Financial Technology and Financial Inclusion in Nigeria

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Abstract

This study investigated the impact of financial technology on financial inclusion in Nigeria. The study adopted the survey research design. Primary data were sourced through a field survey by the use of questionnaire. The study opted for the use of questionnaire because of the unavailability of secondary data to proxy the variables under consideration; and to gather reliable and first-hand information about the reality of financial technology and financial inclusion. The target populations for the study were the rural dwellers of some of villages near Enugu urban, such as Ugbawka, Nara, Agbani, Nkerefi and Akpougu. Samples of 300 persons were selected using the judgm ental sampling technique. The percentage and graphical representation (pie chart) was used in the analysis of data collected from the questionnaire. The a priori expectation was that financial technology enhances financial inclusion. Findings from the study revealed that Financial Technology eases accessibility to financial services, such as deposit, withdrawal, account opening, savings, borrowing, bill payment, etc.; has brought financial and banking services close to the doorstep of customers/users and has reduced significantly the frequency with which customers congest the banking hall. The study therefore recommended a renewed interest on financial technology as well as insisting on good policies that will enhance the sustainability of financial technology in Nigeria.

Keywords*: Financial: Technology: Inclusion: Nigeria*

1. INTRODUCTION

Financial inclusion undoubtedly, is a key enabler to reducing poverty and boosting economic prosperity. Hence, the quest to strengthen the availability of economic resources, sustain an inclusive growth and build the concept of savings among the poor and underprivileged population has continued to increase the interest of most countries of the world, especially in Africa on financial inclusion. Nanda and Kaur (2016) defined financial inclusion as the availability and equality of opportunities to access financial services. They explained further that financial inclusion is the process by which individuals and businesses can access appropriate, affordable, and timely financial products and services. This has been a great challenge across the world, especially in Africa with great opportunities for financial services on the micro level (Adesanya, 2017).

Consequently, Sahay, Allmen, Lahreche, Khera, Ogwa, Bazarbash and Beaton (2020) posit that technology has been changing the landscape of the financial sector, increasing access to financial services in profound ways. These changes, undoubtedly, have been in motion for several years, affecting the financial sector of nearly all countries of the world.

Rubanov (undated) stated that Financial Technology (FinTech) makes it possible to solve a whole range of problems related to financial inclusion much faster and more efficiently than traditional financial intermediaries. In particular, technological solutions in the financial sector reduce operational costs and make financial services more accessible to low-income categories, while providing digital services eliminates the need for the physical presence of a financial intermediary and facilitates the financial inclusion of people in remote and rural areas. In addition, compared to traditional financial services, as well as micro insurance and microfinance services, FinTech provides a better personalization of services for the needs of a specific individuals or households. Financial Technology allow smart-phones and other gadgets to be used to access digital financial products and cover a wide variety of financial services in the areas of payments and transfers, savings, investment and credit, personal finance planning, financial consulting, insurance and other services.

Statement of Problem

Dearth of access to financial services, especially in rural areas, issues of affordability and poor user experience, all contribute to the frustration consumers experience in the financial service industry. These have created an opening that financial technology companies are quick to take advantage of. Many of them are stepping up to develop enhanced propositions across the value chain to address pain points in affordable payments, quick loans and flexible savings and investments among others. However, Fawcett and Parrado (2020) are of the view that the financial technology ecosystem, has undergone a severe shake-up since first COVID 19 lockdown were imposed globally. This study is an attempt to access the impact of financial technology on financial inclusion in Nigeria.

Objectives of the Study

The main objective of the study is to investigate the role of financial technology on financial inclusion. However, the specific objectives are to:

1. Determine the extent to which financial Technology increases accessibility to financial services, such as deposit, withdrawal, account opening, savings, borrowing, bill payment, etc. easily
2. Determine the extent to which financial technology has brought financial and banking services close to customers' doorstep.
3. Examine the extent to which financial technology has helped customers reduce significantly the frequency with which customers go to the banks for transactions.

2. REVIEW OF RELATED LITERATURE

Conceptual Framework

According to a United Nations Report, financial inclusion is the sustainable provision of affordable financial services that bring the poor into the formal economy (United Nations, 2016). Financial inclusion may also be defined as the use of formal financial services by the poor (Beck, Demirgu¨c-Kunt, & Levine, 2007; Bruhn & Love, 2014). Financial inclusion has several benefits for poor households. It provides low-income individuals with the possibility to save for the future which fosters stability in personal finance, and a high level of use of bank deposits which contributes to securing a more stable deposit base for banks during distressed times (Han & Melecky, 2013). Greater financial inclusion can also provide poor households with opportunities to build savings, make investments and access credit (Ellis, Lemma, & Rud, 2010). Financial inclusion also enables them to handle income shocks over unforeseen emergencies such as illness or loss of employment (Collins, Morduch, Rutherford & Ruthven, 2009).

According to Ozili (2018), financial technology is defined as the delivery of financial and banking services through modern technological innovation led by computer programs and algorithms. A financial technology provider, on the other hand, is defined as an individual or company that uses a technology platform, whether online or offline, to provide new financial services or to improve the delivery of existing financial services. Ideally, a provider would qualify to be termed a Fintech provider if it uses technology (whether online or offline) to provide, or to improve, the delivery of financial services such that the number of hurdles between requesting for a financial service and receiving the financial service is significantly reduced for users of financial services. However, and in practice, the technology adopted by some self-identifying financial technology providers do not significantly reduce the hurdles that customers must go through between requesting for a financial service and receiving the financial service, which then cast doubts on whether these individuals or companies should be termed financial technology, and the debate about whether to de-classify such companies as financial technology is still on-going in some countries.

EMPIRICAL REVIEW

Iriobe & Akinyede (2017) examined the impact of financial technology services on bank's customer satisfaction in Nigeria. Primary data were collected through the administration of 250 structured questionnaires. Statistical package of social sciences (SPSS) was used to analyze and present the data collected. The result of the study revealed that accessibility to financial technology services, transaction cost, availability of technology service, operations of technology services and business affect bank's customer satisfaction. It can however be concluded that the quality of financial technology have a positive significant effect on bank's customer satisfaction More so, the result from the questionnaires distributed showed that effective financial technology services helps to satisfy and retain customers and continual satisfaction leads to increase in the income generated by the banks.

Babajide, Oluwaseye, Lawal & Isibor (2020) examined the developments, innovations and new financing windows available to MSMEs viz-a-viz Financial Technology that is capable of enhancing the goal of financial inclusion as a strategic tool of achieving sustainable development in the MSMEs sector in Nigeria. The study observed that Financial Technology has the potential to drive financial inclusion, with high internet, electricity and mobile phone penetration more states will achieve the 20% financial exclusion target faster by the year 2020.

3. METHODOLOGY

The study adopted the survey research design. Primary data were sourced through a field survey by the use of questionnaire. The study opted for the use of questionnaire because of the unavailability of secondary data to proxy the variables under consideration; and to gather reliable and first-hand information about the reality of financial technology and financial inclusion.

The target populations for the study were the rural dwellers of some of villages near Enugu urban, such as Ugbawka, Nara, Agbani, Nkerefi and Akpougu. Samples of 300 persons were selected using the judgmental sampling technique. The percentage and graphical representation (pie chart) was used in the analysis of data collected from the questionnaire. The *a priori* expectation was that financial technology enhances financial inclusion.

4. DATA PRESENTATION AND ANALYSIS

In this section, collected data were analyzed, presented and interpreted for easy appreciation by users.

Questionnaire Distribution and Analysis

Table 4.1 below shows how copies of the questionnaire were distributed, retrieved and used.

Table 4.1: Questionnaire distribution

Number of Copies Distributed	Number of Copies Retrieved	Number of Valid/Used Copies
300	280	262

Source: Field Survey, 2022

Table 4.1 showed that out of the 300 copies of the questionnaire distributed to respondents, 280 copies were retrieved. This was 93.33% of the sample size. However, out of this number, only 262 copies were found valid and useful for further analyses. This was 87.33% of the sample size and 93.57% of the total number of copies retrieved. Further analyses were based on the copies retrieved and found valid.

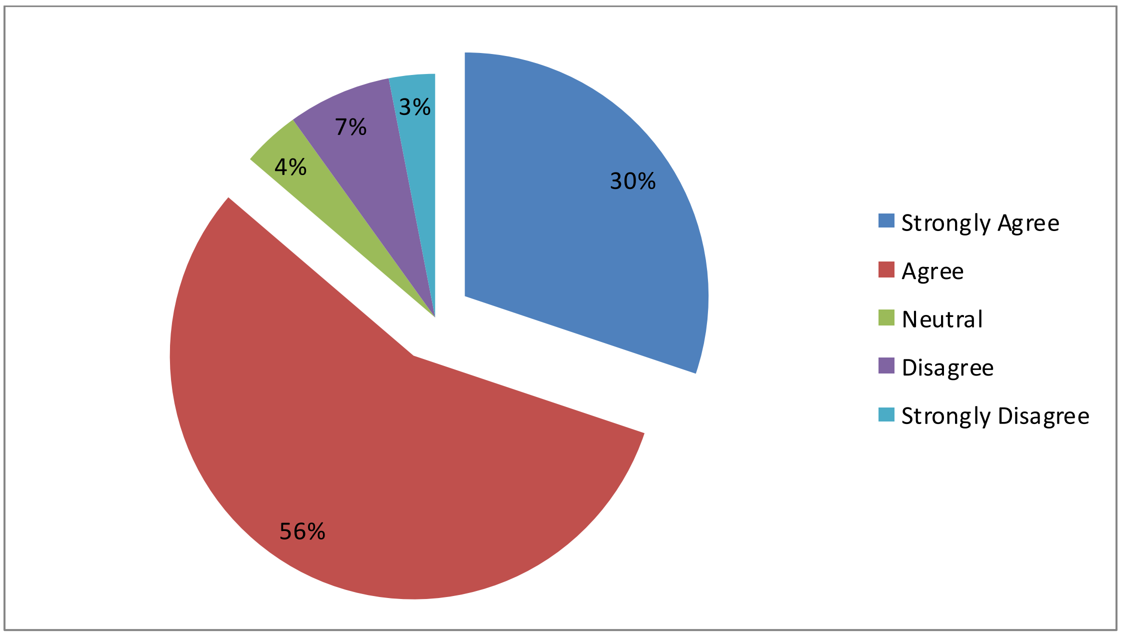
Question One: Financial Technology helps me to access financial services, such as deposit, withdrawal, account opening, savings, borrowing, bill payment, etc. easily

Table 4.2: Analysis of Responses to Question One

Response	Number	%
Strongly Agree	79	30
Agree	147	56
Neutral	10	4
Disagree	18	7
Strongly Disagree	8	3
Total	**262**	**100**

Source: Field survey, 2022

Figure 4.1: Graphical representation of question one



Source: Field survey, 2022

Table 4.2 and figure 4.1 presented responses to the statement as to whether Financial Technology ease accessibility to financial services, such as deposit, withdrawal, account opening, savings, borrowing, bill payment, etc. The table showed that 79 (30%) respondents, 147 (56%) respondents, 10 (4%) respondents, 18 (7%) respondents and 8 (3%) respondents strongly agreed, agreed, neutral, disagreed and strongly disagreed respectively, that Financial Technology ease accessibility to financial services, such as deposit, withdrawal, account opening, savings, borrowing, bill payment, etc. easily. Figure 4.1 represented the responses further with a pie chat.

Conclusion: From the representation in Table 4.2 and Figure 4.1, we conclude that Financial Technology eases accessibility to financial services, such as deposit, withdrawal, account opening, savings, borrowing, bill payment, etc.

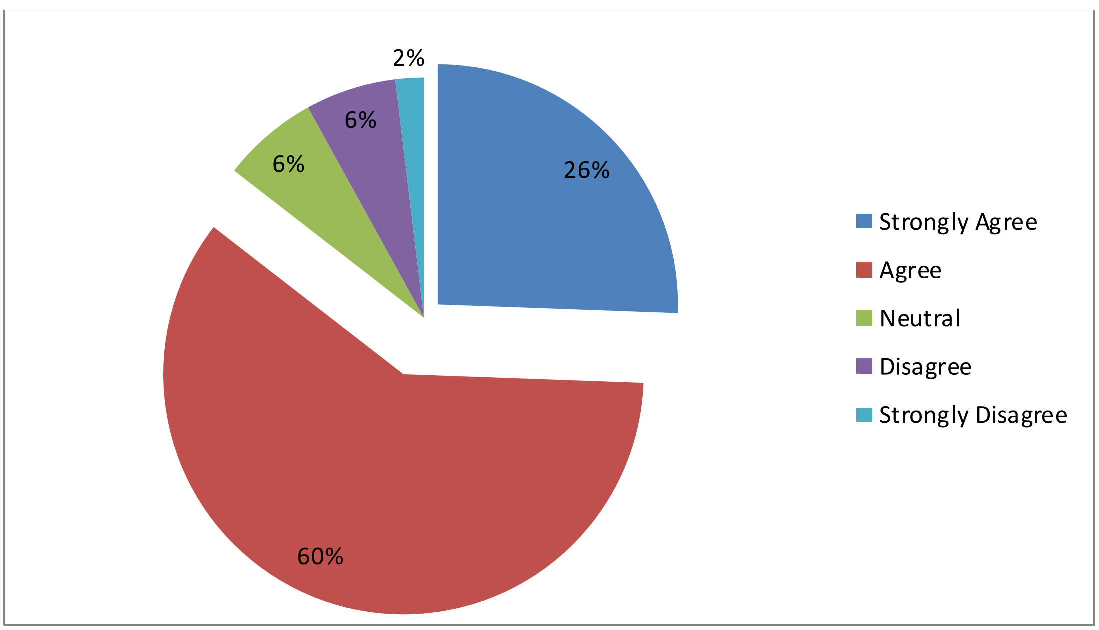
Question Two: Financial technology has brought financial and banking services close to my doorstep.

Table 4.3: Analysis of Responses to Question Two

Response	Number	%
Strongly Agree	67	26
Agree	157	60
Neutral	17	6
Disagree	16	6
Strongly Disagree	5	2
Total	262	100

Source: Field survey, 2022

Figure 4.2: Graphical representation of question Two



Source: Field survey, 2022

Table 4.3 and figure 4.2 presented responses to the statement as to whether Financial Technology has brought financial and banking services close to the doorstep of customers/users. The table showed that 67 (26%) respondents, 157 (60%) respondents, 17 (6%) respondents, 16 (6%) respondents and 5 (2%) respondents strongly agreed, agreed, neutral, disagreed and strongly disagreed respectively, that Financial technology has brought financial and banking services close to the doorstep of customers/users. Figure 4.2 represented the responses further with a pie chat.

Conclusion: From the representation in Table 4.3 and Figure 4.2, we conclude that financial technology has brought financial and banking services close to the doorstep of customers/users.

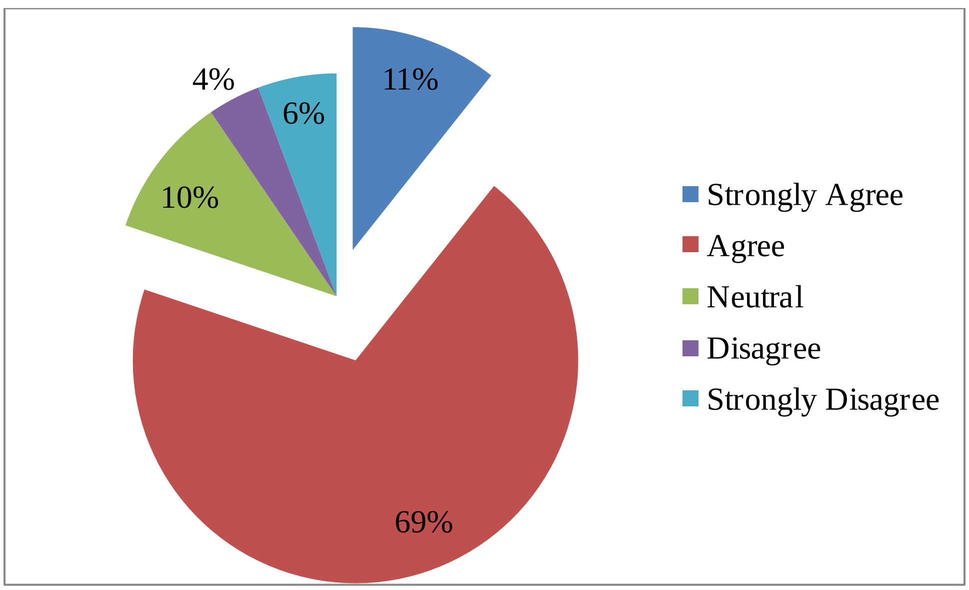
Question three: Financial technology has helped me reduce significantly the frequency with which I go to the banks.

Table 4.4: Analysis of Responses to Question Three

Response	Number	%
Strongly Agree	28	11
Agree	182	69
Neutral	27	10
Disagree	10	4
Strongly Disagree	15	6
Total	**262**	**100**

Source: Field survey, 2022

Figure 4.3: Graphical representation of question Three



Source: Field survey, 2022

Table 4.4 and figure 4.3 presented responses to the statement as to whether Financial technology has helped to reduce the significantly the frequency with which people go to the banks. The table showed that 28 (11%) respondents, 182 (69%) respondents, 27 (10%) respondents, 10 (4%) respondents and 15 (6%) respondents strongly agreed, agreed, neutral, disagreed and strongly disagreed respectively, that Financial technology has helped to reduce the significantly the frequency with which people go to the banks. Figure 4.3 represented the responses further with a pie chat.

Conclusion: From the representation in Table 4.4 and Figure 4.3, we conclude that financial technology has reduced significantly the frequency with which customers go to the banks.

5. CONCLUSION

The quest to strengthen the availability of economic resources, sustain an inclusive growth and build the concept of savings among the poor and underprivileged population has continued to increase the interest of most countries of the world, especially in Africa on financial inclusion. However, dearth of access to financial services, especially in rural areas, issues of affordability and poor user experience, all contribute to the frustration consumers experience in the financial service industry. This study investigated the impact of financial technology on financial inclusion in Nigeria. The study concluded that that Financial Technology eases accessibility to financial services, such as deposit, withdrawal, account opening, savings, borrowing, bill payment, etc.; has also brought financial and banking services close to the doorstep of customers/users and has reduced significantly the frequency with which customers go to the banks. The study therefore recommends a renewed interest on financial technology as well as insisting on good policies that will enhance the sustainability of financial technology.

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