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FINANCIAL INCLUSION, DUALISM AND ECONOMIC DEVELOPMENT IN NIGERIA: EVIDENCE FROM WARRI, DELTA STATE.

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ABSTRACT

This study investigates the effect of financial inclusion, financial dualism on economic development in Nigeria. Data used are primary through structured questionnaire administered to 80 micro, small and medium scale businesses in Warri, Delta State. Data are analyzed by OLS technique using SPSS version 20. Using the measurement of access to financial services, usage of financial services, quality of financial services and interest rate, the results revealed that economic development is positively related to

Introduction

In the recent past, the adoption by many developing and emerging counties of policies and measures aimed at growing global financial inclusion as a catalyst for promoting world economic growth and development has assumed greater level of importance. Giving access to the hundreds of millions of disadvantaged and low-income groups who are presently excluded from financial services and products would provide the possibilities for the creation of a large depository of savings, investable funds, investment and therefore global wealth generation. Usually the low-income segments constitute the largest proportion of the population and so control large amount of the economy idle fund albeit held in small amounts in the hands of each of the several million members of this group. Harnessing and accumulating these resources provides a huge source of cheap long-term investable capital that will help lift the poor out of the cycle of poverty, thereby increasing economy development. Financial inclusion promotes thrift and develops culture of savings and also enables efficient payment mechanism, strengthening the resource base of the financial institutions which benefits the economy as resources become available for efficient payment mechanism and allocation. The poor are typically more vulnerable to financial exclusion this is simply because their major problems arise from the need for finances. Finance exerts a disproportionately large, positive impact on the poor and hence reduces income inequality (Beck, Demirguc-Kunt and Levine, 2004).

access to financial services, usage of financial services and quality of financial services but it is negatively related to interest rate. This implies that although micro, small and medium scale businesses are largely included in the formal financial systems in the form of access to a bank account, they cannot access loans from the formal sector due to long and difficult procedures and high charges associated with such financial services. We therefore recommended that financial institutions in Nigeria need to consider reducing their interest rate on lending to attract borrowing by the poor and the micro, small and medium scale businesses so as to boost development in the economy.

Keywords: financial inclusion; financial dualism; economic development; and SPSS

Financial inclusion is seen as a potent factor in the process of economic growth and development by providing financial services to individuals and communities that traditionally have limited or no access to the formal financial sector as evidenced in Nigerian rural dwellers (Kama and Adigim, 2013). Financial inclusion is critical to the attainment of poverty reduction, removal of barriers to economic participation of rural dwellers, women, youths and those at the bottom of poverty. Mehrotra et'al (2009), emphasized that access to financial services allows the poor to save money outside the house safety, and helps in mitigating the risks that the poor faces as a result of economic shocks. Hence, providing access to financial services is increasingly becoming an area of concern for every policymaker for the obvious reason that it has far reaching social and economic implications. An inclusive financial growth is needed to broaden the range of financial services and sustain livelihoods, build assets, manage risks, smooth consumption, increase investments in health, education and income generating activities, thus expanding growth opportunities.

Evidence shows that financial sector dualism pervades the financial systems of the economies of developing countries like Nigeria and that large portion of their population fall outside the formal financial sector which functions through the direct government control. Different kind of barriers such as high transaction costs, high interest rates, low deposit rates, poor customers service delivery and the nature of formal financial systems that rely on information transparency result in the exclusion of large population from the financial sector. This exclusion has resulted in the existence of parallel informal financial institutions such as the Esusu, money lenders, cooperative societies, thrift and loan societies, local bankers etc that lie outside the formal financial institutions such as such as deposit money banks, Insurance Companies, Mortgage Banks etc particularly in Nigeria.

The poor live and work in the informal sector, not by choice but by necessity. Without access to formal financial services, poor families must rely on age-old informal mechanisms. These informal mechanisms still represent important and viable value propositions, reflecting users' preference of reluctant to abandon it. It is obvious to note that all governmental actions and plans through reformations and automations to reduce the volume of currency outside the banking sector have not achieved the expected result. According to Afangieh (2012), despite the upsurge and increasing competition among the banks, these informal financial institutions have remained resilient and prominent. The informal sector served the financial needs of the majority of disadvantaged and low-income groups over time and is not any less important than the formal sector despite having being found to be costly and exploitative. In Nigeria, the formal financial institutions are the main agents for savings mobilization and are expected offer relatively high deposit rates to attract more deposits. Unfortunately, the deposit rates offered by banks in Nigeria have been generally low while inflation rate has been relatively high. Financial Access Initiative (2010) estimated that 2.5 billion adults, just over half of the world's population, do not use formal financial services to save or borrow. 62% of adults, nearly 2.2 billion, living in Asia, Africa, Latin Africa and Middle East are un-served. A little more than 800 million live on less than $5 per day. Nigeria is not exception with a large population of financially un-served people put at 46.3% in 2010 (Paul, 2013).

In view of the above, the main objective of study is to examine the relationship between financial inclusion, financial dualism and economic development in Nigeria with a particular interest in micro, small and medium scale businesses in Warri, Delta State. Following this introduction section two presents literature review on links between financial inclusion and financial dualism and economic development. Section three discusses the methodology of analysis. In section four, we present the results of econometric analysis while section five concludes the paper with recommendations.

REVIEW OF RELATED LITERATURE

Conceptual Review

Sarma and Pais (2011) asserted that financial inclusion as a process that ensures ease of access, availability and usage of the formal financial system to all the segments of an economy. They further stated that among the qualities of an inclusive financial system is that it enables the efficient allocation of productive resources and in the process reduce the cost of capital. They added that apart from significantly improving the daily management of finances, an inclusive financial system also helps in reducing the prevalence of informal financial institutions that are in most cases exploitative. They concluded that an all-inclusive financial system enhances efficiency and welfare by providing avenues for secure and safe financial practices. Financial inclusion includes availability of, and access to, different types of formal financial services at reasonable prices to those perceived to be financially excluded. Financial inclusion is the benchmark used to assess how formal financial services reach the common people in the economy (Uma and Madhu, 2013). Sureshander (2003) argued that merely having a bank account may not be a good indicator of financial inclusion, rather that the ideal definition should focus on people who want to access financial services but are often denied the same due to one incapacitation or the other. Lipi Bhattacharya (2015) identifies natural barriers; lack of financial infrastructure; restrictive regulations; governance failures; and lack of suitable products as main barriers to financial inclusion.

Financial dualism entails the coexistence of the formal and informal financial sectors. While the formal financial sector entails the main agents of savings mobilization that function through direct control of government, the informal financial sector generally entails financial activities that occur outside the immediate control of government. Ifionu and Ibe, 2015 asserted that the informal financial sector operates without official regulations, convention and polices and are not compelled by any possible means to render official returns on their operations or processes. In Nigeria, intermediaries in the informal financial sector include Esusu, money lenders, cooperative societies, thrift and loan societies etc

Theoretical Review

Vulnerable Group Theory

The vulnerable group theory states that financial inclusion programs in a country should target the vulnerable groups such as poor people, young people, women, and elderly people who suffer most from economic and financial hardship and crises. And that this can achieve through government to-person (G2P) social cash transfers into the formal account of vulnerable people. Making G2P social cash transfer payments into the formal account of vulnerable groups will encourage others people to join the formal financial sector to own a formal account to take advantage of the social cash transfer benefits, thereby, increasing the rate of financial inclusion for vulnerable groups. The theory argues that when social cash transfer is working, and other tools for achieving financial inclusion are provided to vulnerable people in society, it can make vulnerable people feel that they are being compensated for the current income inequality that affect them, which gives them an opportunity to catch up with the other segments of society.

Public Good Theory

The public good theory suggests that the delivery of formal financial services and ensuring unrestricted access to finance to the entire population should be treated as a public good for the benefit of all members of the population. As a public good, individuals cannot be excluded from using and gaining access to formal financial services. Therefore, all individuals will enjoy basic financial services without paying for it and everyone will be better off. Under this theory, any individual or small business that open a formal bank account can be offered free debit cards and use the ATM machines to perform transactions without being charged a transaction fee. The suppliers of financial services such as financial institutions will have to bear the cost of offering financial services as a sunk-cost of doing banking business. Also, the government can grant subsidy to financial institutions to help them cope with any resulting cost problems that may arise from offering free financial services. The theory also states that government can offer a lump-sum cash deposit into the bank account of all citizens and make owning a formal account the only requirement for individuals to access the free deposits. Thus, individuals will be economically empowered when financial inclusion is viewed as public good.

Empirical Review

Anyanwu, Okere and Adioha (2020) investigated the effect of financial dualism and inclusion on economic development in Nigeria. Primary data obtained through interviews and questionnaires from shop owners in Eke Ugwu market in Owerri capital territory were analyzed by the ordinary least square estimation technique. The study revealed significant relationship between financial inclusion and economic development. Based on the result, the study recommended that monetary authority should ensured that banks offer prompt and timely services to customers at affordable prices. And in order to reduce the volume of currency in the banking sector, banks and other financial institutions should design appropriate packages that will assist in collaboration with the informal financial institutions so that funds so far mobilized by them are integrated into the banking sector

Enueshike and Okpebru (2020) examined the effects of financial inclusion on economic growth in Nigeria from 2000 to 2018. Archival data sourced from Central Bank of Nigeria statistical bulletin was used for the estimation of the variables. The dependent variable of financial inclusion proxied by contribution of financial institutions to gross domestic product (GDP) was regressed on the explanatory variable of loan to small and medium enterprises (LSME), rural bank deposit (RBD) and control variable of inflation (INF). The ex-post factor research design was adopted for the study and diagnostic tests of unit roots and co-integration were conducted which show that the variables cointegration were mixed and show a long term relationship respectively. The statistical estimation of the explained and explanatory variable were done using auto-regressive distribution lag and findings from Wald tests indicate that loan to small and medium enterprise (LSME),rural bank deposit (RBD) and inflation (INF) has a significant effect on economic growth in Nigeria.

Ogbeide and Igbinigie (2019) examined the impact of financial inclusion on poverty alleviation in Nigeria using time series data for the period 2002 to 2015. The study employed the ordinary least squares multivariate regression technique and found out that financial inclusion exerts significant impact on per capita income, reduces poverty level and improves standard of living. Specifically, the result shows that commercial bank branches per 100, 000 adults exert positive impact on per capita income, increase standard of living and contributes to poverty alleviation.

Ifionu and Ibe (2015) empirically examined the impact of the informal financial sector on economic growth in Nigeria from 1981-2013. Employing ordinary least squares technique, the study revealed that the informal financial sector impacts negatively on gross domestic product and per-capita in Nigeria. Other variables that impact negatively on GDP are real interest rate, degree of financial depth while total savings has a positive but insignificant relationship.

Onwe (2013) examined the role of the informal sector in development of the Nigerian economy: output and employment approach. The study descriptively found positive effects of informal financial institutions on the development of Nigeria economy. The study revealed thus; first, the traditional or informal sector is continuously expanding in developing countries, and has been serving as a 'safety belt' in providing employment and income to the teaming poor; secondly, informal sector activities, often described as unrecognized, unrecorded, unprotected, and unregulated by the public sector are no longer confined to marginal activities but also included profitable enterprises in manufacturing activities; third, the informal sector is largely characterized by low entry requirements, small-scale operations, skills acquired outside of formal education, and labour-intensive methods of production; forth, the informal sector is defined according to different classifications in terms of activity, employment category, location of actors, and income and employment enhancing potential.

METHODOLOGY

Research Instrument

The descriptive survey design is used for this study. A well structured questionnaire was used to source for the primary data used. This instrument has six sections; A, B, C, D E and F. The

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demographic information of the participants is contained in section A. Section B contains information on access to financial services. Sections C contains information on financial dualism while information relating to usage of financial services are contained in sections D and E. Section F contains information relating to impact of financial services.

Data and Sample

The target population of this study is all micro, small and medium scale business (MSMEs) owners in Warri, Delta State. Warri is the commercial capital of Delta State, one of the oil-rich states in the Niger Delta Region of Nigeria. However, due to time and cost considerations, questionnaires were only sent to 150 MSME owners selected using purposive sampling technique. A total of 80 questionnaires were duly completed and returned, thus the response rate is 53%.

The analysis of the demographic information shows that 65% are male, 71.3% are married (the remaining 28.7% are either single, divorced/separated or widowed) and 95% own their businesses (the remaining 5% work for others). Further, 42.5% of the valid responses are from respondents who are first degree holders, 26.3% are from those who completed their secondary school education and the rest are from either Diploma (13.8%), post graduate degree (10%), primary school certificate (6.3%) or third degree (1.3%) holders.

Respondents whose monthly income is ₦100,000 or above constitute the highest income group (46.3%), followed by those whose income range is ₦60,000 - ₦79,000 (23.8%) and those whose income range is ₦80,000 - ₦99,000 (15.0%). 12.5% and 2.5% of the respondents earn ₦40,000 - ₦59,000 and ₦20,000 - ₦39,000 monthly income respectively. No respondents earn ₦19,000 or below per month.

All the respondents have access to a mobile phone and 97.5% have a bank account. All those who have bank accounts also have an ATM card. 47.5% are aware that they can open a bank account just with their phone, 50% use POS in their work places while 25% have borrowed money from a money lender or credit esusu in the past one year. 78.8% of the respondents have their banks located close to their workplaces or residence.

Measurement

- **Access to Financial Services:** is measured by the number of bank accounts. The measurement scale for this variable is ratio which is based on the question: How many bank accounts do you have?
- **Usage of Financial of Services**: Although, usage of financial services has four dimensions; namely, Debit Card/ATM, Internet Banking, Mobile Phone Code and Cheque, only the ATM dimension is used. This is because participants do more transactions using ATM card and POS than internet banking, mobile phone transfer and cheque. This variable is measured on an interval scale via 5-point Likert-type questions (1 strongly disagree to 5 strongly agree).
- **Quality of Financial Services**: is measured on an interval scale via 5-point Likert-type questions (1 strongly disagree to 5 strongly agree).
- **Financial Dualism**: Although, financial dualism has three dimensions; namely, interest rate, collateral and processes/procedures, only the interest dimension is used. This variable is

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measured on an interval scale via 5-point Likert-type questions (1 strongly disagree to 5 strongly agree).

- **Performance:** is proxied by impact which comprises 3 statement items measured on a Likert-type interval scale (1 strongly disagree to 5 strongly agree).

Methods and Models

The method employed for data analysis is multiple regression. The justification for this method is the measurement level for both the dependent variable and the independent variables. Apart from access to financial services which is measured on a ratio scale, all other variables are measured on an interval scale. Thus, the OLS technique is used for data analysis. All data are analysed in SPSS version 20. Our empirical model is specified as follows:

$$\mathrm{Perf} = \alpha_0 + \alpha_1\mathrm{Account} + \alpha_2\mathrm{ATM} + \alpha_3\mathrm{Quality} + \alpha_4\mathrm{Interest} + \epsilon_t \text{where } \epsilon_t \text{ is the classical error term}$$

Perf = Performance measured by Impact of financial services
$\mathrm{Account}$ = number of accounts with banks (access to financial services)
ATM = debit card/ATM transactions (usage of financial services)
$\mathrm{Quality}$ = quality of financial services
$\mathrm{Interest}$ = interest rate (financial dualism)

DATA ANALYSIS

Descriptive Analysis/Variable Development

Financial Dualism

The descriptive analysis of the three dimensions of financial dualism is given in Table 1. Panels A gives the analysis for interest rate scale (Interest), panel B gives the analysis for collateral scale (Collate) and panel C gives the analysis for procedure scale (Proced). While the Alpha coefficient for interest rate and collateral are well above 0.7, indicating that both scales are reliable, the Alpha coefficient for procedure scale is almost 0.7.

From panel A, it appears that bank charges on loan ($\mathrm{Mean} = 3.95, \mathrm{SD} = 1.282$), bank secret charges on deposits ($\mathrm{Mean} = 3.79, \mathrm{SD} = 1.393$), low interest rate on savings ($\mathrm{Mean} = 3.75, \mathrm{SD} = 1.363$) and high interest rates ($\mathrm{Mean} = 3.49, \mathrm{SD} = 1.147$) are prominent factors for financial dualism. Overall, small business owners are indifferent in terms of where their preferred sector for borrowing to boost their businesses as what matters for them is the availability and accessibility of loans or credit ($\mathrm{Mean} = 3.36, \mathrm{SD} = 0.957$).

From panel B, the participants strongly agree that bank collateral requirement is too much for the poor ($\mathrm{Mean} = 4.54, \mathrm{SD} = 0.765$) but neither agree nor disagree with the rest of the statement items. Overall, they agree that collateral plays a prominent role in financial dualism ($\mathrm{Mean} = 3.50, \mathrm{SD} = 1.209$).

From panel C, participants strongly agree that procedures and processes in obtaining a bank loan are too long for people to endure($\mathrm{Mean} = 4.60, \mathrm{SD} = 1.704$) and that these protocols and processes make borrowing too difficult ($\mathrm{Mean} = 4.56, \mathrm{SD} = 0.859$). They also agree that enduring the long verification and administrative processes is not even a guarantee for obtaining the needed loans ($\mathrm{Mean} = 3.96, \mathrm{SD} = 0.987$). Overall, bank protocols and procedures play prominent roles in financial dualism ($\mathrm{Mean} = 3.72, \mathrm{SD} = 0.798$).

Usage of Financial Services

The descriptive analysis of usage of financial services is shown in table 2, with panels A, B, C and D corresponding to the analysis for debit card (ATM), internet banking (Int_Bank), mobile phone transfer (Mobile) and Cheque respectively. All the four dimensions of usage of financial services are reliable, with each having an Alpha coefficient that is well above the 0.7. From panel A which is our main focus, the respondents agree that they use ATM cards mostly to check account balances($\mathrm{Mean} = 3.81, \mathrm{SD} = 1.580$), pay for goods and services and supplies through POS ($\mathrm{Mean} = 3.78, \mathrm{SD} = 0.718$) and send money to a bank account ($\mathrm{Mean} = 3.71, \mathrm{SD} = 1.644$).

Quality of Financial Services

Table 3 shows the descriptive analysis for quality of financial services. This scale is reliable as its Alpha coefficient is 0.795. As we can see, time ($\mathrm{Mean} = 4.28, \mathrm{SD} = 0.639$) and convenience ($\mathrm{Mean} = 4.23, \mathrm{SD} = 0.733$)are the highest rated items while terms of use ($\mathrm{Mean} = 2.63, \mathrm{SD} = 1.110$)is the least rated item. Further, participants neither agree nor disagree that banks relate with their customers in a fair and transparent manner($\mathrm{Mean} = 3.00, \mathrm{SD} = 1.117$) and that bank products are designed to meet the financial needs of the poor and small business owners($\mathrm{Mean} = 2.85, \mathrm{SD} = 1.178$). Overall, they are indifferent about the quality of the products and services they receive from their banks ($\mathrm{Mean} = 3.38, \mathrm{SD} = 0.702$).

Performance

Table 4 shows the descriptive analysis for performance, measured by impact of financial services. This variable scale is reliable as its Alpha coefficient (= 0.762) is above the 0.7 threshold. As this table shows, participants indicated neither agree nor disagree for the three statement items, with their means falling between 3.07 and 3.36. Overall, micro, small and medium scale business owners in Warri, Delta State are yet to feel the impact of bank products and services on their businesses($\mathrm{Mean} = 3.32, \mathrm{SD} = 0.960$).

Table 1: Financial dualism

Code	Statement Item	$Mean$	$S.D.$
Panel A: Interest Rate (Cronbach Alpha = 0.838)			
1	I prefer borrowing money from esusu money lenders or credit to banks or other financial institutions irrespective of interest rate differences	3.19	1.631
2	Bank charges on loans discourage common people from borrowing	3.95	1.282
3	Bank low interest rate on savings discourage people from saving their money in banks	3.75	1.363
4	Bank secret charges on deposits discourage people from depositing their money in banks	3.79	1.393

5	Banks deliberately keep interest rates high in order to discourage poor people from borrowing	3.49	1.147
6	I don't care whether interest rates are high or low, what matters is the availability and accessibility of loan or credit facility	2.74	1.366
7	Interest charge on bank loans are relatively lower compared to informal sources	2.69	1.208
Interest (Grand Mean)		3.36	0.957
Panel B: Collateral (Cronbach Alpha = 0.866)			
1	Bank collateral requirement is much for the poor	4.54	0.765
2	Credit Esusu and other informal financial arrangements are better alternatives to banks in terms of collateral requirement	3.19	1.600
3	I don't like borrowing from banks due to unaffordable collaterals and secret charges	3.44	1.629
4	I can't afford any collateral, so I don't bother going to banks for loans	3.31	1.650
5	I prefer borrowing from credit esusu and money lenders with or without collaterals	3.06	1.649
Collate (Grand Mean)		3.50	1.209
Panel C: Procedure (Cronbach Alpha = 0.663)			
1	Money lenders are more accessible than banks	3.21	1.532
2	Bank protocols and processes make borrowing difficult	4.56	0.859
3	The procedures and processes of obtaining a bank loan are too long for people to endure	4.60	1.704
4	I often borrow money from family and friends due to unnecessary bank protocols and documentations	2.28	1.706
5	Sometimes, after enduring the long verification and other administrative processes, you can't obtain the needed loan from banks	3.96	0.987
Proced (Grand Mean)		3.72	0.798

Table 2: Usage of Financial Services

Code	Statement Item	*Mean*	*S.D.*
Panel A: Debit Card/ATM (Cronbach Alpha = 0.896)			
1	Pay for goods/services/supplies through point of sale (POS)	3.78	1.718
2	Send money to a bank account	3.71	1.644
3	Pay bills (Cable TV, Electricity, Internet data, Betting, Airline)	2.63	1.758
4	Buy airtime or recharge your internet bundle	2.92	1.738
5	Check account balance	3.81	1.580
ATM (Grand Mean)		**3.35**	**1.429**
Panel B: Internet Banking (Cronbach Alpha = 0.992)			
1	Pay for goods/services/supplies	3.64	1.818
2	Send or transfer money to a bank account	3.65	1.801

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3	Check account balance	3.68	1.775
4	Pay bills (Cable TV, Electricity, Internet data, Betting, Airline)	3.51	1.854
5	Make online purchases	3.65	1.801
Int_Bank (Grand Mean)		**3.62**	**1.782**
Panel C: Mobile Code (Cronbach Alpha = (0.914)			
1	Pay for goods/services/supplies	3.99	1.691
2	Send money to a bank account	4.04	1.605
3	Make payment for business transactions	4.06	1.528
4	Pay bills (Cable TV, Electricity, Internet data, Betting, Airline)	2.56	1.822
5	Check account balance (pay convenience fee)	3.83	1.36
Mobile (Grand Mean)		**3.69**	**1.449**
Panel D: Cheque (Cronbach Alpha = 0.992)			
1	Pay for goods/services/ supplies	2.67	1.740
2	Receive payment for goods/services/ supplies	2.71	1.728
Cheque (Grand Mean)		**2.69**	**1.727**

Table 3: Quality of Financial Services

Code	Statement Item	*Mean*	*S.D.*
Cronbach Alpha = 0.795			
1	Counting on my own experience, bank products are designed to meet financial needs of poor individuals and small businesses	2.85	1.178
2	There is high level of convenience in using financial services such as ATM, Internet banking, POS and Mobile phone transfer	4.23	0.733
3	I spend less time making transactions with banks and using bank services such as ATM and POS	4.28	0.639
4	I am aware of most of banks products, charges and conditions	3.35	1.115
5	Banks relate with customers in a fair and transparent manner	3.00	1.117
6	Banks have wide range of products with good terms specifically designed for small businesses	2.63	1.110
Quality (Grand Mean)		**3.38**	**0.702**

Table 4: Performance

Code	Statement Item	*Mean*	*S.D.*
Cronbach Alpha = 0.762			
1	The use of POS and other payment channels has significantly improved my business performance	3.36	1.372
2	Bank credit facilities have boosted my business to a surprising level	3.07	1.070
3	My customers now make large purchases with the help of bank facilities	3.33	1.031
Perf (Grand Mean)		**3.32**	**0.960**

Empirical Analysis

Tables 5 reports the estimation results for the relationship between financial dualism, financial inclusion and business performance. As we can see, the F-statistic has a zero *p*-value indicating that the overall regression is highly significant. The Adjusted R-square of 0.416 means that approximately 42% of the variations in business performance are accounted for by the joint influence of the included regressors. Thus, the estimated model has a moderate fit. In terms of individual effects, all estimated betas are positive, except beta for interest rate which is negative. This implies that while performance is positively related to access to financial services, usage of financial services and quality of financial services, it is negatively related to interest rate. However, only the effect of number of bank account is significant (*p*-value = 0.002). The effects of ATM transactions (*p*-value = 0.137), quality of financial services (*p*-value = 0.211) and interest rate (*p*-value = 0.219) all are insignificant. This implies that although micro, small and medium scale businesses are largely included in the formal financial systems in the form of access to a bank account, they cannot access loans from the formal sector due to long and difficult procedures and high charges associated with such financial services. This has impacted negatively on their businesses. Therefore, they tend to satisfy their financial needs from the informal sector. This is consistent with the argument that informal financial sector exists side by side with the formal sector due to inefficiencies in the latter.

Table 5: Multiple regression estimation results

Variable	Beta	*p*-value
Constant	-0.327	0.718
Account	0.309	0.002
ATM	0.096	0.137
Quality	0.605	0.211
Interest	-0.148	0.219
R-square 0.448	**Adj. R-square 0.416**	**F-statistic 13.822 (0.000)**

CONCLUSION AND RECOMMENDATIONS

Conclusion

Conceptually as well as functionally, financial inclusion/exclusion occurs to individuals who are in the margin of the economy. Relevant literatures appear to seen financial inclusion and dualism as a potent factor in the process of economic growth and development given their abilities to help the poor and low income earners out of the cycle of poverty by developing and promoting culture of savings, borrowing and efficient payment mechanism, strengthen the financial deepening and provide resources to the banks as well as credit and thrift associations to expand credit delivery, and their ability to facilitate efficient allocation of productive resources. In this study, we examined whether financial inclusion and dualism affect the Nigeria economic development. Specifically, we investigated how access to, quality of, usage of financial services and interest rate are associated with economic progress.

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From the empirical results on the relationship between financial inclusion and financial dualism on Nigeria economic development, our findings revealed that economic development and growth in Nigeria is positively related to access to financial services, usage of financial services and quality of financial services but it is negatively related to interest rate.This implies that although micro, small and medium scale businesses are largely included in the formal financial systems in the form of access to a bank account, they cannot access loans from the formal sector due to long and difficult procedures and high charges associated with such financial services. This has impacted negatively on their businesses. Therefore, they tend to satisfy their financial needs from the informal sector. This is consistent with the argument that informal financial sector exists side by side with the formal sector due to inefficiencies in the latter. We can then conclude that financial inclusion and dualism have significant relationship with economic development in Nigeria within the sample population of this study.

Recommendations

We recommended the following based on our findings from the study:

The need for the financial institutions in Nigeria to consider reducing their interest rate on lending to attract borrowing by the poor and the micro, small and medium scale businesses so as to boost development in the economy. Finally, to increase financial activities, the central bank needs to consistently reduce cash reserve ratio of the banks to promote financial development.

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