Minireview Article

INFORMAL SAVING GROUP: A PATHWAY TO FINANCIAL INCLUSION AMONG RURAL WOMEN IN NIGERIA

Abstract
The informal saving groups represent excluded consumer segments in countries and regions with low formal participation in the financial sector. These saving groups provide financial services and are usually common among rural women, who lack access to formal financial institutions. This study posits informal savings groups as a pathway to financial inclusion among rural women in three steps. First is by sensitizing these rural women through financial literacy, second is fostering an informal saving group which most rural women are already aware of their operations and thirdly, linking these groups whose members may not have enough individual funds to formal financial institutions. The study builds on empirical evidences on the success of informal saving groups among rural women in Nigeria and analyses the patterns and dynamics of financial inclusion in Nigeria. Study conclude that informal saving groups have great potentials of accelerating financial inclusion among rural women.

Keywords: Informal saving groups, rural women, financial inclusion and Nigeria

1.0 Introduction

In recent decades, financial inclusion, which is the ability to access suitable financial products and services, has gained greater attention across research and policy arenas [1]. The Global Findex 2017 shows that women and rural population are more financially excluded, as the gender gap in access to bank accounts across developed economies was on an average of 9 per cent. This shows that, rural women have higher chances of being financially excluded, and this can impede rural development and agricultural production, as most of these women are engaged in agricultural production. Therefore it is eminent to provide financial access to these rural women, in order to promote rural development and food security as well as to mitigate poverty [2]. This is why research on the interface between finance and gender suggests that gender approach is important for promoting financial inclusion policies and economic development [3].
At the global scene, financial inclusion for women is central to the World Bank's ambitious goal on Universal Financial Access (UFA) 2020 [4]. Also, the Alliance for Financial Inclusion (AFI) is working to effectively incorporate women's financial inclusion policies into the design and execution of each stage of the National Financial Inclusion Strategy (NFIS), in order to eliminate the gender gap in financial inclusion. AFI has also mapped out the Denarau Action Plan aims to speed up progress on women's financial inclusion by halving the gender gap in financial inclusion across AFI member jurisdictions by 2021. In Nigeria where the productivity of women is often undermined by risks associated with financial exclusion [5], policy makers are increasingly considering financial inclusion as a necessary step in efforts to drive female empowerment, gender equality and rural development [6]. While access to finance is viewed in this context as a basis for women to manage their financial lives, to date little work has been carried out to better understand the various entry points for financial inclusion at the community

level. At the community level, rural women play active roles in agricultural development and at the same time are impacted by the vagaries of climatic changes. Therefore, is a need to build financially resilience among the rural women, through savings and loans. Most rural women are uses informal saving groups to save money and access loans, to meet their financial needs, as these informal saving groups are believed to be easily accessible and flexible than formal financial institution [7]. Though these rural women are able to access financial services at the microlevel, there is need to link these women to formal financial institution (banks) for financial inclusion. This article unravels critical pathway for getting the unbanked rural female farmers in Nigeria to be banked. The article posits that promoting financial literacy, participation in informal saving groups, and linking informal saving groups to formal financial institutions (Banks) can foster financial inclusion amongst rural female farmers.

The article is structured in the following way. Following this introduction, Section 2 provides an overview of financial inclusion. Section 3 presents an analysis of the patterns and dynamics of financial inclusion in Nigeria. The pathway for promoting financial inclusion among rural women is identified and discussed. The final section concludes the article by focusing on ways forward towards an enhanced financial inclusion programming for rural women in the food and agriculture sector.

2.0 An overview of financial inclusion

Financial inclusion is increasingly recognized across the globe among policy makers, researchers, and development practitioners, as a key to economic development. Its importance is defined by its capacity to serve not just as a tool for development, but also as a tool for poverty reduction, women empowerment, employment and wealth creation. This is why the Universal Financial Access (UFA) as a way of promoting financial inclusion, has set a target for all adults to have access to a transaction account by 2020 to store money, send and receive payments as the basic building block for managing their financial lives [4]. Also, the World Bank Group and International Finance Corporation (IFC) are engaged in allowing one billion people access to a transaction account through targeted interventions. The G20 as well, recognizes the importance of financial inclusion and as such, it is increasingly committed to advancing financial inclusion worldwide. Financial inclusion is also central to ongoing efforts to promote inclusive growth across Africa, this is a key aspiration of the Africa Union (AU) 2063 agenda and constitutes a pathway through which several African countries would achieve significant number of the Sustainable development Goals (SDG).

Generally, the concept of financial inclusion ensures that financial goods and services, such as loans, deposits, insurance, credit facilities and pensions, are appropriately marketed to all segments of the population, including vulnerable people [8]. The primary aim of financial inclusion is getting the unbanked to be banked in formal financial institution for increased savings and financial security. The basic financial inclusion indicators are accessibility and usage of financial products and services. Hence opening an account is not yet an end to financial inclusion, but and combination of access and usage is what defines financial inclusion. The Central Bank of Nigeria further identified some Key Performance Indicators (KPIs) through its National Financial Inclusion Strategy (NFIS) and they include access, usage, affordability, appropriateness, financial literacy, consumer protection and gender [9]. Indicating that gender approach is a key to developing financial inclusion policies.

From a gender lens, financial inclusion is critical in bolstering women empowerment, particularly among rural women. It can also help in promoting gender equality in areas where patriarchal structures undermine women's access to livelihood resources. Previous studies showed that people (women) are better able to start and grow businesses, invest in education, manage risk and absorb financial shocks, when they engage in a financial system [10, 11]. Thus, these rural women whose livelihoods are dependent on small scale farming can increase their savings and investment through financial inclusion. This can help in boosting agricultural production and food security, as rural women contributes significantly to agricultural production. They account for 70 percent of local agricultural workers, 80 percent of food producers and they undertake 60 percent to 90 percent of the local marketing activities [12]. Despite these contributions of the rural women in the food and agriculture sector, many of them still live in poverty and hunger. This is why promoting financial inclusion among these rural women will not only help in increasing their savings and investments but can also help in increasing household income and consumption as well as improve the general welfare of their families.

Great strides have been made towards financial inclusion, as the Global Findex report 2017, showed that, 69 per cent of adults worldwide (3.8 billion people) now have a bank account, which was up from 62 percent in 2014 and just 51 percent in year 2011. Yet, there is still a gender gap in financial inclusion as the report showed that, women in developing economies remain 9 percent less likely to have a bank account than men. Hence, the need for financial deepening among women, particularly among the rural women in order to close the gender gap in financial inclusion

3.0 Analysis of the patterns and dynamics of financial inclusion in Nigeria

Nigeria is a developing country and promoting financial inclusion in Nigeria is imperative to spur development. This is why the Central Bank of Nigeria (CBN), in a bid to promote financial inclusion in Nigeria, introduced the National Financial Inclusion Strategies (NFIS) in 2012, and the overall goal was to reduce the financial exclusion rate for adults from 46.3 percent in 2010 to 20 percent by 2020. To achieve this goal, the NFIS seeks to ensure a significant increase in both access and usage of financial services by 2020, also that all stakeholders are considered in formulating financial inclusion regulations and policies in Nigeria and lastly, the mechanism for increasing the formal usage of financial services by adult population, from the current level of 36 percent to 70 percent will be outlined.

The major tools for driving NFIS are; agent banking, Tiered Know-Your-Customer (KYC) Requirements, financial literacy, consumer protection, linkage banking, implementation of the MSME Development Fund, credit Enhancement Programme [14]. This is why this study focuses on financial literacy and linkage banking as well as informal saving groups as a pathway to financial inclusion among rural women who are mainly engaged in informal savings. The NFIS was reviewed in 2018, and the revised strategy acknowledges the need to prioritize fundamental constraints, value of innovation and the need to create an enabling environment for financial inclusion. Also, the revised NFIS places implementation focus on vulnerable groups such as women, rural areas, youth, Northern Nigeria and Micro Small and Medium Enterprises (MSMEs) (CBN, 2019). The CBN also introduced a five-year strategy (2019 to 2024) as part of its commitment to further strengthen Nigeria's level of financial inclusion and sustain inclusive economic growth. In the five-year plan, CBN has set a target of 95 percent of financial inclusion by 2024, calling on institutions to re-strategize and refocus programs , policies and schemes that will speed up the implementation of their respective efforts in financial inclusion [15].

Though, there have been various efforts to promote financial inclusion, there is need for the Nigeria government to promote more gender specific policy and an inclusive policy making process, where women can participate in the policy process. In Nigeria, the 2016 EFiNA (Enhancing Financial innovations and Access) report showed that a total of 40.1 million adult Nigerians (41.6% of the adult population) were financially excluded, 55.1% of the excluded population was women, 34.0% had no formal education, and 80.4% resided in rural areas. This shows that rural women have higher chances of being financially excluded.

In the geopolitical zones of Nigeria, the financial exclusion rate of South West, South East, South-South, North Central, North east and North West, were 18%, 28%, 31%, 39%, 62% and 70% respectively, with that of North east and North West having the highest exclusion rate[16]. This shows that the percentage of the unbanked adult is higher in the rural areas, especially among women and to a greater extent in the northern areas of Nigeria.

This makes it crucial for Nigeria, to promote diverse suitable and sustainable approaches to enhance financial inclusion among rural population especially the female farmers who are highly vulnerable to financial exclusion. This study posits a three step approach to promoting financial inclusion among rural female famers

4.0 Promoting financial inclusion among rural women farmers

The study posits a pathway to promoting financial inclusion among rural female farmers. The first step is promoting financial literacy, the second step is fostering an informal saving groups as most of the rural women are already familiar and comfortable with the informal saving groups and thirdly, linking the group to the formal financial inclusion (bank).

4.1 Financial literacy

Financial literacy is crucial in the quest to achieve financial inclusion, financial stability, economic growth and development. It is an essential tool for promoting financial inclusion among rural female farmers, as an understanding of financial service and its benefits can enhance their saving behavior. Financial literacy is a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being [17]. Financial literacy can help boost the financial knowledge, financial skills, financial behavior, and attitudes toward longer-term financial planning of the rural female farmers. Through financial literacy, rural female farmers can learn more about their personal financial management and get information about various financial services and financial products to choose from, as well as financial operational knowledge. This first step which is getting the rural women to be financially literate, can be achieved through; financial literacy trainings, campaign, financial camps, individual counseling, collective meetings and media. In 2015, the Central Bank of Nigeria (CBN), under its National Financial Literacy Framework (NFLF) presented an outline for implementing financial literacy towards the attainment of the objectives of the financial inclusion strategy and ultimately, financial system stability. This framework provides a roadmap for enhancing financial literacy to achieve financial inclusion in Nigeria and ultimately to attain the goal of Financial System Strategy (FSS) 2020, which is to reduce the financial exclusion rate in Nigeria from 46.3 per cent in 2010 to 20 per cent in 2020 [14]. The NFLF hope to achieve this by empowering citizens of Nigeria with knowledge through access to quality financial education, in order to enable them make informed choices and take effective actions for their financial wellbeing.

4.2 Fostering informal saving groups

Informal saving groups are those financial groups that can be listed as independent legal entities because they are not government-controlled or supervised and typically provide community financial services. The informal saving groups through representing excluded consumer segments in countries and regions with low formal participation in the financial sector contribute to financial inclusion [18]. These saving groups offer services and are common among the poor, women and rural communities, where there is high level of illiteracy and long distance to banks. Most low income earners perceived banks to have "self interest", hence the reason for the higher usage of informal savings which they assume to meet their financial needs better than banks [19]. Though the short-term goal of any informal saving group is to increase savings among members, its long term focus is to improve the welfare of members. These groups and can also be used to incite financial inclusion among rural women can help curb the exploitation of money lenders in the event of any financial shock and provide financial security. Informal saving groups have recorded a lot of success in Africa and Asia among rural communities and are gradually gaining the attention of financial inclusion promoters. The two most common saving models used by informal saving groups are Rotating Savings and Credit Associations (ROSCAs) or Accumulated Savings and Credit Associations (ASCAs) [20].

ROSCAs function by taking deposits (daily, weekly, or monthly) from each member of a group and then giving the whole sum to one member of the group. The recipient of the sum is based on a predetermined rotation, ensuring each participant will eventually receive a large payout. An example of an informal saving group that uses ROSCAs model and is commonly found among rural women in Nigeria is the *Esusu* form of savings. *Esusu*s is a traditional form of savings that is common among rural women in West Africa for generations and is still widely practiced today. *Esusu* is common in the rural areas and are formed among various women groups such as female farmers, church members, family lineage, traders and neighbors. The incentive of participating in *Esusu* is the forced savings that it encourages among its members. In *Esusu* savings, members deposit fixed amount of money periodically, which is shared out to member in lump sum in an agreed time (usually monthly), in a rotational form, to ensure all members take turns in receiving their contributions and use it for whatever purpose they wish. The practice is believed to have originated among the Yoruba people of Nigeria and to have spread from there to Liberia, the Democratic Republic of Congo and most of the West African countries [21]. While known as *esusu* or *esu* among the Yorubas in southwestern Nigeria, it is also called *isusu* or *etoto, adashi, dashi, osusu, asun, etoto, bam* by the Ibos in south- eastern Nigeria, Hausa people in northern Nigeria, Nupe people of Nigeria's Kwara and Niger States, people of Ogoja in Cross River State, Ishans of Edo State, Ibibios of Akwa Ibom State and Tivs of Benue State respectively [21]. While it is called *tortine* in Cameroon and Niger and *susu* in Ghana [22].

Unlike ROSCAs group, ASCAs require group members to make regular contributions, but instead of rotating payouts, the ASCA group fund is kept for a certain period (usually one year) or it is kept continuously and members are free to make withdrawals and deposit, pending when the member decides to quit the group [20]. The ASCA group fund is used to make loans that are paid back with interest. These loans are usually made to group members and in some cases to a trusted third party. After the agreed period of time (usually one year) the group fund and its proceeds from interest are paid back to members according to their contributions. An example of ASCA model is the CARE international -VSLA (Village Savings and Loan Association).

VSLA is common informal saving group in rural areas of East and West Africa, and it is a self-managed group that uses the ASCA saving model. The VSLA is similar with the SHGs (Self Help Groups) that is indigenous to India. Members meet on a weekly basis and deposit their savings in a group lockbox at weekly meetings. It uses the accumulated fund to finance small loan to any member in need of a loan, at a determined interest rate. VSLAs disburse savings once a year, typically the share-outs are done are the end of the year or when members are in need of lump sums for investments in agriculture, education and other forms of investments.

Though these informal saving groups had recorded success stories, but there is still a need for rural women farmers to have access to bank accounts which is the goal of financial inclusion. Hence it is important to link these saving groups to formal financial institution in order to expand their scale of savings and investments, as well as receive money through remittance services of the banks.

4.3 Linking informal saving groups to formal financial institution

These unbanked populations are mostly rural inhabitants, uneducated people, low income earners and poor people, the formal financial service providers regard them as too poor financially to save or take credit from them. These unbanked may have no better alternative than to either patronize or participate in informal finance programme or keep their money at home [23]. The rural populations are more comfortable with their traditional way of saving (informal saving groups). This is why many actors, including international donors, such as the Bill and Melinda Gates Foundation, and nongovernment organizations, have pushed to create and expand such groups, viewing them as a grassroots and low-cost mechanism to provide (albeit informal) financial services to the poor [24]. Similarly, the Andhra Pradesh Government in India promoted a self-help group model (Velugu) as an alternative to formal microcredit during a crisis in 2010 [25]. There is relatively high level of illiteracy among the rural population, especially among women which could be an impediment to financial inclusion, as rural population may have challenges in understanding some of the operations of the formal financial institution and hence there is need to promote financial literacy among the rural population

The World Bank global Findex (2018) reports that over 1.7 billion people are still unbanked with no access to any form of formal financial services. Bank are situated where there potential customers, Distance to bank can affect the accessibility of banks, since most formal financial institution are situated in urban areas, where there are assumed to be potential customers. This is why various measures to has been taken to reach out to rural population to get them financially included, some of such measures include; branch expansion, mobile money, agent banking and Non Governmental Organization (NGO) trying to link informal saving groups to formal financial institution.

It is important to link saving groups to formal financial institution as these informal saving groups may be faced with some challenges, such as the risk of theft and insufficient funds to grant loans. By gaining access to formal financial institution, there are chances of increased savings and investment since the security of their money is assured, there is less risk of losing the money to theft, and there are more chances of acquiring loan at any time of the year when terms and conditions are met by the group with an extended period of repayment of loan. Also, rural women are mostly small holder farmers; owing to the fact that agriculture is usually faced with risk and uncertainty, most commercial banks will not easily give credit to an individual female farmer, but will rather give loan to group of farmers, since risk of production can be shared among the female farmers. So, it is important to link these groups to formal financial institution in other for them to obtain bigger loans to increase their investment.

The informal saving groups can reach out to financial institutions through favorable government policies to promote linkage and through financial literacy promoted by Non-Governmental Organization (NGO), private sectors and researchers. The government should acknowledge the informal saving group as key to rural development and thereafter create policies that promote linkages of informal groups to financial institution. Researchers are key stakeholders in policy formulation, so they can influence the government decision in creating sound policy for linkage of informal saving group to formal financial institution. Researchers can also facilitate financial literacy programme and training, to educate the informal saving groups on the benefits of saving in formal financial institution. Also, NGOs and private sectors who are interested in promoting financial inclusion and economic development can creates financial literacy programme and training for rural women on the benefit of financial inclusion

The formal financial institution can also reach out to theses rural women informal saving groups through, offering of affordable and suitable products & services such as agent banking, and mobile technology. Most financial institution in Nigeria are currently exploring agent banking as a means of promoting financial inclusion. Mobile technology: Mobile Money is an electronic wallet service that allows users to store, send, and receive money using their mobile phone. It is safe and easy to make electronic payments using the mobile phone and it is a popular alternative to bank accounts in many developing countries especially for rural dwellers who lack access to financial institution.

Conclusion

Rural female farmer play key role in enhancing food security as they contribute significantly to agricultural production. Empowering these women through financial inclusion can lead to economic development. Through financial inclusion these women can access products and services of formal financial institution and can lead to increased saving and investment. Informal saving groups among rural female farmers can serve as a pillar to financial inclusion since rural women are already involved in informal savings. These informal saving groups should be recognized by government, policy makers, regulators and all relevant stakeholder as a step in promoting financial inclusion, through a three-step model; fostering informal saving groups, financial literacy and linkage of informal saving groups to formal financial institution. Linking informal saving groups to formal financial institution is important in getting the unbanked (which are mostly women) to be banked. However, since most informal saving groups is being ran by members in rural areas who lack adequate financial literacy, there is a need to carry out financial literacy training among members of the informal saving groups to get the rural women conversant with financial services offered by formal financial institutions and their benefits, as a step to financial inclusion.

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