Nigerian Journal of Banking and Finance www.njbaf.com
E-ISSN: 2714-447X (Online)
Volume 12, Number 1, Pages 90-96

ICT AND FINANCIAL INCLUSION IN NIGERIA: AN OVERVIEW OF CURRENT CHALLENGES AND POLICY OPTIONS

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Abstract

The extant literature shows that the financial system plays significant role in the process of economic growth and development. However, it is doubtful if the financial system can contribute meaningfully to economic growth and development when the lowest segment of the society is excluded. Unfortunately, recent global statistics on financial inclusion indicate that a large chunk of the country's population is financially excluded presently. This paper therefore aims at sensitizing policymakers and researchers in Nigeria to the importance of ICT in enhancing financial inclusion in the country. To do this, the paper presents an overview of the role of information and communication technology (ICT) in driving financial inclusion in Nigeria; and also exposes the challenges impeding the use of ICT in driving financial inclusion in Nigeria. Lastly, the paper makes some policy recommendations on the way forward.

Key words: ICT, Financial Inclusion, Economic Development
JEL Codes: O14, G20, O10

1. Introduction

The role of the financial system in economic development has been widely acknowledged in the literature. Specifically, the extant literature shows that the financial system plays significant role in the process of economic growth and development (Nzotta & Okereke, 2009; World Bank, 2017). However, it is doubtful if the financial system can contribute meaningfully to economic growth and development when the lowest segment of the society is excluded. Studies like Kama and Adigun (2013) indicate that the Nigerian government recognized the importance of financial inclusion over four decades ago when it introduced rural banking in 1977 with a key objective of ensuring that every local government in Nigeria has at least one bank branch. Commercial banks operating in the country then were also given specific targets by the Central Bank of Nigeria (CBN) to ensure that the policy

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succeeds. It was expected that the rural banking policy would enhance financial inclusion in Nigeria by encouraging banking habits among the largely agrarian rural population, providing a platform for the mobilization of savings in the rural areas through the diffused network of branches in all parts of the society, providing credit for the growth of the small scale industries and entrepreneurs, and promoting balanced development and eventual reduction in the rural-urban migration.

Following this initial policy of rural banking aimed at increased financial inclusion in Nigeria, several other landmark policies have also been initiated and implemented. For instance, the CBN introduced microfinance regulatory policy framework in December 2005 to enhance credit accessibility to the lower segment of the society. Specifically, the microfinance policy sought to promote, support and enhance the accessibility of credit by low income households, micro entrepreneurs, and the economically active poor in order to provide the necessary financial services required to expand and consolidate their business ventures. Another important milestone in the efforts of the Nigerian government to drive financial inclusion was the launching of the National Financial Inclusion Strategy (NFIS) following the 2011 Maya Declaration on financial inclusion at the Global Policy Forum (GPF) in Riveria Maya, Mexico. These efforts on the part of the Nigerian government recognize that it would be difficult to engender economic growth and development in the overall economy when start-ups and budding entrepreneurs cannot access finance and financial services easily. In fact, the financial inclusion strategy is anchored on the fact that financial inclusion can only be achieved when adult Nigerians not only have easy access to but also use a broad range of formal financial services that meet their needs at affordable cost.

Unfortunately, global statistics on financial inclusion as shown in Table 1 indicate that Nigeria performed abysmally relative to other countries, especially South Africa, which ranks below Nigeria in terms of size of GDP. This paper therefore aims at sensitizing policymakers and researchers in Nigeria to the importance of ICT in enhancing financial inclusion in the country. To do this, the paper presents an overview of the role of information and communication technology (ICT) in driving financial inclusion in Nigeria; and also exposes the challenges impeding the use of ICT in driving financial inclusion in Nigeria. Lastly, the paper makes some policy recommendations on the way forward.

Table 1: Financial inclusion statistics of selected countries

Country	Account at a formal financial institution (%, age 15+)	Loan from a financial institution in the past year (%, age 15+)	Electronic Payments used to make payments (%, age 15+)	Debit card (%, age15+)	Bank branches per 100,000 adults
USA	88.0	20.1	64.3	71.8	35.4
China	63.8	7.3	6.9	41.0	-
Singapore	98.2	10	41.5	28.6	10.2
S.Africa	53.6	8.9	13.1	45.3	10.7
Nigeria	29.7	2.1	2.4	18.6	6.4

Source: The 2014 Global Financial Inclusion (FINDEX) Database

2. The Concept of Information and Communication Technology (ICT)

Even though information and communication technology (ICT) has no universally accepted definition, attempts have been made in the extant literature to conceptualize it. For instance, van Ark et al. (2011) defined ICT as an umbrella term that includes any communication device or application like radio, television, cellular phones, computer and network hardware and software, and satellite systems, as well as the various services and applications associated with them, such as videoconferencing and distance learning. Aibara (2017) defined ICT to include media of communication (radio, television, tapes, CDs), information machines (computers, tablets), and telecommunication technologies and equipments (GPRS, satellite systems, phones and mobiles). Wangwe (2007) views ICT as a myriad of stand-alone media such as telephone and mobile telephony, radio, television, video, tele-text, voice information systems and fax, as well as computer-mediated networks that link a personal computer to the internet.

These definitions share certain facts in common. One, they all agree that information has to be generated and shared. Two, they also emphasize that such information must be digital or electronic in nature. Three, even though ICT is commonly used as a synonym for computers and computer networks, these definitions have not restricted ICT to only computers, but also telecommunications equipment (mobile phones, printers, scanners, televisions, and so on) as well. Thus, in its narrow sense, ICT may be defined as the digital processing and utilization of information by the use of electronic computers. However, in its broad sense, ICT may be explained as an integrated system that incorporates the technology and infrastructure required to store, manipulate, deliver and transmit information; the legal and economic institutions required to regulate ICT access and usage; and the social and inter-personal structures which allow information to be shared, facilitate access to the ICT infrastructure, and through which innovation takes place. In other words, ICT can be viewed as a general purpose technology, which in the main permits people