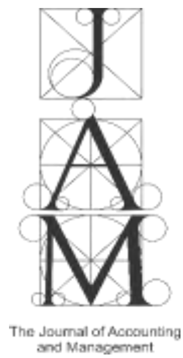

Diverse Banking Products as a Tool for Achieving Financial Inclusion

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Abstract: This paper presents recent research on diverse banking products on achieving financial inclusion. Financial inclusion, particularly in developing countries, has become worrisome as the majority of rural dwellers still lack access to formal financial services. However, financial inclusion is central to poverty alleviation and sustainable economic growth. The study employed a questionnaire survey and observation to gather information from bank managers and customers of a selected bank. The techniques were additionally enhanced with a semi-structured interview with bank managers and customers. The obtained data was analysed by statistical methods. In association with the conducted research, it can be generally stated that the respondents concur with the statement that diverse banking products influence financial inclusion. The study concluded that a strong financial system typically promotes credit and diverse banking products to consumers, which invariably promote economic growth. Simultaneously, this enhances the quality of life of the people as well as creates and invigorates new jobs.

Keywords: Diverse Banking Products; Financial Inclusion; Financial System; Financial; Service; Financial Exclusion

JEL Classification: E50

1. Introduction

Over the years, the paradigm has shifted from microfinance to the more extensive idea of financial inclusion, in acknowledgement that individuals need something beyond credit, in addition to investment funds, insurance, payments, loans, and other financial products. Access to services can help people and small businesses generate income, build assets, and become more resilient to setbacks. (UNCTAD, 2015). According to Oluwadare (2015), in agricultural nations, especially in Nigeria, the destitution level is expanding at a disturbing rate. This is becoming of great concern to the people as well as the government. However, there are many innovative young people with new business ideas, creativity, and projects that could serve as a window to escape poverty, but they lack sponsorship or even access to formal financial services to execute their innovative projects. Apere (2016) opined that the barrier of starting up and maintaining one's own business could be lifted through financial inclusion. In other words, inadequate credit facilities by low income earners prevent their chances of getting loans from the bank for lack of collateral. Even with collateral, the ridiculous interest rate attached to the loan is quite discouraging. Yet, financial inclusion has to do with the means of

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acquiring and distributing capital (Han & Melecky, 2013). However, it is worrisome that, in spite of the glamour of financial inclusion, some poor people in the rural areas still hide their money in their houses because of their inability to access capital from the formal financial sector of the economy. Given the hidden charges on bank transactions, or the long distance it takes them to get to the bank, most of these rural habitats have seen no need to patronise the formal financial service providers. Consequently, these portions of the Nigerian population, among others, are financially excluded. It has become imperative for banks to develop programmes and diverse banking products that will give citizens access to finance, thus making them financially inclusive. Rani (2006) described financial products as instruments that help people to save, invest, get insurance or a mortgage. These products are issued by various banks and non-bank financial institutions (Ellis, Lemma, and Rud, 2010).

The aim of the study is, besides other things, to establish the extent in which diverse banking product strategies are implemented in order to achieve financial inclusion. The specific objectives are to:

i. Examine the influence of access to credit in achieving financial inclusion.

ii. Investigate the influence of internet banking in achieving financial inclusion.

iii. Explore the influence mobile application in achieving financial inclusion.

iv. Determine the influence of point of sale in achieving financial influence.

2. Literature Review

In the most recent twenty years, numerous organizations, from banking institutions and charitable associations to think tanks, have embraced the idea of financial inclusion. They reasoned that the billions of people who live outside the proper financial zone around the world would benefit from new administrations, arrangements, and speculations to boost efficiency, raise living standards, release pioneering energy, and decrease monetary disparity (Mago & Chitokwindo, 2014; Sahay et al. 2015) also emphasise that poor people can be engaged through approaching credit; thus, the need for pushing for financial inclusion.

In the publication, financial inclusion is characterised as the condition of the financial system where each individual from the general public has access to appropriate financial products and services for viable and productive administration of their assets, getting required assets to fund their organizations, and financial leverage to take up opportunities that will prompt an increase in their incomes.

Drawing inference from this definition, Sanusi (2011) is of the view that about 70% of Nigerians' population could be empowered through financial inclusion. Nwigwe, Omonona & Okoruwa (2012) are also of the view that combating poverty can only be made possible through dealing with those factors that promote inefficiency and inadequacies of financial markets with the aim of ensuring that all Nigerians are financially inclusive.

Financial inclusion figures right now stand at about 50 per cent, meaning that the same percentage is financially excluded. That is, they have no account with any formal financial institution, hence no access to formal savings, insurance, pension and credit facilities (CBN, 2019). The World Bank (2016) pointed out that about 51 percent of Nigeria's population resides in rural areas. This, in part, is what has led to the high number of financially excluded adults in the country. It also emphasises the underdevelopment of Nigeria's rural locations. The Nigerian deposit money banks (DMBs), in their bid to expand their customer base and, invariably, their liability position, to include more economic

segments of society, have evolved various products. Some target the unbanked at the grass roots. These include savings products involving daily thrift collections from those whose daily incomes may not encourage them to walk into the banks to open accounts. Field sales employees are sent out daily to pick the little sales proceeds they generate and deposit in micro savings accounts (Abiola, 2011). The customers eventually graduate to conventional bank deposit products as the collections accumulate to significant amounts. Thus, they even qualify them for loans and advances since the banks can fairly predict their cash flows over time (Jeet & Preet, 2012). Similarly, hybrid savings and current products with zero charges are being rolled out by banks to encourage the convenience of payments without incurring current account maintenance charges. This encourages customers to bring in deposits that they would have held to avoid charges while transacting (Cha, 2012). It is common to hear about zero opening balance products, virtual and agency banking. All these are targeted at reaching a wider population, especially the unbanked in rural communities (Stephen & Sibert, 2014).

2.1. Theoretical Issues

Theoretical work on bank products and the financial inclusion relationship dates back to the 1970s, during which only scanty literature on the subject existed. The systems theory, which originated in biology, sees an organisation as a system interacting with the environment, which is composed of interdependent parts or sub-systems and with boundaries segregating it from its environment and other systems (Varma, 1975). This implies that deposit money banks, if well managed, would serve as an effective tool for financial inclusion. For a functional and operational bank, all the departments must be transparent, interdependent, and work in a cooperative manner (Gan, Limsombunchai & Werg, 2006). The theory also explains the relationship between the parts on one hand and between the parts and the whole system on the other hand. The diverse products offered by the bank give customers different options and the choice to identify with one and become part of the system.

2.2. Empirical Issues

Theoretical discussion on the effects of bank products on financial inclusion has produced empirical expositions aimed at establishing an economic link and causal variables affecting both bank products and financial inclusion. Many studies have investigated the effects of particular (functional) categories of diverse financial products. For example, Chauvet & Jacolin (2017) examined the impact of financial deepening, financial inclusion, and the price and efficiency effects induced by changes in market structure in the banking sector. The findings of the study showed that distribution of financial services across firms has a positive impact on firm growth.

Omojolaibi (2017) examined the impact of financial inclusion and governance characteristics on economic progress via three major channels: investment in infrastructure, per capita GDP and income inequality. According to the study, reducing income inequality and increasing per capita GDP will help to reduce the level of economic exclusion.It further suggests that transparent democratic practise that will increase investment in infrastructure and enhance per capita GDP should be achieved in order to reduce the level of exclusion in the Nigerian economy.

In his study, Onaolapo (2015) investigates the effects of financial inclusion on Nigerian bank intermediation activities, poverty reduction, and the kind of relationship between elements of financial

inclusion and Nigerian economic growth. The study found that financial inclusion has an appositive impact on economic growth.

Saab (2017) investigated the impact of financial inclusion on the growth of the economies in developing countries through the identification of the transmission channel between financial literacy, financial intermediaries and growth. The findings of the study revealed that both credit cards and mobile accounts have no significant impact on the economic growth of the MENA and BRICS nations.

Goel and Sharma (2017) in their study introduced an index that allows for a general overview of India in terms of financial inclusion. The findings of the study showed that between 2005 and 2012, India was grouped under low financial inclusion. The status improved in 2013 to a medium status, and in 2014–2015, the categorization improved to a high financial inclusion status.

Iqbal and Sami (2017) investigated the current status of financial inclusion in India and sought to identify the major factors affecting access to financial services as well as the impact of financial inclusion indicators on the growth of the Indian economy. The findings of the study show that the number of bank branches and credit deposit ratio of banks in India have a positive, significant impact on financial inclusion.

The research gap that still exists in spite of these previous research efforts is the influence of diverse banking products on financial inclusion. This study therefore linked banking products to financial inclusion, which most of the previous studies failed to do. This study will contribute to knowledge, a reduction in poverty level, economic growth, and inclusion.

3. Methodology

The survey method was adopted to collect data for analysis. The population of this study was the selected deposit money banks in Nigeria where a demographic survey was conducted on firms which encompassed listed deposit money banks. The study employed primary data. The primary data was gathered through a structured questionnaire and observation. The target respondents were bank managers and customers of a selected Ibeju-Lekki local government (a developing rural area in Lagos State). These techniques were further complemented with a semi-structured interview with managers and customers of the selected deposit money banks. The bank managers responded to the section on diverse banking products, while the customers responded to the section on financial inclusion. Ninety-five (95) out of one hundred and twenty (120) questionnaires were properly completed, returned and analysed using regression analysis to ascertain the attributes and size of the influence of diverse banking products on financial inclusion at a 5% significance level (a=0.05). A modified four-point Likert type of question was used. SPSS regression software was used for analysis.

3.1. Data Analysis and Discussion of Results

Ho: Access to credit has no significant influence in achieving financial inclusion

This hypothesis was tested by regressing diverse banking products on financial inclusion guided by the equation $Y=\beta o+\beta_1 X$ where X represented diverse banking products and Y denoted financial inclusion. The results of the regression for access to credit in achieving financial inclusion are represented in table 1 below

Table 1.

Variables	Coefficients	Std. Error	T-Stat.	Pro.
Constant	3.010	0.145	20.712	0.000
Access to Credit	0.467	0.145	8.849	0.000
R-Square	0.151			
Adjusted R^2	0.142			
S.E. of Regression	0.764			
F. Statistics	76.300			
Pro. F (Stat)	0.000			
DF	297			

The results presented in table 1 reveal that the influence of access to credit in achieving financial inclusion was positive and significant (R^2 =0.151, F=76.300, p<0.05), 15.1% of the variation in achieving financial inclusion was accounted for due to changes in access to finance. It also suggested that access to credit accounted for 15.1% of the variation in achieving financial inclusion, (R square=0.15.1, p<0.05), β was also statistically significant (β 0.467, t=20.712, p<0.05). The probability value of the first hypothesis tested showed 0.000 which was less than 0.05 (p<0. 05).The p-value is statistically significant and therefore the null hypothesis is rejected. The results show that access to credit has a positive significant influence in achieving financial inclusion. The hypothesis that says there is no significant cant influence of access to credit in achieving financial inclusion is rejected. The hypothesis that access to credit influences financial inclusion is therefore confirmed.

Ho: Internet banking has no significant influence in achieving financial inclusion

Table 2.

Variables	Coefficients	Std. Error	T-Stat.	Pro.
Constant	2.494	0.148	12.246	0.000
Internet Banking	0.364	0.055	5.441	0.000
R-Square	0.176			
Adjusted R^2	0.142			
S.E. of Regression	0.748			
F. Statistics	42.040			
Pro. F (Stat)	0.000			
DF	297			

The results presented in table 2 show that the influence of internet banking in achieving financial inclusion was positive and significant (R^2=0.176, F=42.040 p<0.05), 17.6% of the variation in achieving financial inclusion was accounted for due to changes in internet banking. It also suggested that internet banking accounted for 17.6% of the variation in achieving financial inclusion. (R square=0.176, p<0.05), β was also statistically significant (β 0.364, t=12246, p<0.05). The probability value of the first hypothesis tested showed 0.000 which was less than 0.05 (p<0. 05).The p-value is statistically significant and therefore the null hypothesis is rejected. The result shows that internet banking has a positive significant influence in achieving financial inclusion. The hypothesis that says there is no significant influence of internet banking in achieving financial inclusion is rejected. The hypothesis that internet banking influences financial inclusion was therefore confirmed.

Ho: Mobile application has no significance influence in achieving financial inclusion

Table 3.

Variables	Coefficients	Std. Error	T-Stat.	Pro.
Constant	2.631	0.197	14.631	0.000
Mobile Application	0.118	0.067	1.771	0.000
R-Square	0.177			
Adjusted R^2	0.175			
S.E. of Regression	0.932			
F. Statistics	8.773			
Pro. F (Stat)	0.000			
DF	297			

The results presented in table 3 show that the influence of mobile application in achieving financial inclusion was positive and significant (R^2 =0.177, F=785.197, p< 0.05), 17.76% of the variation in the financial inclusion was explained by variation in financial inclusion (R square=0.177, p< 0.05). β =0. 118, t=14.631, p< 0.05). The results reveal that mobile application has significant influence in achieving financial inclusion. The hypothesis that mobile application has no significant influence in achieving financial inclusion is rejected and alternative hypothesis that mobile application influences financial inclusion is confirmed.

Ho: Point of sale (POS) has no significance influence in achieving financial influence

Table 4.

Variables	Coefficients	Std. Error	T-Stat.	Pro.
Constant	2.818	0.197	14.631	0.000
Point of Sale	0.116	0.067	1.771	0.001
R-Square	0.021			
Adjusted R^2	0.014			
S.E. of Regression	1.295			
F. Statistics	3.135			
Pro. F (Stat)	0.000			
DF	297			

The results presented in table 4 show that the influence of point of sale in achieving financial inclusion was positive and significant (R^2=0.021, F=785.197, p< 0.05), 2.16% of the variation in the financial inclusion was explained by variation in point of sale (R square=0.021, p< 0.05). β =0. 116, t=14.631, p< 0.05). Overall regression results presented in table 4 indicate that point of sale has low significant influence in financial inclusion. The hypothesis that point of sale has no significant influence in achieving financial inclusion is rejected and alternative hypothesis that point of sale influences bank financial inclusion is confirmed.

4. Conclusion and Recommendations

The research results implied that diverse banking products have an influence on financial inclusion in Nigeria. Nigeria is yet a cash-driven economy. Most consumers and micro-and small entrepreneurs generally rely on their own investment funds and the backing of friends and relations to acquire assets to begin and develop their organizations. Credit infiltration is still low in Nigeria. A credit economy is alluring for a prosperous country with prosperous occupants, as it is in economies with a significant degree of credit penetration. Effective demand is constrained in a money-and-convey economy, where individuals must rely on their profit and individual investment funds to influence utilization; a money-

and-convey economy limits requests while interspersing great life. Then again, low credit penetration prompts low credit infiltration, and both are files of a feeble financial system.

In conclusion, diverse banking products have an influence on achieving financial inclusion. They also improve small business ownership patterns, which have direct implications on productivity and a window for economic development as they bridge the gap between the poor and the rich. Banks should endeavour to comprehend the target segment by distinguishing and building an offer around smallholder family needs and goals. They should also drive product adoption by dispelling scepticism about formal financial services, communicating the viability of product features and benefits, and reducing the perceived risk of experimenting with new products among smallholders. They should also energise supported use by making products physically and financially available, providing motivation, and constructing progress support. Finally, they should ceaselessly address their issues as smallholders' financial capacities develop by offering a product portfolio as opposed to singular products and building pathways for financial development of consumers instead of keeping up existing product cycle.

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