have partnered to provide affordable and accessible financial services through mobile phones (Kama and Adigun, 2013). Mobile money platforms allow individuals to conduct transactions, such as money transfers, bill payments, and savings, using their mobile devices. These have reduced the cost of accessing financial services, particularly in remote areas where traditional banking infrastructure is limited.

Agent banking involves the use of authorized agents, such as small retail shops or post offices, to provide basic financial services on behalf of banks. These agents facilitate cash deposits, withdrawals, fund transfers, and other transactions. By leveraging existing retail networks, agent banking reduces the costs associated with setting up and maintaining brick-and-mortar bank branches. This approach has helped extend affordable financial services to underserved areas and populations. In the early stage of fintech in Nigeria (the early 2000s), the focus was on business-to-business (B2B) and later business-to-consumer (B2C) services, including replacing cash payments by mobile money in the context of the CBN’s Payment System Vision 2020. Today, the Nigerian fintech ecosystem offers a full array of financial services, including digital consumer lending which has prompted consumer protection concerns over predatory pricing absent stringent centralized regulation (fintech, 2020). Financial inclusion policies in Nigeria emphasize financial literacy programs to educate individuals about financial management, budgeting, and the responsible use of financial services.

Similarly, (Torsten and Jack, 2023) have observed that a survey by EFInA (2021), a UK development institution, found that in Nigeria more than half of adults have limited financial literacy and capability, particularly in financial planning. Many are unaware of specific financial services, including mobile money, which helps explain the relatively low mobile money account ownership. Financial illiteracy is also associated with low educational attainment. One reason is that financial topics tend to be taught toward the end of secondary education and therefore does not reach those dropping out earlier. By improving financial literacy, individuals can make informed decisions and effectively utilize affordable financial services. Additionally, consumer protection measures ensure that individuals are treated fairly by financial service providers, preventing predatory practices and excessive charges that could undermine affordability. Policies have focused on educating youths ("national peer group program for financial inclusion of youths") and enhancing the financial capabilities of consumers and civil servants (Torsten and Jack, 2023). SANEF has been using its agent network to educate communities on financial inclusion and literacy, including through an e-learning portal (SabiMoni) promoting digital financial literacy. The CBN has worked on curriculum development and deployed trainers to all localities. A development partner (GIZ) has specifically focused on training of entrepreneurs. The two institutions also partnered to create literacy modules that explain less understood conditions of loan contracts, including for agriculture, and payments, fraud protection, consumer rights and financial decision-making. In addition to training (Torsten and Jack, 2023), there has been emphasis on developing inclusive products that are better adapted to the circumstances of would-be borrowers (e.g., less rigid loan conditions), while also educating lenders about the specifics of their clients' value chain (e.g., seasonality in cashflows) (IMF, 2022).

The CBN has implemented policies and regulations to promote competition and innovation in the financial sector. These measures encourage the development of affordable financial products and services by fostering conducive environment for market players. By supporting inventive fintech solutions and reducing regulatory barriers, the cost of delivering financial services is lowered, ultimately benefiting consumers. These initiatives and policies have played a crucial role in enhancing the affordability of financial services in Nigeria, allowing a larger segment of the population to access and benefit from a range of financial products and services.

Theoretical Framework

This study is anchored on the systems theory of financial inclusion. Systems theory is a conceptual framework based on the principle that the component parts of a system can best be understood in the context of the relationships with each other and with other systems, rather than in isolation. Systems theory was first introduced in the 1940s by biologist Ludwig von Bertalanffy and furthered by W. Ross Ashby (Ashby, 1956). The systems theory of financial inclusion states that ''financial inclusion outcomes are achieved through the existing sub-systems (such as the economic, social and financial systems) which financial inclusion rely on, and as a result, greater financial inclusion will have positive benefits for the sub-systems it relies on''. A significant change in a sub-system can significantly affect the expected financial inclusion outcome (Ozili, 2020). For instance, imposing rule on financial sector agents can align their interest with that of the users of fundamental financial services, and can compel financial sector agents to offer affordable and quality financial services to users within defined rules that protect users of formal financial services from exploitation and price discrimination. On the other hand, a significant change at the full system level does not necessarily lead to a change in the existing sub-systems because a change in the sub-system must be done at the sub-system level. The theory suggests that; ''the efficiency and effectiveness of the sub-systems will determine the success or failure of a national financial inclusion agenda, and the existing sub-systems in a country are the ultimate beneficiaries of financial inclusion, under the systems theory perspective''.

The systems theory is adopted due to some of its merits. Firstly, it recognizes the role of existing economic, financial and social systems or structures in a country in promoting financial inclusion. Secondly, it provides a macro perspective on financial inclusion compared to other theories with a micro-perspective (Ozili, 2020). Again, it considers how financial inclusion outcomes are affected by the interrelationship among the sub-systems that it relies on. However, it has some demerits.

Data Presentation

Table 1: Significant increase in digital usage shows positive moves in acceptance of digitization. About 60% of Nigerian adults with digital accounts use digital services.

	2018 100M
Have access to mobile phone (own or borrow)	85%
Ever accessed a digital stored value account	39%
Own a phone	69%
Active digital stored-value account users	41%
Active digital financial services users	16%

Source*: EFInA Access to Financial Services in Nigeria 2020 survey*

Conclusion and Recommendations

Financial inclusion is an essential component of economic development and poverty reduction. Access to formal financial services can help individuals and communities control their finances, build assets, and invest in their future. While progress has been made in promoting financial inclusion in Nigeria, there are still several challenges that need to be addressed. Financial institutions play a crucial role in promoting financial inclusion, but they cannot do it alone. Governments and other policy stake holders have a critical role to play in creating an enabling environment for financial inclusion, including implementing policies that support financial education, consumer protection, and financial sector development. Moreover, technological innovations have opened up new opportunities for financial inclusion. Mobile banking, digital wallets, and other digital financial services have the potential to bring formal financial services to millions of unbanked individuals in Nigeria especially the poor. Policies have focused on improving networks and financial access points. It is observed that lack of resources or steady income is frequently cited as the main reason for not having an account by many poor Nigerians. Other main reasons include the cost of financial services, the lack of required means of identification, and lack of trust in financial service providers. A critical obstacle relatively more pronounced in Nigeria is the onerous distance to financial access points. Addressing the challenges of limited access to technology, limited financial literacy, lack of trust in formal financial institutions, and regulatory barriers will require a concerted effort from all stakeholders. To remedy comprehension issues about financial inclusion, it will be important to make operating interfaces and documentation available in major Nigerian local languages (e.g., Igbo, Yoruba, Hausa, etc). To promote use of mobile money and lessen the preference for cash, there is need to target education of the public to anchor the notion that mobile money is safe and more cost-efficient than traditional cash-in-cash out operations.

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