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FINANCIAL INCLUSION AND NATIONAL DEVELOPMENT

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Abstract
In the contemporary world economy, the plan to achieving economic growth has formed the policy thrust of world economies. Nigeria being a developing country has suffered a lot of economic consequences emanating from low level of economic activities evidenced by low productivity. Growth propellants such as technology and human capital development are made possible through finance development. Financial inclusion is therefore a policy that is imbued with so much of accelerated strategy to boost economic growth especially in developing economy. Access to credits by the low income group will help them to overcome financial shocks as well as boost their production which in effect leads to economic growth and development with concomitant poverty alleviation.

Keywords*: Low Productivity, financial inclusion, Access to credits, economic growth and development, poverty alleviation.*

Introduction

The plan to achieving economic growth has preoccupied the policy thrust of all countries of the world. Nigeria as a developing country suffers the consequences of low level of economic activities evidenced by low productivity. Researchers in this field discern significantly the key to economic growth. schumpter (1912), MCK innon (1973) and Shaw (1973) in what is termed Schumpter and MCKinnon- shaw hypothesis finance is needed to procure effective labour resources and new technologies to increase the output of goods and services. Growth propellants such as technology and human capital development are made possible through finance development (Ndebbio, 2004). Interestingly, economic theories espouse a positive correlation between financial development and economic growth. Shaw (1973), Mckinnon (1973),Levine and Zervoss(1996),Goldsmith (1969),Bekaert et al (1995) in a finance growth hypothesis show convincing evidence of positive correlation between finance and economic growth. Nigeria’s financial sector is still evolving but profoundly sustains the role of saving mobilization from the surplus spending units and canalizing same to the deficit spending units for investment purposes. The economy needs a sustained boast in economic activities to further create employment, increase in income and raise aggregate demand for foods and services.

In the pursuance of the development of finance sector, the policy of financial inclusion was introduced to increase the access to bankable groups to the financial service net so as to increase the country’s liquidity position as well as widen credit access and implicitly increase investment.

Financial inclusion refers to a process that ensures the ease of access, availability and usage of formal financial system by all members of an economy. The World Bank report describes financial inclusion as a process of raising individual access to basic financial services (Savings, loans and Insurance) in a safe and convenient manner especially among low and vulnerable income earners in the economy. It is about the delivery of banking services such as savings, credit, insurance, payment and pension, at an affordable cost to vast sections of the economy, especially the low income segment or disadvantaged sectors (Ahmed).

Financial access as an important policy tool employed by government in fighting and stimulating growth given its ability to facilitate efficient allocation of productive resources, thus reducing the cost of capital. Financial inclusion is a concept that portrays the state in which all people have access to appropriate, desired financial products and services in order to manage their money effectively (Leyshon and Thrift, 1995). It is the policy of the government to facilitate and increase access, usage and availability of financial services, provisions as well as increase the number of bankable groups in the financial system. Usually, the low-income earners constitute the largest proportion of the population and so controls enormous chunk of the economy's idle fund albeit held in small amount in the hands of the several million members of this group. Harnessing and accumulating these resources provide a huge source of cheap long-term investable capital. Financial inclusion has therefore become an explicit strategy for accelerated economic growth and is considered to be critical for achieving inclusive growth in the country. The world bank group identified financial inclusion indicators to include access to credit, information, access internet banking services, Bank deepening (Number of Banks and their branches in the country), ATM and POS. In a study by Mehanta (2009), capturing of the poor to the financial system will deter them from saving in their homes or other informal system and encourage them to save in the bank thereby raising their chances to accessing credits from the formal financial institutions. Access to credit by the low income group will help them to overcome financial shocks as well as boost their productions.

Statement Of The Problem

Financial inclusion is a step towards inclusive development which is viewed as an important means to tackle poverty and inequality and therefore promote economic growth. The Nigerian financial system still remains underdeveloped and rudimentary compared to other developing economies. With the invention of mobile money, Nigeria has witnessed positive development in the financial sector in the last two decades. Financial services including credit, payment of services and savings are currently being offered to individuals via mobile money, thus broadening access to financial services. But despite the increase in use of mobile money with adults using mobile money standing at 68% (World bank 2009)

Nigeria is still classified as low income as compared with nations such as united Kingdom with a zero percent mobile money usage classified as high income nations. Moreover, more than half of Nigerian adults do not have close proximity access to financial services such as ATM, banks POS or service Kiosks coupled with the fact that most adults in Nigeria prefer to use cash as most of the population works in the informal sectors. Theoretical Framework

This sub-section is concerned with a review of relevant and underlying theories so as to create a theoretical anchorage and impetus for this work. This work shall focus on some strands of developmental theories, first, it viewed the great spurt theory, the finance- growth theory, the theory of inclusive growth, the financial intermediate theory. All these theories give basis for this work.

The Great Spurt Theory:

This Theory established that for a less developed country to move from traditional levels of economic backwardness to a modern industrial economy, it requires a sharp break with the past or a great spurt of industrialization (Balami, 2006) This theory maintains that the process of industrialization differs from country depending on the level of backwardness. According to the theory, all nations are backward once. The theory classified nations into four – The advanced, Moderate the backward and the very backward and that the banks and government will start the development in the nations respectively. This theory prescribed for capital intensive production process in order to ensure the great spurt is inimical to a country that is endowed with labour because it will end up increasing the trend of financial exclusion which in turn may likely reduce the living standard of the people.

The Finance Growth Theory:

The origin of the finance growth can be traced back to Bagehot (1973). The proponents of the finance-growth hypothesis argued that the existence of an energetic financial sector has growth- enhancing effects. Schumpeter (1911) posited that banks enable an economy to grow by providing efficient markets for funds. The finance- growth theory looked at the lack of access to finance or a critical factor responsible for persistent income inequality as well as slower growth. It posits that financial development creates a productive environment for growth through "supply leading" or "demand- following' effect. consequently, access to safe, easy and affordable source of finance is recognized as a pre-condition for accelerating growth and reducing income disparities and poverty which creates equal opportunities, enables economically and socially excluded people to integrate better into the economy and actively contribute to development and protect themselves against economic shocks (Serrao et al, 2012).

The Theory Of Inclusive Growth:

This theory states that inclusive growth in the economy can only be achieved when all the weaker sectors of the society, including agriculture and small scale industries are nurtured and brought on par with other sector of the society in terms of economic development. The major development challenge is to make the growth inclusive. According to the theory, a growing gross domestic product (GDP) is an evidence of a society, getting its collective act together for progress. As its economy grows, a society becomes more strongly organized, more compactly interwoven. Therefore, a sustained high growth is better and a sustained high growth with inclusiveness is best for all.

The Financial Intermediation Theory:-

Financial intermediation is seen as the extent to which financial institutions bring deficit spending units and surplus spending units together (Ndebbio 2004). An important question that this theory tries to answer is why do investors first lend to banks who then lend to borrowers, instead of lending directly? Proponents of this theory argued that banks are able to effectively monitor borrowers and thus play the role of delegated monitoring (Diamond, 1984). Hence, this theory posits that intermediaries provide services by issuing secondary financial assets to buy primary finantial assets and if an intermediary provided no services, investors who buy the secondary securities issued by the intermediaries might as well purchase the primary securities directly and save the intermediary's costs. Financial market frictions can be the critical mechanism for generating persistent income inequality or poverty trap.

Financial Inclusion and Economic Development

This paper focuses on the sustainable development besides development. Financial inclusion is considered as an important tool for economic development. Locally here in Nigeria, several studies have been done on financial inclusion and economic development. Nkwede (2015), Mbutor and Uba (2012) and Onalapo (2015) have in their different studies found significant positive effect of financial inclusion on economic growth and development of Nigeria. Development means meeting the needs of the present without compromising the ability of the future generations to meet their own needs. Sustainable development implies economic growth along with the protection of environmental quality, each reinforcing the other. Financial inclusion in essence focuses on the economic benefits that enhance mass participation of people in financial activities. Though the Nigeria financial sector is still evolving but with an inclusive financial system, it will sustain the role of savings mobilization from the surplus spending unit and canalizing same to the deficit spending units for investment purposes. The reward of efficient and effective financial system is increase in output of the economy through increase in investment. The economy needs a sustained boost in economic activities to further create employment, increase in income and raise aggregate demand for goods and services. Financial inclusion fosters economic development by increasing the access of bankable groups to financial services net so as to increase the country's liquidity position as well as widen credit access and implicitly increase investment which fosters economic development. Financial inclusion as a financial policy is an attempt to close the gap that hitherto existed between deficit spending unit and surplus spending unit powered by the intermediation function of the financial system. financial inclusion are process of raising individual access to basic financial services (Saving, loans and insurance) in a safe and convenient manner especially among low income and vulnerable income earners in the economy. However, capturing of the poor to the financial system will deter them from saving in their homes or with informal system and encourage them to save in the banks thereby raising their chances to accessing credits from the formal financial institutions. access to credits by the low income group will help them to overcome financial shocks as well as boost their productions which in effect leads to economic growth and development.

Financial inclusion, within the broader context of inclusive development, is viewed as an important means to tackle poverty and inequality and therefore promote economic growth and development.

Summary

From a careful study of this work, it is evidenced that finance is needed to procure effective labour resources and new technologies to increase the output of goods and services. Growth propellants such as technology and human capital development are made possible through finance development. In pursuance of the development of finance sector,the policy of financial inclusion was introduced to increase the access to bankable group to the financial service net so as to increase the country's liquidity position as well as widen credit access and implicitly increase investment. Financial inclusion has been seen as an implicit strategy for accelerating economic growth and it is considered to be critical for achieving inclusive growth in an economy. It is also a step toward inclusive development which is viewed as an important means to tackle poverty and inequality and therefore promote economic growth and development. Though the Nigerian Financial sector is still evolving, but with an inclusive financial system, it will sustain the role of savings mobilization from the surplus spending unit and canalizing same to the deficit spending units for investment purposes. Therefore, the economy needs a sustained boost in economic activities to further create employment, increase in income and raise aggregate demand for goods and services for sustained economic growth and development.

Conclusion

Financial inclusion has been seen globally as an implicit strategy for accelerating growth thus bringing integrity and stability in an economy's system as an important means to tackle poverty and inequality. Greater financial inclusion is achieved when individual access to basic financial services (Savings, loans and insurance) are brought closer to the society in a safe and convenient manner especially among vulnerable low income earners in the society. This helps to promote balanced growth through its process of facilitating savings and investment thus effecting efficient resource allocation from surplus sector to deficit sector. Financial inclusion is necessary for inclusive growth in Nigeria and it can be facilitated by the monetary authorities enacting policies that will promote the establishment of more financial services to capture the basic needs of the populace in terms of usage in internet and mobile banking, Micro finance institutions for furthering financial education. Through higher mobile finance accessibility, it becomes easier to access finance and deposits.

Recommendations

In a study by Mehanta (2009), Capturing of the poor to the financial system will deter them from saving outside in their homes or with informal system and encourage them to save in the banks thereby raising their chances to accessing credits from the formal financial institutions. Access to credits by the low income group will help them to overcome financial shocks as well boost their productions. financial inclusion, within their broader context of inclusive development is viewed as an important means to tackle poverty and inequality and therefore promote economic growth and development. Based on the above assertions, this paper therefore recommends the following

(a) The central bank of Nigeria should reduce the reserve requirement of banks so as to increase their liquidity level to enable them increase their financial leverages and credit creating abilities.

(b) The monetary authorities should enact policies that will promote the establishment of more branch networks in Nigeria

(c) They should enhance the mobile money and ATM services to offer credit services as it is done in other countries. The ATM and mobile money services should provide the customer to borrow from the bank a minimum amount of money to enable the user overcome financial emergencies

(d) The number of POS in the country is grossly inadequate to propel and facilitate banking transactions. This is evident given the size of bank customers that crowds our banking halls daily and the long queues at the ATM dispensing.

(e) Customer education and protection is essential while financial literacy and consumer protection are targeted at ensuring that users of financial services are not unduly exposed to extortion and abuse. This will lead to increased transparency and improved access to retail financial market.

(f) Account opening conditions and documentations by banks need to be "deregulated"

(g) There is need for a steady power supply to drive the infrastructural facilities provided by banks, telecommunication companies and other related service providers such that fluctuations in internet and other networks is reduced to the barest minimum. This will ensure stability and wider network coverage.

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