Asian Journal of Economics, Business and Accounting

20(2): 1-13, 2020; Article no.AJEBA.62039
ISSN: 2456-639X

Effects of Financial Dualism and Inclusion on Economic Development in Nigeria

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Authors' contributions

This work was carried out in collaboration among all authors. Author PAO designed the study and performed the statistical analysis. Author GIA wrote the protocol and wrote the first draft of the manuscript. Author NFA managed the analysis of the study and the literature reviews. All authors read and approved the final manuscript.

Article Information

DOI: 10.9734/AJEBA/2020/v20i230319
Editor(s):
(1) Dr. Adina Dornean, Alexandru Ioan Cuza University of Iasi, Romania.
(2) Dr. Chan Sok Gee, University of Malaya, Malaysia.
Reviewers:
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(4) R. Ramakrishnan, India.
Complete Peer review History: http://www.sdiarticle4.com/review-history/62039

Original Research Article

Received 01 September 2020
Accepted 05 November 2020
Published 09 December 2020

ABSTRACT

This study examined the effects of financial dualism and inclusion on the economic development in Nigeria. Data were obtained principally from primary sources, interviews and questionnaires. The sample for the study consisted of one hundred (100) respondents randomly selected from shop owners in Eke Ugwu market, in owerri capital territory. The qualitative data were transformed into quantitative form with the use of likert scale. The ordinary least square (OLS) estimation technique was employed to test for relationship in the model. The study revealed a significant relationship between financial inclusion and economic development in Nigeria. The study further revealed that the delivery of quality financial services at affordable price and terms to the generality of the populace especially the disadvantaged and lower income segment of the society is the essence of financial inclusion. This study therefore recommends that the monetary authorities should ensurethat banks offer prompt and timely services. Neck-to-measure services should be produced

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and made available to customers at affordable prices. Again, Banks and other financial institutions should design appropriate packages that will assist in collaborating with the informal financial institutions so that the funds so far mobilized by them are integrated into the banking sector. This will reduce the volume of currency outside the banking sector.

Keywords: Economic development; financial dualism; financial inclusion; formal financial institution; informal financial institution.

1. INTRODUCTION

The economies of developing countries such as Nigeria operate with dual financial institutions. On one hand are groups which function through direct governmental control known as Formal Financial Institutions such as deposit money banks, Insurance Companies and Mortgage Banks. On the other hand are those financial institutions which are not directly controlled by government, called informal financial institutions such as money lenders, cooperative societies, thrift and loan societies, local bankers, cooperatives etc. The continuous growth in the informal sectors in the recent years in most developing countries like Nigeria has a number of implications for activities in this sector. These include; greater volume of currency outside the banking sector, high interest rate, fraudulent practices among the operators [1].

It has been contended that the formal financial institutions will promote savings and investment, improve opportunities for credit, and engender reduce poverty. But the continuous growth and expansion of the informal financial institution operations in Nigeria has a lot to say about the depth, efficiency and stability of the formal financial institutions. However, it has been observed that formal financial institutions have seriously come short of the expectations as they have made things harder for Nigerians through stringent conditionalities for credit, poor customer services delivery and high interest rates. The introduction of the informal financial institutions by individuals and groups is to cushion the effects of the formal financial institutions on the socio-economic wellbeing of the people. The informal groups operate at the lower end of the market and are usually developed towards satisfying specific financial needs of its members.

In Nigeria, financial institutions especially the deposit money banks (DMBs) and microfinance institutions (MFIs) are the main agents/drivers of savings mobilization. In order to effectively mobilize deposits, the deposit money banks and microfinance institutions are expected to offer relatively high deposit rates in order to attract more deposits. Unfortunately, the deposit rates offered by banks in Nigeria have been generally low in the last five decades with an average of 9%; while inflation rate has been relatively high with an average of 19% in the last decade. A trend analysis of the ratio of total savings to GDP in Nigeria shows that the savings rate has been fluctuating. For example, the savings/GDP ratio in 1960 was 2%. It increased to 7.8% and 11.6% in 1970 and 1980, respectively. In 1990 and 2000, it declined to 11.1% and 8.4% respectively. The existence of financial dualism is basically hinged on two strands of arguments. In the first instance, informal financial system exists as a response to the formal financial institutions' shortcomings and excessive regulation. The second argument is that informal financial sector results from the dualism of the economies of developing countries.

The Enhancing Financial Innovation and Access (EFInA) [2] defined financial inclusion as the provision of a broad range of high quality financial products such as savings, credit, insurance, payments and pensions, which are relevant, appropriate and affordable for the entire adult population especially the low income segments of the economy. Financial Access Initiative (FAI) has estimated that 2.5 billion adults, just over half of the world's population, do not use formal financial services to save or borrow. 62% of adults, nearly 2.2 billion, living in Asia, Africa, Latin Africa and Middle East are un-served. A little more than 800 million live on less than $5 per day. Nigeria is not exception with a large population of financially un-served people put at 46.3% in 2010 [3] in Paul, 2013 [4]. In essence financial inclusion is complementary to economic growth as the two contribute toward poverty alleviation. For instance, Demirgue-Kunt, Beck and Honohan, 2008 [5]; Nwakobi, Oleka; and Ananwude, 2019 noted that financial sector development is a driver of economic growth which indirectly reduces poverty and inequality while appropriate financial services for the poor can improve their welfare. Such inclusive financial system is therefore a veritable avenue for economic development and growth given its capacity to ensure improvement in the delivery of efficient services, creation of saving opportunities and facilitation of capital formation among the poor [6].

The Nigerian financial system, though differing over the years, has remained particularly dualistic with a side by side existence of formal and informal financial institutions. Despite series of reforms by the monetary authority to reduce the size of informality, available projection shows the existence of a large chunk of informal sector, which has both merits and demerits depending on the focus of analysis. This is because the formal sector has failed to create a healthy and competitive environment to stem the increase proliferation of additional informal units. Again, the formal financial sector could not absorb the informal financial sector because their mode of operation is parallel to each other in principle but in reality both do the same function- financial intermediation. Within the formal sector, the procedures for cost of funds and lending are not competitive, whereas there exists a seamless quick and easy to access procedures in the informal unit although pricey. This has been one of the hindrances made possible by the formal financial sector, which provides the motivation to ensure the emergence of new informal units, and the sustenance of dualism in the financial sector in Nigeria [7].

Financial inclusion is critical to the attainment of poverty reduction, removal of barriers to economic participation of rural dwellers, women, youths and those at the bottom of poverty. It is also focused on improving financial education for rural dwellers. One of the aims of financial inclusion is that paves way for sustainable economic development by providing financial services to individuals and communities that traditionally have limited or no access to the formal financial sector as evidenced in Nigerian rural dwellers [8]. Meanwhile, this study is meant to evaluate the relationship between financial inclusion and financial dualism and economic development in Nigeria with a particular interest in the commerce industry. The sophistication and robustness of the formal financial sector could have meant absence or reduction in the operations of informal institutions thereby increasing the volume and number of people integrated to the formal sector. But the inverse is the case with Nigeria. It is obvious to note that all governmental actions and plans to reduce the volume of currency outside the banking sector have not achieved the expected result. According to Afangideh [1], despite the upsurge and increasing competition among the banks, these informal financial institutions have remained resilient and prominent. It is however contended that lax regulatory control and restrictions to entry and exit into the formal financial industry has allowed for their increased proliferations in the informal sector. However, the question that needed an urgent answer is; why have the operations and activities of the informal financial institutions remained significant and are still wax stronger despite the sophistication and automation of formal financial institutions in Nigeria?

Therefore, the main objective of this study is to determine the effects of financial dualism and financial inclusion on economic development of Nigeria. The specific objectives are;

1. to determine the effect of formal financial institutions on economic development,
2. to investigate the effect of informal financial institutions on economic development,
3. to examine the relationship between the quality of services and economic development.

In view of the objectives of this study as stated above, the following hypotheses have been formulated;

HO_1: There is no significant relationship between formal financial institutions and economic development.
HO_2: There is no significant relationship between informal financial institutions and economic development
HO_3: There is no significant relationship between quality of services offered and economic development in Nigeria.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

Financial inclusion refers to the timely delivery of financial services to the disadvantaged and low income group at an affordable cost [9]. It includes availability of, and access to, different types of formal financial services at reasonable prices. Financial inclusion is the benchmark used to assess how formal financial services reach the common people in the economy [10]. It is a term commonly used to represent the deliberate attempt which makes the poor, marginalized people and those vulnerable to low economic power to engage in formal economic process through ownership and usage of formal financial service at regular intervals.

Financial inclusion is the enabling access to financial resources and service for different economic agents at an affordable cost and within a reasonable time, especially to those with lower income [11]. It could also be said to be the delivery of financial services at affordable costs to the unbanked and low-income segments of society. It is the opposite of financial exclusion where those services are neither available nor affordable to a certain category of economic agents, particularly the low income members of the society [12].

Economic growth is an objective of financial inclusion which includes political, economic and social inclusion [13]. Countries with better developed financial system experience faster reductions in poverty levels, higher level of economic development, higher investment and economic stability. It is worthy to note also that growth in any economy depends strongly on the strength and depth of the financial sector. The ability of the financial system to mobilize adequate funds needed for investment which brings development depends on the depth, efficiency and confidence the people have on the financial system.

2.2 The Nature of the Informal Financial Sector in Nigeria

The informal financial sector generally entails financial activities that occur outside the immediate control of government agencies. It involves those financial transactions that operate without official regulations, conventions and polices (Ifionu and Ibe, 2015). Even when they do; they are not compelled by any possible means to render official returns on its operations or processes. Thus, informal sector activities generally consist of enterprises, which render no account to any regulatory agent. They are not fully organized, but they play essential roles in the economy [14]. In Nigeria, there are a lot of intermediary functions in the informal financial sector. They include;

The "Esu-Esu" scheme is the most developed and widely practiced financial intermediation; it is a system that targets the low-income, artisans and petty-traders in the country. The *Esusu*system is a kind of savings mobilization strategy which operates as a revolving scheme that continues until each member has benefited from the scheme and is seen to be capable of offering a more promising solution to people's financial problems than do the commercial banks.

Daily Contribution Scheme: It is a scheme where people unknown to themselves contribute varying amounts daily to an organizer (collector). The money is kept in safe custody for the contributors (from which the collector can grant short-term loan) till the end of the month when he returns the amount contributed less a day's contribution as commission that is equivalent to about 3 percent of the monthly contribution. The collector of funds comes around daily to collect the funds of the people who are interested in engaging in this scheme. The monies collected are determined by the amount of money that can be spared by the contributor, although the initial contribution determines the amount that will be contributed daily. This scheme is advantageous in that any contributor can borrow against his/her accumulated savings even before the end of the month. This is one of the important roles of the informal financial sector in filling the gap created by formal financial institutions.

The Money Lending Business: This is an age-old system of financial intermediation channeling funds from areas of surplus to areas of need. This informal transaction ranges from an interest-free close family transfer to interest loan guarantee of the notable moneylender. Again, this type of business is outside the formal regulation of state institutions, yet they play very important role in the economy. The transaction is purely based on confidence and, trust between the parties to the transaction [15].

The concept of development has been defined variously by scholars, corporate institutions and development experts. According Congressional Budget Office (1997) development is the process of economic and social transformation within a country and both economic growth and economic development as well as improvement in human welfare, such as rising education levels, improvement in health care and life expectancy, and increase in household food consumption. It usually includes a concept of equity (the income level of the median household increase along with economic growth) and may include sustainabilit*y* (a process of development that does not make future generations worse off through environmental damage).

2.3 Theoretical Review

2.3.1 Sustainability theory

Sustainability theory as developed by Felix Ekardt in 1986 defines sustainability as a form of economy and society that is lasting and can be lived on a global scale. The theory tries to explain the potential for long-term maintenance of well-being, which has ecological, economic, political and cultural dimensions will be in the long run. Sustainability requires the reconciliation of environmental, social equity and economic demands to achieve its aim especially in the rural areas. It supports rural transformation which improves the well beings of the people mostly those in the rural areas.

2.3.2 The dependency theory

The theory was propounded by Gunder Frank using from Marx's ideas. It is a reaction to modernization theorist's assumption that behavioural traits and structures/institutions in the third world are impediments to actualizing economic growth and development and that imitating structures and institutions of the advanced capitalist countries is the only way to achieve development. Rather dependency theorists argue that it the contact with western structures and institutions have been central in the discussion of poverty and backwardness in the third world countries. The theory sees internal factors as not being central to underdevelopment but sees indigenous institutions as capable of engendering development. Informal financial institutions which creation of indigenous people in third world have been found to have gained more popularity in terms of improving the standard of living of the people. Based on the emphasis placed on the efficacy of indigenous institutions promoting development by dependency theorists, informal financial institutions, which are indigenous creation, may be seen as playing a critical role in ensuring development in third world countries.

2.4 Empirical Review

Onwe [16] examined the role of the informal sector in development of the Nigerian economy: output and employment approach. The study descriptively found positive effects of informal financial institutions on the development of Nigeria economy. The study revealed thus; first, the traditional or informal sector is continuously expanding in developing countries, and has been serving as a 'safety belt' in providing employment and income to the teaming poor; secondly, informal sector activities, often described as unrecognized, unrecorded, unprotected, and unregulated by the public sector are no longer confined to marginal activities but also included profitable enterprises in manufacturing activities; third, the informal sector is largely characterized by low entry requirements, small-scale operations, skills acquired outside of formal education, and labour-intensive methods of production; forth, the informal sector is defined according to different classifications in terms of activity, employment category, location of actors, and income and employment enhancing potential.

Nwafor and Aremu [17] focused on the relationship between financial inclusion and economic growth in Nigeria. Two hypotheses were formulated, corresponding data (spanning from 2001 to 2016) were obtained and tested using Two-staged Least Squares Regression Method. Findings revealed that financial inclusion has significant impact on economic growth in Nigeria and that financial industry intermediation have not influenced financial inclusion within the period under review.

Mahieddine [18] examined the impact of informal sector on income distribution in UAE. Instead of using GINI coefficient, the paper considers income shares of decile groups of population and the results reflect a dual role of informal sector in economy. On one hand, informal sector could reduce the gap between income earners at the bottom level of income categories. On the other hand, the size of informal sector could exacerbate the gap between top income earners and other categories indicating further concentration of income.

Ifionu and Ibe (2015) empirically examined the impact of the informal financial sector on economic growth in Nigeria from 1981-2013. Employing ordinary least squares technique, the study revealed that the informal financial sector impacts negatively on gross domestic product and per-capita in Nigeria. Other variables that impact negatively on GDP are real interest rate, degree of financial depth while total savings has a positive but insignificant relationship.

Onaolapo [19] examines the effects of financial inclusion on the economic growth of Nigeria (1982-2012).Data for the study are collected mainly from secondary sources such as Statistical Bulletins of the Central Bank of Nigeria (C.B.N.), Federal Office Of Statistics (F.O.S.) and

World Bank. Data were analyzed using the Ordinary Least Square (OLS) method. Hypothesis was tested and it revealed that there is a significant relationship between financial inclusion and economic growth in Nigeria.

Enueshike and Okpebru [20] examined the effects of financial inclusion on economic growth in Nigeria from 2000 to 2018. Archival data sourced from Central Bank of Nigeria statistical bulletin was used for the estimation of the variables. The dependent variable of financial inclusion proxied by contribution of financial institutions to gross domestic product (GDP) was regressed on the explanatory variable of loan to small and medium enterprises (LSME), rural bank deposit (RBD) and control variable of inflation (INF). The ex-post factor research design was adopted for the study and diagnostic tests of unit roots and co-integration were conducted which show that the variables co-integration were mixed and show a long term relationship respectively. The statistical estimation of the explained and explanatory variable were done using auto-regressive distribution lag and findings from Wald tests indicate that loan to small and medium enterprise (LSME),rural bank deposit (RBD) and inflation (INF) has a significant effect on economic growth in Nigeria.

Nwafor and Aremu [17] examined the nexus between financial inclusion and economic growth in Nigeria from 2001 to 2016. Two-staged Least Squares Regression Method was used and findings revealed that financial inclusion have significant impact on economic growth in Nigeria and that financial industry intermediation have not influenced financial inclusion within the period under review.

Okere, Otiwu, Uzowuru and Ozuzu [21] empirically investigated the effects of financial inclusion on economic growth of Nigeria (the microfinance option) from 1992 to 2013. Using Ordinary Least Square method and employing the Johansen Cointegration tests the study revealed that the activities of microfinance as one of the financial inclusion strategy significantly contribute to economic growth.

Omojolaibi [22] empirically investigated the impact of financial inclusion on governance characteristics on economic progress in Nigeria via three major channels: Investment in infrastructure, per capita GDP and income inequality (1980-2014). The study adopted the Generalized Method of Moment (GMM) estimation technique and found out three striking results were reported:(i) financial inclusion and governance indices have statistical relevance in determining infrastructural investment in Nigeria; (ii) Governance indices and commercial bank deposit significantly increase per capita GDP; and (iii) financial inclusion has the tendency to bridge the gap between the rich and the poor and reduce the prevalence of poverty in the economy. Again, Ogbeide and Igbinigie [23] examined the impact of financial inclusion on poverty alleviation in Nigeria using time series data for the period 2002 to 2015. The study employed the ordinary least squares multivariate regression technique and found out that financial inclusion exerts significant impact on per capita income, reduces poverty level and improves standard of living. Specifically, the result shows that commercial bank branches per 100, 000 adults exert positive impact on per capita income, increase standard of living and contributes to poverty alleviation.

3. METHODS AND MATERIALS

This section deals with the procedure for carrying out the research. The descriptive design is used for this study. Descriptive Survey Design is a formal method of obtaining data from population or items that are considered to be representative of the entire group mainly through questionnaire and interviews. The area of the study the EkeUkwuOwerre in Owerri Municipal council of Imo State(those that deal in buying and of goods and services) Owerri Munical Council is one of the local government council Imo state and it housed the state capital of Imo state. Ekeukwuowerre or Ekeonunwa as it is popular called is one of the biggest markets in Imo state and it situated between Douglas road and Teltlow road. Its location in the state capital made the market so popular and accessible to all and sundry in the state and beyond. Both local and foreign goods are sold in the market with average shops of 3,765. The market has 36 lanes in which each lane has a particular items/ goods been sold in it.

The study used random sampling techniques by means of Ballot system to select 100 traders in the Eke-UkwuOwerre Market. This study adopted a primary source of data and developed a well structured questionnaire to be used for this study. It is divided into three sections-A, B and C Sections. Section A, sought information on personal data (Biodata) while Section B comprises of 35 item questions based on the research objectives to ascertain the views and opinion of the traders on financial inclusion, financial dualism and economic development. This study is expected to be completed in two years (from 2017 to 2019) all things being equal.

3.1 Validation of the Instrument

The Instrument used for the study was subjected to the scrutiny by the researchers' supervisor and experts in measurement and evaluation. Each of these experts in the area ticked the items that were suitable and suggested other items to be included. The corrections were effected before the final copy is produced.

3.2 Reliability of the Instrument

The study conducted test-retest using the same instrument which was administered to 100 traders in Orlu Local government area of Imo state. The instrument was administered on them twice in a space of three weeks. The two scores were correlated using Pearson product moment and a correlation coefficient of 0.69 was obtained. This indicates that the test instrument is reliable. A total of 100 copies of the questionnaire were distributed to the traders of the sample market personally by the researcher. These copies were collected back within two days to ensure high percentage returns.

3.3 Methods of Data Analysis

Descriptive Statistics was used in the analysis of data. Statistical measures such as simple percentage will be used to analysis responses from the questionnaires distributed to the traders in the market. Consequently, the likert five-point scale and regression technique will be adopted by the researcher to test the research hypotheses stated in section one of this work. By likert five-point, the level of variation will be ascertained. Likert fivepoint scale model is a qualitative data analysis technigue which scales and objectively measures the respondent's degree of agreement or disagreement of the statement in the questionnaire. A numerical score is assigned to each of the agreement or disagreement. The scores from all the statements are added up to obtain the total score of each respondent. The purpose of the technique is to known whether to reject of accept the (H0) Null hypotheses as stated ab-initio. The use of the technique will lead to the use of Ordinary Least Squares regression analysis.

The five response mode were assigned a normal value as stated below

SA = Strongly Agree (5)
A = Agree (4)
N = Neutral (3)
D = Disagree (2)
SD = Strongly Disagree (1)

3.4 Model Specification

Followinga detailed review of previous studies, the equation is specified thus;

$$ECDEV = f\ (QBSV, IFIC, FFIC) \quad \text{(i)}$$

Functionally stated as;

$$ECDV = \alpha_0 + \alpha_1 QBSV + \alpha_2 IFIC + \alpha_3 FFIC + \mu \quad \text{(ii)}$$

ECDV=Economic Development
QBSV= Quality of Bank Services
IFIC= Informal Financial Institution Contributions
FFIC= Formal Financial Institution Contributions
μ= error term
$\alpha_{0=}$ Model intercept
α_1 $\alpha_{2,}$ $\alpha_{3,=}$ Coefficients

3.5 Appriori Expectation

The appriori expectation is that all the independent variables; QBSV, IFIC, FFIC will have a direct positive relationship with the dependent variable ECDV.

This is thus stated; $\alpha_{1,}$ $\alpha_{2,}$ $\alpha_{3,}> 0$.

4. DATA ANALYSIS AND INTERPRETATIONS

A total of 100 questionnaires were administered to the traders in the Eke-Ukwu Market Owerri.

Table 1. Questionnaire distribution and collection

Questionnaires	Number	Percentage
Returned	93	93
Not returned	7	7
Total no. administered	100	1.00

Source: Field Survey, 2017

Out of the total number of 100 questionnaires administered to the traders in Eke-UkwuOwerre, 93 questionnaires were properly filled and returned. This represented 93% return while only a little fraction of 7% was not returned.

Table 2 represents socio-demographic characteristics of the respondents in relation to age, sex, marital status, and level of education. The Table shows that the majorities of the respondents fall within the age range of 40-49 with 37.63 percent while those of 60 and above were the least with 8.31 percent. Further, respondents in the age range from 20-29 had 11.82 percent; 30-39 had 29.03 percent while 50-59 had 12.90 percent. With regard to sex distribution, male were majority with 69.89 percent while females were minority with the percent of 30.11 On marital status, married respondents constituted the bulk of the study with 46.16 percent while widow/ widower constituted 12.90 percent and divorced respondents were the fewest with 7.53 percent. Still, respondents who were single had 34.41 percent. With respect of educational level, respondents with secondary level had most percentage with 39.78 percent while those with no schooling had the least with 10.75 percent. Further, respondents with primary education had 29.04 percent while those with tertiary education had 20.43 percent

Table 2. Socio-demographic characteristics of the respondents

Demographics	Frequency	Percentage
Age		
20-29	11	11.83
30-39	27	29.03
40-49	35	37.63
50-59	12	12.90
60 and above.	8	8.31
Sex		
Male	65	69.89
Female	28	30.11
Marital status		
Single	32	34.41
Married	42	45.16
Widow/ widower	12	12.90
Divorced	7	7.53
Level of education		
Primary	27	29.04
Secondary	37	39.78
Tertiary	19	20.43
No Education	10	10.75

Source: Field Survey, 2017

The coefficient of determination (R2) shows how much of the variance in the dependent variable is explained by the model. The regressors (FFIC, IFIC, and QBSV) explained 8.4% of the variance in the Economic Development (ECDEV) while 91.6% is left unaccounted for which is attributed to error term. The Durbin- Watson statistic of 1.5 shows the absence of autocorrelation which makes the estimate unbiased, consistency and reliable for policy formulation. The F- statistic of 2.7047103compared to its Prob. (F-statistic) tending to 0.040216 at 5% significance level reveals the explanatory variables (QBSV, IFIC, FFIC) are jointly significant in explaining the changes in the economic development of Nigeria.

4.1 Test of Hypotheses

HO1: There is no significant relationship between formal financial institutions and economic development in Nigeria.

From Table 3, the study accepts the HA and rejects the HO and concludes that formal financial institutions have significant relationship with economic development in Nigeria. The relationship revealed a negatively relationship against the appriori expectation of positive relationship. The reason for this is not far-fetched. The interest rate on loans and advances by the banks are very high and this really affects businesses in Nigeria.

HO2: There is no significant relationship between informal financial institutions and economic development in Nigeria.

From Table 3, the study accepts the HO which leads to the rejection of HA and concludes that informal financial institutions have no significant impact on the economic development of Nigeria. This result revealed that the informal financial institutions in Owerri, Imo State have not significantly supported business. This is in contrast with the study of Onwe [16]; Mahieddine [18], 2017 which found a significant positive relationship between informal financial institutions and economic development in Nigeria and UEA respectively.

HO3: There is no significant relationship between quality of services offered and economic development in Nigeria.

From Table 3, the study rejects the HO and accepts the HA and concludes that there is significant positive relationship between quality of services offered (financial inclusion) and economic development of Nigeria. This suggests that what drives financial inclusion in Nigeria is the nature of quality of services and the price of services offered by both the formal and informal financial institutions. By the definition of financial inclusion as timely delivery of financial services to the disadvantaged and low income group at an affordable cost, this shows that financial inclusion is visible here and also contributed significantly to the economic development of Nigeria. This finding is in line with the study of Onaolapo [19]; Nwafor and Aremu [17]; and the dependency theory.

Table 3. Results ofordinary least squares regression

Dependent Variable: ECDEV				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
FFIC	-0.128583	0.071431	-1.800105	0.0753
IFIC	-0.004569	0.036839	-0.124036	0.9016
QBSV	0.082633	0.036899	2.239457	0.0276
C	46.28866	2.602479	17.78637	0.0000
R-squared	0.084422	Mean dependent var		45.71739
Adjusted R-squared	0.053209	S.D. dependent var		2.766861
S.E. of regression	2.692244	Akaike info criterion		4.861132
Sum squared resid	637.8395	Schwarz criterion		4.970775
Log likelihood	-219.6121	Hannan-Quinn criter.		4.905385
F-statistic	2.704710	Durbin-Watson stat		1.502675
Prob(F-statistic)	0.040216			

Source: E-views statistical Package

5. CONCLUSION

From the analysis above, it can be observed that the activities of formal financial institutions significantly impacted on the economic development of Nigeria, although inversely which is likely be caused by high interest rate charges on credits which erode the profit of the business people. The above analysis revealed that the financial inclusion (quality, availability, affordability and seamless of services) impacted significantly to the economic development of Nigeria. This means that what really matters to the banking customers in the choice of bank services is the quality of service rendered by the institution. Furthermore, the informal financial institutions contribution to economic development was not significant. Again, the coefficient of determination showed that the regressors (FFIC, IFIC, and QBSV) explained only 8.4% of the variance in the economic development (ECDEV) while 91.6% is left unaccounted. We can conclude that to an extent that financial inclusion and dualism have contributed to economic development of Nigeria within the sampled population and during the time of this study.

6. RECOMMENDATIONS

Based on the forgoing, the study recommend as follows:

1. The monetary authorities should continue to ensure the banks deliver quality and affordable services to their customers. This alone will encourage more people to be integrated to the formal financial institutions.
2. Banks and other financial institutions should design an appropriate package that will assist in collaborating with the informal financial institutions so that the funds mobilized by them are integrated into the banks. This will reduce the volume of currency outside the banking sector.
3. Financial education is very necessary to enlighten the public about the quality and availability of banks services rendered by financial institutions in Nigeria. Many people especially those in the rural areas are not aware some of these good services the banks are rendering.

CONSENT

As per international standard or university standard, participant’s written consent has been collected and preserved by the author(s).

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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APPENDIX

Banking and Finance Department,
School of Postgraduate Studies,
Imo State University, Owerri.
12th of September, 2017

Dear Respondent,

This study/ Research titled "Financial Inclusion, Financial Dualism and Economic Development – The Nigeria Experience." is purely academic exercise and it is meant to understand how financial inclusion and financial dualism effect the economic development in Nigeria. It is very important the questionnaire is completed and returned. All the information you give will be totally confidential.

Thank you.

Yours Sincerely,

Okere, Peter A.

SECTION A

PERSONAL INFORMATION

Gender: Male ☐ Female ☐

Marital Status: Single ☐ Married ☐ Widow ☐ Divorced ☐

Age: 18-38 ☐ 39-58 ☐ 59- 78 ☐ 79-Above. ☐

Level of Education: FSLC ☐ SSC ☐ OND ☐ B.Sc/ HND ☐

MBA/MSc ☐ No Education ☐

Occupation: ☐

SECTION B

Please indicate the extent to which you agree or disagree with each of these statements, Tick the ONE that corresponds with your answer.

SA=Strongly agree, A=agree, N=neutral, D= Disagree, SD= Strongly disagree

Economic Development Variables/Index (Y)

		SD	D	N	A	SA
1	Technological improvement/ advancement has helped to improve quality service delivery in financial service industry in Nigeria.					
2	The level of income determines the volume of savings					
3	The level of financial developments in Nigerian determines the quantum of deposits mobilized by banks					

4	Investment is a catalyst for economic development in any developing country.					
4	Over the years, there has been an increase in the level of production of goods and services which has significantly improved the lives of Nigeria.					
5	There is no equality in the distribution of income in Nigeria.					
6	There has been appreciable increase in the provision of health care services in Nigeria (such as combating the Ebola virus, Polio etc)					
7.	Unemployment is a major facing economic development in Nigeria.					
8	Inadequate security has negatively affected the foreign direct investment and crude oil export in Nigeria.					
		SD	**D**	**N**	**A**	**SA**
	QUALITY OF SERVICE DELIVERY IN BANKS (X_2)					
1.	High cost of bank services affects their accessibility					
2	Timely delivery of bank services encourages more patronage by potential customers					
3	Rigorous ways involved in accessing financial services and resources negatively affects people's patronage.					
4	The introduction of microfinance banking has significantly improved the provision of financial services to the low income groups					
5	One of the major challenges of financial inclusion in Nigeria is financial illiteracy.					
6	Documentation costs and highly formalized system have significantly hindered financial access to low income groups.					
7	Poverty has made people directly and indirectly be excluded from the formal financial system					
	Informal sector contributions	**SD**	**D**	**N**	**A**	**SA**
1	The continuous existence of the informal financial institutions (Esusu, money lenders, age grade meetings etc) is as a result of the rigidity and bottlenecks in the operations of the formal financial institutions					
2.	Despite the risk and cost involved in the informal financial institution services, they still enjoy high patronage due easy and timely access					
3.	The financial services of the informal financial institutions are cheaper and affordable than those in formal financial institutions.					
4	The services of the informal financial institutions are easily accessible compared to the deposit money banks.					
5	Esusu form of the informal financial institutions provides a convenience, timely financial services to the lower income earners.					
6	The promptness and availability of the services of the money lenders have been the reason for their continuous existence.					
	Formal sectors contributions	**SD**	**D**	**N**	**A**	**SA**
3	The formal financial institutions have not appreciably satisfied the needs and desires of the low income groups in the society.					
4	The efforts of the financial regulatory authorities to integrate more people into the formal financial institutions has not achieved its desired results due to the cultural alienation of the low income groups to informal financial institutions.					

5	Apathy and nonchalant attitudes on the part of the low income groups are the major reasons for their exclusion					
6	The wide range of financial services/ products provided by the formal financial institutions has reduced the level of financial exclusion in Nigeria.					

Peer-review history:
The peer review history for this paper can be accessed here:
http://www.sdiarticle4.com/review-history/62039