African Journal of Social Issues 4(1):105-122, 2021
Available online at https://ajosing.com
https://www.ajol.info/index.php/ajosi
Copy Right: © Author(s)
DOI: **https://dx.doi.org/10.4314/ajosi.v4i1.6**

CC BY
p-ISSN 2672 – 5142; e-ISSN 2734 – 3324

Review

DILEMMA OF FINANCIAL EXCLUSION AND INLUSION IN AFRICA: CAN NIGERIA, SOUTH AFRICA AND GHANA BE COMPARED?

[1]Friday E. NKWEDE, [2]Joseph O. NKWEDE & [3]NKWAGU, Louis C.

[1]Department of Accountancy, Banking and Finance, Faculty of Management Sciences, Ebonyi State University, Abakaliki, Nigeria

[2]Department of Political Science, Ebonyi State University, Abakiliki, Nigeria

& [3]Department of Accountancy, Facculty of Management Science, Ebonyi State University, Abakiliki, Nigeria

Corresponding Author's Email: *drnkwede@gmail.com,*

ABSTRACT

This paper investigates the level of financial inclusion and exclusion in selected African countries with special attention to Nigeria, South Africa and Ghana in a comparative approach. The study utilized global survey data on financial inclusion index published by Global Findex. From the researcher's comparative analysis using the basic variables of financial inclusion, it was discovered that: in terms of financial service accessibility, bankable adult Nigerians have less access to financial services than South Africa while the degree of financial services availability and financial service usage are all higher in South Africa than Nigeria and Ghana. The implication of these findings is that South Africa is more financially inclusive than Nigeria and Ghana; indicating that greater percentage of Nigerian and Ghanaian bankable adult citizens are financially excluded from their economy irrespective of the various banking reforms in the two countries. It was recommended among other suggestions that an all-embracing financial inclusion strategy that is rural based be developed for Nigeria and Ghana as well as reduction in the cost of banking and financial services (especially lending and deposit rates in Africa). The implication of these recommendations is that in Africa (and even other continents) the higher the deposit rate, the more people are willing to save and the lower the lending rate the more people are willing to get loans. The study submitted that by hierarchy of financial inclusion in Africa, Nigeria and Ghana with their present high level of financial exclusion cannot be compared to South Africa in all the key indicators of financial inclusion.

Key Words: Financial inclusion, Financial exclusion, Africa, Financial services, Banking services.

Citation of article: Nkwede, F.E. et al. (2021). Dilemma of financial exclusion and inclusion in Africa: Can Nigeria, South Africa and Ghana be compared? *African Journal of Social Issues,* 4(1): 105 - 122

Date Submitted: 10/05/2021 **Date Accepted:** 01/06/2021 **Date Published:** December, 2021

1.0 INTRODUCTION

Over the years, social inclusion and exclusion policies have continued to attract global attention, but not much consideration (research wise) have been given to financial inclusion as a sub-set of social inclusion in Africa, notwithstanding the dominant role of financial system in African Economic development. According to Aduda and Kalunda (2012:96), financial inclusion is described as 'the process of availing an array of required financial services at fair price, at a right place, form and time without any form of discrimination to all members of the society'. It is a deliberate effort to ensure access and availability of financial services such as loans, deposit service, insurance, pension and payments to the bankable citizens. On the other hand, financial exclusion is the direct opposite of financial inclusion, which means the denial of members of the society an access, availability and usage of financial and banking services (Aduda and Kalunda, 2012).

In both global and local sense, all inclusive financial system undoubtedly promotes economic growth. But on the contrary, many bankable adult population of the world seem to have no financial access and usage. In other words, it appears that they are being financially excluded from the economy. For instance, nearly three billion adults in the world are reported to have been financially excluded (Swamy, 2012). World Bank (2018) also reports that out of the 50% of banked adults who have an individual or joint accounts at formal financial institutions, it is only 22% that have savings accounts. Then in Africa, the recent global financial inclusion index shows that "less than a quarter of adults in Africa have an account with formal institutions (Demirguckunt and Klapper, 2012). This gives obvious and worrisome impression that majority of African adults in many African countries appear to be financially excluded and perhaps use informal method to save or borrow.

In Nigeria specifically, out of 84.7 million adult populations (in Nigerian total population of 162 million as at last census), a total of 39.2 million adult Nigerians, representing 46.3% Nigerian adults are excluded financially with regards to provision of banking and financial services. In other words, 31 million adult Nigerians out of 84.7 adult populations are served with formal financial banking services (CBN, 2015). In the case of South Africa, according to out of 34.9 million adult population (in South African total population of 52.98 million as at her last

census) about 75% appeared to be provided with financial services (Reserve Bank of South Africa (RBSA), 2016). In the case of Ghana, out of 16 million adult population of Ghana (in 24 million total population) 40% of the extreme poor – those living below US$1 per day, 29% of women and 27% of the youth have no access to banking and financial services (Central Bank of Ghana (CBG), 2016). The rate of financial exclusion of adult population in Ghana is said to be greater in the remote areas particularly in the Northern and upper Eastern region of the country; where 76% and 71% respectively had neither formal nor informal financial services (CBG, 2016).

Previous researches (World Bank, 2018; World Bank, 2018) have shown that many African countries and many small and medium businesses in Africa cite availability and accessibility to finance as major obstacle. Again, access and availability of bank line of credit and other financing sources such as equity market are not an exception. Basically, the key financial inclusion and exclusion indicator/variable in Africa are financial services accessibility (defined as a "percentage of banking penetration"), financial services availability (defined as a "percentage of bank outreach"), financial services usage ("measured by the quality of credit to the private sector and deposit mobilized from the private sector as percentage of the country's GDP") (Kempson, Alkinson and Pilley, 2004). The idea of these broad indicators of financial inclusion is on the premise that in Africa (Nigeria and South Africa particularly), it is not enough to have bank account because the unbanked or under-banked people despite having access to the formal financial institutions most at times do not use the financial services due to remoteness of bank branch, unaffordability of expenses attached to banking services among other reasons.

Within Nigeria, South Africa and Ghana specifically, it appears that there is large variation in these key indicators of financial inclusion and exclusion. Besides, South African financial inclusion rate appear to have improved significantly, leaving Nigeria and Ghana behind, whereas these countries serve as the key drivers in African banking system. Against this background, the essence of this study is therefore to comparatively examine the level of these financial inclusion and exclusion indicators variation in Africa using Nigeria, South Africa and Ghana as reference points on one hand: and on the other hand, it is the objective of the study to compare and contrast

the level of financial inclusiveness/exclusiveness of the three countries through the comparative analysis of the key variables of financial inclusion such as the rate of financial services accessibility, the rate of utilization of banking and financial service and the level of financial services availability in Africa.

2.0 REVIEW OF RELATED LITERATURE

The empirical and theoretical literature review starts with the conceptualization of financial inclusion and exclusion. The section also accommodates literatures on financial development and banking development.

2.1 Conceptualization of Financial inclusion and exclusion

Hannig and Jansen (2011: 4) argue that financial inclusion is the "absence of price or non-price barriers in the use of financial services''. In their argument, they maintain firmly that the sole aim of financial inclusion is improvement in access of financial services that basically involve improving the degree to which financial services are available to all at a fair price. The definition offered by Hannig and Jansen really looks at financial inclusion from the affordability point of view without bordering on the desired group or target groups of the economy. Consequently, financial inclusion is defined as "access for individuals to appropriate financial products and services (as cited by Hayton, Percy and Latimer, 2007 from Scottish Executive, 2005). Throat (2009: 8) states that financial inclusion is the "provision of affordable financial services namely - access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded". In another broader view, Central Bank of Nigeria (CBN, 2011) maintains that:

> *Financial inclusion or inclusive financing is the delivery of financial services at affordable cost to sections of disadvantaged and low income segment of society. It is the provision of broad range of high quality financial products, such as credit, savings, insurance, payments and provisions which are relevant, appropriate and affordable for the entire adult population especially low income segment* (CBN, 2011: 2).

Again, Reyes, Canote, and Mazer (2015:15) opine that financial inclusion means 'that the majority of the population have broad access to a portfolio of quality financial products and services which include loan, deposit services, insurance, provisions and payment system as well as financial education and consumer protection mechanism'.

Aduda and Kalunda (2015) made a more generalized view on financial inclusion when they linked it to banking and financial sector outreach. In their view, they maintain that financial inclusion is the "process of availing an array of required financial services, at a fair price, at right place, form and time and without any form of discrimination to all members of the society by the service providers''. The central meaning of the various definitions of financial inclusion remains the same to a reasonable extent irrespective of variations in the wordings. There is no controversy (disagreement) among the authors about the concept of financial inclusion; the researcher rather observed that the definitions are "context-specific and country specific". However, for the purpose of this study, the researcher aligned himself with Sarma (2014) by adopting his definition of financial inclusion as a working definition. Sarma maintains that financial inclusion is the process that ensures the ease of access, availability and usage of the formal financial system for all members of the economy. The essence of adopting Sarma's definition as the researchers working definition is because it duly emphasized on the core indicators (measurable variables) of financial inclusion. These indicators include financial service accessibility, availability and usage of financial/banking services and system. The combination of these indicators (variables) with bank serving as the gateway no doubt brings about inclusive financial system. That is why, in this study, we are using banking inclusion as analogous to financial inclusion. As earlier stated in the introductory part of this paper, these core indicators are operationally defined as follow:

1) Accessibility of financial services: this is measured by banking penetration (i.e. the proportion of adult people having bank account with official financial institutions). The proportion of deposit account is also a proxy for bankable adults: Because, an inclusive financial system should penetrate widely amongst its users thereby increasing the size of the banked population. 2) Availability of financial services - measured by the number of bank outlets or branches and number of functional ATMs per 100,000 adult people: Believing that an inclusive financial

system should have banking services that are easily available to the users (Sarma, 2012). Accordingly, Sarma believed that number of bank employees per customer can also be used as financial service. But keeping in mind the fact that growing trends in electronic banking, non-available and inconsistent data on number of bank employees, we decide to step it down. 3) Users of financial services – measured by the volume of credit and deposit by adult population as a percentage of GDP.

But because of unavailability of data on the volume of credit and deposit as percentage of GDP, the volume of credit to private sector and deposit mobilized from the sector as percentage of GDP is used in this study. The motivation for using this indicator is because most of the under banked or the marginally banked people as observed by Kempson et al (2004), despite having access, are unable to use the financial services for various reasons such as affordability, remoteness of banking branches among others. No wonder Kempson, Atkinson and Pilley (2004), Kempson, Whyley, and Collard (2000) and Kempson and Whyley (1999a) all agreed that in Africa, many people who have bank account do not use them, adding that "financial services accessibility is good but the best inclusive financial economy is the one in which financial service are both adequately utilized and are adequately available".

Financial exclusion on the other hand originated from social exclusion. In a more concrete term, Sinclair (2001: 2) defines financial exclusion as the "inability to access necessary financial services in an appropriate form and time". He added that financial exclusion can be possible as a result of difficulties with access, conditions, prices or marketing or sect exclusion in response to negative perception or experiences. Leyshon and Thrift (1995) also maintain that financial inclusion refers to those "process that serve to prevent certain social groups and individuals from gaining access to the formal financial system; while Mohan cited in Swamg 2010: 11) reasons that financial exclusion "implies the lack of access by some segment of the society to suitable low – cost, fair and secure financial products and services from mainstream providers". Thus this paper posits that financial exclusion is an unpremeditated process where the poor but bankable adults are denied all sort of financial services in the society.

2.2 Empirical Review

Prior studies on the subject are presented in this section. For instance, Onaolapo and Odetayo (2012) in their study on financial inclusion and micro finance banks in Nigeria revealed that access to finance via micro finance strategy especially by poor and vulnerable groups is a prerequisite for poverty reduction, employment creation, social cohesion and overall economic development for Nigerian nation. Using survey approach in their study, their findings also show that commonest reasons for saving with micro finance bank in Nigeria were consumption, investment in education and to start a business. Those with better education save more for investment than the less educated once. They concluded that microfinance institution is inevitable in a globally competitive environment like Nigeria.

The findings of Onaolapo and Odelayo (2012) were in tandem with the findings of Ellis, Lemma and Rad (2010) in Kenya who applied the same approach and discovered that many people in Kenya save and borrow for household's investment, consumptions and day to day needs expenditures. Further, Sarma (2012) evaluated the level of financial inclusion for 94 countries across the world between 2004 and 2010 using index of financial inclusion approach (IFI) he constructed in line with UNDD within the 94 countries of study. Very few African countries were in the list without even Nigeria and Ghana, though his choice of country was based on data availability in financial access survey (FAS) data base of IMF. Finding in the study indicates that in the year 2009, out of 91 countries finally measured Chad with IFI value as low as 0.016 was the lowest financially inclusive country while Cyprus with IFI value of 0.996 ranked highest as the most financially inclusive country. Then, in 2010, Afghanistan ranked lowest with IFI value of 0.052 while Luxembourg with IFI value of 0.996 ranked highest. The study concludes from their findings that different countries around the world are at different levels of financial inclusion and exclusion. He recommended for consistent use of multidimensional approach to monitor the level of financial inclusion and exclusion in various countries since it is a good indicator of economic growth.

Decanay, Nito and Buensuceso (2011) conducted an empirical investigation with international perspective on financial inclusion, microfinance and financial development for eighty countries using the index of financial inclusion developed by Sarma (2008). Results

indicate that: 1) microfinance outreach has a significant positive relationship to financial inclusion, 2) there is a significant positive relationship between financial inclusion and financial development, 3) index of financial inclusion of micro financial industry has a moderate significant relationship with the financial development index and gross domestic products. Drawing their conclusion, they argue that there is a chain of relationship between microfinance, financial inclusion and financial development. They recommended for articulation of financial inclusion index for all countries to enable each country access the depth of their financial system.

Another study on financial inclusion in Bengal state in India by Chattopadhyay as cited in Aduda and Kalunda, 2012: 21) reveals that even though: 'found to be noteworthy with only one out of eighteen districts having a high IFI value, using the three dimension and the rest of the districts belonging to the low level of IFI value; the supply and demand side factor are equally responsible for financial exclusion; there is persistence in use of informal institutions and money lender in Bengal stat*e'*. The study tells us nothing on the quality of services and products as this could be a factor for low IFI value result but rather raises the question of continued existence of money lenders despite their high interest rate and in an environment of financial inclusion initiatives. However, what made study of Chattopadhyay (2012) very interesting is the focus on some social-economic indicators like occupation, literacy, land holding patterns in rural areas, rural indebtedness and people's opinions about banking services. Essentially, other studies on financial inclusion abound. But because of limited space in this study, the researcher summaries them briefly. For instance, the study of Burgress and Pandey (2007) provides further evidence that financial inclusion by opening branches of commercial banks via state-led policies is associated with poverty reduction in the rural unbanked location of Ghana. Then, the work of Ruize and Porras (2008) shows that financial development is associated with market-based financial system, while the study on the role micro finance interventions in financial inclusion in a rural district by Barman, Mather and Karia (2009) indicates that as much as financial inclusion is seen as a very good strategy, it also leads to increased indebtedness to non-institutional or informal sources which, on the other hand, threaten financial sustainability and the overall financial stability.

From the existing literature reviewed on financial inclusion and exclusion little or no in-depth study has focused on sub-Sahara Africa. Instead, it is often on Africa as a village; discussing the issue of financial inclusion and exclusion on regional bases. See for instance Demirguc-Kunt and Klapper (2012), Allen Otchere and Senbet (2010) among others. Again, where empirical study is conducted in some African countries, there is no down to earth comparative study that have been done with major interest in Nigeria and Ghana, bearing in mind that Nigeria and Ghana operate almost the same financial system and banking policies.

More so, from the existing literature, it has been identified that financial inclusion indicators or variables are good indicators of economic development in the first place; secondly, it has been established that financial inclusion has positive significant relationship with financial development, but no study in this direction has been benchmarked in Nigeria and Ghana. Instead, greater percentage of the studies on financial inclusion and exclusion in Africa and even elsewhere always boarder on scientific design of financial inclusion index and formula than taking a comprehensive comparative approach as has been aptly done by this current study (i.e. the existing literature mostly concentrate in designing new approach for measuring financial inclusion as an improvement over previously existing index/formula). Thus, these are the research gaps which this study has come to stand in between the lacuna, especially now that Nigeria has just launched their financial inclusion strategies using Brono State as a pilot state. It is also not an exaggeration to state that the comparative approach of the study is needful to the stakeholders in financial and banking sector to be better informed in their decision making in both countries.

2.3 Theoretical framework

This study is anchored on *finance- growth* theory. The finance- growth theory was developed by Wineg Bagehot in early 1873, in United Kingdom (UK). The finance-growth theory boarders on the nexus between finance and economic growth; it advocates that "financial development creates a productive environment for growth through supply-leading or demand-following effect". The theory pointedly posits that lack of access to finance is a critical factor responsible for persistent "income inequality and lower growth, adding that access to safe finance, easy access and affordable sources of finance are unarguably pre-condition for accelerating growth, income disparities and poverty reduction; thereby paving ways of equal

opportunities for economically, socially and financially excluded groups to not only integrate better into the economy but to also contribute actively to economic growth and then protect themselves against "economic shock" (Sarma, 2012). Interestingly, the supporters of demand-following view such as Goldsmith and McKinnon cited in Ndebbio (2004:23) argue that financial system "does not spur economic growth but rather an inclusive financial system simply responds to the development in the real sector''. Whereas, supporters of the supply leading view disagreed with the demand following view, contesting that financial market is a reflection of growth in other sectors of the economy.

As a point of fact, the substance of this theory that makes it relevant to this present study is that the finance-growth theory has consistently maintained that existence of inclusive financial sector has growth-enhancement effects while banks serve as the propeller by providing efficient markets for funds (Schumpeter cited in Ndebbio, 2004). So in the middle of the established positive link between financial development, and economic growth is the inclusive financial system and banking system.

The proponent of the finance growth- theory summarized its assumption on two basic issues as follows:

- Banks are assumed to be fulcrum that drives the economy to the part of accelerated growth.
- That in middle of the established positive link between financial developments as economic growth is an inclusive financial system.

3.0 COMPARATIVE ANALYSIS OF FINANCIAL INCLUSION AND EXCLUSION BETWEEN NIGERIA, SOUTH AFRICA AND GHANA

The comparison is basically made based on the researchers working definition of financial inclusion and exclusion defined in the literature, which contains the three broad indicators/variables namely, accessibility, availability and usage that constitute the multidimensional approach to financial inclusion index. In terms of financial services accessibility by the three countries as measured by banking penetration, the result of financial inclusion country data shows that Nigeria has 30% out of 84.7 million adult populations with an

account at formal financial institutions, South Africa records 54% while Ghana records 29% out of 24 million adult populations. It indicates that the number of formally banked adults in Nigeria who get banking services by penetrating the bank via opening of accounts is far less than the number of banked adults in South Africa, while that of Nigeria is greater than Ghana. See table 1 bellow. Again, in terms of gender, the adult female population that has account with formal financial institutions for Nigeria, South Africa and Ghana are 26%, 51% and 27% respectively. The percentage of saved deposit at formal financial institution as a percentage of GDP for Nigeria is 24%, South Africa is 22% while that of Ghana is 16%. Then, those who save outside bank in Nigeria, South Africa and Ghana remain at 44%, 14% and 10% respectively. The rate of those who save outside the bank is really very high especially in Nigeria. Thus, it justified the assertion of the Central Bank of Nigeria (CBN, 2018) “that 40% money in circulation in Nigeria are outside Bank”.

In the area of availability of financial services, which we proxied by bank branches and availability of ATMs, the results from the Global Findex survey reveal that South Africa has 10.1 number of commercial bank branches per

100, 000 adults, Nigeria has 3.67 number of deposit money bank branches per 100, 000 adults and Ghana has 4.99% number of commercial bank branches per 100,000 adults. There is no available data on the number of ATMs per 100, 000 adults in Nigeria but South Africa recorded 59.52. Therefore, the percentage of debit cards and credit cards were used in place of ATMs. In this case, the result revealed 19% for Nigeria, 45% for South Africa and 11% for Ghana regarding debit cards. While for credit cards, South Africa ranked higher with 8% leaving Nigeria and Ghana at low rate of 1% and 2% respectively (World Bank, 2011).

Again, on the usage of financial services, a closer look at the table 1 indicates that loan from financial institution in Nigeria is 2%, South Africa is 9% and Ghana is 6%. It is not surprising that loan from outside banks (i.e. loan from family and friends) for Nigeria stood at 44% and South Africa has 34%. More so, Nigeria and South Africa have12% and 23% in terms of account that is used to receive wages respectively, while Ghana records 12%. South Africa has higher percentage of 20% in terms of account used to receive government payment, leaving Nigeria and Ghana at 6% and 7% respectively. At the macro point of view, the percentage of banked

enterprises in South Africa (i.e. the percentage SMEs with account at formal financial institutions stood at 98% while there is no available records for Nigeria and Ghana has 82%. In the same macro level, the percentage of enterprises that utilize the available financial services by having at least one outstanding loan or one line of credit with Nigerian banks is 4% compared to South Africa with 29% and Ghana is 18%. Still on the macro level, the rate of adults with one loan/credit outstanding with regulated financial institution in Nigeria is 2%, South Africa is 9% and Ghana is 6%. See table 1 below.

Table 1: Financial Inclusion Index Result at Micro Level

S/n	**Indicators/Variables**	**Percentages**		
		Nigeria	South Africa	Ghana
1	Loan from a financial institution (age 15+)	2%	9%	6%
2	Loan from family and friends (age +)	44%	34%	29%
3	Debit cards (age 15+)	19%	45%	11%
4	Credit card (age 15+)	1%	8%	2%
5	Account used to receive govt. payments	6%	20%	7%
6	Account used to receive remittances	16%	18%	12%
7	Saved at a financial institution	24%	22%	16%
8	Saving using a savings club	44%	14%	10%
9	Account at a formal financial institution	30%	54%	29
10	Account at a formal financial institution female	26%	51%	27
11	Account used to receive wages	12%	23%	12

Source: Global Findex and IMF Financial Access Data available @IMF.

A closer look at the table 1 above undoubtedly indicates in both micro and macro level that South Africa ranked higher in majority of the financial inclusion indicators used in the comparative analysis. Obviously, the outcome is completely within the researcher's apriori expectations because the researcher had expected that the level of various banking reforms and financial sector development in Nigeria should have pushed her higher than South Africa or perhaps closer to other developing African countries such as Mauritius - the highest financially inclusive country in Africa. Suffice it to say therefore, that the wide gap still exists between Nigeria, Ghana and South Africa and other developing African counties despite the reformations and developments within the past decades in Nigeria banking/financial system.

Table 2: Financial Inclusion Indicators Result at Macro Level

S/n	**Indicators**	**Percentages**		
		Nigeria	South Africa	Ghana
1	Percentage of adults with at least one loan outstanding from a regulated financial institution.	2%	9%	6%
2	Percentage of SMEs with an account at formal financial institution	NA	98%	82%
3	Percentage SMEs with an outstanding loan or line of credit	4%	29%	18%
4	No of commercial banks branches per 100, 000 adult	3.67	10.1	4.99%
5	No. of ATMs per 100,000 adults	NA	59.52	Na

Source: Global Findex and IMF Financial Access Data available @IMF

At the macro level data, South Africa also recorded greater percentage of the financial inclusion indicators. In most indicators, the gap in the factors between Nigeria, Ghana and South Africa remains also incomparable. For Instance, none of the South African figures is close to Nigeria and Ghana; indicating that South Africa financial inclusiveness cannot be compared with African countries like Nigeria and Ghana rather other African countries like Mauritius.

4.0 CONCLUSION

This paper was *ab initio* motivated to comparatively study the level of financial inclusion in Africa with particular attention to Nigeria, South Africa and Ghana. It is in line with this motivation that three achievable specific objectives were set out in the introductory stage of this study. Based on the comparative analysis done with the available data, the researcher concludes that: 1) In terms of financial services accessibility, bankable adult Nigerians access less financial services than South Africa, 2) the degree of financial service availability is higher in South Africa than Nigeria and Ghana, 3) the level of financial services usage are also greater in South Africa compared to Nigeria and Ghana.

Considering the above situation in sub-indicators (variables) of financial inclusion at both macro and micro point of view, this study makes bold to conclude that South Africa is more financially inclusive than Nigeria and Ghana. Again, the paper submits that larger numbers of adult population in Nigeria and Ghana are financially excluded from the economy whereas the level of financial exclusion is lesser in South Africa. Since financial inclusion is a sub-set of social exclusion, those who are financially excluded can no longer participate in both social and economic activities in the countries. Of course, this breads other social vices and as well increases inequality gap in Africa.

5.0 RECOMMENDATIONS

In the light of the above, we offer the following suggestions:

- An all-embracing financial inclusion strategy that is rural based should be developed for Nigeria and Ghana and even other African countries.

- Financial education and banking education should be encouraged and facilitated by the two countries' Central Banks.

- The cost, process and documentation of account opening process should be reduced to the barest minimum in Africa.

- We also recommend that more empirical research should be conducted in both countries and other countries in Africa to ascertain the level of financial exclusion in Africa.

REFERENCES

Aduda, J. and Kalunda, E. (2015). Financial Inclusion and financial sector stability with reference to Keya: A review of literature, *Journal of Applied Finance and Banking,* 2(6): 95 - 120.

Agarwal, A. (2010). Financial inclusion: Challenges and opportunities, 23rdSkoch submit, 2010.

Akinkugbe, N. (2012). Mobile money enhancing financial inclusion, *Business Day* 27, Feb, P.27 available at www.businessdayonline.com.

Burgess, R. and Pandey, R (2005). Do rural bank matter? Evidence from the Indian social banking experiment, *The American Economic Review, 95* (3): 780 -795.

Barman, D., Mathur, H. P., and Kalra, V. (2009). Role of micro-finance interventions in financial inclusion: A comparative study of micro-finance model vision, *The Journal of Business Perspective,* 13): 51 - 59.

Chibba, M. (2009). Financial inclusion, poverty reduction and the Millennium Development Goals, *European Journal of Development Research,* 213-230.

Chattopadhyay, K. (2011). Financial inclusion in India. A case study of West Bengal, Published in Reserve Bank of India Working paper, July 2011, No NPS (DEPR) 8/2011.

Central Bank of Ghana (2016). Annual Report.

Central Bank of Nigeria (2018). Microfinance policy framework for Nigeria, *Zenith Economic Quarterly,* 8 (10): 14-19.

Demirgue-Kunt, A. and Klapper, (2012). Measuring financial inclusion –The Global Financial Inclusion Index (Global Fmidex) Bill and Melinda gates Foundations.

Dacanay, J. C, Nito, B. and Buensuceso, P. (2011). Micro finance, financial inclusion and financial development: An empirical investigation with an international perspective, Proceedings of the International Conference on Managing Services in the Knowledge Economy, July 13 – 15, 2011; at the Universidad Lusiada Famalicao, Vila Nova de Famalicio, Portugal, PP 153- 173.

Hanning, A and Jansen S. (2010). Financial inclusion and financial stability: Current policy issues. ADBI Working Paper 259, Tokyo: Asian Development Bank Institute.

Kempson, E. Alkinson, A. and Pilley, O. (2004). *Policy level response to financial exclusion in developed economies: Lessons for developing countries,* Report of Personal Finance Research Centre, University of Bristol.

Kempson, E., Whyley, C., Caskey, J., and Collard, S. (2000). In or out financial exclusion: A literature and research review. Report, Financial Services Authority.

Kempson, E and Whyley, C., (1999). *Kept out or opted out? Understanding and combating financial exclusion,* Bristol: Policy Press.

Leyshon, A. and Thrift, N. (1995). Geographies of financial exclusion: Financial abandonment in Britain and the United States, *Transactions of the Institute of British Geographers, New Series,* 200 (3): 312 - 341.

Nedebbio, J. (2004). Financial deepening, economic growth and development: Evidence from selected sub-Sahara African countries, *African Economic Research Consortium (AERC) Research paper 142*, Nairobi, Kenya.

Onaolapo, A. A, and Odetayo, T. A. (2012). *American Journal of Business and Management*, 1(4): 241 - 247.

Rangaragan Committee (2008). *Report of the Committee on Financial Inclusion*, Government of India.

Reyes, G.P, Canote, L.D and Mazer, R. (2010). Financial inclusion indicators for developing countries: *Te Peruvian Case, Los Laureles,* 27 (214): 2 - 6.

Roland Berger Strategy Consults (2012). *Summary of national financial inclusion strategy,* Central Bank of Nigeria, Abuja January.

Ruiz-Porras, A. (2009). *Financial structure, financial development and banking fragility: International evidence analysis*, Retrieved online on 28/11/2012 from http://redalyc.uaemex. mx/pdf/413/41312223007 Pdf.

Reserve Bank of South Africa (2017). Financial System and Development Report.

Swamy, V. (2010). *Bank-based financial intermediation for financial inclusive and inclusive growth*, Retrieved online on 12th Jan. 2012, from http://financildevdatatopclusive/incomeorg

Serrao, A. H, Sequeira and Hans, B. V, (2012). *Designing a methodology to investigate accessibility and impact of financial inclusion*, Retrieved on Nov. 10th, 2012 from http://ssrn.com/abstract=2025521 or http://dx.doi.org/10.2139/ssrn.2028521.

Sarma, S. and Pias, O. (2011). Financial inclusion and development: A cross country analysis, *Journal of Economic Literature,* 3(50): 8

Sarma, M. (2012). *Index of financial inclusion – A measure of financial sector inclusiveness,* Berlin working papers on money, finance, trade and Development, working paper No 07/2012. retrieved online from 12th Jan. 2012 from http://finace-and-trade,titw-berlin.de

Sinclair, S. P (2001). *Financial exclusion: An introductory survey*. Report of Centre for Research in Socially Inclusive Services, Heriot-Watt University, Edinburgh.

Sarma, M. (2008). *Index of financial inclusion*, ICRIER Working Paper 215.

Sarma, M. (2010) *Index of financial inclusion*, CITD Discussion Paper, 10-05.

Sarma, M. and Pais J. (2011). Financial inclusion and development. *Journal of International Development, 23(*6): 3 - 628.

Schumpeter, J. (1911). The theory of economic development: An inquiry into profits, capital, credit, interest and business circle, in J. Adula and E. Kalunda (2012).

Thorat, U (2017). *Financial inclusion and Millennium Development Goals, economic development in India: Analysis and report: Academic Foundation's Continuing Series,* New Delhi, Retrieved online on 22nd Jan, 2012 from www.Ibshyderabad.org, PP 3-10.

World Bank (2018). The Financial Development Report.

World Bank, (2015). *Barriers to financial inclusion*, Retrieved online on Jan. 12th 2012, from http://datatopics.worldbank.org/financialinclusive/income-g.

World Bank, (2011). Available at www.worldbank.org.

APPENDIX A

Table 1: Distribution of Micro-Finance Banks by Geopolitical Zones in Nigeria.

Geo-political zone	**Number of MFBs**	**Percentage (%)**
North-East	**30**	**3.9**
South-East	**166**	**21.6**
South-West	**305**	**39.7**
North-West	**56**	**7.3**
North-Central	**101**	**13.2**
South-South	**110**	**14.3**
Total	**768**	**100.0**

Sources: The Nigerian Micro-finance Newsletter.

APPENDIX B

Key facts of Microfinance in Ghana

By CGAP	No. of MFIs=51	No. of Borrowers = 322, 000	Borrowers Population 1%	Borrowers/Poor[b] 4%
By MIX	No. of MFIs Reporting (2010)= 55	No. of Active Borrowers= 194, 786	Gross Loan Portfolio (USD=) 71.7 million	Average balance per borrower (USD)= 352
By MFT	No. of MFIs=) 90	No. of Active Borrowers= 580, 786	gross loan portfolio (ETB)= 302.7 million	% Products With A Flat Interest Rate= 84%

Source: Ghana Country Survey Data, Available @MFTransparency.org