

## MICROFINANCE POLICY IN NIGERIA AND FINANCIAL INCLUSION AMONG RURAL DWELLERS IN ENUGU STATE

BY

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### Abstract

*The research investigated the extent of financial inclusion among rural dwellers in Enugu State within the framework of microfinance banking. The specific objectives of the study were to: (i) find out the extent of establishment of MFBs in Enugu State, (ii) investigate the scope of financial services or products of the MFBs available to the rural dweller in Enugu State, (iii) establish the pattern of spread of the MFBs in Enugu State, (iv) find out the extent of progress in MFBs branch expansion to the rural areas in Enugu State, and (v) establish the challenges to optimal financial inclusion of the rural dwellers by MFBs in Enugu State. In order to effectively carry out the research, a survey research design methodology was adopted. The major source of data or information was fieldwork observation, questionnaire and secondary source like books, journals, among others. The key findings were that the number of established MFBs in Enugu State is not adequate for meaningful financial inclusion, the spread of MFBs in Enugu State is biased against the rural areas, both branch and customer holding expansion of the MFBs is very low. The study, in the context of the findings concluded that microfinance banks have not served as an effective framework for financial inclusion among the rural dwellers in Enugu State. Given this, the study recommended, among others, that government should encourage investors to establish MFBs in the rural areas, MFBs should beef up its effort at mobilizing rural dwellers to embrace banking services.*

**Keywords:** Microfinance policy, Microfinance banking, Financial inclusion, Financial services, Rural areas, Rural dwellers, Development.

### Introduction

Microfinance Policy, Regulatory and Supervisory Framework for Nigeria (hereafter referred to as the Microfinance Policy) was instituted in 2005 as a key framework to drive the nation's effort at making financial services available to the poor and low-income earners in the urban areas and in the rural areas particularly. Indeed, the Microfinance Policy has, as its basic objective, the extension of financial services to the poor, economically active people and micro enterprise operators in the urban areas and particularly in the rural and remote areas of the country who, apparently over the years, have remained underserved by the conventional

commercial banks. The Microfinance Policy created the platform for the establishment of private sector driven Microfinance Banks (...MFBs) that operate within the supervisory purview of the Central Bank of Nigeria (CBN). The MFBs under the Microfinance Policy are required, very importantly, to be oriented towards lending to the rural dwellers at affordable cost, reasonable time and adequate quantity given that financial inclusion in Nigeria is lowest among the rural dwellers (CBN, 2005, Lemo, 2007). This is envisaged as a key tenet of rural and by extension national development. The CBN on its side, is required to appropriately regulate and supervise the operations of the MFBs to ensure that their services address the financial needs of the poor and micro enterprise operators particularly in the rural areas of the country (CBN, 2005).

The need for the Microfinance Policy in essence is to create a sustainable vehicle for the provision of microfinance services particularly credit to millions of the economically active poor in the remote and rural areas of Nigeria who do not have access to financial services from the formal financial sector (Lemo, 2007). Further still justifying the microfinance policy is the fact that as at 2019, about 48.4 percent of Nigeria's population are rural dwellers who need financial services to start and grow their businesses and to take care of other family needs (Tradingeconomics.com, 2021).

As at September, 2020, there are 902 registered MFBs in Nigeria (nairametrics.com, 2021). In Enugu state in particular, there are 25 MFBs (googleweblight.com, 2023). The services which the Microfinance Policy requires the MFBs to offer, according to CBN (2005), include among others, the following:

- Accepting of various types of deposits that include savings, time target and demand deposits from individuals, groups and associations.
- Provision of loan and other forms of credit to individuals and self-help groups.
- Promoting and monitoring of loan usage by beneficiaries by providing regular capacity building in such areas as record keeping and small or micro business management.
- Provision of loan disbursement services for the delivery of credit programs of government agencies, groups and individuals for poverty alleviation.
- Provision of professional advice to poor and uneducated persons regarding investment in micro and small businesses, rendering managerial, marketing, technical and administrative advice to customers.

- Performance of other functions that relate to micro and small business development such as co-operative and group formation activities and other support services needed by the poor and micro enterprise operators particularly in the rural areas.

What could be inferred from the foregoing is that the Microfinance Policy was formulated to provide financial services such as micro-savings, micro-credits and other financial products to the economically active poor and micro enterprise operators particularly in the rural areas of Nigeria. The thrust of the MFBs operating activities and services as the implementing institutions of the Microfinance Policy is, therefore, expected to manifest in the poor and micro enterprise operators having access to financial services in such a way and manner that will enable them engage in meaningful economic activities with the aim of improving their socio-economic life particularly and the wealth of the nation at large.

### **Problem Statement**

Even though Nigeria appears to have made remarkable progress in the direction of expanding financial inclusion through formulating the Microfinance Policy, one of the emerging concerns is the manner and extent in which the MFBs as the implementing institutions render the micro finance services as to meet the key objective of the policy of aiding financial inclusion among the rural dwellers. Specific concern in this respect is the extent of outreach to the rural dwellers with the key indices or proxies of outreach being in this context the extent of establishment of MFBs, the scope of service products of the MFBs available to the rural dwellers, the pattern of the spread of the MFBs, progress in branch expansion of the MFBs and progress in expanding customer holding of the rural dwellers by the MFBs. It is in the context of these concerns that the evaluation of the Microfinance Policy as to the extent to which it expands financial inclusion through the operations of MFBs is considered necessary.

### **Objectives of the Study**

The general objective of the research is to examine microfinance policy in Nigeria and financial inclusion among rural dwellers. The specific objectives are to:

- 1) Find out the extent of establishment of MFBs in Enugu State.
- 2) Investigate the scope of financial services or products of the MFBs available to the rural dweller in Enugu State.
- 3) Establish the pattern of spread of the MFBs in Enugu State.

- 4) Find out the extent of progress in MFBs branch expansion to the rural areas in Enugu State.
- 5) Identify the extent of progress in MFBs expansion of customer holding of the rural dwellers in Enugu State.
- 6) Establish the challenges to optimal financial inclusion of the rural dwellers by MFBs in Enugu State.
- 7) Make recommendations for improving on the extent of financial inclusion of the rural dwellers by the MFBs in Enugu State.

## **BRIEF LITERATURE REVIEW**

Policy is a framework, according to Nweke (2006), that defines, directs or guides activities of government and private agencies or institutions in relation to providing services to solve a given problem. Ikelegbe (2006), in a more elaborate form, defines policy as the integrated course and programme of action that government has set and the framework or guide it has designed to direct action and practices in certain problem areas. In essence, policies are made to solve identified societal problem as they may exist in specific sectors like banking, agriculture, education, manufacturing etc. It is, according to Nweke (2006) and Ajaegbu and Eze (2010), through the making and implementation of policies that government responds to the citizen's needs and administers public affairs. Okoli and Onah (2002) posit that every policy is characterised by certain standard operational procedures, objectives, guidelines and directives that serve as a guide to the implementing agency or institution as well as provide bases for evaluating the implementation of the policy by researchers or evaluators. Nweke (2006) asserts that evaluating the implementation of a policy is very crucial as it leads to the identification of critical factors that may be hindering its effective and efficient implementation and ultimately the achievement of its objectives. Very importantly, according to him, is that the identification of such factors may lead to modification or incremental changes in the policy content to make it more effective and responsive. Ikelegbe (2006), Ajaegbu and Eze (2010) identified some reasons that may constrain a policy from achieving its purposes or objectives to include:

- i. Policy at its formulation may be faulty as a result of poor and inadequate analysis.
- ii. Personal, group or institutional interests or prejudice may predispose the implementing institutions not to implement the policy the way it is intended or not to even implement it all.

- iii. Poor proper directives or guidelines for implementing a policy.
- iv. Weak administrative capacity of the implementing institutions.
- v. Corrupt tendencies in the implementing organisations.

#### **i) Microfinance**

According to CBN (2005), the formal financial system (embodying mainly the conventional commercial banks) provides financial services to only about 35 percent of the economically active population in Nigeria. The remaining 65 percent is excluded from access to financial services. The CBN (2005) further notes that the 65 percent is primarily dominated by the poor and micro enterprises in the rural and urban areas who require financial services to start or grow their businesses and improve their livelihood. This situation according to Olaitan (2005), necessitated the institution of microfinance policy in Nigeria as a key financial framework for administering and providing microfinance services.

Fundamentally, the term microfinance refers to micro loans, micro savings and other financial services targeted at the poor and the less privileged to help them engage in productive micro business (Akinboye, 2007; Rapisurs, 2008; Alehile, 2009). To CBN (2005), microfinance is the entire flexible structures and processes by which financial services are delivered to the poor households and micro enterprise operators who are not traditionally served by the conventional financial institutions.

#### **ii) Micro Finance Policy**

Micro finance policy which was instituted in 2005 in Nigeria basically is a framework by government to expand financial services to the poor and micro enterprise in the urban and rural areas through giving legal backing to the establishment and operation of Micro Finance Banks (MFBs) (Lemo, 2007, CBN, 2005). The financial intermediation of the MFBs as envisaged by the Microfinance Policy is distinct from the intermediation of the formal financial sector because it specifically targets low-income and rural dwellers with low access to financial services for their productive activities. Moreover, it is envisaged to not have asset-based collateral and to have a simple operation when compared to the commercial banks. Indeed, according to Lemo (2007), the creation of MFBs is targeted at creating an environment of financial inclusion among the poor and low-income earners in the urban and particularly rural areas to boost their productive capacities to contribute to socio-economic growth and development of the nation. As Asuquo (2007) further buttressed, the fundamental

objectives of Microfinance Policy is to reduce poverty and accelerate socio-economic development through enhanced accessibility to diversified financial services by the economically active poor in both rural and urban communities.

### **iii) Financial Inclusion**

Financial inclusion, according to the Central Bank of Nigeria (2013), is a state where financial services are delivered by a range of providers, mostly the private sector to reach everyone who needs and could use them. Anad and Kuldip (2013) defined financial inclusion as the easy availability of all banking services at an affordable cost, reasonable time and adequate quantity to all needy people. Indeed, financial inclusion describes a process where all members of the economy, both in the urban and rural areas, do not have difficulty in opening bank account, and can afford to access credit and other financial services easily, consistently and conveniently (Kama and Adigun, 2013).

Notwithstanding, the several ways that financial inclusion has been viewed, the central concern in financial inclusion is the accessibility, usage, availability and depth of penetration of financial services to the people that need them. The concept and practice of financial inclusion has, in recent times, assumed a critical development policy priority in many countries particularly in developing countries like Nigeria (CBN, 2013).

### **Theoretical Framework**

The theoretical framework of analysis for the research is financial inclusion theory. The major proponents of financial inclusion theory include King and Levine (1993), Park, City Mercado Jr (2015) and Kim (2016). A synthesis of their thoughts and clarifications on financial inclusion yields the following as the key tenets of financial inclusion theory;

1. Financial inclusion is a catalyst for economic growth, development and poverty alleviation
2. The financial sector via its services helps in the accessibility of capital formation and encourage innovation, entrepreneurship and investment.
3. Financial inclusion strengthens particularly the economic capacity and capabilities of the poor.

4. Greater access to deposits facilities enhances the ability of financial intermediaries to mobilize saving while better access to finance facilitates economic growth by increasing the ability of households to undertake productive economic activities
5. In modern economy, the social and economic states as well as growth of a person, organization and a nation depends to a large extent on the level of access to financial services.

## RESEARCH METHODOLOGY

**Study Area:** The study area is Enugu state. Enugu state is located in the south-eastern part of Nigeria. The state is largely agrarians and rural in nature with a substantial population of the state engaged in farming and trading. Enugu state is one of the thirty six states that make up the Nigerian federation. It is made up of 17 local government areas. As at 2023, the estimated population of Enugu State is 3,722,223.75 and which contributes 1.9 of the estimated 200,000,000 Nigerian population as at the same time ([worldpopulation.com/enugustate](http://worldpopulation.com/enugustate)).

**Research Design:** The survey research design was adopted for the study. Data or information were collected from the sample of MFBs.

**Sources of Data Collection:** Data was collected through primary and secondary sources of data collection.

**Method of Data Collection:** Data from primary source was collected through the use of questionnaire and interview administered to the operators of the MFBs. The structure of the questionnaire was such that it involved open ended questions in which no option was given and the respondents had the choice of what to say and how to say it. The questionnaire was administered to the 25 operation managers of the MFBs as they were considered knowledgeable enough in the operations of the MFBs to be able to understand and respond properly, reliably and credibly to the question items in the questionnaire.

Data from secondary source were collected through textbooks, academic journals, internet materials, Central Bank of Nigeria reports, MFBs financial reports, trade journals, government publications among others. The use of these secondary sources allowed for greater scope and range of information gathering.

**Population of the Study:** The population of the study was the 25 MFBs in Enugu state as at December, 31<sup>st</sup> 2022.

**Sample Size:** The entire 25 MFBs in Enugu state were sampled as the number is small and could be effectively covered in the research.

**Method of Data Analysis:** The data collected were analysed using quantities, proportions and simple percentage to provide information on microfinance banking and the extent of financial inclusion among the rural dwellers in Enugu state.

Data or information collected through secondary sources were analysed using content analysis technique.



**DATA PRESENTATION AND DISCUSSION OF FINDINGS****Establishment of Microfinance banks in Enugu State****Table 1: Microfinance banks in Enugu State as at 31/12/2022**

S/N	Bank	Address
1	Isi-Uzo MFB	Ikem, Isi-Uzo LGA
2	DEC Enugu MFB	Opp ESBS Ind. L/out Enugu
3	Ifeanyichukwu MFB	Awgu, Awgu LGA
4	Eastman MFB	Sub-way, Okpara Ave, Enugu
5	Ogbete MFB	Ogbete Market, Enugu
6	Kenechukwu MFB	46 <u>Enugu</u> Road, Nsukka
7	Obollo MFB	21, University Road, Obollo-Afor, Udenu LGA
8	Nsukka MFB	Enugu Road, Nsukka
9	Greenbank MFB	Ogui Junction, Opp Governor's Lodge, Enugu
10	UNN MFB	UNN, Nsukka
11	Coal Camp MFB	Coal Camp, Enugu
12	Golden Fund MFB	Presidential Road, Opp Eastern Shop, Ogui Enugu
13	Bethel MFB	Ebeano Tunnel, Opp Artisan Market, Enugu
14	Akudiewa MFB	Aku, Igbo-Etiti LGA
15	Destiny MFB	Ogurute, Enugu-Ezike.
16	IMT MFB	Ebeano-Tunnel, Opp Artisan Market, Enugu
17	Umuchinemere Pro Credit MFB	<a href="mailto:Nnemo95@yahoo.com">Nnemo95@yahoo.com</a>
18	Prisco MFB	Adjacent Prisons, Old Park, Enugu
19	ARIS MFB LTD	Zik, Avenue, Enugu
20	Urban MFB	Nkpokiti Road, Ogui, Enugu
21	Pre-eminent MFB Ltd	<u>Edinburgh Junction, Obiagu, Enugu</u>
22	Ogige MFB	Ogige Market, Nsukka
23	Chidera MFB	Chime Avenue Enugu
24	Ejindu MFB Ltd	9 <sup>th</sup> Mile, Ngwo, Enugu
25	GoodSherpherd MFB	Kenyatta Market, Enugu

**Source: Fieldwork, 2022**

In Enugu State, as at 31<sup>st</sup> December, 2022 and as shown in Table 1, there are 25 microfinance banks. Noteworthy is that in Enugu State, there are 17 local governments and what this implies in relation to the number (25) of microfinance banks in the state is that there are an average of only one microfinance bank in each local government area in the state. This is considered inadequate for reasonable financial inclusion in a state that is largely rural and typically excluded from the services of formal conventional commercial banks. Two, the estimated population of Enugu State as at 2022 was 3.7million people and that means 148,000 people is being served by one microfinance bank. This is considered inadequate for

meaningful effort at financial inclusion. Further, only 5 of the 25 microfinance banks that constitute only 20 percent are located in the local governments designated as rural. In essence, only 20 percent of the microfinance banks in Enugu State is in position to offer financial services to the rural dwellers. Furthermore, findings was that the microfinance banks that are established in the urban areas do not have branches in the rural areas to serve the rural dwellers. All these indicate very low extent of outreach of microfinance banks services to the rural dwellers from the perspectives of having business offices close to them. This showed very low commitment by the microfinance banks to reaching out and serving the rural dwellers.

### **Scope of services of the microfinance banks to the rural dwellers**

An analysis of the responses from the questionnaire in respect of the MFBs scope of service or products yields, as in Table 2 below showing the following services or products of the microfinance banks located in the rural areas of the state:

**Table 2: Distribution of the Respondents according to indicated service product**

S/N	Service Products	No of MFBs Applicable to	Percentage of MFBs
1.	Individual current account (Salary)	5	100
2.	Individual current account (business)	5	100
3.	Savings account	5	100
4.	Mobile savings account	5	100
5.	Fixed deposit account	5	100
6.	Individual loan account	5	100
7.	Festival services account	3	60
8.	Educational savings account	3	60
9.	Livestock business account	3	60
10.	Happy xmas account	4	80
11.	Storage business account	1	20
12.	Apprenticeship account	2	40
13.	Loan group account	5	100
14.	Co-operative savings account	5	100

**Source:** Fieldwork, 2023

Scope of the service outreach to rural dwellers is the outreach index that is concerned with the number and varieties of service products of the MFBs to the rural dwellers. The MFBs policy requires the MFBs to develop various financial services or products that are suited to the peculiar needs of the rural dwellers who typically in Nigeria are poor and engage in microbusiness in the agricultural or commercial sectors of the economy. The expectation is that broader spectrum of the rural dwellers is likely to be reached or served by the MFBs, if

they have and offer a wide range of credit and savings services. The number of services as indicated in Table 2 shows that the MFBs in all have 14 products.

### **Spread of the Microfinance Banks in Enugu State.**

The pattern and nature of the spread of the MFBs is very important. This is because the more MFBs are, the more and deeper that financial inclusion would be. In the table below that shows the spread of the MFBs, it is observed that:

- i) The spread of the MFBs is biased in favour of the urban areas. This bias as understood from the questionnaire is as a result of perceived low volume of business and the possible consequent low profitability of MFBs in the rural areas. Another explanation for that was that government is not doing much to encourage private investors to establish MFBs in the rural areas. A third explanation for that was that there are just no financially capable investors in the rural communities to promote or establish MFBs. Further inference from the questionnaire is that lack of basic infrastructures in the rural areas discourages people from establishing MFBs in the rural areas. Insecurity too was understood from the responses to account for the unwillingness of investors to establish MFBs in the rural areas.
- ii) The observation is that eight local governments do not have even a single MFBs. What this means is that both urban and rural dwellers in such local governments would have problem getting financially included. Specifically indeed, only 10 local governments have MFBs. Ideally, MFBs should be evenly spread across urban and rural local governments.

**Table 3: Spread of the Microfinance banks across the 17 Local Governments in Enugu State**

S/No	Names of Local Government	Number of MFBs	Status of LGA
1.	Igbo-Etiti	1	Rural
2.	Igbo-Eze South	-	Rural
3.	Igbo-Eze North	1	Rural
4.	UzoUwani	-	Rural
5.	Nsukka	4	Urban
6.	Udenu	1	Rural
7.	Ezeagu	-	Rural
8.	Udi	-	Rural
9.	Awgu	1	Rural
10.	Enugu North	14	Urban
11.	Enugu South	2	Urban
12.	Nkanu East	-	Rural
13.	Aninri	-	Rural
14.	Oji River	-	Rural
15.	Enugu East	-	Rural
16.	Nkanu West	-	Rural
17.	Isi-Uzo	1	Rural
	<b>Total</b>	<b>25</b>	

**Source:** Fieldwork, 2022

### Progress in expanding outreach to rural dwellers by the MFBs

As could be seen in the Table 4 below, none of the MFBs designated as urban based as in Table 1 expanded its branches to the rural areas for the period 2015-2022. The rural based ones, however, established some collection centres across the rural communities as in table 4 below. The expansion in branches is very low. Indeed, almost stagnant as the maximum number of branch expansion by the MFBs in the rural areas is just 2. This means that they only added one branch between 2015 and 2022. This by implication means that most rural communities do not have MFBs close to them. Ideally, an effective financial inclusion requires that financial services should be taken to the door steps of the people particularly those in the rural areas. This is because the closer to them that the MFBs are, the more likelihood of their seeking and getting banking services.

**Table 4: Expansion of MFBs branches to the Rural Areas**

S/No	Bank	No of Branches in 2010	No of Branches in 2022
1.	Destiny MFB	1	2
2.	Ifenayichukwu MFB	1	2
3.	Obollo MFB	1	2
4.	Akudiewa MFB	1	2
5.	Ejindu MFB	1	2

**Source:** Fieldwork, 2022

From the Table 5 below, the effort at expanding customer base by the MFBs or the number of people that get financially included appears inadequate. This is because the average expansion rate in the MFBs customer base is 0.95 percent in over seven years (2015-2022). Ideally, the MFBs customer holding should be expanding over the years to show that there is progress in the number of rural dwellers getting financially included. This not being the case indicates that there are constraints to the efforts of the MFBs towards financial inclusion of the rural dwellers.

**Table 5: Expansion in MFBs Customers**

S/No	Bank	Customer holding in 2010	Customer holding in 2022	Percentage Expansion of
1.	Destiny MFB	24,000	35,000	0.46
2.	Ifenayichukwu MFB	23,000	23,600	0.026
3.	Obollo MFB	26,000	27,500	0.057
4.	Akulieuwa MFB	22,000	22,900	4.09
5.	Ejindu MFB	20,000	22,600	0.13
	Average rate of customer expansion			0.95(1)

**Source:** Fieldwork, 2022

### Content Analysis of the Information in Respect of the Challenges to Financial Inclusion of the Rural Dwellers by the MFBs

A content analysis of the respondents to the open-ended questionnaire and some secondary sources in respect of the challenges to the financial inclusion of the rural dwellers by the MFBs yields the following as the major challenges:

1. **High cost of operation in the rural areas:** Delivery of services by the MFBs in the remote and rural areas is seen to be high. The high level of operational costs is seen to be a result of the non or inadequate supply of public electricity that leads to buying of gas or petrol for power generating sets. This is more especially as the use of private generating plants is inevitable as the MFBs use computers and need power at all times for their operations. The high cost of operation by the MFBs in the rural areas is seen to deplete the capital available for financial intervention to the rural dwellers, thus, constraining their outreach generally. The high cost of operation is also seen to make it difficult for the MFBs operating in the rural areas to reach operational self-sufficiency necessary to cover costs and build significant profit. The high cost of production is equally seen to result in increased cost of services to the rural dwellers as ultimately operational cost are passed over to the customers of the MFBs in the rural areas through increased interest or fees on services rendered to them. In the circumstance of the high cost of operation, establishing operating MFBs becomes unattractive to investors.
2. **High level of insecurity:** Security of lives and property is indicated to be one of the key reasons that explains the low establishment of MFBs in the rural areas. This appears understandable given the current problems of kidnapping, armed robbery, banditry and terrorism in Nigeria. The low level of the number of MFBs in the rural areas on account of insecurity constrains significantly the level of financial inclusion of the rural dwellers by the MFBs. The high level of insecurity is also seen to result in high operational costs as the MFBs spend heavily in maintaining security in the bank premises and on the course of moving cash to and from correspondent banks or central banks.
3. **Lack of adequate support or encouragement by government:** The lack of support by government to the MFBs is equally indicated to account for the inability of the MFBs to significantly include the rural dwellers financially. Government support in this direction is expected to come in the forms of waiving some kind and level of taxes for the MFBs located in the rural areas, beefing up security in the rural areas and putting in place basic infrastructures in the rural areas like network services and water that could make micro financing banking in the rural areas economically meaningful and socially desirable.
4. **Predominant low banking culture among the rural dwellers:** The rural areas were indicated to typically have low banking culture and so are not very keen to enhance microfinance banking services as provided by the MFBs. Reasons for the low banking

culture were indicated to include lack of confidence in banking operations and the general low literate level of the rural dwellers that constrains their understanding of banking operations and the crucial benefits of enhancing banking services.

## **Summary**

The study in summary, found out that:

- i) the number (25) of established MFBs in Enugu State as at 2022 is not adequate to achieve meaningful financial inclusion particularly for the rural dwellers. This is in the face of the finding that in Enugu State, there is just an average of one MFBs in a local government area.
- ii) the establishment and spread of MFBs in Enugu State is biased against the rural areas given that 18 of the total number (25) of MFBs are established in the urban areas as against the seven MFBs established in the rural areas. This means that the rural based MFBs constitute only 28 percent of the total MFBs in the state.
- iii) there is no significant progress in expanding outreach through branch expansion of the MFBs to rural areas or communities given that is just an average of two branches per the MFBs in the rural areas.
- iv) That there is no significant progress in expanding outreach through the expansion of customers holding given that the average rate of customer expansion among the five MFBs in the rural area is only 0.95 percent.

## **Conclusion**

It is in an effort to address the gap in the provision of financial services to a large population of Nigerians particularly the rural dwellers that the Central Bank of Nigeria (CBN) in 2005 launched the Microfinance Policy. The Microfinance Policy gave the legal backing to the establishment of MFBs for microfinance banking activities. In essence, the microfinance banking targets a creation of environment of financial inclusion that could contribute to national economic growth and development. However, microfinance banking in Enugu State has not really served as a framework for the much needed financial inclusion of the rural people. This study nonetheless, suggests measures to enhance the performance of the MFBs in financial inclusion of the rural dwellers in Enugu State.

## **Recommendations**

- 1) MFBs should target more on reaching out to the rural dwellers that have traditionally been underserved by the formal financial institutions. This specifically entails taking

banking services to the door steps of the rural dwellers through establishing the rural areas and expanding their branches.

- 2) Government should encourage investors to establish MFBs in rural areas by giving, for instance, tax wavier to the MFBs established in rural areas.
- 3) Government should regulate the establishment and spread of the MFBs to avoid concentration of MFBs in urban areas or areas already having large number of financial institutions. This is necessary as the geographic proximity of the MFBs to the rural dwellers is vital in their accessibility to the services of the MFBs.
- 4) The MFBs too, whenever necessary, should reform their service product delivery methods to suit the peculiar nature of the rural dwellers in terms of their level of enlightenment and business activities. Further in this respect, the MFBs need to develop as many service products as possible so that the rural dwellers will have the opportunity to use any of the numerous products that meet their respective needseither as individuals or as groups.
- 5) The MFBs should make their services or products simple and easy to understand and operate in order to increase their acceptability by the relatively low literate rural dwellers.
- 6) The MFBs should regularly engage the rural dwellers to determine the trend of their financial service requirements and needs particularly through market survey and customer forum. A customer forum could be used to enhance the financial literacy of the rural dwellers and their understanding of the need to embrace banking services particularly in the present emphasis on cashless economy in Nigeria.
- 7) The MFBs should, as much as possible, keep their interest rate on loans affordable for the mainly poor rural dwellers.
- 8) The MFBs should give reasonable interest rate on their savings deposit to enhance the savings culture of the rural dwellers.

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