

ISSN 1115 - 960X



Ilorin Journal of Business and Social Sciences (IJBSS)

VOLUME 14, Numbers 1&2 December, 2010

PUBLISHED BY

*The Faculty of Business and Social Sciences,
University of Ilorin,
P.M.B. 1515, Ilorin, Nigeria.*

EDITORIAL BOARD MEMBERS

Editor-in-Chief

Ajibade, L.T. (Ph.D.), Department of Geography and Environmental Management, Faculty of Business and Social Sciences, University of Ilorin, Ilorin, Nigeria.

Associate Editors

AbduRaheem, A. Department of Accounting and Finance, University of Ilorin, Ilorin, Nigeria.

Ilesanmi, I.O. (Ph.D.), Department of Business Administration, University of Ilorin, Ilorin, Nigeria.

Bello, R.A. (Ph.D.), Department of Economics, University of Ilorin, Ilorin, Nigeria.

Ifabiyi, I.P. (Ph.D.), Department of Geography and Environmental Management, Faculty of Business and Social Sciences, University of Ilorin

Lawal, E. (Ph.D.), Department of Political Science, University of Ilorin, Ilorin, Nigeria.

Mohammed, A.Y. Department of Sociology, University of Ilorin, Ilorin, Nigeria.

Editorial Advisory Board

Prof. Steven, M. Jibwe, Sr. Dean, Liberia College, University of Liberia, Monrovia.

Jegede, S. (Ass. Prof.), Department of Sociology, University of Ibadan, Nigeria.

Prof. Nancy Lundgren, Department of Sociology, University of Cape Coast, Ghana.

Prof. Graham, P.C., Department of Geography, Lancaster University, U.K.

Prof. Adeniyi Gbadegesin, Department of Geography, University of Ibadan, Nigeria.

Prof. Albert, M. Abane, Department of Geography and Tourism, University of Cape Coast, Ghana.

Ayuba, A.K. (Ass. Prof.), Department of Geography, University of Maiduguri, Nigeria

Prof. Stephen, B. Kendle, Centre for Development Studies, University of Cape Coast, Ghana.

Prof. Oyinloye Olaniyi, Department of Economics, University of Abuja, Nigeria.
Dr. Vijay Bashin, Department of Economics, University of Cape Coast, Ghana.
Prof. A.U. Inegbenebor, Department of Business Administration, University of Benin,
Nigeria.
Nyang, B.J. (Ph.D.), Department of Business Management, University of Calabar,
Nigeria
Okon Eminiue (Ass. Prof.), Department of Political Science, University of Uyo, Nigeria.

Subscription Information

	Nigeria	Foreign		
	Naira	Dollar	Pound	Deutschmark
Individual	500	30	25	35
Institutional	1,000	60	50	70
Library	1,000	60	50	70
Students	500	30	25	35

Subscription enquiries should be addressed to: The Editor-in-Chief, IJBSS,
Faculty of Business and Social Sciences, University of Ilorin, P.M.B. 1515, Ilorin,
Nigeria (e-mail: fbssjournal@gmail.com). All subscribers should send certified
cheques of Bankdraft to:

THE EDITOR-IN-CHIEF
ILORIN JOURNAL OF BUSINESS AND SOCIAL SCIENCES,
FACULTY OF BUSINESS AND SOCIAL SCIENCES.
UNIVERSITY OF ILORIN,
P.M.B. 1515, ILORIN, NIGERIA.

CONTENTS

1.	Affordable Housing and Urban Development in Nigeria: Contemporary Issues, Challenges and Opportunities. Ajala, O. A., Aigbe, G. O. and Aliu, I.R.	1
2.	The Informal Sector and Poverty Reduction in Nigeria: A Framework for Policy Analysis. Ijaiya, G.T., Mohammad, L.A.B. and Chika, U.A.	13
3.	Settlement Typology, Urbanization Process and Quality of Life on the Mambilla Plateau. Galtima, Mala and Manasa, Thomas	28
4.	Small and Medium Scale Enterprises and Employment Generation for Poverty Reduction in Nigeria: The Role of Government. Kadiri, Ismaila Bolarinwa	41
5.	Factors Affecting the Efficiency of the Activities of KW/CPRP in Ilorin West Local Government Area, Kwara State, Nigeria. Ajadi, B.S.	49
6.	Road Crashes Among Commercial Drivers In Southwestern Nigeria. Ipingbemi Olusiya	61
7.	Elder-Care and Work-Related Roles Among Employees of Kwara State Polytechnic, Ilorin. Awolola, F.O. (Mrs)	76
8.	Socio-Economic Implication of Begging and Sustainable Rehabilitation Strategies for Beggars In Ogbomoso and Ilorin, Nigeria. Adedibu, A.A. and Jelili, M.O.	86
9.	Impact of Niger Delta Development Commission (NDDC) on Infrastructural Development In the Niger Delta. Abdulrahman, I. A.	97
10.	Effects of Housing Allowances on House Ownership Among Public Servants in Osun State, Nigeria. Sanni Lekan	108
11.	People's Perception of the Environmental Implications of Fuel Wood Exploitation and Utilization in the Mubi, Nigeria. Bibi, U.M. and Galtima, M.	119
12.	Trade and Economic Growth in Nigeria. Yakubu, Ahmed Taruwere	129
13.	Review of Pro-poor Tourism in The Gambia. Adeleke Bola Olusola,	140

14.	Estimation of Solar Radiation in M Inna, Nigeria. Ojoye, Samsideen	152
15.	Effects of Continous Rice Cultivation on Some Soil Properties in Patigi Area of Kwara State. Alhassan, M.M.	160
16.	Comparison of Methods for Determining Evapotranspiration Rate on Cassava Farm in Benue North Central Nigeria. Yahaya, T.I.	168
17.	Managing Executive Stress in the Nigeria Banking Sector: A Case Study of Selected Banks in Ilorin. Gunu Umar	177
18.	Good Governance as a Panacea for Inadequate Energy Supply in Nigeria. Adetunji, Rowland Olushola and Sulieman, Uthman M.B	187
19.	The Social Contract Theory Of The State: A Critique. Bello, M.L.	195
20.	Sociological Assessment of Poverty and Its Alleviation Process in the Nigerian Society. Ojua, T. Asu	208
21.	Surface water utilization and management: remedy for environmental impact of boreholes water depletion in Minna-Niger state, Nigeria. Dukiya, j. J.	218
22.	Implications of Climate Change on Incidence of Malaria in Three Communities in Lagos: An Eco-Health Approach. Vide Adedayo	229
23.	Accounting Function Outsourcing, Auditors Independence, And Users Perception Of Financial Reports: Evidence From Nigeria. EMENI, Francis Kehinde and OKAFOR, Chiwunba	243
24.	An Overview of The Factors Responsible for Transformation of OAU To AU. Lamid, K.O.	253
25.	Enhancing Infrastructural Services and Environmental Quality. Afolayan, G.P.	262
26.	Branchless Banking: A Panacea for Reaching the Unbanked in Kwara State, Nigeria. Lawal, W.A and Abdulkadir, R.I.	269
27.	A Re-Evaluation of Export Led-Growth Hypothesis in Nigeria. YARU, Mohammed Aminu	

BRANCHLESS BANKING: A PANACEA FOR REACHING THE UNBANKED IN KWARA STATE, NIGERIA.

Lawal, W.A and Abdulkadir, R.I
Department of Accounting and Finance
University of Ilorin,
Ilorin, Nigeria.

Abstract

The study was carried out to ascertain whether Branchless Banking can be a solution to reaching the unbanked citizens in Kwara State. In achieving this objective, questionnaires were distributed to three hundred respondents that spread across six villages in the State. Percentages and z-score statistical test have been used to analyse the data gathered for the study. The analyses of responses gathered shows that majority of the respondents do not have a bank account and that both the banked and unbanked citizens have no access to the delivery channels of Branchless Banking. The findings of the study revealed further that Branchless Banking will be an effective panacea for reaching the unbanked citizens if all the necessary infrastructures and logistics are put in place. Based on this, the study recommends amongst others that both the regulatory bodies and Banks should ensure that Banks extend their points of presence to the rural areas and also ensure that all the necessary infrastructures required for Branchless Banking services are put in place in those areas where there are large numbers of unbanked citizens.

Introduction

Informal Banking system is as old as history. In the early days, banking business was basically related to safe- keeping of money and money lending. Then, the complicated mechanism of modern banking was not known to them. In virtually all countries of the world today, banking business has changed in content. It has graduated from carrying out simple operations to the complicated techniques involved in modern banking.

In the early days, the Romans and great builders took banking out of the informal way of lending money and formalized it to be carried out within distinct buildings. (Beattie, 2009). This did not hold for long as years passed by and with rapid development of banking institutions, commercial banks started to adopt different systems of banking like the "Unit Banking" and the "Branch Banking" system. Under the unit Banking System, the bank maintains a single office while under the branch banking system; banking is conducted by institutions with head offices in large cities operating numerous branches throughout the country. Regardless of the system adopted, the essential thing is that the business is confined to offices. i.e. takes place inside these buildings.

Technological revolution worldwide has impacted positively on the traditional banking system. Innovations in information technology have rendered obsolete the traditional banking system. This is through what is known as "Branchless Banking"

Branchless Banking evolved due to the increased need to extend banking services to those that do not have access to the conventional mode. Commercial Banks in Nigeria have also adopted the Branchless Banking system too. This is in order not to be left out of the global technological developments, which have transformed the banking system worldwide.

This system of banking with several delivery channels has a limitless potential in Nigeria. The future of Branchless Banking in Nigeria may later require banks going into partnership with mobile operators to provide these necessary financial services. This may be necessary so that the expertise knowledge from the two different sides may be brought together to effectively provide effective services to the citizens especially in targeting the unbanked.

Despite the limitless opportunities which abound from this system, presently, Nigeria like other developing countries has a large portion of the population living in rural areas far from the necessary infrastructures required for Branchless Banking (such as internet, mobile phones, ATM'S e.t.c). As well, most of those that live in the cities are low-income earners who cannot afford to own a mobile phone or to spend money on accessing the internet. Therefore, such people may prefer to remain unbanked rather than diverting funds meant for their daily livelihood for gaining access to banking.

It is as a result of this problem that this study aims at examining whether Branchless Banking can serve to extend financial services to unbanked citizens within the State.

In trying to achieve this objective this study raises the research questions below:

- Why do people in the chosen localities remain unbanked?
- Have banks extended their points of presence to the selected rural areas?
- Do the people in the chosen localities have access to the delivery channels of branchless banking?
- Has Branchless Banking helped to reduce the number of unbanked citizens in the selected areas?

The study also puts forward one hypothesis to achieve the objective stated above. The hypothesis is:

H₀: Branchless Banking cannot impact positively on the banking habit of the inhabitants of the chosen areas.

Conceptual Clarification and Literature Review

In the Branchless Banking guidelines of Pakistan (2007), Branchless Banking has been defined as a significantly cheaper alternative to conventional branch-based banking that allows financial institutions and their commercial actors to offer financial services outside traditional bank premises by using delivery channels like retail agents, mobile phones e.t.c

Wikipedia (2009) defined Branchless Banking as a distribution channel strategy used for delivering financial services without relying on Bank Branches. Also Webster's Dictionary (2003) defined Branchless Banking as an on-line only bank with service representatives available by phones or internet for extended hours.

Branchless Banking may not necessarily be an alternative to the branch based banking system. It can either serve as complement to an existing branch based system or it could be a channel that is not in any way related to a bank branch. In Nigeria, Branchless Banking only operates within existing branch networks. Presently, there is no form of Branchless Banking entirely independent of a branch.

From literature reviewed, the major reason for the introduction of Branchless Banking in many nations of the world is that, it is seen as a way of reaching the unbanked. The unbanked can simply be described as those individuals that do not have any form of account with a bank. Anderson (2007) defined the unbanked as "diverse group of individuals who remain outside the banking mainstream for many reasons.

Guatam (2008) stated that Africa has about 230 million unbanked household. In the same vein, Ladipo (2008) revealed in the survey carried out by EFINA that cuts across all the states of Nigeria over a five year period and with a sample based on national integrated survey of households, that 74% (which is equivalent to 64 million people) of the adult population in the country have never been banked. The study revealed further that about 40 millions other adults have left the banking system. Also 86% of the rural populations are currently unbanked.

South Africa- the largest and richest economy in the region with a quarter of Africa's GDP, has a well developed financial sector , yet only 40% of South Africans have bank accounts. (Guatam, 2008). In Mexico, less than 25% of Mexicans have a bank account.

The issue of having unbanked individuals is not limited to the undeveloped or developing nations. Even in developed countries, many people still remain unbanked. Anderson (2007) stated that there are about two million unbanked families in the United States.

Different authors have cited reasons why people still remain unbanked despite the trend in development across the globe. Simeon, Pedro, Enrique and Siddharth (2008) conducted a similar survey on 5,000 households in Mexico. This was done by comparing households with savings accounts in formal financial institutions to their neighbours who do not have such accounts. The result of the study shows that education levels and wealth play a major role in determining who is banked.

The study of Ladipo (2008) also revealed that 98% of those with no formal education in Nigeria are unbanked and 86% of those in the 18-24 age brackets are unbanked. The findings further revealed that most of the rural people tend to be mainly or almost entirely unbanked whilst the wealthier urban people tend to be banked. In the same study, it has been observed that 48% of the unbanked population do not have enough money and this makes it difficult for them to possess a bank account.

Chong (2008) also stated that low income earners see themselves as incredible for bank accounts. According to Anderson (2007), people remain unbanked in the U.S due to reasons which include: lack of understanding about the U.S banking system; expectations for having a bank account; past negative experience in the U.S or in their home countries; lack of documentation needed to open a bank account. Anderson (2007) further noted that the common groups of unbanked people in the U.S include low income individuals, families who are less educated, female-headed households, and families living in rural areas.

Many of unbanked people who are usually low income people are less exposed to technology (Coetzee, 2005). In India, Vinayak (2007) cited an Indian lady who claimed that she has never entered a bank in her life due to the fact that the nearest branch was 8km far away from the village.

One of the most accepted solution to this problem is the shift from the Branch-based Banking System to the adoption of the Branchless Banking System. Guatam (2008), opined that if the unbanked Africans can not go to the Bank, it is the Bank that must reach out to them and this is only possible through Branchless Banking. African Banks are now moving closer to the 230 million unbanked households in Africa's rural areas through advanced satellite technologies (IT News, 2008). CSR News (2009) also revealed that, the rapid growth of Branchless Banking is reducing the cost and expanding the availability of such service to those in developing countries who lack access to financial services.

Anderson (2007), also noted that, a way of reducing the number of unbanked people in the U.S is through the adoption of advanced electronic technology (which leads to non-dependence on branches for financial services.)

The objectives of Branchless Banking are achieved through "non-traditional banking channel". These include delivery points (which are not distinct buildings). Among these channels are Automated Teller Machines (ATM'S), Internet, Mobile Phones, Pos (Point of Sale Devices) etc.

The Automated Teller Machine(ATM) is a cash dispensing machine that is also capable of performing other banking functions. Wikipaedia (2009) described the ATM as a computerized telecommunications device that provides the customers of financial institutions with access to financial transactions in a public space without the need for a human clerk or bank teller. In order to use the Automated Teller Machine, the bank gives the customer an ATM card which can be used for cash withdrawals, check account balances, and make purchase. e.t.c. Today in Nigeria, the use of ATM is not regarded as something that makes a bank to "stand out"; in fact customers now see it as a basic service that every bank must provide. Most universal banks have ATMS placed at strategic location for customers to use.

Mobile banking has to do with the provision of financial service with the help of mobile telecom devices. The use of mobile telephones for gaining access to financial services has increased, because of the rapid roll out of mobile phones in the country. This is further facilitated by the stiff competition the Nigerian telecom market is experiencing currently.

Many Nigerians now use their mobile phones for financial services ranging from transferring money from one account to the other, making purchases and checking their account balances. The use of mobile phones for banking in Nigeria will attain its full potential if the unsteady nature of telecommunication services in the country could be rectified and if fraudulent practices can be prevented and the cost of phones can be reduced further.

Another delivery channel through which the customer can enjoy financial services without visiting any bank branch is through the internet. The customer only needs to get connected to the internet. Presently in Nigeria, the infrastructure required for internet banking is not well developed as many people do not have access to the internet.

Internet Banking gives the bank a better opportunity to market its products by providing a detailed description of each product through a comprehensive database available in the web. Despite this opportunity that internet banking provides some problems are associated with it. Ayo, Uyinumen, Fatudimu, and Adebisi (2007), observed that the major inhibiting factors to internet banking adoption in Nigeria include insecurity, inadequate operational facilities and electricity supply and the fact that most banks in Nigeria only provide information on their sites with little internet transactional services on such sites.

The benefits of Branchless Banking cannot be overemphasized. Through all these delivery channels, banks will increase their outreach to the unbanked, provision of banking services will not be limited to working hours and week days, long cue that are rampant in Banking halls will be reduced, loss of customer due to relocation of the customers from one area to the other will be averted. Many other benefits can be derived from Branchless Banking.

Methodology

The study centered on the rural areas in Kwara state. This is because the majority of the unbanked citizens dwell in the rural areas (Ladipo, 2008; Anderson, 2007; Simeon et.al, 2008). The use of stratified random sampling was employed to group the state into three senatorial districts. From each of these districts, two villages each were selected randomly. The research work employed the survey research method to investigate if Branchless Banking can affect the banking habit of the unbanked citizens in the study area. Therefore, the data for the study was sourced primarily through the use of structured questionnaire. Three hundred copies of the questionnaires were distributed to the inhabitants of the selected villages.

Descriptive statistics have been used through percentages to interpret some of the responses and proffer answers to the research questions raised. Inferential statistics have also been employed through the use of the z-score to test the hypothesis put forward in section one. The test was carried out at an alpha level of 5% level of significance and the decision rule is as follows:

- Reject H_0 if P value is $< \alpha=0.05$ and otherwise accept.

This has been achieved through the use of the statistical package for social science (SPSS) version 15.

Results and Discussions

The result of the study shows that about 58% of respondents do not have a bank account. The findings is similar to that of Ladipo (2008) and Anderson (2007), that stated that majority of the people interviewed in different locations do not have bank accounts. For 44% of the respondents, they do not have bank accounts because the bank is far away. 3% of the respondents believe that their money is not secured in the bank and 48% claimed that they do not have enough money to maintain bank accounts. The last reason attracted the highest number of respondents and this is consistent with the findings of Simeon et.al (2008) and Chong (2008). These studies confirmed the general belief that wealth plays a major role in determining who is banked.

The study made an attempt to know whether these people are actually aware of Branchless Banking. 63% of the respondents are not aware that they can enjoy bank services without visiting bank branches all the time. The study also revealed that 91% of the respondents have mobile phones while only 2% use it to enjoy bank service. Also, 98% of the respondents gave a negative response to whether there is any ATM within their locality. They also said they have never used an ATM to enjoy financial transaction. Only 7% of the respondents claimed to have access and to the internet and enjoy financial transactions using the internet.

The result of the hypothesis tested to further enhance the achievement of the research objective is as depicted in tables 1 & 2.

The decision rule states that, reject null hypothesis if P value is $< \alpha = 0.05$ and otherwise accept. Therefore, since the P value which is $0.002 < \alpha = 0.05$, we reject the null hypothesis. This implies that Branchless Banking can impact positively on the banking habit of the inhabitants in the study area. This finding is in line with that of Guatam (2008) who concluded that, if the unbanked citizens cannot go to the Bank, then the Bank must reach out to them through Branchless Banking. This is also confirmed by the descriptive statistics given in table 3 below which shows that 54% of the people agreed to the fact that they would like to have a bank account if they can enjoy bank services without actually visiting Bank branches all the time.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
b.b. channel	300	1.0600	.23868	.02387

Table 2

One-Sample Test

	Test Value = 0					
	z	df	Sig.)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
b.b channel	-39.383	299	.002	-.94000	-.9874	-.8926

Table 3 Desire to have a Bank Account with Branchless Banking System

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	162	54.0	54.0	54.0
No	15	5.0	5.0	59.0
Missing System	123	41.0	41.0	100.0
Total	300	100.0	100.0	

Source: Field Survey, 2010.

Finally, Branchless Banking which presently have no impact on the banking habit of the people due to reasons such as lack of awareness about branchless banking, lack of access to the basic delivery channels and infrastructures e.t.c can have a positive effect if all necessary infrastructures are put in place.

Conclusions and Recommendations

Based on the findings, it can be inferred that a large proportion of the rural population in Kwara state do not have bank accounts for reasons which include proximity to the bank, fear of insecurity of funds deposited with banks and insufficient money to maintain a bank account. The study concludes further that, both the unbanked citizens as well as the minority that have bank accounts in the rural areas are not presently enjoying banking services through Branchless Banking channels as they do not have access to these channels and because of lack of awareness of the opportunity of enjoying banking services without actually visiting bank branches. Finally, the study concludes that if all the necessary infrastructures and logistics can be put in place, Branchless Banking will be an effective panacea for reaching the unbanked citizens. Based on the above findings, the study puts forward the following recommendations

- There should be continuous awareness program to educate people on the importance of having a bank account and on the existence of Branchless Banking itself.
- The regulatory authorities should ensure that banks extend their points of presence to those rural areas, either through opening bank branches or through Branchless Banking

delivery channels. This is because many of the respondents claim not to have bank accounts because the bank is far away from them.

- To ensure that Branchless Banking is effectively sustained, the authorities should set out conditions that will effectively guide the operations of such banking system. There should be a right regulatory environment to guide the Branchless Banking System.
- The Banks and Government should seek to increase the infrastructures in the areas where there are large numbers of unbanked citizens.
- The authority should ensure that security for e- payments is tightened up to ensure continuity in the system and to build confidence in customer.
- Finally, since Branchless Banking is to complement Branch-based banking in Nigeria, the Banks should strengthen their various branches to effectively support the different delivery channels of Branchless banking gain consumer's confidence in the system.

References

- Anderson .S. (2007), *Being Unbanked – What is it? What are the implications?* University of Minnesota Extension Services, www.google.com
- Ayo, Uyinumen, Fatudimu & Adebisi (2007), M-Commerce Implementation in Nigeria: Trends and Issues, *Journal of Internet Banking and Commerce*. August, 12(2), www.arraydev.com
- Beattie, A. (2009), *The Evolution of Banking for the Developing World*, Free Investing Newsletter, Free Currency Trading E-Banking, www.forex.com
- Chong .M.K. (2008), *Enhancing Mobile Banking for the Developing World*, Masters Project Proposal, University of Capetown,
- Coeetsee, J. (2005), Banking the unbanked in South Africa: The Practical implication on Branch banking, *Development Perspectives: Is Africa different?* Durban, The Economic society of South Africa(ESSA).
- CSR Wire (2009): "Branchless Banking. Innovations Create Opportunity to serve the Poor". Washington. *Corporate Social Responsibility News*.
- Guatam B (2008): "One Billion Opportunities: Banking the Unbanked Globally". Perspectives. McKinsey Quarterly, India.
- IT News (2008) "Banking the Unbanked in Africa". IT News Africa @ www.google.com
- Ladipo .M. (2008): "Who are the Unbanked? Results of EFINA's National Survey on Access to Financial Services in Nigeria, Lagos.
- Vinayak, A.J (2007): "Branchless Banking- Reaching out to Remote Villages" @www.google.com