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Financial Inclusion and Entrepreneurship Development in Nigeria

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Abstract

Financial inclusion is when financial instrument and services are provided and delivered by a range of providers usually the private sector, to reach the entire customer who needs their service. The study investigates financial inclusion and entrepreneurial development in Nigeria. The variables of deposit to rural areas, loan to rural areas, loan to deposit ratio and loan to small scale enterprises were regressed on entrepreneurial development in Nigeria. The study adopted an *ex-post facto* research design because the data for the study are secondary data which were sourced from Central Bank of Nigeria Statistical Bulletin. The study employed Econometric techniques, such as Augmented Dickey Fuller Test for Unit Root, Engel Granger Cointegration and Vector Autoregression Estimates were used. Our findings showed that deposit to rural areas, loan to rural areas, loan to deposit ratio and loan to small scale enterprises had positively and significantly affected entrepreneurial development in Nigeria. Again, Adjusted R-squared of 71% implies that 71% of total variation on entrepreneurial development can be explained by the explanatory variables while the remaining 29% is due to other stochastic variables. We therefore submits that financial inclusion have positive effect on entrepreneurial development and has helped to improve standards of living in Nigeria. Amongst the recommendations is that deposit money banks should give due emphasis to its savings mobilization and strive to increase their deposit interest rates in order to mobilize deposits from rural areas and should provide excellent services for their customers.

Key Words: Deposit, Loan, Deposit ratio, rural areas, small scale enterprise

INTRODUCTION

The principle of financial inclusion has assumed greater level of importance in recent times due to its perceived importance as a driver of economic growth. Giving access to the hundreds of millions of men and women (all over the world) who are presently excluded from financial services would provide the possibilities for the creation of a large depository of savings, investable funds, investment and therefore global wealth generation (Abdullahi, Jakada & Kabir, 2016).

The well-being of people has traditionally been considered a by-product of growth, rather than the primary objective of economic policy. In other words, access to financial services, that are well suited for low-income earners promote enormous capital accumulation, credit creation and investment boom. Usually the low-income earners constitute the largest proportion of the population and so control enormous chunk of the economies idle fund albeit held in small amounts in the hands of each of the several million members of this group. Harnessing and accumulating these resources provides a huge source of cheap long-term investable capital (Abubakar, 2015).

Recently financial inclusion has become an important policy goal in developing Nigeria. Its

importance stands tall as it is increasingly viewed as a tool of poverty alleviation, achievement of Millennium Development Goals, enables the poor to be risk averse, and also to invest in their health and education. Notwithstanding this global consensus, achieving pervasive financial inclusion has remained a global challenge with as much as 54.0 per cent of adults worldwide being financially excluded (without access to financial services). The situation is even worse in the developing economies where some countries have as much as 70.0 per cent financial exclusion levels (Abdullahi, Jakada, & Kabir, 2016).

There is growing convergence among researchers on the important function of financial inclusion on entrepreneurship development which has stimulated the interests of policy makers and other stakeholders in increasing financial access to greater part of the people. The purpose of financial inclusion is to offer individuals, households and businesses, irrespective of their income standard or location, access to relevant financial services at reasonable price to enable them improve the lives of the poor. Therefore, extending well-functioning and inclusive financial services offer opportunity for the poor to have access to saving, payments, and credits services, which give them the chances to invest in education and small businesses, thereby reducing income inequality and poverty (Abubakar, 2015).

Financial inclusion has sustained the growing recognition. Its significance derives from the promise it hold as a instrument for scarcity reduction, service creation, capital formation and improving welfare and universal standard of livelihood. With a population of almost 180 million, Nigeria has amongst the highest percentage of financially excluded population in the African continent, despite the critical role of financial inclusion in achieving inclusive growth (Aduda, & Kalunda, 2012).

In its attempt to address the situation, the Central Bank of Nigeria launched the National Financial Inclusion Strategy in 2012. The policy is a concerted attempt to increase access to a range of financial services at an affordable cost to consumers (Sanusi, 2012). The recent commitment of NFIS aims at reducing financial exclusion from 39.7 percent in 2012 to 20.0 percent of the population by 2020. The key strategies include a) simplified know-your-customer framework (KYC) b) agent banking regulatory framework c) national financial literacy framework d) consumer protection framework e) mobile-payments and "cash-less" policy initiative f) establishing linkages between government and microfinance institutions etc.

Financial inclusion mainly treated as a supply centric and assumes that the supply of financial services alone will lead to an inclusive financial development. It does not take cognizance of the fact that poor human capital development and high illiteracy levels in developing economies may prevent a large section of the population from benefitting from financial inclusion efforts due to poor awareness and comprehension of financial services. The relationship between existing human capital in Nigeria and financial inclusion, however, remains unexamined. It is not known whether existing human capital has any influence on the efforts to increase financial inclusion and whether higher human capital will lead to better utilization of financial services. Human Capital can be referred to as a collection of traits such as knowledge, skills, education, abilities, experience, attitude and behavior embedded in individuals that contribute to their productivity. Being a multivariate concept, the Human Development Index (HDI) was developed as a multidimensional measure to proxy Human Capital development. HDI measures the extent to which a country has developed in the three broad areas of per capita income, health in the form of life expectancy and education (Aigbokun, 2013).

In this study, using data from a variety of sources such as National Financial Inclusion Strategy launched on 23rd October, 2012 and refreshed, EfinA Financial Services Surveys, CBN Statistical Bulletins, Financial Inclusion

Newsletters, and United Nations Development Programme (UNDP) for the years 2000-2010, we examine the relationship between human capital development and financial inclusion in developing Nigeria.

The study follows a detailed methodology used in the construction of Human Development Index, using a multidimensional indicator which includes Loans to rural areas (LRA), Loans to deposit ratios (LDR), Deposits to rural areas (DRA), Loans to small scale enterprises (LSSE). This enables us to have quick look at the level of financial and educational development in Nigeria.

Ajakaiye, (2013) indicate that a small loan, a savings bank account and an insurance policy can make a great difference to the poor and low income family. These financial services enable the poor to have better nutrition, housing, education for children and better health care and improve standard of living. The study of Berg and Zia, (2017) find a positive impact of financial inclusion on economic growth, whereas
Cohen and Nelson, (2011) find a negative impact of financial inclusion on economic growth. The limitation of examining the impact of financial inclusion on economic growth is that it only reveals the overall financial growth within the economy, as this does not ascertain the living standard of the citizenry in the country. In order to determine the actual level of financial inclusion on the quality of life and standard of living of the citizenry in the country, the issue of economic development comes to mind. Therefore, the focus of this study is to examine the impact of financial inclusion on Human capital development. Previous studies used either gross domestic product (GDP) or money supply to gross domestic product (M_2/GDP) as a proxy for economic development (Eniola & Entebang, 2017).

LITERATURE

Financial Inclusion

Financial inclusion is today widely considered as a right of all citizens to better quality of life and a tool for strengthening the economic capacity and capabilities of the poor in a nation (fadum, 2014). Therefore, financial inclusion is defined as a process or situation which allows for ease of access to, or availability of and usage of formal financial systems by members of the economy. It describes a process where all members of the economy do not have a hard time in opening account, can afford to access credit and can conveniently, easily and consistently use financial system products and facilities without difficulty. (PCC) Financial Inclusion Strategy, 2009).

Financial inclusion generally refers to the ability of individuals and business firms to have sustainable access to relevant financial products and services at affordable costs. It therefore, involves three key elements: access; usage; and quality (Park & Mercado, 2015), That is to say; financial inclusion is more comprehensive than mere access to finance but also include, how frequently clients use products, if the products are effectively meeting their needs, and if they are better off as a result.

Financial inclusion is achieved when adults have easy access to a broad range of financial products designed according to their needs and provided at affordable costs. These products include payments, savings, credit, insurance and pensions. This definition is anchored on four thrusts. The first is ease of access to financial products and services for all groups of people and should avoid rigorous requirements. Secondly, a broad range of financial products and services should be made available to the unbanked too. Thirdly, the products are expected to be designed according to the need of the unbanked, taking their income levels and access to distribution channels into consideration and lastly, it must be provided at an affordable cost for low-income groups (CBN-NFIS, 2012).

Regulatory frameworks have been initiated such as the Central Bank of Nigeria (CBN) Micro-finance banking policy (2005). In the same vein, a low cost bank account called *Mzansi* was launched for financially excluded people in 2004 by the South Africa Banking institutions and Self-help Groups in order to extend financial services to the excluded. Many of these

regulatory frameworks were designed as mediums for improving economic welfare of low income groups such as rural women being able to buy sewing machine and establish small businesses artesian having access to wider financial services with capacity to increase or stabilize income and thus build resilience against economic shocks. Besides income benefits of a safe place to make deposits and access to affordable credit assistance, access to financial services through micro-savings and micro-credit has resulted in positive outcomes such as a reduction in child-labour and increases in agricultural productivity (Robinson, 2001).

The consequence of financial exclusion is to minimize the scale of economic activities that can be financed. Financial inclusion thus requires that attention is given to human capital and institutional issues , such as quality of access, affordability of products, provider sustainability , and outreach to the most excluded populations. Financial inclusion guarantees improved ability of poor people to save, borrow , and make payments throughout their lifetime. In the final analysis, for appreciable financial inclusion to happen, the vast majority of the adult population must have attained to follow the attributes of human capital which includes the capacity, skills, knowledge and understanding to make the best use of formal financial products and services (Aduda & Kalunda, 2012)

Loans of Rural Areas

Loans to rural areas are those financial services provided by formal financial institutions in terms of cash given to households and enterprises in the rural areas. It is the process of mobilizing deposits from depositors, savers and allocates credit facilities to borrowers, investor for investments that will lead to economic growth and development in the rural areas (Mahmood & Bilal, 2010). In Nigeria several programmes were implemented to support agricultural sector; such as Rural Banking, Agricultural Credit Guarantee Scheme (ACGSF), aimed at enhancing availability of credit to rural populace especially farmers at affordable cost.

Reasons for the lack of financial access in rural areas are numerous. They can be found in the slow and uneven entry of formal financial institutions into rural areas, which leads to rural clients often remaining beyond the reach of financial outlets, financial illiteracy, poor infrastructure, title and property right can be difficult to verify in rural areas, posing problems in the use of collateral, also shorter repayment and grace periods. Subsidized lending programs for rural recipients have also contributed to obstructing the development of a sustainable rural banking sector in Nigeria.Despite these problems, loans have been making advances in Nigeria, with improved risk management on both the client and institutions sides. The most promising approaches include flexible credit schemes, rural small business loans, promotion of financial literacy and the use of new technologies. These will in turn improve development in Nigeria. (www.mfw4a.org). Loan to rural areas is an important instrument of financial inclusion for improving the welfare of the poor directly through consumption smoothening that reduces their vulnerability to short-term income. It also enhances productive capacity of the poor through financing investment in their human and physical capital (Okurut et al., 2004).

Deposits from Rural Areas (Rural Deposits)

Fatoki, (2014) defined rural deposits as the accumulation of savings, often small scale savings, in a community with an expectation that these deposits can become more available for lending to a rural and agricultural enterprises that can use fund productively. Any financial institutions expanding should focus on taking deposits in rural areas. It is important to recognize that from a financial institution point of view, deposits are fungible and are used to fund profitable loans.

The benefits of deposits from rural areas to both financial institutions and rural areas finance clients includes that deposits provides a sustainable funds for financial institutions and offer clients a safe and liquid means in which to save, this savings in turn increases the supply of

internally generated funds which can be invested in Road Accident Fund (RAF loans), also formal deposits offer the rural population in rural areas an opportunity to save for life events.The crux of these financial institutions expanding would depend on their ability to garner deposits in the rural areas in particular. Grohmann, Klühs and Menkhoff, (2017) in his scheme warns that it may be difficult to get the deposits, though openings accounts would be easy. It requires a lot of awareness. Deposits mobilization is a demand-driven activity. Rural poor wants to invest in a secure location and seek confidence to know that their funds will be protected, and also having convenient access to their funds if need arises, also offering of higher rate of return on savings (Bamako, 2000).A deposit from rural areas is a good financial indicator of financial inclusion; an economy with a low level of rural bank deposit is an indicative of a serious case of financial exclusion.

Loans to Deposit Ratio

The main activity of bank is using the funds (deposits) effectively by the way of lending (financing). In general the loan to deposit ratio measures bank's liquidity as well as profitability of the bank. (Hastings, Madrian, & Skimmyhorn, 2013). The loan-to-deposit ratio (LTD) is a commonly used statistic for assessing a bank's liquidity by dividing the bank's total loans by its total deposits. This number is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements, and conversely, if the ratio is too low, the bank may not be earning as much as it could be.To calculate LTD ratio, take the total amount of loans granted by a bank over a specific period of time and divide by the amount of deposits received by the bank over the same period. For example, if a bank loans $3 million and it accepts $5 million in deposits over the same period, it has a LTD ratio of three-fifths or 60%.

Loans to Small and Medium Scale enterprises

Finances such as Loans to Small and Medium Enterprises (SMEs) are vital for the sustainability and designed also to boost the performance of SMEs. Aruwa (2006). Among others, the facility is aimed at providing an alternative and more flexible source of long term funds for developing new SMEs as well as rehabilitating the existing ones, to qualify, the beneficiaries must contribute a minimum of 25% of the projects capital cost in equity or internally generated resources. (Justin, 2014). According to Calice et al (2012), an important aspect of the SMEs sector is finance (loans) especially bank financing since banks plays crucial role in SMEs financing. Small and Medium Enterprises (SMEs) are critical to the development of any economy as they possess great potentials for employment generation, improvement of local technology, output diversification, development of indigenous entrepreneurship and forward integration with large-scale industries. Globally, commercial banks which remain the biggest source of funds to SMEs have in most cases, shied away because of the perceived risks and uncertainties, also usually demand collateral security before giving out loans for business purposes. Thus the difficulty of access to loan from financial institutions constitutes a great act set back to owners of small and medium enterprises in Nigeria.

Entrepreneurship

Entrepreneurship is the process of identifying opportunities in the market place, marshalling the resources required to pursue these opportunities and investing the resources to exploit the opportunities for long term gains. It involves creating wealth by bringing together resources in new ways to start and operate an enterprise. According to Ogborne (2000), he opines that entrepreneurship occurs when an enterprising individual pursues lucrative business opportunities, mobilizing men, materials, machines and financial resources in order to produce new products and to serve new market. Gupta and Khanka (2006) define an entrepreneur as the person who bears risk, unites various factors of production and carries out innovation

Olagunju (2004) defines entrepreneurship as an undertaking in which one is involved in the task of creating and managing an enterprise for a purpose (The purpose may be personal, social or developmental). Kao and Harvard (1984) define

entrepreneurship as the attempt to create value recognition of business opportunity, the management of risk-taking appropriate to the opportunity and through the communication and management skills to mobilize human, financial and material resources necessary to bring a project to fruition.

Peter Drucker (1980, 1994) defines entrepreneur as "the owner or manager of a business enterprise who, by risks and initiative, attempts to make a profit". He organizes the factors of production – that is land, labour, capital and his own enterprise to transform a business idea into profitable reality.

Theoretical Framework

The theory of financial inclusion as developed by Ozili (2020) is adapted for this study which included the development of three new theories for financial inclusion in 2020. Public service theory of financial inclusion which posit that the financial inclusion in an economy can be managed and implemented by the government due to its higher control over the institutions and regulations allowing the government to ensure the implementation of financial inclusion systems. Collaborative intervention theory of financial inclusionposits that there is a need for integrated efforts by all concerned stakeholders in addressing the needs and demands of the people which may help increase the effectiveness of financial inclusion implementation processes. Financial literacy theory of financial inclusionconcludes that financial inclusion can be improved by increasing the awareness of the financial inclusion among the people who may find it beneficial for them to be a part of the system (Ozili, 2020).

Smith (1776) also argued that the real growth in an economy is driven by the activities of the financial sector based on the fact that increased production and specialization are facilitated by enhanced credit resource acquisition offered by the financial system. Schumpeter (1912)also assert that technological innovation (a prerequisite for productivitygrowth) is facilitated by financial sector through efficient resource accumulation, mobilization and allocation.

Empirical Studies

Ajinaja and Odeyale (2017) examined microfinance and the challenge of financial inclusion for SMEs development in Nigeria. The main objective of the study was to determine whether financial inclusion affect financial well-being of low-income savers over the period of 2005 to 2015. The stud used the Ordinary Least Square regression for the data analysis. The result of the study indicates that financial inclusion has positive and significant effect on financial well – being of the low income earners within the period under review.

Okaro (2016) examined the effects of financial inclusion on entrepreneurial development in Nigerian (1990-2015). The study employed the use of Ordinary Least Squares (OLS) Regression Technique for the data analysis. The major findings were that DMBs' financial intermediation activities, financial deepening, financial accessibility; institutional infrastructures all have positive significant effect on entrepreneurial development

Migap (2015) examined financial inclusion as a strategy for inclusive growth in entrepreneurial development in Nigeria. The study used analysis of variance (ANOVA) for the data analysis. They find that Nigerian financial inclusion indicator is still shallow compared to emerging economies both within and outside Africa

Nkwede (2015) examined financial inclusion and entrepreneurial development in Africa, using Nigeria as a case study. Data for the study covered the period 1981 to 2013. The study used unit root test and correlation analysis for the data analysis. The study shows a negative relationship between financial inclusion and entrepreneurial development of Nigerian. He attributes the finding to high level of financial exclusion of adults from financial services.

Cyn-Young and Ragelio (2015) examined the relationship between financial inclusions,

poverty and income inequality in Asia. The main objective of the study was to determine the Asian economies country-specific factors and macroeconomic variables that affect the level of financial inclusion for selected 37 developing Asian countries over the period of 19983 to 2013. The study used descriptive statistic and regression analysis for the data analysis. They find that demographic factors and per capita income significantly affect financial inclusion.

Joseph and Varghese (2014) studied the role of financial inclusion in the development of Indian economy. The main objective of the study was to investigate the activities of five private sector banks and five state banks covering the period of June to November, 2013. Onsite and offsite ATM usage, number of bank branches, credit cards and debit cards per customers were used as proxies for financial inclusion variable focusing on rural and semi-urban areas in India. The study employed descriptive statistics and correlation for the data analysis. They find that quite a number of people are still excluded from financial services even after the introduction of inclusive banking initiatives in the country.

Okaro (2016) examined the effects of financial inclusion on the Nigerian economy (1990-2015). The objectives of the study were to determine the relationship between DMBs financial intermediation activities, financial deepening, and real GDP and to determine the relationship between financial inclusion and poverty eradication in Nigeria. The study employed the use of Ordinary least squares (OLS) regression technique for the data analysis. The major findings were that DMBs' financial intermediation activities, financial deepening, financial accessibility; institutional infrastructures all have positive significant effect on economy growth (Real GDP).

Migap (2015) examined financial inclusion as a strategy for inclusive growth in Nigeria. The main objective of the study was to compare Nigerian financial inclusion index with other emerging economies in the upper middle income strata. The study used analysis of variance (ANOVA) for the data analysis. They find that Nigerian financial inclusion indicator is still shallow compared to emerging economies both within and outside Africa.

METHODOLOGY

Research Design

The study adopted an ex-post facto research design because the data for the study are secondary data that already exist in the archive of well acclaimed financial publication such as the Central Bank of Nigeria. Besides researchers have no capacity to change the nature or state of data to be used for the study (Ekene, 2015). The study used secondary data that were sourced from official publications such as Central Bank of Nigeria Statistical Bulletin, CBN Annual Reports and Accounts, Financial Services Surveys, Financial Inclusion Letters, National Financial Inclusion Strategy launched on 23rd October 2012, Nigeria Bureaus of Statistics (NBS) for the period of 1987 to 2019 and the World Bank Report on Financial inclusion.

Model Specification

The model that was used for the study is the adaptation and modifications from the work of Onyekachi (2015) which examined the effects of financial inclusion on entrepreneurial development in Nigeria

The model is stated thus,

ETP = f (DRA, LRA, and LDR)

Where:

ETP = Entrepreneurial Development
DRA = Deposit from Rural Areas
LRA= Loans to Rural Areas
LDR = Loans to Deposit Ratio
β_0 = the constant

The model was adapted and modified by the inclusion of loans to small scale enterprises (LSSE) to incorporate the contribution of Loan to Small Scale Enterprises on entrepreneurial development in Nigeria.

ETP = f (DRA, LRA, LDR, LSSE)

$ETP = \alpha + \beta 1DRA + \beta 2LRA + \beta 3LDA + \beta 4LSSE + \mu$ --- - - --- -- -- -- -- --- -- -- -- -- 1

Where:

ETP = Entrepreneurial Development
DRA = Deposit from Rural Areas
LRA= Loans to Rural Areas
LDR = Loans to Deposit Ratio
LSSE= Loan to Small Scale enterprises

β_0 = the constant
β_1 – β_4 = The Coefficients of the Explanatory Variables
Ut = Error Term
β_0 and μ are the constant and error term respectively while β_1, β_2, β_3 and $\beta_4$are the coefficient of financial inclusion on Human Capital Development in Nigeria.

Data Analysis

Method of Data Analysis

The data were analyzed with econometric techniques involving Augmented Dickey Fuller (ADF) tests for unit root,Engel Granger Co-integration and Vector Auto-regression Estimates

Table 1: Summary of the Unit Root Result

Variables	T-statistics	Probability	Order of Integration
ETP	-6.088595	0.0000	1(1)
DRA	-3.867397	0.0063	1(1)
LRA	-4.619034	0.0010	1(1)
LDR	-5.531824	0.0001	1(2)
LSSE	-9.281478	0.0000	1(1)

Source: Computation from E-view Version 9.0

The table above shows entrepreneurial development, deposit from rural areas, loans to rural areas and loan to small scale enterprises were differenced once to assume stationarity. Finally, loans to deposit ratio was differenced twice to assume stationarity. Therefore, all the variables are all stationarity.

Engel Granger Co-integration Analyses

Table 2: Co- integration Test for Financial Inclusion on Entrepreneurial Development inNigeria

Engel Granger co-integration analysis

Null Hypothesis: ECT has a unit root

Exogenous: Constant

Lag Length: 0 (Automatic - based on SIC, maxlag=7)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-3.163977	0.7161
Test critical values:	1% level	-3.861661	
	5% level	-4.960411	
	10% level	-5.619160	

*MacKinnon (1996) one-sided p-values.

Co-integrated test of financial inclusion and human capital development in Nigeria using Engle and Granger (1987) method. The result from of the ADF test of stationary using the residuals from the model is shown in Table 4.2. Since the probability value is greater 0.05, we accept the null hypothesis that the variable (model) has unit root. Therefore the study concludes that there is no co-integration from among the variables (As Captured by the Residuals) in the model.

Table 3: Vector Auto-regression Estimates of Financial Inclusion and Entrepreneurship Development in Nigeria

Vector Auto-regression Estimates

Date: 23/06/21 Time: 15:16

Sample (adjusted): 1988 2020

Included observations: 32 after adjustments

Standard errors in ( ) & t-statistics in [ ]

	DRA	LRA	LDR	LSSE	ETP
DRA(-1)	0.622025	-0.009426	-0.227924	0.000600	0.004387
	(0.03133)	(0.41712)	(0.07960)	(0.00074)	(0.00446)
	[2.99796]	[-0.02260]	[-2.86333]	[0.81018]	[0.98351]
DRA(-2)	0.464651	0.684975	0.241452	-0.000332	-0.004228
	(0.0181)	(0.41307)	(0.07883)	(0.00073)	(0.00442)
	[2.50709]	[1.65825]	[3.06298]	[-0.45295]	[-0.95713]
LRA(-1)	0.107710	0.545211	0.072484	0.000178	0.004316
	(0.02744)	(0.34492)	(0.06582)	(0.00061)	(0.00369)
	[2.41838]	[1.58068]	[1.10119]	[-0.29046]	[1.17001]
LRA(-2)	0.153047	-0.147086	-0.146849	-0.000159	0.004007
	(0.04432)	(0.32734)	(0.06247)	(0.00058)	(0.00350)
	[2.62642]	[-0.44934]	[-2.35077]	[-0.27381]	[1.14455]

LDR(-1)	0.421601	2.083862	0.390894	-0.000722	-0.003340
	(0.05054)	(1.03237)	(0.19701)	(0.00183)	(0.01104)
	[3.54715]	[2.01853]	[1.98411]	[-0.39382]	[-0.30255]
LDR(-2)	-1.017897	0.401570	-0.181437	0.003763	0.003114
	(0.65555)	(0.87830)	(0.16761)	(0.00156)	(0.00939)
	[-1.55275]	[0.45721]	[-1.08249]	[2.41346]	[0.33151]
LSSE(-1)	39.10973	134.8072	-21.57458	0.290485	-0.358178
	(0.0030)	(149.119)	(28.4573)	(0.26470)	(1.59481)
	[2.35139]	[0.90402]	[-0.75814]	[1.09739]	[-0.22459]
LSSE(-2)	-9.751702	129.3601	21.24025	0.109518	-1.656324
	(109.468)	(146.665)	(27.9889)	(0.26035)	(1.56857)
	[-0.08908]	[0.88201]	[-0.75888]	[0.42066]	[-1.05595]
ETP(-1)	19.10717	-4.234915	4.630512	0.049738	0.553111
	(0.0001)	(21.2700)	(4.05907)	(0.03776)	(0.22748)
	[2.20356]	[-0.19910]	[1.14078]	[1.31733]	[2.43147]
ETP(-2)	9.689480	-52.79561	-7.866438	-0.023070	0.021081
	(0.0050)	(24.9818)	(4.76743)	(0.04435)	(0.26718)
	[2.51965]	[-2.11336]	[-1.65004]	[-0.52022]	[0.07890]
C	41.31875	-50.54304	27.04221	0.032029	0.449892
	(33.7850)	(45.2650)	(8.63819)	(0.08035)	(0.48411)
	[1.22299]	[-1.11660]	[3.13054]	[0.39862]	[0.92933]
R-squared	0.754787	0.815857	0.693069	0.542073	0.554458
Adj. R-squared	0.711312	0.759761	0.488449	0.236788	0.257429
Sum sq. resids	2117.373	3800.799	138.4187	0.011977	0.434740

S.E. equation	11.88100	15.91812	3.037748	0.028257	0.170243
F-statistic	21.50164	16.32671	3.387097	1.775631	1.866683
Log likelihood	-94.09026	-101.6957	-58.63083	62.98531	16.29195
Akaike AIC	8.083866	8.668901	5.356217	-3.998870	-0.407073
Schwarz SC	8.616138	9.201172	5.888489	-3.466598	0.125198
Mean dependent	76.94308	78.58308	19.40577	0.123077	0.446923
S.D. dependent	36.03815	42.50670	4.247244	0.032344	0.197561

Determinant resid covariance (dof adj.)	1.832756
Determinant resid covariance	0.117137
Log likelihood	-156.5847
Akaike information criterion	16.27574
Schwarz criterion	18.93710

Deposit from Rural Areas (**DRA-1):** The coefficient of deposit from rural areas (DRA-1) in the first lag is positive at 0.622025 with t-Statistics of 2.99796 which means that deposit from rural areas has positive and significant effect on entrepreneurial development (ETP) within the period under review. A unit increase in deposit from rural areas (DRA-1) will lead to an increase in entrepreneurial development by 0.622025

Deposit from Rural Areas (**DRA-2):** The coefficient of deposit from rural areas (DRA-2) in the second lag is positive at 0.464651 with t-Statistics of 2.50709 which means that deposit from rural areas has positive and significant effect on entrepreneurial development (ETP) within the period under review. A unit increase in deposit from rural will lead to an increase in entrepreneurial developmentby 0.464651

Loans to Rural Areas (LRA-1): the coefficient of loans to rural areas (LRA-1) in the first lag is positive at 0.107710 with t-Statistic of 2.41838 which means that loans to rural areas (LRA-1) has positive and significant effect on entrepreneurial development (ETP). A unit increase in loans to rural areas (LRA-1) will lead to increase on entrepreneurial development by 0.107710 units.

Loans to Rural Areas (LRA-2): the coefficient of loans to rural areas(LRA-2) in the second lag is positive at 0.153047 with t-Statistic of 2.62642 which means that loans to rural areas(LRA-2) has positive and significant effect on entrepreneurial development (ETP). A unit increase in loans to rural areas (LRA-2) will lead to increase on entrepreneurial development by 0.153047 units.

Loans to Deposit Ratio(LDR-1): the coefficient of loans to deposit ratio (LDR-1) in the first lag is positive at 0.421601 with t-Statistic of 3.54715 which means that loans to deposit ratio (LDR-1) has positive and significant effect on entrepreneurial development (ETP). A unit increase in loans to deposit ratio (LDR-1) will cause entrepreneurial development to increase by 0.421601 units.

Loans to Deposit Ratio (LDR-2): The coefficient of loans to deposit ratio (LDR-2) in the second lag is negative at -1.017897 with t-Statistic of -1.55275 which means that loans to deposit ratio (LDR-2)has negative and insignificant effect on entrepreneurial development (ETP) in the second lag. A unit increase in loans to deposit ratio (LDR-2) will lead to an decrease in entrepreneurial development (ETP) by 1.017897 units.

Loan to Small Scale Enterprises (LSSE-1): The coefficient of loan to small scale enterprises (LSSE-1) in the first lag is positive at 39.10973 with t-Statistic of 2.35139 which means that loan to small scale enterprises (LSSE-1) has positive and significant effect on entrepreneurial development (ETP) within the period under study. A unit increase in loan to small scale enterprises (LSSE-1) will lead to an increase in entrepreneurial development by 1.017897.

Loan to Small Scale Enterprises(LSSE-2): The coefficient of real loan to small scale enterprises in the second lag is negative at -9.751702 with t-Statistic of -0.08908 which means that loan to small scale enterprises (LSSE-2) has negative and insignificant effect on human capital development (HCD) in the second lag. A unit increase in loan to small scale enterprises (LSSE-2)in the second lag will lead to a decrease in human capital development by 9.751702

Entrepreneurial Development (-1): The coefficient of entrepreneurial development (ETP-1) in the first lag is positive at 19.10717 with t-Statistic of 2.20356 which means that entrepreneurial development (ETP-1) as an endogenous variable has positive and significant effect in the first lag

Entrepreneurial Development (-2): The coefficient of entrepreneurial development (ETP-2) in the second lag is positive at 9.689480 with t-Statistic of 2.51965 which means that entrepreneurial development**(ETP**-2) as an endogenous variable has positive and significant effect in the second lag

Finally, the Adjusted R-squared is 0.711312 which is approximately 71%. This means that 71% of total variation on entrepreneurial development can be explained by the variables deposit from rural areas, loans to rural areas, loans to deposit ratio and loan to small scale enterprises while the remaining 29% is due to other stochastic variables.

CONCLUSION

Financial inclusion has grossly enhanced entrepreneurial development in Nigeria. About 71% of entrepreneurial development variations are explained by deposit from rural areas, loans to rural areas, loans to deposit ratio and loan to small scale enterprises. This implies that financial inclusion is one major contributor that enhances entrepreneurial development in Nigeria.

The study thus concludes that financial inclusion has positive effect on entrepreneurial development and has helped to improve standards of living in Nigeria.

In line with the findings from the study, the study makes the following recommendations:

1. Since deposits is the main source of funds to commercial banks, banks should give due emphasis to its savings mobilization and strive to increase their deposit interest rates in order to mobilize deposits from rural areas and should provide excellent services for their customers.
2. Loans to rural areas should receive considerable attention by relevant authorities in order to effect strongly and positively on entrepreneurial development in Nigeria.
3. Banks should fully utilize the loan-to-deposit ratio by boosting marketing

efforts through increase in lending loans, increase in money supply in Nigeria which would stimulate economic growth.

4. Banks should extend loan to small scale enterprises with an established sound lending policies, adequate credit administration procedure and an effective and efficient machinery to monitor lending to loan to small scale enterprises to improve entrepreneurial development in Nigeria.

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