“The impact of government microfinance program on poverty alleviation and job creation in a developing economy”

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THE IMPACT OF GOVERNMENT MICROFINANCE PROGRAM ON POVERTY ALLEVIATION AND JOB CREATION IN A DEVELOPING ECONOMY

Abstract

Government initiatives to eradicate poverty in developing countries have included establishing microfinance programs to provide microloans and credit to the less privileged living in peri-urban and rural areas where commercial financial institutions are underrepresented. The study aims to investigate the effect of the South African Microfinance Apex Fund (SAMAF) on poverty alleviation and job creation. This case study targeted 103 beneficiary firms and self-employed individuals to send them questionnaires. The data analysis was primarily exploratory and descriptive. The findings show that the majority, 87%, agreed that the loans they accessed were sufficient for their business plans and needs. In addition, they were able to create at least one additional job after receiving the loan and improve their total business income on average compared to before the SAMAF loan. However, due to the risk of non-repayment of loans by recipients living in informal settlements, most microfinance intermediary institutions were unwilling to expand their operations into such settlements. SAMAF, on the other hand, has flaws, one of which is the slow delivery of funds to microfinance intermediary institutions, which needs to be addressed. The study concludes that to address the credit needs of semi-rural and rural residents, microfinance intermediary institutions must do more to expand into these areas and adopt a more aggressive and creative approach to the development of financial products and expand their access to include more of the poorest and most vulnerable households.

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INTRODUCTION

Microfinance may address financial exclusion, high global energy costs, inflation, and instability due to geopolitical tensions between the global North and global South, which disproportionately affects people in poverty. Moreover, inequality in South Africa still affects government efforts and institutional strategies and policies for unemployment and poverty reduction. Accordingly, the South African government's preoccupation has been to resolve and close the gaps between people living in extreme poverty and extreme wealth through innovation in microfinance and increasing access to finance for the disadvantaged. The idea was to improve economic participation and reduce inequality and poverty through employment generation among beneficiary individuals who participated in the government lending schemes. In 2006, the South African government established the South African Microfinance Apex Fund (SAMAF) through the Department of Economic Development. This scheme was designed to fill the void left by

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the main financial institutions' unwillingness to extend credit to the people experiencing poverty. SAMAF is mandated to make credit available to people with low incomes and small enterprises through microfinance institutions.

Micro-firms and self-employed individuals in rural areas face significant income declines; many rely on microfinance to manage their household or microenterprise cash flows with average income declines. Microfinance has contributed to the growth and development of micro-firm and self-employed individual credit needs. This represents a key financial instrument of the South African government to offer financial inclusiveness for small businesses besides the traditional financial institution loan and capital formation. A particularly important is that the majority of the people who are black and live in the rural areas of South Africa rely on government support or subsidies to earn a living. However, most government support or subsidy programs have not been tested or investigated to establish their impact or performance. Although some studies may have been conducted within institutional structures, such reviews and their outcomes are not made public for comments and criticisms. As a result, it is vital to investigate the impact of SAMAF on the beneficiary firms and self-employed individuals.

1. LITERATURE REVIEW

Institutional theory can be traced back to the seventies of the last century with discussions on how organizational institutions and revolution are influenced by efficient considerations and actions rather than how the theory is applied (Meyer & Rowan, 1977; Peters, 2022). On the other hand, the organizational change process is examined via the behavioral theory influenced by the institutional framework (Wezel & Saka-Helmhout, 2006). At the organizational level, institutional ideas can be seen as sources of management decision-making, which processed and bound rationality to the organization's early stage. Institutional theory not only explains why organizational structures and practices become entrenched but also how and why change occurs. Peters (2022) refers to two types of institutional theory that can promote change. They are new rules backed by pressures, enforcement, and coercion. This type of change is promoted within the organization either directly or indirectly through institutional dependencies. The conceptual model explained above was used to develop a model to identify SAMAF functionality, performance, and effectiveness regarding government policies and strategic plans.

Group lending is the practice of working with clients in small groups of four or five people. Loans are availed to individuals in the group, and another loan is granted if the first loan is repaid on time. However, when a group member defaults, the whole group is held jointly liable for the repayment of the outstanding amount (Muhammad et al., 2022; Shalaby, 2023). According to Muhammad et al. (2022), joint liability in a group lending approach is a major incentive for microfinance institutions. Accordingly, the model has succeeded in serving borrowers and survivalists starting small businesses and also enabled microfinance institutions to generate high repayment rates even from clients previously thought too risky and too poor to provide collateral. However, the fact that it succeeded in one jurisdiction might not be the case in another (Jacob, 2021).

Sangwan et al. (2020) outlined that group lending improves loan repayment plans, especially in an area with strong social ties. However, in moderately industrialized areas, the group lending model may not reach the targeted people living in poverty and other potential clients (Ademola & Adegoke, 2021). Xu et al. (2020) proposed that, even in a group-based system where demand for microfinance is largely derived, landholding eligibility conditions and human capital (education) matter in determining how much a specific household borrows from a group-based microfinance program. As a result, when there is a lack of complete information about the borrowers, the group lending approach serves as a risk-pooling strategy (Muhammad et al., 2022). However, borrowers who ride on the back of others increase default rates, while the cost can sometimes be too high for safer members, leading to higher default rates.

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This study assumed a loan repayment approach adopted by microfinance institutions, both as part of the loan agreement and as a measure of the creditworthiness of the borrowers (Ademola & Adegoke, 2021). The repayment model approach allows microfinance institutions to screen misbehaving borrowers earlier and enhances their ability to quickly issue warnings and effectively initiate remedial action to improve loan recovery. The repayment model approach indicates the commencement of loan repayment immediately after the loan is taken. The borrower's daily cash flows and savings back up this approach (Sangwan et al., 2020; Ghatak, 1999). Regular repayment schedules make credit agreements look much more like arrangements for saving and call for regular meetings with credit officers to encourage and promote cooperation and peer monitoring (Sangwan et al., 2020). The group members who meet every week perform exceptionally well in terms of loan repayments compared to those who meet once a month due to familiarization, peer trust, and selflessness (Sangwan et al., 2020; Ademola & Adegoke, 2021; Ghatak, 1999). This, however, comes at a cost and requires some level of commitment from individual group members.

Over the years, microfinance institutions worldwide have used Grameen Bank as a benchmark microfinance model to reach people with low incomes in rural areas. According to Barua and Khaled (2023), the strategy of Grameen Bank was that it lent only to the impoverished persons, encouraged saving through dealing with a debtors' group, and used pressure on the group to ensure effective loan repayment. Iqbal et al. (2020) and Zhao and Han (2020) showed that microfinance has historically been resilient and sustainable under the Grameen Bank model. Individuals who qualify for loans rely on their savings and membership in community support or a society group. Despite this evidence, the microfinance movement expects credit to be used productively rather than for consumption (Hull, 2012).

Microfinance lending programs recognize the need for credit by underprivileged individuals and microenterprises to empower them and lift them above the poverty line (Shalaby, 2023). In the past three decades, the microfinance movement has come to represent the simultaneous celebration and regulation of so-called 'informal' economic activity (Hull, 2012). Identifying, categorizing, and describing the 'informal economy' are well-documented themes within the policy domain and academic literature (Patiño & Salcedo-Pérez, 2021). The microfinance "revolution" that emerged in the 1980s and 1990s was mainly focused on the urban areas in most Asia and Sub-Saharan African countries (Kayani et al., 2021). Since most microfinance institutions target urban or semi-urban areas, servicing clients in rural areas remains one of the sector's main challenges (Govindasamy & Viswanathan, 2020).

Accordingly, microfinance refers to different methods by which low-income people access credit (Verma, 2019) and other financial services (Li, 2023). Patiño and Salcedo-Pérez (2021) refer to microfinance as informal and formal arrangements that offer financial services and a set of financial service practices that fill the gap in formal financial services to people with low incomes. Oshora et al. (2020) defined microfinance as a tool for domestic economic strategy. Bajracharya and Amin (2013) suggest that microfinance is a tool used to provide credit for the underprivileged and develop personal empowerment. Bateman and Chang (2012) regarded microfinance as providing small loans (microloans) used by underprivileged individuals to support tiny income-generating activities, thereby earning an income sufficient to effect an exit from poverty. Obokoh et al. (2016) described a microfinance program as an extraordinary innovation in devising ways to overcome the problems of information asymmetry by reducing the high risk associated with giving credit to rural low-income people based on the information held among people within the communities (Jones-Esan, 2023). Oshora et al. (2020) and Dalgic (2007) viewed microfinance as a strategy for poverty alleviation by extending small loans to microenterprises and impoverished people in rural communities for self-employment projects. Nevertheless, according to Hermes and Lensink (2007), microfinance provides credit and focuses on providing a broad range of services to the people experiencing poverty, such as health provision and more, to develop general social services in rural areas. However, since microfinance programs differ in many ways, problems and the impact of one type of program may not be associated with other types of microfinance (Jones-Esan, 2023).

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Measuring the effectiveness of microfinance programs has attracted significant attention from both the proponents and operators of microfinance programs, with many studies carried out over the years to assess the impact of the schemes (Shalaby, 2023; Abisuga-Oyekunle et al., 2020). Pitt and Khandker (1998) evidenced that microfinance programs raise people from poverty and promote investment in human capital. Bongomin et al. (2020) support this view. They analyzed 395 women-owned small businesses who were clients of microfinance institutions in post-war communities in Northern Uganda. Moreover, Akingunola et al. (2018) reached a similar conclusion in Ogun State, Nigeria. Despite this positive, strong evidence, other studies found that microfinance programs might not benefit all participants equally (Khandker, 2005). Furthermore, the review analysis conducted by Van Rooyen et al. (2012) indicates that the benefits of microfinance are frequently exaggerated. Many recent papers have provided empirical evidence to address microfinance's effects on beneficiaries (Jones-Esan, 2023; Remer & Kattilakoski, 2021).

The primary goal of the microfinance program is to alleviate poverty (Onyele & Onyekachi-Onyele, 2020). This can be measured based on people's income or consumption levels (Alam & Azad, 2021). When the consumption level of a person falls below USD 2.15 per day (the level at which some basic items can be afforded), they fall below the poverty line according to the international poverty line using 2017 prices (The World Bank, 2019). According to Alam and Azad (2021), access to microfinance has contributed to poverty reduction in Ethiopia, primarily among female participants (Shalaby, 2023). Women could improve their living conditions and, at the same time, their children's lives, mostly in rural areas where microfinance programs operate. In the same vein, Kayani et al. (2021) and Crépon et al. (2011) confirmed that microcredit alleviates poverty, promotes gender equality, empowers women, and increases basic universal primary education (Mohamed & Fauziyyah, 2020).

Shalaby (2023) in Egyp and Khandker (2005) in India revealed that women benefited more from the microfinance schemes than men. The studies also found that women increased their expenditure more than men, and women were more reliable and played an essential role in reducing poverty within the household. Even those women who were not beneficiaries of microfinance loans were more than twice empowered simply because they lived in the area where microfinance operated (Goldberg, 2005). This suggests positive spillovers for program and non-program participants in the areas where microfinance operates (Bhuyan & Islam, 2020). In a similar study, Wellalage and Thrikawala (2021) discovered that women are typically discriminated against when it comes to access to financial services, loans, and credit, necessitating the provision of a mechanism to empower women in facilitating microfinance loan applications and loan approvals for females and female-owned firms.

Dhungana et al. (2023) confirm that microfinance benefits indigent participants and the local economy. The study acknowledges that microfinance significantly affects the welfare of borrowing households by increasing their consumption compared to those who do not participate in microfinance programs. Microfinance helps people in poverty to be self-employed and generate income (Tria et al., 2022). Microcredit beneficiaries seem to be better off than non-beneficiaries either by self-employment or job creation after accessing credit from microfinance institutions (Alam & Azad, 2021). They can self-sustain by expanding the scale of self-employment business (Al-Maaitah et al., 2019).

Alam and Azad (2021) and Barry and Tacneng (2014) confirmed that microfinance improves productivity in Ethiopia and part of Sub-Sahara Africa. In addition, more jobs are created due to the increase in rural wages, particularly in the areas where microfinance operates (Hull, 2012). The success story of microfinance programs is based on the fact that disadvantaged people are helped and supported by developing their small enterprise businesses. This creates jobs that positively affect extreme poverty in rural areas (Oshora et al., 2020). Furthermore, the recent emphasis on microfinance reflects governments' effort to provide credit to the informal self-employed. This is part of the government's banking reform and financial inclusion process, in which the so-called 'second economy' is being targeted at length to bring it under the dogmatic systems of the formal sector (Dhungana et al., 2023).

The effects of microfinance can manifest themselves in various ways, ranging from social to economic indicators. For example, Jacob (2021) claimed that microfinance credit constraint relaxation. However, Jones-Esan (2023) concluded that microfinance has a positive correlation with economic growth in Sub-Saharan Africa by directly fostering the growth of Africa's intermediate financial sector. Microfinance is regarded as a crucial instrument for development and is expanding in Sub-Saharan Africa, despite the current industrial crisis getting worse. Microfinance is, at present, centered on these issues, and microfinance institutions have demonstrated that people with low income can be creditworthy (Barua & Khaled, 2023), access accessible and commercially priceless credits (Jones-Esan, 2023), and change their intra-household bargaining power (Crépon et al., 2011).

The literature review was foundational to the theoretical grounding of this study and motivated to investigate the impact of a government microfinance program that aims to contribute to financial services inclusiveness for the rural people living in poverty in South Africa.

Therefore, the study aims to assess whether SAMAF reaches vulnerable households and microenterprises in rural and peri-urban communities in South Africa.

2. METHODOLOGY

This study used questionnaires through a survey to collect the data. The questionnaire was designed to accommodate the respondents' comments, which were reviewed to identify recurring themes, both within and across the target groups. In addition, various information, administrative data, and archival materials were collected from the South African Microfinance Apex Fund (SAMAF) to analyze its performance trends. Participants for the survey were selected from different locations and communities with varying social, economic, and business backgrounds. The measurement indicators of the study were focused on numerical econometrics such as business sales and turnover, number of employees, loan amount applied for and borrowed, and expenditure information. The distribution and administration of questionnaires to targeted loan beneficiaries were done on the days when the loan beneficiaries' societies group held their weekly meeting for inclusive participation in the study.

A purposive sampling method was used. Purposive sampling is defined as sampling that is done consciously and with a specific goal or objective in mind. Questionnaires were handed over to local representatives of the selected microfinance institutions for delivery to identified loan beneficiaries to complete. One hundred and forty questionnaires were distributed. One hundred and three questionnaires. The data collection process was conducted to reflect proportionate representatives of loan beneficiaries from the microfinance institutions responsible for distributing qualified loan participants in the selected provinces (Table 1).

At the planning stage of this paper, the study considered selecting participants that would represent the rural disadvantaged people in South Africa in terms of location, economic, and cultural background. Therefore, loan participants were chosen from Gauteng, Mpumalanga, and Limpopo. The three provinces are known to have economic value and contribute to South African development. For example, Gauteng is the most populated and has the highest gross domestic product per capita. Mpumalanga and Limpopo are seen as provinces with large property sizes, many villages, and rural communities. Most individuals who live in the peri-urban area of Gauteng Province travel from provinces like Mpumalanga and Limpopo in search of a better life.

Table 1. Selected microfinance institutions and the number of questionnaires assigned

Microfinance institutions	No. of questionnaires given out	No. of questionnaires returned	Returned rate in percentage
Small Enterprise Foundation	40	17	42.5%
Women Development Bank	60	51	85%
Mazwe Financial Services	40	35	87.5%
Total	140	103	73.5%

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The paper also recorded the events and activities during the site visit and data collection process. The field notes comprised descriptions of how microfinance institutions made their loan and grant application to SAMAF, how long it took to be granted, and other conditions attached to such loans. Moreover, it was interesting how microfinance institutions access SAMAF-targeted recipients and get insights into the application process and conditions (if any) and the terms of the loans. The process allows a thorough grasp of microfinance institutions and loan beneficiaries' experiences during site visits and informal conversations. This understanding gives an insight into how microfinance institutions identify and target people experiencing poverty and communities.

Additionally, the three microfinance institution intermediaries were selected as they were the largest microfinance intermediaries and wholesale lenders on behalf of SAMAF and had many branches in the three selected provinces. In some instances, village heads or other community leaders convene a community meeting where microfinance institution representatives are present because they are known within the entire community. By getting in touch with village heads or other community leaders and requesting authorization to operate in their community, microfinance institutions target their possible clients and thus gain credibility and a feeling of community. While some were reluctant initially, others were ready to help. However, it took approximately three months before managing to have an audience with the microfinance institution official to assist with the process. While some were busy, no concrete consensus was made during the first meeting but were able to reschedule for another meeting.

3. RESULTS

Data analysis was performed to summarize data and organize it in a way that answers the research questions. This helped the analysis of the effect of the South African Microfinance Apex Fund (SAMAF) loans on borrowers in the rural and peri-urban areas of South Africa. Data analysis showed that SAMAF disbursed R40.8 million for the five-year period under review (2016 and 2020). The amount represents R18.4 million for grants and R22.4 million for on-lending through financial intermediaries. The amount also represents 40,726 loan deals, of which 95% was disbursed to microenterprise borrowers, 3% for housing loans, and 2% for education development. On record, 57 microfinance institutions and 24 stokvels received funds under the SAMAF loan agreement with 75,714 borrowers, of which 89% were women and the remainder were men. The average loan amount applied for and granted was R2,000. Moreover, the scheme initially recorded 4,346 loan beneficiaries at the end of the 2016 fiscal year, but by the end of the 2020 fiscal year, the scheme had recorded 40,726 beneficiaries.

The majority, 87%, of those who participated in the survey agreed that the loans they accessed were sufficient for their business plans, and only 13% were of a contrary opinion. Of the loan beneficiaries who indicated that the loans were sufficient, 73% operated services and manufacturing businesses, while 27% operated trading businesses. Despite variations in the number of employees for the different sizes of enterprises studied, they all agreed that the loans were sufficient for their business needs. Concerning individuals who received SAMAF loans, the average age is between 18 and 35 years; however, only 85% of those above 35 strongly agreed that SAMAF loans were sufficient for their needs, of which 87% were females, with the remainder being males.

About 60% of the respondents created at least one job after receiving the loan. Fifty percent of the respondents that participated in the survey are in the trading, services (23%), and manufacturing (27%) business. Most of the participants in the study preferred to manage their businesses themselves. In terms of business and household size, the study shows that the predominant business and household size was two to five, and they were those that operated in manufacturing and services. This accounted for approximately 51% of the population sample. This was closely followed by businesses and households with more than five members. Most respondents (86%) who took the loans employed five or fewer employees, while 8% had 10 or more employees in their business. Household sizes of one to three members are not usually operational in predominantly rural and peri-urban communities. Results also show that 92% of the respondents registered increased income levels in the business, and only 7% disagreed.

In terms of business income, the study shows that the total business income on average within the period investigated improved compared to before the SAMAF loan. The survey results show that 92% of respondents agreed that the loan they took increased their business income levels, and only 7% disagreed. Ninety percent agreed that their businesses expanded due to the loans they took, and only 9% disagreed. In reality, 91% of the respondents have had their lives improved due to the loan, and only 7% disagreed with the statement. The percentages spread across the services, manufacturing, and general trading businesses. Furthermore, 92% of the loan recipients who claimed the SAMAF loan improved their businesses were female, while 93% of the male loan recipients said their lives improved because of the microfinance loans accessed. Most households earn income well above the poverty line. Therefore, most respondents come from extreme poverty circumstances. Finally, in terms of non-business or informal income, the study shows that apart from services and manufacturing, trading businesses contributed more income to most of the households in the distribution (approximately 52%). Those engaged in services and manufacturing constitute approximately 47% of the population.

The findings also revealed that the intermediary microfinance institutions preferred dealing with females instead of their male counterparts because of consistency, reliability and, loan repayment commitment approach, as supported by Shalaby (2023) and Khandker (2005). On a general note, it took between 10 to 14 days before a loan could be approved. Loan repayment for a starter is strictly for four months, and after that, a loan could be repaid between six and twelve months. However, most loan participants preferred the shortest period of four months without pressure from the microfinance institutions. Moreover, borrowers are encouraged to open a group savings account with a local bank and make sure they each contribute R20 at every meeting, which usually takes place weekly to shore up their cash flow. The savings are for yearly purchases for each household but, in most cases, for monthly needs by any group member.

4. DISCUSSION

The study assessed to what extent vulnerable businesses and households can access the South African Microfinance Apex Fund (SAMAF) microloans and improve living standards in rural and peri-urban communities in South Africa. The study looked at the pre and post-status of SAMAF beneficiaries who participated in the survey and compared their status before and after the access microloan from the scheme. Moreover, it compared its results with the results of similar studies in other jurisdictions on the impact of microfinance on poverty and job creation over the years.

Beneficiaries of loans are over the age of 36. The age bracket has a direct relationship with loan repayment. Women are the primary beneficiaries and targets of microfinance schemes, accounting for 85% of loan participants. It was discovered that 5% of men are responsible for 95% of the problems among loan recipients. As a result, microfinance institutions prefer to work with women who are more consistent with loan repayment and involved in household improvement. Most loan recipients added at least one new job due to business expansion after receiving the loan.

According to the data analysis, jobs were created in the sector, with 77% in the services sector, 48% in manufacturing, and 57% in trading. Eighty-seven percent of study participants said their loans were adequate for their business, while only 13% said they were insufficient for business growth. This implies that impoverished people are cautious about committing themselves to more debts and, due to their status, can effectively manage the little cash available to them.

Furthermore, 92% of the loan recipients who participated in the survey confirmed that their income has increased since taking out the SAMAF loan. Their increased income allowed them to better provide for themselves and their household. The results also showed that 90% of loan beneficiaries who participated in the survey said their business had expanded due to the SAMAF loan, and less than 10% disagreed. Further, the results of the study show that 91% of the loan beneficiaries who participated in the survey believed their life was better off after taking a SAMAF loan and confirmed that there is an improvement in how they live now compared to

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the level they were before participating in the microfinance loan scheme. Oshora et al. (2020) also found that microfinance was useful for reducing poverty and improving the quality of life of impoverished people. According to Shalaby (2023) and Khandker (2005), the impact assessments of the microfinance program and the issue of poverty reduction were addressed due to scheme participation, and the standard of living increased as the level of income and household consumption improved over time. Such improvements eventually helped low-income people, including those barely above the poverty line, to escape poverty.

In addition, loan participants could send their children to school, improve their living standards, and acquire some necessities. They could also travel to the city, be well-informed, and participate in other social activities within their communities due to the confidence brought by the SAMAF loans. It was also observed that the SAMAF program was effective and that loan participants were able to better their lifestyles.

Empirical evidence revealed that increased incomes allowed loan beneficiaries to take care of themselves and their households (Dhungana et al., 2023). The spillover contribution is the improvement in the local economic activities, especially in the areas where microfinance institutions operate (Oshora et al., 2020). Empirical evidence shows that the SAMAF scheme reached out to more needy people in the targeted rural areas.

Notably, people with low incomes are the primary target beneficiaries of the study under review. This indicates the level of microfinance scheme penetration in the rural and peri-urban areas of South Africa. First-time loan beneficiaries qualified for a loan of R1,200 and R1,400 if they had an existing business and R500 for a start-up business. According to the findings, either of these two categories of borrowers must belong to a group before they can access a loan and recommended by their group leader for such a loan.

CONCLUSION

The paper investigates the impact of the South African Microfinance Apex Fund (SAMAF) on poverty alleviation and job creation in South Africa. Overall, the majority of the households surveyed, approximately 91%, confirmed that their lives are better than before they accessed SAMAF loans compared to the standard of living in South Africa's rural or peri-urban areas. Furthermore, 92% of respondents agreed that the SAMAF loan increased their business income levels and enabled them to create one additional job.

Based on the preceding, SAMAF contributed to poverty reduction and job creation in the environment where it operated during the study period. A government microfinance scheme, such as SAMAF, is seen a strategy that reduces the vulnerability of people experiencing poverty and prevents them from sliding into and out of poverty in South Africa. The significant contribution of SAMAF to beneficiary's cash flows is exacerbated by the methods of microfinance institutions of accessing SAMAF microcredit and reaching out to their intended loan beneficiaries many of whom are at the bottom of the economy; many rely on government support for survival.

From the findings, the study suggests that the government should reconsider its financial inclusion policy regarding microfinance scheme ownership. The concept behind the microfinance scheme is that it will be established and operated primarily in rural areas where conventional banks are hesitant to operate. In South Africa, however, this is not the case. Many rural communities surveyed by the study lack a financial services institution, and most existing microfinance institutions are insolvent due to a lack of community participation and patronage.

The government should develop a strategy to increase the availability of infrastructure support facilities such as point of sale, ATMs, and other electronic payment terminals, particularly in rural areas.

Traditional banks are finding it difficult to expand into rural areas due to the prohibitively high costs of doing so without the necessary infrastructure, particularly electricity, and the high cost of internet connectivity.

Finally, traditional banks should take a more aggressive and innovative approach to financial product development to meet the needs of semi-rural and rural residents who, in the aggregate, do not have a bank account or a financial institution. Furthermore, the legalistic insistence on collateral and other onerous requirements for account opening or credit access will continue to alienate the classes of people who are the primary target of financial inclusion strategies. Conventional banks must take a middle-of-the-road approach by liberalizing access to account opening and credit without jeopardizing their banks' safety and profitability.

AUTHOR CONTRIBUTIONS

Conceptualization: Timothy Olaniyi Aluko, Innocent Bayai, Prince Chukwuneme Enwereji.
Formal analysis: Timothy Olaniyi Aluko.
Investigation: Timothy Olaniyi Aluko, Prince Chukwuneme Enwereji.
Methodology: Timothy Olaniyi Aluko, Innocent Bayai.
Project administration: Innocent Bayai.
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Validation: Innocent Bayai, Prince Chukwuneme Enwereji.
Writing – original draft: Timothy Olaniyi Aluko.
Writing – review & editing: Innocent Bayai, Prince Chukwuneme Enwereji.

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