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Determinants of Financial Inclusion in a Developing Economy: Evidence from the Asokore Mampong Municipality of Ghana

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Abstract:
Enhancing financial inclusion remains one of the topmost priorities of world leaders. Thus through that, people who are normally considered vulnerable could easily get access to funding and hence lead to an improvement in their welfare. This study therefore using ownership of an account in any formal financial institution as a proxy, investigated the determinants of financial inclusion in the Asokore Mampong Municipality of Ghana. The study purposively sampled 300 respondents in the Municipality and also adopted the binary probit model as the empirical estimation technique. The findings revealed that, respondents who were 51-60 years, Christians, respondents with basic, secondary and tertiary levels of education, those employed , married and respondents who did not see the nearest financial institution to be too far, were more likely to own accounts. The study therefore recommended paying attention to the uneducated, unemployed, single /widowed/ divorced/ separated and proximity of financial institutions among others in designing policies towards enhancing financial inclusion.

Keywords: *Financial Inclusion, Ownership of Accounts, Ghana*

1. Introduction

Poverty is seen as the major source of most of the challenges confronting humanity. Thus poverty can have negative repercussions in all aspects of life whether access to health, education, quality food and water, clothing etc. Therefore combating poverty remains a non-negotiable agenda on the top-most priorities of world leaders since a significant portion of the people in most of the developed world including Ghana suffer from abject poverty.

However, to combat poverty, one of the major solutions suggested has to do with instituting measures that will ensure an expansion in financial inclusion. Thus when people are able to for instance own a formal bank account which is one of the indicators of financial inclusion, it helps them to save as well as get access to credit in which they can use for their own personal development, start a business or expand their business. This, would help in ousting poverty in the long run.

In Ghana, there have been various transformations in the financial sector which have culminated in to a better development of the Ghanaian financial sector. This development of the Ghanaian financial sector has resulted in the springing up of several formal financial institutions both locally owned and foreign owned. However, as stated above, a significant portion of Ghanaians are poor and hence have life threatening challenges confronting them.

Therefore, with the proliferation of these financial institutions in Ghana, it is expected that at least, there will be an enhanced level of financial inclusion which is an effective tool in the fight against poverty.

This study therefore sought to investigate the Determinants of Financial Inclusion in the Asokore Mampong Municipality of Ghana. This would help us know the features of those who are able to own accounts and those who are not and hence be the targets of policy initiatives towards enhancing financial inclusion, which is an effective tool in quelling poverty.

On the literature, Zins and Weill (2016) found that being a man, more educated, older and richer, favour financial inclusion in thirty seven African countries. Allen et al. (2012a) studied how equity bank influenced access to banking in Kenya. Efobi, Beecroft and Osabuohien (2014) in Nigeria found that the age, income level, the ICT inclination and attributes of individuals influenced access to and use of bank services. Beck and Brown (2011) in twenty nine transition countries found that, wealth, income and education increased with holding of a bank account or bank card in most countries at the household level. Evidence on the role of religion was also found. Allen, Demirguc-Kunt, Klapper and Peria (2012b) found better enabling environment with regards to accessing financial services, for example lesser cost of accounts and higher closeness to financial intermediaries to be linked with higher ownership and usage of accounts with data covering 123 countries.

On Ghana, Abor (2005) investigated the determinants of reliance on bank borrowing among listed firms, Boadi, Li, & Lartey (2015) have studied the determinants of Bank Deposits and Gyamerah and Amoah (2015) studied the determinants of bank profitability in Ghana. Akudugu (2013) found age, distance to financial institutions, wealth class, literacy levels, lack of trust for formal financial institutions, lack of documentation, money poverty and family relations to be the determinants of financial inclusion in Ghana. Agyekum, Wellalage and Locke (n.d) studied financial inclusion in Ghana using credit advanced to the private sector as a proxy. Boakye and Amankwah (n.d) found educational level, local's perception about inherent benefits of products, financial literacy, income or expense stability, access to electricity, urban residence and access to communication channels as the determinants of financial products in Ghana.

However on Ghana, the study contends that, studies that are directly related to financial inclusion are very few given the relevance of the topic. Further, no study to the best of our knowledge has been done on the determinants of formal accounts ownership in the Asokore Mampong Municipality which is a relatively newly created Municipality with lots of developmental challenges such as poverty, illiteracy, poor sanitation etc. This makes this study novel and hence would reveal the socio-economic determinants of formal account ownership which would go a long way in shaping policies towards enhancing financial inclusion and hence aid in nipping poverty in the bud.

2. Data and Methods

Primary data in the form of quetionnaires that were used to gather information from 300 purposively sampled adults in the Asokore Mampong Municipality of Ghana was the main source of data for the study. Respondents were asked whether they have an account with any formal financial institution. Also additional information of respondents was gathered. The data was collected in February, 2017.

The empirical estimation technique adopted by the study was the binary probit regression model since the dependent variable i.e. formal account ownership was dichotomous (yes (1) or no (0)). Aside household size that was numeric, all the other independent variables were categorical and hence treated as dummy variables.

3. Results and Discussion

3.1. Descriptive Analysis

Variable (*N=300*)	**Percentage**
Ownership of Formal Accounts	
Yes	46.33
No	53.67
Age	
18-30 years	17.67
31-40 years	39.33
41-50 years	14.67
51-60 years	18.67
61years and above	9.67
Gender	
Male	48.67
Female	51.33
Religion	
Christianity	35.67
Islam	56.67
Traditional/other	7.67
Educational Level	
Uneducated	29.67
Primary	26.00
Junior High School(JHS)	16.67
Senior High School (SHS)	16.00
Tertiary	11.67
Employed	
Yes	57.67
No	42.33
Marital Status	
single/widowed/divorced/separated	49.67
Married	50.33
Challenges with Proximity	
Yes	46.67
No	53.33

Table 1: Descriptive Statistics of Socio-Economic Characteristics of Respondents
Source: Authors' Computation from Field Survey, 2017

The results as in Table 1 showed that, 53.67% of respondents had no formal accounts whilst 46.33% had formal accounts. Thus those without formal accounts were more than those with formal accounts which is worrying. Also 48.67% of respondents were male whiles 51.33% were females. On religion, 35.67%, 56.67% and 7.67% of respondents were Christians, Muslims and Traditional or other faith believers respectively. Information of respondents on the remaining socio-economic factors can be seen in Table 1.

Variable	Co-efficient	Standard Error	P-value
Age			
18-30 years	.2773582	.3798001	0.465
31-40 years	.1751417	.3233375	0.588
41-50 years	.2445688	.3633645	0.501
51-60 years	.6250737	.3333951	0.061
61 years and above (Reference Group)			
Gender			
Male	-.0161171	.1982818	0.935
Female (Reference Group)			
Religion			
Christianity	.8960342	.3385962	0.008
Islam	-.2842218	.3261571	0.384
Traditional/other (Reference Group)			
Educational Level			
Uneducated (Reference Group)			
Primary	.314075	.2492712	0.208
Junior High School (JHS)	.7356575	.2794516	0.008
Senior High School (SHS)	1.157193	.298768	0.000
Tertiary	.5916635	.3443021	0.086
Employment Status			
Employed	.5516088	.1834719	0.003
Unemployed (Reference Group)			
Marital Status			
Single/widowed/divorced/separated (Reference Group)			
Married	.3714348	.1869922	0.047
Household Size	-.0049634	.0359791	0.890
Challenges with Proximity			
Yes (Reference Group)			
No	.6204277	.1846413	0.001
Constant	-1.759295	.5265201	0.001

Table 2: Probit Regression Results on Determinants of Financial Inclusion
Source: Authors computation from Field survey, 2017. Number of obs = 300, Prob > chi2 = 0.0000

The results showed that respondents who were 51-60 years old were more likely to own formal accounts relative to those who were 60years and above. This is not surprising since those who are 51-60 years would be mostly active workers who would be earning more and hence would prefer to own formal accounts in order to save and enjoy other benefits as compared to those 60years and above who are mostly retirees. The finding is similar to those of Efobi et al. (2014) in Nigeria who found age to influence access to and use of bank services. Also Akudugu (2013) found age to be a significant determinant of financial inclusion in Ghana.

Also Christians were found to be more likely to own formal accounts as compared to those with traditional or other religious faiths. Similar finding on the role of religion was revealed by Beck and Brown (2011).

Further, respondents with junior high school, senior high school and tertiary levels of education were found to be more likely to own formal accounts relative to the uneducated. This is consistent with the findings of Zins and Weill (2016), Beck and Brown (2011) and Akudugu (2013). This is not startling since the educated can better comprehend the essence of owning accounts given its attendant benefits relative to the uneducated.

In addition, employed and married respondents were found to be more likely to own formal accounts relative to their unemployed and single/widowed/divorced/separated counterparts respectively. The results are not surprising since employed persons are well placed to earn higher and would be willing to own accounts in order to save and also reap other benefits. Also married individuals are likely to get some monetary support from their partners which could help them to own accounts in order to save relative to their single/widowed/divorced/separated counterparts.

Also respondents without any challenges with regards to the closeness of the nearest formal financial institution were more likely to have formal accounts relative to those who said they had challenges with the closeness of the nearest formal financial institution. This is not surprising since the closeness of the financial institution makes it easily accessible and hence curbs possible higher transportation costs associated with longer distances. Similar results were found by Allen et al. (2012b) and Akudugu (2013).

4. Conclusion

Based on the findings, the study can conclude that, age, religion, education, employment, marital status and proximity of financial institution are the determinants of formal account ownership in the Asokore Mampong Municipality of Ghana. Therefore paying attention to the uneducated, unemployed, single/widowed/divorced/separated respondents as well as proximity of financial institutions among others in designing policies towards enhancing financial inclusion should be adopted.

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