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Financial Inclusion: A panacea for Achieving Sustainable Poverty Reduction in Nigeria

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ABSTRACT

One key variable of the next level is to study the pattern of financial exclusion, identify barriers, review international experience and provide recommendations for achieving the objectives of financial inclusion. Financial inclusion is critical to achieving poverty reduction in the economy. The importance of financial inclusion arises from the problem of financial exclusion. This chapter explores the level of financial inclusion and its potential impact on an inclusive growth of the Nigerian economy, using relevant poverty reduction indices and indicators. The results revealed that the depth of financial inclusion in Nigeria is low even when compared with other African economies and more-so with emerging economies. However, accessibility to bank services and technology is limited to certain segment of the society. Non-accessibility to the basic financial services is major hindrance in the process of poverty reduction and economic development. It therefore recommends that to increase access to finance, traditional financial services regulations and technologies such as mobile payments will have to be reviewed to accommodate Nigeria's rural poor. This will allow more people to participate in the formal economy.

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Introduction

The All Progressives Congress (APC) party won the election with a campaign on the next level agenda. Nigerians are anxiously waiting for that next level. In order to implement the next level agenda, the government needs to acknowledge that poverty is multi-dimensional, and that poverty reduction entail many different kinds of human and economic change. Even though remarkable progress has been achieved in reducing poverty, the work is far from over. There are more than one billion people who live under the poverty line – most of whom are from rural Nigeria. Access to safe, easy, and affordable financial services by the vulnerable sections of the society is a pre-condition for accelerating inclusive growth and eradicating income disparity and poverty which improves people's lives, enables people to invest in better nutrition, housing, health and education and enables them to face the uncertain future against economic shocks (Collins *et al*., 2009). But in actual reality, household surveys at the macro level reveal that there is a disparity in access and use of financial services and a major part of the population that belongs to vulnerable sections of the society is excluded from full participation in the financial sector in Nigeria which slows down the pace of inclusive growth. This challenge faced by the developing economies, can be met by policies that encourage more and more financial inclusion which means delivery of the financial system of an economy to its citizens. Inclusive financial systems provide the right incentives to individuals and help to overcome access barriers which are central not only to stability, but also to growth, poverty reduction and equitable distribution of resources and capacities'.

In Nigeria the banking industry has shown tremendous growth during the last few decades, but macro level data show that the banking services are not made available to the entire population without discrimination. Financial inclusion has become topical on the change agenda for sustainable development, economic literature on financial inclusion is still in its infancy. To cope with the predominant menace of poverty and unemployment in the country, efficient financial services is a prerequisite for optimum productivity since inefficiency financial services, can distort poverty reduction, security and food availability. Therefore, there is a need for the research and data to be conditioned on the Nigerian experience with some selected lower and upper middle-income economies, efforts and targets towards financial inclusion in Nigeria, as well as the challenges and issues in financial inclusion for poverty reduction in Nigeria. Following the introduction section 2 focuses on review of related literature and conceptual framework, while section 3 consists of the measurement and dimensions of access to financial services. Session 4 efforts and targets towards financial inclusion in Nigeria as well as challenges and issues in financial inclusion for poverty reduction in Nigeria and the final section dwelt on the conclusion and policy recommendations.

2. Literature Review

The empirical evidence that links access to financial services to development outcomes, developing a contextually relevant and clear definition of financial inclusion is important which plays a deciding role in conducting a study on measuring access and impact of financial services. Financial inclusion is timely delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities delivered to low income households and individuals which is an attempt to lift them from one level to another so that they come out of poverty. This can be achieved through state driven intervention or through voluntary effort by the banking community to bring within the ambit of the banking sector the large strata of society (United Nations 2006). This definition encompasses the two dimensions of financial inclusion, viz., access to a range of formal financial services and availability of competitive options. In the Indian context Rangarajan Committee on Financial Inclusion (2008) defines financial inclusion as "…the process of ensuring access to financial services and timely, adequate credit where needed, to vulnerable groups such as weaker sections and low income groups, at an affordable cost". Many studies define the concept in terms of financial exclusion, which relates to the broader context of social inclusion. For example, Leyshon (1995) highlights the exclusion of some groups and individuals from gaining access to the formal financial system, while Sinclair (2001) focuses on the inability to access necessary financial services in an appropriate form. In contrast, Amidžić, Massara, and Mialou (2014) and Sarma (2008) directly define financial inclusion. Amidžić, Massara, and Mialou (2014) stated that financial inclusion is an economic state where individuals and firms are not denied access to

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basic financial services. Hariharan and Marktanner (2012) defined financial inclusion as access to formal financial services such as credit, savings and insurance opportunities. They stated that lack of financial inclusion is a multifaceted socioeconomic phenomenon that results from various factors such as geography, culture, history, religion, socioeconomic inequality, the structure of the economy and economic policy. This paper follows the definition of Sarma (2008) which views financial inclusion as a process that ensures the ease of access, availability, and usage of financial services to all members of society.

Previous studies have also looked into the impact of financial inclusion on poverty and income inequality. Burgess and Pande (2005) found that state-led expansion of rural bank branches in India has helped reduce poverty. Specifically, the authors found robust evidence that opening bank branches in rural unbanked locations in India was associated with reduction in rural poverty rates in those areas. Similarly, Brune et al. (2011) found that increased financial access through commitment saving account in rural Malawi improves the well-being of poor households as it provides access to their savings for agricultural input use. Allen et al. (2013) found that by tapping underprivileged households, commercial banks can help improve financial access of the poor in Kenya. Unlike Amidžić, Massara, and Mialou (2014) and Sarma (2008), Honohan (2014) constructed a financial access indicator for 160 economies that combines both household survey datasets and published financial institutions data into a composite indicator; and assessed country characteristics that might influence financial access. Among the variables tested, aid as percent of gross national income (GNI), age dependency ratio, and population density significantly lower financial access; while mobile phone subscription and quality of institutions significantly increase financial access. Looking at the cross-country link between poverty and financial access, his results show that financial access significantly reduces poverty, but the result is valid only when financial access is the sole regressor, i.e., it loses significance when other variables are added as regressors. Collins *et al*., (2009) noted that Financial Inclusion is an inclusive development and Poverty Reduction strategy that manifests itself as part of the emerging SDG nexus. However, given the current global crises, the need to scale-up Financial Inclusion is now perhaps more important as a complementary and incremental approach to work towards meeting the MDGs than at any other time in recent history.

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Studies have suggested that expanding access to finance alone has no significant effect on the economy (Crépon et al, 2011; Karlan and Zinman, 2010).In contrast, studies of programs that increased access to both credit and savings services have found important welfare impacts (Burgess and Pande, 2005 in India; and three studies in Mexico by Aportela, 1999, Bruhn and Love, 2009, and Ruiz, 2010). The degree of banking exclusion varies across the world, but it is the same group of people who are affected, people having low income or who have a similar history of bad debt. These sections of people are excluded from the mainstream because they do not have sufficient income to repay the loan or to keep the asset as collateral security against whom the borrower can take a loan (Satya and Rupayan, 2010; World Bank, 2005). The World Bank (2014) definitional voluntary exclusion as a condition where the segment of the population or firms choose not to use financial services either because they have no need for them or due to cultural or religious reasons. In contrast, involuntary exclusion arises from insufficient income and high-risk profile or due to discrimination and market failures and imperfections. Policy and research initiatives must then focus on involuntary exclusion as it can be addressed by appropriate economic programs and policies which can be designed to increase income levels and correct market failures and imperfections.

In Nigeria, some of the factors responsible for financial exclusion are:

- Nonexistence of bank branches in rural areas
- The existence of few bank branches whose services are grossly inadequate to meet the financial service needs of residents in the rural community
- The preference and servicing of high-income earners over the low-income earners
- Elaborate documentation and initial deposit required for the opening of accounts in commercial banks, which the disadvantaged may not possess, thereby hindering bank patronage
- Preference and Allocation of credits to preferred sectors that will generate high and ‘quick’ returns to commercial banks
- Discriminatory and preferential practices by banks of funding well-established businesses over the start-up Small and Medium scale Enterprises (SMEs).

- Collateral requirements for granting loans and advances.
- Perception of the public as to the unwillingness of banks to grant credit as well as the bureaucratic procedural process (turnaround time) of accessing loans and advances.
- High cost of borrowing. In Nigeria, the average minimum prevailing interest rate for all classes of credit is 22% per annum.
- High maintenance charges and penalties attached to banking products and services which make them unaffordable.
- Other miscellaneous factors such as age, gender (preference of male proprietors over female), illiteracy, lack of possession of managerial skills by SMEs proprietors.

In the theories of poverty reduction it is advocated that financial development creates enabling conditions for sustainable poverty reduction. In the theories it is perceived that the lack of access to finance is a critical factor responsible for persistent income inequality as well as poverty. Empirical evidence suggested that access to finance is pro-poor reducing income inequality. The recent poverty theory in this direction states that the lack of access to finance is a critical mechanism for the generation persistent income inequality which influences resource allocation and the comparative economic opportunities of individuals of the economy. The robust relationship between financial depths and poverty reduction is also provided in some of the extensive empirical evidence research (Demirguc- Kunt and Maksimovic, 1998; Beck, Levine and Loayza, 2000). More recently, researchers (Beck, Demirguc-Kunt and Levine, 2014; Honohan, 2014) have shown that financial depth is particularly beneficial to the poor and in reducing the income inequality. Even after is encouraging theoretical evidence, at the macro level and especially in Nigerian economy, there is relatively little empirical evidence linking access to finance to development outcomes and little guidance for policies on how best to promote access to formal financial services by the vulnerable sections. Therefore the study of financial inclusion policy and its impact is highly important for the society. This has resulted in focused attention on financial inclusion —the percentage of the population with access to formal financial services and its impact on households. In this backdrop measuring and conditioning, data on financial inclusion and its impact on poverty reduction is the need in the change era.

Conceptual Framework

This study provides a schematic representation of the conceptual framework about the accessibility and impact of access to finance on the socioeconomic status of the households belong to vulnerable sections. This can be quantified with the combination of exploratory and descriptive approaches. To measure the characteristics of the units of the population, both qualitative and quantitative methods of measurement, a combination of different scales measurement can be used. The nature of financial inclusion can be explored by looking at the type of credit, savings, insurance, remittances and other services, accessed by the households. The extent of financial inclusion can be examined by looking at the outreach of financial services at various income levels, the different types of financial services accessed by the households, the number of years of accessing, amount of savings, credit and insurance, the number of member households, etc. To measure and quantify the impact of access to finance, we can explore the pathways through which members of the household experience change, they are viz. material changes, cognitive changes and perceptual changes among the members of the households. Through the above mentioned pathways, the economic impact of financial inclusion on households will be studied by analyzing the changes in the pattern of household income, employment, household assets, housing conditions, household expenditure etc. The social impact of financial inclusion on households will be analyzed by assessing the development of human and social capital. There are various factors which may influence the financial inclusion of poor households across different sections and regions of the economy. However, in this framework only the social and economic factors in the determination of financial inclusion are considered.

3.1 Measurement of Access to Financial Services and its Impact on the Poor

The data required for the measurement of access to financial services and its impact can be captured by considering its supply and demand sides. On the supply side of financial inclusion, there is a network of organized financial institutions which provides access to loans and other financial services to the poor for their business and livelihood. Supply side data provide information like number of accounts and product specifications, from

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financial service providers which also focus on the physical outreach of the supply side of financial services. Combination of supply side data with population data can be used as a proxy for determining the level of access to financial services. For example, Beck, Demirguc-Kunt and Martinez Peria (2014), World Bank (2005), Honohan (2014) used the supply side data in their respective studies. On the demand side of the financial inclusion, we have customers of banking services, especially the common man, who belong to weaker sections of the society. Their inclusion to the banking facilitates depends on issues like human development, access to land, infrastructure support, access to work etc.

A clear picture of access to finance and its impact requires input from the demand side also that is from the actual and potential customer's financial services. Demand side approaches are based on samples of households and collect demographic information about the respondent, classified by income level, urban/rural residence, and employment etc. They help in measuring the penetration of financial services as a proportion of the population, especially the vulnerable sections of the society. Two examples of national surveys that focus purely on financial access in the past years are the World Bank's Financial Access Survey. A representative sample of sufficient size drawn from the appropriate sampling frame and a random selection of respondents is the most important attributes in conducting a quality demand side survey. A study of financial inclusion has to be multivariate and multi-dimensional. Among experts, there seems to be no consensus as to which set of attributes/variables is important to measure financial inclusion. While measuring access to credit from banks, for instance, there are a number of indicators available to a researcher, viz geographic-branch penetration, demographic-branch penetration, geographic-ATM penetration, demographic-ATM penetration, credit accounts per capita, credit-income ratio, etc. The indicators broadly fall into two categories – those the measure the outreach of the financial sector in terms of access to banks' physical outlets, and those that measure the use of banking services. If one takes into account the occupational pattern or nature of the activities of the beneficiaries, some more indicators can be also be added.

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3.2 Dimensions of Access to Financial Services

Financial inclusion refers to the delivery of the financial system of an economy to its citizens. It is a multi-faceted concept with different dimensions. Some of the commonly used dimensions through which financial inclusion can be viewed are:

Access to formal financial services: Access – full or partial – is nothing but the ability to use available financial services and products from formal institutions which depends on the potential barriers to opening and using a bank account such as cost, physical proximity of bank branches.

Quality of financial services: This is a measure of the relevance of the financial services which encompasses the experience of the consumer, his attitudes and opinion towards the financial products available etc. This measure would be used to gauge the nature and depth of the relationship between the financial service provider and the consumer as well as the choices available and their implications.

Usage of financial services: This dimension throws light on the depth and extent of financial service or product. This is about the regularity, frequency and duration of use over time, which also involves measuring what combination of financial products is used by the household.

Welfare component: This component measures the impact of access to finance on the socioeconomic status of households measured through changes in the socioeconomic status of households which indicates the improvement in wellbeing resulting from financial inclusion.

Financial Inclusion: The Nigerian Experience with Some Selected Lower and Upper Middle Income Economies.

Table 1, gives a cross- country analysis between Nigeria and some selected lower middle-income countries for comparative analysis to determine the extent of financial inclusion/exclusion, using various financial inclusion indicators as a percentage of account holders at a formal financial institution.

Table 1: Financial inclusion Indices at a financial institution in Lower middle income Economies in (%)

Characteristics	Nigeria	Ghana	Egypt	India	Benchmark
GNI per capita($)	2,710	1,770	3,140	1,570	
All Adults (%Age 15+)	44.0	40.5	14.1	53.1	42.7
Women (% of Adults)	43	39.4	9.3	43.1	36.6
40% of poorest Adults	34.4	30.0	5.6	43.9	33.2
Mobile account (% age15+)	2.3	13	1.1	2.4	2.5
Use of ATM(% with an account)	70.5	19.9	51.3	33.1	42.4
Used account to receive wages in past year.	8.8	5.8	2.9	4.0	5.6
Used a debit card in past year.	14.1	4.4	3.5	10.7	9.6
Sent remittances in past year	39.3	26.5	5.4	9.9	14.2
Saved at a financial institution in past year.	27.1	18.6	4.1	14.4	14.8
Borrowed from a financial institution in past year.	5.3	11.9	9.6	15.6	10.4

Source: Global Financial Inclusion Database, 2017.

The Cross – Country of analysis of African Countries in table 1, shows that even though Nigeria has the highest population and the largest GDP on the African continent and it is well above the benchmark, it lags behind countries like Ghana, Eygpt and India in terms of borrowings from a financial institution. The

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usage of mobile account is also not encouraging compared to Ghana and Senegal. Interestingly, it shows that Nigeria and Ghana are almost on a par in their financial inclusion while Egypt is lagging among the countries sampled.

Table 2 shows an analysis between Nigeria and some selected emerging (Upper middle income). Economies for comparative analysis to determine the extent of financial inclusion/exclusion, using various financial inclusion indicators as a percentage of account holders at a formal financial institution. Bearing in mind Nigeria's goal is to be amongst the top 20 economies by 2020, we need to see how far behind we are lagging in other to play catch-up. Table 2, shows the stark difference and a gap in the financial inclusion index that Nigeria has to cross before joining the exclusive rank of emerging economies.

Table 2: Financial inclusion Indices at a financial institution in Upper middle income Economies in (%)

Characteristics	Nigeria	Brazil		Malaysia	China	Benchmark
GNI per capita($)	2,710	11,690		10,430	6,560	
All Adults(% Age 15+)	44.0	68.1		80.7	78.9	70.5
Women(% of Adults)	43 64.8	78.1		76.4	70.4	67.3
40% of poorest Adults	34.4	58.5		75.6	72.0	62.7
Mobile account(% age 15+)	2.3	0.9		2.8	-	0.7
Use of ATM(% with an account)	70.5	75.4		72.1	51.2	55.7
Used account to receive wages in	8.8	22.9		30.8	17.7	18.1

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past year.						
Used a debit card in past year.	14.1	41.7		18.6	17.3	19.9
Sent remittances in past year	39.3	5.8		27.7	15.5	15.4
Saved at a financial institution in past year.	27.1	12.3		33.8	41.2	32.2
Borrowed from a financial institution in past year.	5.3	11.9		19.5	9.6	10.4

Source: Global Financial Inclusion Database, 2017.

In terms of per capita growth, Nigeria needs to intensify its efforts to achieve high growth rates. Effective access to financial services has assumed the status of fundamental human rights, in most of the emerging economies as it is considered as one of the main driving forces of economic growth and development in the present age. Hence, the urgent need for Nigeria to deepen its financial inclusion efforts.

The low level of financial inclusion informed the enunciation of a National Financial Inclusion strategy (NFIS) by the CBN in October 2012.In line with international precedents, the CBN defines financial inclusion as follows:” *financial inclusion is achieved when adults have easy access to a broad range of formal financial services that meet their needs and are provided at affordable cost. Financial inclusion implies not only access, but the usage of a full spectrum of financial services including but not limited to payments, savings, credit, insurance and pension products”(CBN, 2012).* The major objective of the policy is the reduction of the exclusion rate to 20 per cent by 2020. Currently 46.3 per cent of the total adult population of Nigerians is excluded from financial services. In addition, women account for 54,4 per cent of the excluded population, 73.8 per cent are aged less than 45 years, 34 per cent are without formal education, while 80.4 per cent reside in rural areas (Eluhaiwe, 2012).

3.3 Efforts and Targets towards Financial Inclusion in Nigeria

The Central Bank of Nigeria and other stakeholders are presently involved in the implementation NFIS in Nigeria. The purpose of NFIS is to decrease the number of Nigerians that are excluded from financial services from 46.3 % to 20% by 2020; and increase the number of Nigerians that are included in the formal sector from 30% in 2010 to 70% by the year 2020 (CBN, 2012). The stakeholders in enhancing the nation's financial inclusion are: banks, other financial institutions, insurance, regulators, technology/telecommunications firms, public institutions and development partners/experts (CBN, 2012). Meanwhile, EFInA (2010) survey identified five major barriers to financial inclusion in Nigeria: low and irregular income, physical access, financial literacy, affordability and eligibility. Out of these, the three key barriers are accessioned, eligibility and financial literacy. Financial literacy awareness and understanding of financial terms differ according to the complexity of the product and product features, as well as the commonality of product use within a population. There are five major sources of financial information in Nigeria: family and friends; someone trusted in the community and religious leaders; bank, employer and work colleagues; and electronic and print media by relevant stakeholders (EFInA, 2010).

The NFIS goal in Nigeria is being pursued through a broad range of coordinated interventions, with high priority as highlighted below (CBN, 2012):

- The transformation of the existing uniform Know-Your-Customer (KYC) regulation into a simplified Risk-based Tiered Framework that allows individuals that currently do not have the required formal identification measure to enter the banking system.
- Articulation and implementation of Regulatory Framework for Agent Banking to enable financial institutions to bring banking services to the currently unbanked in all parts of the country.

- Definition and implementation of the National Financial Literacy Framework to increase awareness and understanding of the population on financial products and services with the goal of increasing sustainable usage.
- Implementation of a comprehensive Consumer Protection Framework to safeguard the interest of clients and sustain confidence in the financial sector.
- Continued pursuance of Mobile-Payment System and other Cashless Policy efforts to lessen the cost and enhance the ease of financial services and transactions.
- Implementation of Credit Enhancement Schemes/programs to empower micro, small and medium enterprises:
    - i. Micro, Small and Medium Enterprises Development Fund, 60% of which will support the on-lending activities of microfinance banks and institutions to women enterprises and clients.
    - ii. Nigerian Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL).
    - iii. Entrepreneurship Development Centres (EDCs)
    - iv. Restructuring and Refinancing Facilities to SMEs.
    - v. SME Credit Guarantee Scheme

The financial inclusion strategy document states that "financial inclusion is achieved when adult Nigerians have easy access to a broad range of formal financial services that meet their needs at affordable cost." Although there has been progress over time in the extent of financial inclusion in Nigeria, the country still lags other peer-level countries in many of the indicators of inclusion. During the period, 2008 to 2010 the percentage of completely excluded fell from 53 to 46, while those served by the informal sector fell from 24 to 17. At the same time, 'formal other' doubled from 3 to 6% and formally banked rose from 21 to 30%" (CBN, 2012). Comparatively, Nigeria has a formal payments penetration of 21.6 per cent that is lower than the level of 46% in both South Africa and Kenya (Table 3).

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Table 3: Targets for financial inclusion in Nigeria

	Target	2010	2015	2020
% of total adult pop.	Payments	21.6%	53%	70%
	Savings	24%	42%	60%
	Credit	2%	26%	40%
	Insurance	1%	21%	40%
	Pension	5%	22%	40%
Units per 100,000 adults	Branches	6.8	7.5	7.6
	MBA branches	2.9	4.5	5.0
	ATMS	11.8	42.8	59.6
	POS	13.3	442.6	850.0
	Mobile agents	0%	3162%	62%
% of pop	KYC ID	18%	59%	100%

Sourced from the Financial Inclusion Strategy Document for Nigeria.

In terms of access to savings products, Nigeria has 461 savings accounts per 1000 and this poorly compares with 2,063 savings accounts per 1000 in Malaysia. Credit penetration as an index of financial inclusion is worse in Nigeria compared to other peer countries. It posts only 2% access to formal products that is a far cry from 32% in South Africa. Also, insurance penetration in South Africa is about 30% and only 1% in Nigeria. These comparisons are intended to show a picture of where the country is in terms of financial inclusion. The government, with the instrumentality of the CBN has set specific targets with accompanying actionable plans to advance financial inclusion in the country (Table 3).

4.2. Challenges and Issues in Financial Inclusion for Poverty Eradiation in Nigeria

About three quarters of Nigeria's population in poverty lives in rural Nigeria and is engaged in agricultural activities. In fact, 65 percent of the Nigerian population is being employed in the agriculture sector, but the contribution to the GDP is less than 20 percent. The availability of banking services to the small and marginal farmer is very limited and is a big hindrance in the growth of the landless or small farmers. They are forced to utilize informal sector services for their financial need. The need of the rural and the urban unbanked or the excluded strata are different. Financial inclusion is an expansion policy expected at improving the conditions of less privilege groups in the society.

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One of the major initiatives taken up by the nation is of microfinance. Microfinance elevation is very impressive, but the high interest rate has enlarged household debt burdens leading to suicide cases (Fadun, 2013). There is a wide variation in term of financial inclusion across different states and over time (CBN, 2012). The major issue in the Financial Inclusion could be studied through channelizing the efforts in understanding the problems on the demand side and the supply side. If we study the demand side the major issues are low level of literacy and poor financial literacy, lack of awareness about the availability of financial products, irregularities in the income stream, lack of trust and confidence in the formal financial system. The issues related to the supply side are non-availability of the branches in the rural sector, cumbersome documentation process, high bank charges, limited products as per the need, the product designed by the bank is not customized as per the need.

The excluded strata have limited income and the affordability of the product is crucial. Hence the major challenges for complete financial inclusion lie in working on the demand and supply side. Financial literacy is the biggest challenge. Merely opening of the bank account will not result in financial inclusion. A comprehensive plan is required as large number of accounts opened remains dormant. Out of compulsion accounts may be opened but it will only be a liability on the part of the banks if the account is not operated. Financial literacy will create awareness about the benefits of formal financial system. The development of appropriate technology is also a challenging task, as all the technologies are not suitable for the financial inclusion plan due to affordability, accessibility, security and privacy and the operational cost of the technology. Easy and affordable technology will be bliss for achieving the financial inclusion (DFID, 2004).

According to CBN (2014) valuable facts have been developed regarding the myth on financial inclusion pertaining to the urban slum dwellers. Even by dwelling in a city one third of these slump, people are deprived of basic banking facility of having a bank account. Consequently, they have important policy implications. Significantly, none of the respondents had an account with any private sector bank. This poor percentage in the heart of the financial capital of the nation and in areas surrounded by bank branches speaks of the poor state of financial inclusion and initiative of the private players. It highlights the pressing need to step up efforts towards including the excluded. The role of private banks in financial inclusion is very marginal and this issue needs to be addressed and examined. Development of customized financial product is another challenge for the banks as the need of the rural and urban unbanked poor are diverse. The bank should be given leverage in developing different models to achieve the financial inclusion goal. One plan for all will not be a feasible plan. Bringing all the stakeholders such as banks, NGOs/ SHG, Government, civil societies together for the common purpose will lead to the goal of complete inclusion. Financial inclusion goal should not be considered as only a social responsibility rather it should be considered as a business model with huge untapped market of the excluded strata of the pyramid.

5.1 Conclusion

Financial inclusion is necessary for poverty reduction in Nigeria and it can be facilitated through a restructuring of financial services to capture the basic needs of the populace, usage of mobile banking and internet, micro finance institutions. The recent development in the Banking sector to include the excluded strata has transformed the banking services available through internet and mobile banking, direct money transfers etc. by the usage of upgrading technology. But the accessibility of such services and technology is limited to certain segments of the society. Non accessibility to the basic financial services is a major hindrance in the process of inclusive growth and economic development. Financial exclusion has a strong connection with the poverty and is predominately concentrated with the economically weaker section of the society. The exclusion is not merely restricted to the rural population, but also to the urban dwellers, migrants and population engaged with informal sectors. For Nigeria to achieve the upside potential in terms of growth and poverty reduction, the government through its change agenda will play a central role in coordinating between banks and others to expand efforts to support key industries, it should also pursue further improvements in areas such as infrastructure and access to capital.

5.2 Policy Recommendations

Financial inclusion can benefit a country's economy immensely if regulatory challenges are appropriately addressed to provide the financially excluded with access to finance.

Similarly, it is important to educate people on the importance of saving, the process of obtaining loans, repaying loans on time, investing their money and insuring themselves against financial shocks. To increase access to finance, traditional financial services regulations and technologies such as mobile payments will have to be reviewed to accommodate Nigeria's rural poor. This will allow more people to participate in the formal economy.

The government through its change agenda have an important role to play in facilitating/encouraging financial institutions to offer remittance-based financial products that are affordable and cater to the unmet demand of the unbanked people. While, banks on the receiving side are playing a significant role in money transfer, they have to be incentivized to expand the range of financial services to the underprivileged. At the originating end of remittances, currently, banks play an insignificant role and are having minimal impact on increasing access to banking services by the unbanked; this too can be diversified through creative financial practices to assist the poor including the use of accounts receivables.

In fact, working with the change agenda in defining comprehensive social protection programs could be the first step – an important step - in facilitating the participation of the poorest of the poor in the microfinance market making it further inclusive. Targeted and gender responsive approaches to offering minimum social floors to address extreme poverty and income security can significantly contribute to achieving SDGs including by creating sustainable livelihoods. Also the post offices should also be involved in accounts opening so as to make financial services available in the rural areas.

Finally, there is a need to develop capacities in the human, institutional and system-wide levels to implement and enforce policies effectively for inclusive markets. Capacity development efforts have to be directed at (i) offsetting the risk of new products for the commercial sector, (ii) creating greater access to enriched consumers, (iii) introducing new technology, (iv) enhancing consumers' financial and technical education, (v) bringing in private sector entrepreneurial skills to improve the financial infrastructure, and (vi) setting service and credit standards.

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