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Socio-economic Determinants of Financial Inclusion of Enterprise Owners in Southwest Nigeria

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Abstract: This study investigates the socio-economic determinants of financial inclusion in Southwest Nigeria. Cross-sectional data were employed and the sample of 409 Micro Small and Medium enterprises (MSMEs) owners were used for data analysis in this study. Descriptive statistics and Ordinary Least Square (OLS) regression were employed to analyse the data. The findings on the determinants of financial inclusion revealed that income constraint is negatively and significantly drive financial inclusion. Using someone else's account positively influence financial inclusion. Bank distance and difficulty to withdraw negatively affect financial inclusion. The results further revealed the socio-economic factors that influences financial inclusion of enterprise owners and the results indicated that gender, education, age, marital status, sector of business and financial literacy positively drive financial inclusion with only education and financial literacy being significant at 0.05 p-value. The study recommends that the stakeholders (Government, Central Bank of Nigeria and other financial institutions) need to develop appropriate products and services within the scope and reach, suitable to and can accommodate low-income earners like some micro enterprise owners, this will avail them the opportunity of accessing financial services.

Keyword: Financial services, Financial inclusion, Enterprise owners, socio-economic factors

JEL: G00, L26, M21

1. Introduction

Presently, financial inclusion is widely recognised as a key public policy goal. The debate on how to make the financial system work better for the poor and business owners has shifted from microcredit to microfinance and there is now a general concern for financial inclusion (Mader, 2016). Financial inclusion (FI) means expanding people's access to, and efficient use of, high-quality financial services like saving, payment, credit, and transfers at an affordable rate (Pailhe, 2018). Financial inclusion entails not just having access to, but also making use of financial services and products, as access alone does not imply efficient use of

financial products and services to make informed decisions (Regan & Paxton, 2003). More and better financial inclusion helps reduce poverty by minimising people's vulnerability; it boosts productivity for Micro, Small and Medium Enterprises (MSMEs) and encourages business formation. Greater access to finance has a positive effect on macroeconomic growth, financial stability, and inequality reduction (Global Partnership for Financial Inclusion (GPFI), 2011; GPFI, 2017).

High levels of formal financial service use or a broad range of access points do not necessarily indicate that a system is truly inclusive (Camara & Tuesta, 2014), as economic, socio-cultural, and demographic features are what ultimately determine financial inclusion or exclusion (Prathap, 2011). Socio-economic factors including educational attainment, age, gender, occupation, income level, and others may also have an influence on access to and use of financial services. All of these factors may influence how individuals' access and use different services (Dahmen & Rodríguez, 2014). The level of ease of access to capital can be perceived differently by male and female MSME owners. Some researchers (Coleman, 2000; Muravyev, Talavera, & Schafer, 2009; Kholifah, 2011; Nguyen & Nguyen, 2014; Nainggolan, 2016) found that female MSME owners tend to feel a lower level of ease in accessing financial services. Age of the business and the business owner will definitely affect the access to financial services and products in formal financial institution, due to experiences and properties acquired by the older firms which will enable them to have access to credit. Enterprise owners with higher educational attainment have higher likelihood of accessing bank loan and other financial services and products than those who do not have. This is because educated business owners are well informed on bank credit services and its requirements, able to access and use the modern financial technology for his/her day-to-day business transaction (Oke, Soetan & Ayedun, 2023). Ahmed and Hamid (2011) used the top manager's level of education as a measure of the quality of human capital and found significant positive relationship between educational level and the probability of accessing bank financial services and products. Slavec and Prodan (2012) and Zarook *et al.,* (2013) revealed that educational level of business owners has significant positive correlation with access to bank loan. It is hence necessary to relate the extent of access to and usage of the financial services to the socio-economic characteristics of the users of financial services.

Although, there are many determinants of financial inclusion that can contribute to either its success or failure, these determinants can be from either supply-side/ financial providers or the demand-side/financial users. However,

the decision of enterprise owners to choose formal bank finance is influenced by many factors. Scholars on determinants of financial inclusion do not separate the demand-side, socio-economic factors from supply-side (Yoshino & Morgan, 2016; Olaniyi & Adeoye, 2016; Ajide, 2017; Ng'weno, Oldja, Hassan, & Kapoor, 2018). Financial inclusion determinants that are solely based on supply side without considering the socio-economic characteristics of the users may result in inconclusive findings and inconsistent policy formulation on financial inclusion.

Despite extant studies on financial inclusion, empirical studies on the influence of socio-economic factors of enterprise owners on financial inclusion are scarce. In Southwest Nigeria, studies on financial inclusion remain few and are mainly concentrated on the impact of financial inclusion on economic growth, welfare, poverty reduction. Hence, the objective of this study is to examine the influence of socio-economic characteristics of enterprise owners on financial inclusion in Southwest Nigeria.

2. Literature Review

2.1. Theoretical Framework

According to Schumpeter (1934) in his financial intermediary theory, the financial sector through its effort does not only aid the availability and accessibility of capital formation but also promotes innovation, efficiency and investment which in turn raise output growth and profitability of the firm. Financial institutions influence the economy by the means of first accumulation of savings and capital and then channels savings and capital to fund the most productive business owners or investors. Access to financial resources increases the firm's ability to discover and act upon discovered opportunities. Similarly, the resource-based theory considers availability and accessibility of finance as the major means for enterprises growth and indeed the lifeblood of firms. The Resource-based theory states that access to financial resources by a business owner is an essential determinant of opportunity and new venture growth (Wernerfert, 1984). Gill and Biger (2012) revealed that sufficient finance has a positive influence on the survival and growth of enterprises and without which the enterprise owners would find it difficult to succeed. Financial inclusion will enhance the sustainability of enterprises by increasing their access to easier and lower-cost financing, which is essential for their continued growth (Batrancea *et al.*, 2018). Enterprises will be more efficient and savings and investment intermediation will be enhanced through effective financial inclusion (Aduda & Kalunda, 2012). Enterprise owners' access to funding will result in increased

employment and higher labour productivity, thus contributing to economic growth (Ayyagari *et al*., 2016).

2.2. Empirical Literature

Findings from the literature on determinants of financial inclusion revealed that the major determinants of financial inclusion include; availability of internet access, credit provided by the financial sector, deposit interest rates, inflation, population, gender, age, educational level, income level, age, confidence and trust in the financial sector, financial literacy, recordkeeping, poverty level, employment status, and proximity to bank branches.

Over the last decade, Africa's financial inclusion concept has evolved, particularly with the introduction of mobile money banking in East Africa, where more than 73 per cent of Kenyans operate mobile money banking (Ng'weno, Oldja, Hassan, & Kapoor, 2018). In support of this, Suri and Jack (2016) conducted a six-year study in Kenya and showed that using the mobile money system M-PESA assisted 194,000 Kenyan households to move out of poverty. They argue that most of the gain resulted from low-income women who are able to move from farming to small-business ownership in ways that would not have been possible before M-PESA. Akudugu (2013) sought to establish the factors predicting FI in Ghana. The logit model was used to estimate primary data collected from 1,000 adults. The finding showed that the main factors influencing FI in Ghana are age, lack of confidence and trust in the financial sector, financial literacy, proximity to the bank, poor recordkeeping, poverty level, and internet network. His result also revealed that FI in Ghana is low, with only two persons out of five individuals being financial included in the formal sector.

Similarly, Zins and Weil (2016), examined the individual determinants of FI in Africa. They used probit estimation on 37 African countries from the World Bank's Global Findex database. Their results showed that being a man, richer, more educated, and older support financial inclusion in Africa with a greater influence on education and income. Muravyev *et al.,* (2009) revealed that enterprises managed by women have a smaller chance of getting loans and are more likely to be burdened with higher interest rates than enterprises managed by men. Likewise, in the aggregate, the amount of credit approved for female owned enterprises was also found to be smaller than for male owned enterprises (Nguyen & Nguyen, 2014). This is because enterprise owned and managed by women are perceived as having relatively smaller business capacities and are also riskier than enterprise owned and managed by men (Coleman, 2000). Similarly, Kholifah (2011) found that the inadequate knowledge, experience,

and information networks for female owned enterprises related to the financial tools might cause the low level of access to capital perceived by female owned enterprises. Studies revealed that gender of the business owner influences access to finance and business performance (Shim & Eestlick, 1998; Fiske, Cuddy, Glick & Xu, 2002; Alowaihan, 2004; Kim & Sherraden, 2014; Nainggolan, 2016) while some studies claimed that there is no difference between male and female-led owners with firm performance (Kalleberg & Leicht, 1991; Watson, 2002; Farrell & Hersch, 2005).

Lanie (2017) obtained data from World Bank's 2014 Global Findex to ascertain the determinants of FI in the West African Economic and Monetary Union. The study showed that gender, educational level, employment status, and income level are determinants FI in the study areas. Using primary data, Yakubu, Dinye, Buor, and Iddrisu (2017) assessed the determinants of FI in North Ghana and revealed that age, capability, cost, literacy, employment, and proximity to bank branches are the key determinants of FI in the study area. Lotto (2018) used data from TWAWEZ's household survey to examine the determinants of financial inclusion in Tanzania. The model was built on the probit model and employed multiple regression analysis; the study confirmed and concluded that age, income level, educational status, and gender are the major determinants of financial inclusion in Tanzania. Employing cross sectional data, Oke and Adamson (2023) examined the demand-side and supply-side determinants of financial inclusion in Nigeria. Their findings reveal that the major constraint to access to finance by MSMEs was high interest rate charged on loan, while poor infrastructural facilities was a major constraint hindering financial inclusion from the supply-side view. Using primary data, Poonam and Chaudhry (2019) investigated the determinants of FI in India. Binary logit regression technique was used to estimate the sample size of 411 households. The evidence showed that age, gender, and occupation had an insignificant negative effect on savings which is used as a proxy for financial inclusion. Education and land ownership had positive, but insignificant effects on savings. The study concluded that income is positive and significant determinant of financial inclusion in India.

3. Methodology

The quantitative data were obtained with a structured questionnaire based on the objective of the study and were administered to the enterprise owners in two selected states in Southwest Nigeria, Lagos and Ondo State. The two states were purposely selected; one of them being the state with the highest financial inclusion rate (Lagos) and the other (Ondo), the state with the highest financial exclusion

rate. Beside this, Lagos State is the nation's commercial and industrial hub and has highest number of MSMEs (3,337,552) in the region compared to Ondo State (1,060,393 MSMEs) (SMEDAN, 2017). Data on socio-economic characteristics and financial behaviour and access to finance of the respondents were also gathered from questionnaire. The sample size was calculated using Taro Yamane (1967) formula and adopted by (Haftom, Fisseha, Araya, 2014). Thus, the total sample distributed for the study was 440 and 409 questionnaires were retrieved**.** The total number of respondents per state was achieved by using the probability proportional to size approach as depicted in Table1.

Table 1: Sample Size Distribution Among the Study Area

State	*Population (MSMEs)*	*Proportionate Ratio*	*Sample size for Each State*
Ondo State	1,060,393	$n = \frac{1,060,393}{4,397,945} \times 440$	106
Lagos State	3,337,552	$n = \frac{3,337,552}{4,397,945} \times 440$	334
TOTAL	4,397,945		440

Source: Author's Computation (2022)

The study employs descriptive statistics and Ordinary Least Square (OLS) to analyse the data collected from the respondents in the selected study states. OLS was used to examine the effects of the socio-economic characteristics of the enterprise owners on financial inclusion. However, multiple regression was employed since it aids in incorporating all statistically significant features into a single model. By having multiple explanatory variables to support the event, it improves reliability by avoiding reliance on a single variable.

3.1. Measure of Financial Inclusion Variables

Financial inclusion is a broad term with numerous measurements. Four main measurements of financial inclusion have been identified (AFI,2011, 2016; Triki & Faye, 2013) and they are: **Access dimension** (access refers to the outreach or depth of financial inclusion, number of accounts opened across financial institutions, as well as the depth of ATMs, number of Points of Sales (POS) and. Account ownership can be used as proxies for access); **Usage dimension (** usage is a measure that assesses how frequently and effectively people use financial services in different ways, such as saving, borrowing, and making payments); **Quality dimension (**Quality is a measure that assesses the cost and affordability

of the financial services and products;(such as cost of opening an account, cost of maintaining a bank account, and charges on the financial services and products); transparency; conveniences (e.g bank distance, time spent queuing at a bank and withdrawal & deposit process); fair treatment; consumer protection; and financial literacy) and; **Welfare or wellbeing dimension**: (welfare component measures the changes in the lives of individuals attributable to the use of financial products and services**).** Three measures/dimensions of financial inclusion was used in this study which are access, usage and quality dimensions.

Exploratory factor analysis was used to compress the access dimension variables, usage dimension variables and quality dimension variables into a single variable named financial inclusion indicator (FII). Factor analysis is generally of two types; exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). According to Ahadzie (2007), exploratory factor analysis is useful for finding clusters of related variables and thus, ideal for reducing these variables into fewer ones that can be easily managed. EFA was used to identify the factors that influence financial inclusion measures from the instrument used (questionnaire) in this study. The factor score coefficient arrived at was then used as the financial inclusion indicator (FII).

3.2. Model Specification

Following the work of Zins & Weil (2016) and Lotto (2018), model for socio-economic determinants of financial inclusion is specified as follows:

$$FII = X_i'\beta + \varepsilon_{ij} \tag{1}$$

Where: *FII* = financial inclusion indicator for firm *i* in region *j*. *X* = vector of variables that determine enterprise owners' choice to be financially included or excluded and β is a vector of the unknown parameter associated with the variables.

$$FII = \beta_0 + \beta_1\, SocioEcoDeter + \varepsilon_t \tag{2}$$

Therefore, equation (2) can be re-specified explicitly to incorporate other variables.

$$FII = \beta_0 + \beta_1 Gen + \beta_2 Age + \beta_3 Mar + \beta_4 YCap + \beta_5 Edu + \beta_6 Sec + \beta_7 someoneAcc + \beta_8 BankDist + \beta_9 WithdraDiff + \beta_{10} Finlit + \varepsilon_t \tag{3}$$

Financial inclusion indicator is also disaggregated in equations (4) to (6) to examine each of the determinants on the three dimensions of financial inclusion (access, usage and quality).

$$AccessDi = \beta_0 + \beta_1 Gen + \beta_2 Age + \beta_3 Mar + \beta_4 YCap + \beta_5 Edu + \beta_6 Sec + \beta_7 someoneAcc + \beta_8 BankDist + \beta_9 WithdraDiff + \beta_{10} \text{Finlit} + \varepsilon_t \quad (4)$$

$$QualityDi = \beta_0 + \beta_1 Gen + \beta_2 Age + \beta_3 Mar + \beta_4 YCap + \beta_5 \text{Edu} + \beta_6 Sec + \beta_7 someoneAcc + \beta_8 BankDist + \beta_9 WithdraDiff + \beta_{10} Finlit + \varepsilon_t \quad (5)$$

$$UsageDi = \beta_0 + \beta_1 Gen + \beta_2 Age + \beta_3 \text{Mar} + \beta_4 YCap + \beta_5 Edu + \beta_6 Sec + \beta_7 someoneAcc + \beta_8 BankDist + \beta_9 WithdraDiff + \beta_{10} Finlit + \varepsilon_t \quad (6)$$

FII = Financial inclusion indicator (access, usage and quality dimension); AccessDi = Access Dimension; QualityDi = quality Dimension; UsageDi = Usage Dimension;

SocioEcoDeter = Socio-Economic Determinants include: *Gen* = Gender; *Age* = age; *Mar* = Marital Status; *Finlit* = Financial Literacy; *Edu* = Educational level; *Sec* = Sector of the business; = Withdrawal Difficulty *BankDist*= Bank Distance; s *YCap* = Income capability or Level of income; $\hat{A}_0$ = Intercept and $\mathring{a}_t$ = error term

4. Analysis and Discussion of Findings

4.1. Exploring the Relevant Factors for Financial Inclusion Indicator (FII) using Exploratory Factor Analysis (EFA)

Exploratory Factor Analysis (EFA) was conducted on the data collected from the eight items of the questionnaire. Four items from the questionnaire representing usage dimension, three items representing quality dimension and one item for access dimension were compressed using factor analysis to have a single measure/ indicator for financial inclusion. There is need for data to be analysed using EFA to pass both the suitability and reliability tests. The internal consistency test was conducted using Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity. Table 1 shows the KMO measure of sampling adequacy of 0.61 for financial inclusion which established the appropriateness of exploratory factor analysis as the KMO is greater than 0.5. This indicates that more than 61% of the variance in the measure variables are common variance, thus the sample size was adequate.

Table 1: Kaiser-Meyer-Olkin Measure of Sampling Adequacy for Financial Inclusion

Variable	*KMO*
Do you have bank account	0.4782
Documents required to open account	0.6901
No hidden charges by the bank	0.6423
Minimum amount to open an account	0.6318
Regularly take loans	0.6640
Save Regularly	0.5741
Make transfer payment using mobile transfer ATM POS regularly	0.5867
Receive and make payments with e-banking regularly	0.6639
Overall	0.6160

Source: Author's Computation (2022)

Bartlett's test of sphericity value from the data set was statistically significant (chi-square with degree of freedom; 21= 459.204, P = 0.000) (see Table 2). Implies that variables considered had a significant correlation between themselves with p-value as 0.000 which is less than the level of significance 0.05 (Cerny & Kaiser, 1977).

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.616
Bartlett's Test of Sphericity	Approx. Chi-Square	459.204
	df	21
	Sig.	.000

Source: Author's Computation, (2022)

4.2. Diagnostic Statistics

The study checked for multicollinearity among the independent variables with the result revealing the absence of multicollinearity as the mean Variance Inflation Factor (VIF) is 1.36 which is less than 10 as suggested by Zhongxian *et al.*, (2016). Homoscedastic of the residual is yet another test of a classical Ordinary Least Square (OLS). The study used a white test, that is, Cameron & Trivedi's heteroskedastic which is superior when the error term is not normally distributed (Williams, 2015). The results show that there is no problem of heteroskedasticity as indicated by a p-value of 0.1191 which is greater than 5%. The study checked for the normality of the residual. The result indicates that the residual is not normally distributed as indicated by the Jarque-Bera test with a significant p-value of 0.01 which is less than 5% level of significance. However, the sample size is moderate enough to address the non-normal residual.

4.3. Correlation analysis among the variables

Table 3 reports the correlation analysis among the variables. The results show that financial inclusion and its measures have a moderately high correlation which underscores convergence validity between financial inclusion and its measures. However, across all other explanatory variables and financial inclusion, the correlation coefficient is low and negligible and less than 0.8 across the relationships. The result shows that the explanatory variables do not have more than 0.8 correlations with each other. This implies that the models where these variables were used were free from the problem of multicollinearity, which may understate or overstate the standard error.

Table 3: Pairwise Correlations Matrix

Variables	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*
(1) financial inclusion	1.00										
(2) access account	0.30*	1.00									
(3) usage	0.72*	0.36*	1.00								
(4) quality	0.72*	0.11	0.14*	1.00							
(5) Income	-0.23*	-0.19*	-0.22*	-0.11	1.00						
(6) someone account	-0.04	0.08	-0.04	-0.02	-0.06	1.00					
(7) education	0.15*	0.26*	0.15*	0.06	-0.04	0.08	1.00				
(8) age	0.09	-0.09	-0.01	0.11	-0.10*	-0.06	-0.06	1.00			
(9) marital status	0.05	-0.12*	-0.05	0.04	-0.00	-0.12*	-0.12*	0.36*	1.00		
(10) locations	-0.23*	-0.11*	0.01	-0.22*	0.14*	0.00	-0.05	-0.02	0.05	1.00	
(11) saq6_sector	-0.01	-0.01	0.08	-0.09	0.04	-0.09	0.01	-0.07	-0.07	0.12*	1.00

* shows significance at the 0.05 level Source: Author's Computation, (2022)

4.4. Regression Estimate on the Socio-Economic Determinants of Financial Inclusion

Table 4 displays the results of a multiple regression analysis of the socio-economic determinants of financial inclusion. The dependent variable is the factor score derived through the initial exploratory factor analysis (except in access) to represent each measure of financial inclusion. The results reveal that the income level/ capability is negatively and significantly driving financial inclusion among the respondents. This implies that income serves as a major determinant of financial inclusion with little or no money, there is a great tendency of enterprise owners not to be financially included. Efobi, Beecroft & Osabuohien (2014); Lanie (2017) and Lotto (2018) established that income level is one of the major determinants of financial inclusion in Nigeria and Tanzania respectively. Yangdol and Sarma (2019), Poonam & Chaudhry (2019) and Raichoudhury (2020) argued that income is a strong positive driver of financial inclusion and that a higher level of income increases an individual's level of financial inclusion. Using someone else's account positively but insignificantly influences financial inclusion.

This indicated that using someone else's account may not add to inclusion numerically and may indirectly reduce the extent of usage. Bank distance and difficulty to withdraw negatively but not significantly determining financial inclusion. This means that business owners who perceived the distance to formal banks as a hindrance were less likely to be financially included and use formal savings and credit than those who perceived otherwise. Studies conducted in the past have shown that closeness to bank branches was a key determinant of financial inclusion (Yakubu, Dinye, Buor & Iddrisu, 2017). Kumar (2013) showed that branch network has a clear positive effect on financial inclusion.

Examining the demographic characteristics of the respondents as a determinant of financial inclusion, the multiple regression reveals that there is a positive and insignificant relationship between financial inclusion and gender. The non-significant nature of gender shows that the probability of accessing and using formal financial services is not dependent on one's gender in Southwest Nigeria. Educational attainment as a factor of financial inclusion also shows a positive and significant link with financial inclusion. Education has a part to play in gaining access to and using these new digital financial services, especially with the increased deployment and introduction of technology. This collaborates the finding of Sanderson *et al.,* (2018) that educated persons are more likely to participate in the formal financial market since they can easily understand the several financial products available on the market.

Table 4: Regression Estimation on Determinants of Financial Inclusion

Variables	*Financial inclusion*	*Access*	*Quality*	*Usage*
Income level	-0.44**(0.15)	-0.12(0.58)	-0.10(0.10)	-0.29**(0.12)
Someone's account	-0.01(0.11)	0.12(0.59)	-0.08(0.08)	-0.08(0.09)
Bank Distance	-0.05(0.14)	-0.19(0.55)	-0.08(0.10)	-0.05(0.11)
Withdrawal difficulty	-0.05(0.10)	-0.36(0.61)	-0.17**(0.07)	-0.15***(0.08)
Gender	0.06(0.10)	-0.17(0.49)	0.01(0.07)	0.04(0.07)
Education	0.08***(0.05)	0.82**(0.20)	0.02(0.03)	0.09**(0.04)
Age	0.01(0.04)	-0.22(0.16)	0.03(0.03)	0.01(0.04)
Marital Status	0.03(0.12)	-0.31(0.38)	0.01(0.06)	-0.09(0.07)
Sector of business	0.04(0.05)	0.07(0.34)	-0.03(0.04)	0.05(0.04)
Financial literacy	0.16***(0.10)	0.80(0.69)	0.13***(0.07)	0.08(0.08)
Constant	-0.34(0.51)	5.02**(2.14)	0.08(0.31)	-0.24(0.34)
Observations	223	408	293	312
R-squaredr2_p	0.23	0.360	0.17	0.14
F-test Wald Chi square	3.13	51.0	3.06	2.48
Prob > F	0.000	0.000	0.000	0.000

Robust standard errors in parentheses * p<0.01, ** p<0.05, *** p<0.1
Source: Author's Computation (2022).

The respondents' ages also show a positive but insignificant link with financial inclusion. Similarly, marital status and the sector in which enterprise owners operate have a positive and insignificant relationship with financial inclusion. Financial literacy is one of the major determinants of financial inclusion in any particular country. The result reveals that financial literacy has a positive and significant effect on financial inclusion. The higher the financial literacy level of the business owners, the greater the probability financially included. This supports the findings of Abubakar (2015) that financial literacy has a significant impact on financial behaviour and financial access of households and individuals, and particularly business owners in Africa. The results of this study also corroborate earlier studies on the factors that influence financial inclusion, which have shown that richer, more educated, and older people support financial inclusion in Africa, with education and income having a higher impact (Zins & Weil, 2016). Yakubu, Dinye, Buor and Iddrisu (2017) revealed that the main factors affecting financial inclusion in North Ghana are age, capability, and financial literacy. Similarly, Lotto (2018) affirmed that age, income level, educational status and gender are the major determinant of financial inclusion in Tanzania.

The model's explanatory power shows 23% of the changes in the outcome variable is jointly explained by the explanatory mix while the remaining 77% variation is captured in the stochastic component. The model fitness is further established with an F-stat of 3.13 significant at 1% significance level.

5. Conclusion and Policy Implications

The study examines the socio-economic determinants of financial inclusion of enterprise owners in two selected states in the Southwest region of Nigeria. Findings reveal that income level serves as a major determinant of financial inclusion with little or no money, there is a great tendency of enterprise owners to be financially excluded. Level of income is a strong driver of financial inclusion and that a higher level of income increases an individual's level of financial inclusion. Similarly, educational attainment as a factor of financial inclusion shows a positive and significant link with financial inclusion. Education has a part to play in gaining access to and using these new digital financial services, especially with the increased deployment and introduction of financial technology. In other words, those with higher levels of education are more likely to access and use formal financial services. Financial literacy is yet another major determinant of financial inclusion in any country, with the study reveals a positive and significant effect of financial literacy on financial inclusion. The higher the

financial literacy level of the business owners, the greater the possibility of financially included. Which means that financial literacy has a significant impact on financial behaviour and financial access of households and individuals, and particularly business owners in Southwest Nigeria. Thus, it can be concluded that low-income level of majority of enterprise owners in Southwest Nigeria deter them to be financially included.

Consequently, the stakeholders (Government, CBN and other financial institutions) need to develop appropriate products and services within the scope and reach, suitable to and can accommodate low-income earners like some micro enterprise owners as this will avail them the opportunity of accessing financial services. Financial regulatory bodies and banks should embark on financial education/literacy, create awareness and enlighten the masses on the benefits of making effective uses of banking services. That is, financial authorities should sensitise and educate business owners at all levels on the need to be formally included. Being formally included will offer them the opportunity of accessing most government relief funds, since such funds are disbursed via formal financial institutions.

The main contribution of this study is in the area of providing practical and real evidence related information on the determinants of financial inclusion, however, study was limited by its geographic boundary as all the respondents are from Southwest Nigeria. In order word, the study did not capture all the regions in the country, hence it can not be generalised. Future studies could be conducted on larger sample size by considering more than two states and more geopolitical zones in order to provide a more generalised result on the national level.

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