Financial Inclusion in Nigeria and the USA: A Comparative Perspective

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ABSTRACT

The short paper adopts a qualitative approach in executing a concise examination of financial inclusion in Nigeria and the USA. Adopting a comparative method the paper examined the subject along three main strands focusing on similarities and differences in the strategies employed, challenges encountered, and outcomes attained. Using context-specific approaches, based on the impact of technology, and the importance of inclusive regulatory environment the paper notes that financial inclusion has improved significantly in the last few years in both countries due to policy reforms, financial literacy, various financial initiatives and regulatory intervention. The paper posits that the level of financial inclusion is high in both countries at 96% in the US compared to 74% in Nigeria and concludes that while Nigeria's trajectory is characterized by rapid advancement via digital innovation and policy reforms; nonetheless, considerable disparities persist, especially for women and rural communities. Despite the U.S sophisticated financial system, it continues to contend with areas of exclusion stemming from socio-economic and geographic inequalities. The paper advocates the need for global learning: cross-country learning and adaptation of best practices to inform national strategies and policy. Specifically, it recommends that relevant strategies appropriate for each nation’s circumstances should be put in place to reduce gender disparity in financial inclusion to the barest minimum in Nigeria and to address disparities based on ethnicity and other factors in the US.

JEL classification Code: O16.

Keywords: Financial inclusion, financial services, gender inequality, low income, poverty reduction.

INTRODUCTION

Financial inclusion has become a crucial subject in the global development discourse. Its importance stems from its ability to alleviate poverty, stimulate economic growth, and improve the overall quality of life for individuals and communities. In the last twenty years, both advanced and emerging economies, including USA and Nigeria have made financial inclusion a key policy goal; though they face various challenges, adopt different strategies, and experience distinct outcomes. This study presents a qualitative examination of financial inclusion in Nigeria and the United States, emphasizing the contextual factors, policy frameworks, technological advancements, ongoing disparities and outcomes that influence the comparative analysis.

This short paper is divided into five main sections; this introduction constitutes section I. Section II is the Research methods while section III presents the Results- the comparative analysis of financial inclusion in Nigeria and the USA. Policy responses/strategic direction and challenges and future directions are part of sections IV, the Discussion. Section V concludes the paper and contained some recommendations.

The Concept and Importance of Financial Inclusion

Financial inclusion is the process of ensuring that individuals, especially those from disadvantaged and low-income backgrounds, have access to suitable financial products and services—such as payments, savings, credit, insurance, and pensions—at affordable prices and in a fair and transparent manner (Central Bank of Nigeria, 2012). The World Bank and other international organizations have highlighted its importance in fostering inclusive economic growth, reducing income inequality, and empowering underrepresented groups, particularly women and small enterprises (CBN, 2012). The justification for financial inclusion is based on its various advantages:

Reducing Poverty: Access to financial services allows individuals to save, invest, and manage their risks, thereby helping to break the cycles of poverty.

Economic Growth: Financial inclusion encourages entrepreneurship, supports small and medium enterprises (SMEs), and expands the government tax base.

Social equity: It fosters social justice by reducing gender and geographical disparities in access to financial resources (THISDAYLIVE, 2025).

Although the importance of financial inclusion is widely acknowledged, the journey towards it is influenced by a country's unique historical, economic, regulatory, and technological contexts.

Determinants of Financial Inclusion

Research conducted in Africa and around the world has pinpointed various factors that affect financial inclusion:

Socioeconomic Factors: There is a positive correlation between financial inclusion and factors such as income, education, employment, and urbanization. (Xiaoling, Jiagi, & Xueke, 2024).

Social Networks: In the context of Africa, social networks [and sometimes family ties] are vital in aiding access to both informal and formal financial services (Johnson, 2015).

Technology: Mobile banking and digital platforms serve as essential drivers, particularly among youth groups and in areas where physical infrastructure is limited (**Agarwal & Assenova, 2024).**

Regulation: Finding the right balance between encouraging innovation and ensuring consumer protection is vital, as excessive regulation may hinder outreach (Arner, Barberis & Buckley, 2022).

Impact of Globalization

Globalization has affected financial inclusion by facilitating cross-border investments, spreading technology, and enabling policy learning. Yet, it has also posed challenges such as rising inequality and complicated regulations, especially in developing countries like Nigeria (Nwuba, 2023).

METHODS

The paper employs a descriptive research design based on secondary data obtained from secondary sources in Nigeria and USA for the period 2005 to 2025. The period coincides with the era of rapid innovation and integration of financial technology to the financial systems of both countries. The choice of Nigeria is informed by the fact that the Nigerian economy is an emerging one, the 4th largest in Africa (N372.82 trillion naira ($243.53 billion)) and the most populous black nation, while the choice of USA is predicated on the fact that the USA is a developed economy, the second largest economy in the world, after China, and especially because both Nigeria and USA have related demographic characteristics that have implications for financial inclusion.

The comparative analysis is conducted along the following theoretical strands- Financial inclusion rate, Technological innovation, regulatory intervention, socioeconomic developments and the impact of gender.

Although the reliance on secondary data and the use of qualitative analysis are the main limitations of this work, the use of credible statistical information from FDIC in USA and secondary data from Enhancing Financial Innovation and Access (EFInA) survey report in Nigeria represent very strong points for this paper.

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RESULTS

Financial Inclusion in Nigeria: Historical and Contemporary Context

Historical Background and Policy Evolution

Nigeria, with a population exceeding 250 million people, stands as Africa's largest economy and has long faced significant challenges regarding financial exclusion. A survey conducted by Enhancing Financial Innovation and Access (EFInA) in 2008 indicated that 53% of adults in Nigeria were without access to formal financial services (CBN, 2012). Acknowledging the critical developmental consequences, the Central Bank of Nigeria (CBN) launched the National Financial Inclusion Strategy (NFIS) in 2012, with the goal of lowering the exclusion rate to 20% by 2020 and establishing ambitious targets for access to payments, savings, loans, insurance, and pensions (Central Bank of Nigeria, 2012).

Over the years, there has been significant progress in Nigeria's financial inclusion landscape:

The CBN has released various policy documents, such as the National FinTech Strategy and the Strategy for Leveraging Agent Networks to Enhance Women's Financial Inclusion, indicating a move towards digital and gender-oriented strategies (CBN, 2012).

Drivers and Barriers of Financial inclusion in Nigeria

Several factors have influenced Nigeria's journey toward financial inclusion:

Financial inclusion rate: In the year 2020, the financial inclusion rate was 67%, and this figure climbed to 74% by 2023, with 26% of adults still lacking access (CBN, 2023).

Gender disparities remain high, as only 47% of women had access to formal financial services in 2023, in contrast to 58% of men (Women's World Banking, 2025).

Technological Advancements: The rise of fintech firms like OPay, Moniepoint, Kuda and PalmPay has transformed payment systems and expanded access to financial services, especially through Point of Sale (POS) terminals, which handle over $60 billion annually (Adesanya, LinkedIn, 2025).

Regulatory Landscape: Although the regulatory structure has fostered innovation, it has also faced criticism for imposing strict requirements that could hinder fintech development and restrict outreach to the unbanked population (Jack & Suri, 2011; Akpukorji, Nzeako, Akinsanya, Popoola, Chukwurah, & Okeke, 2024).

Socioeconomic Challenges: Ongoing issues such as poverty, low levels of financial literacy, inadequate infrastructure (notably in rural areas), and cultural influences continue to obstruct comprehensive inclusion (Adesanya, LinkedIn, 2025).

Gender Gap: Gender disparity remains high, as only 47% of women had access to formal financial services in 2023. The CBN has initiated programs such as the Women Entrepreneurs Finance Code (We-Ficode) and the Women's Financial Inclusion Dashboard (WFID) to tackle gender disparities.

I. Financial Inclusion in the United States: Context and Progress

The United States, a developed economy with an advanced financial system, provides a different perspective. Overall, financial inclusion is quite high, as most adults have access to formal banking and other financial services. Nonetheless, there are areas of exclusion, especially among low-income families, racial minorities, immigrants, and residents of rural areas.

Key Features and Challenges

Financial Inclusion level: Almost **96% of U.S. households** had access to banking services in 2023, leaving 4.2% (5.6 million households) unbanked. However disparities persist among the following groups:

- Lower-income households (earning <$25,000): **23% unbanked**.
- Black households: **14% unbanked**;
- Hispanic households: **11% unbanked**
- White and Asian households 4% unbanked
- Households with disabilities: **11% unbanked** (vs. 5% without disabilities) (FDIC, 2023).

Regulatory Framework: The United States features a strong regulatory system that encourages consumer protection, financial education, and equitable access. Initiatives such as the Community Reinvestment Act (CRA) and various state-level programs motivate banks to cater for underserved communities.

Technological Advancements: The emergence of digital banking, fintech solutions, and mobile payment applications has further lowered the barriers to access, although the issue of the digital divide continues to pose challenges for certain populations.

Socioeconomic Challenges: The U.S., despite its advanced financial system, continues to grapple with pockets of exclusion rooted in socioeconomic and geographic disparities among Black and Hispanic populations, low-income households, households with disabilities and rural communities. The net effect is that most of the unbanked households and small businesses bypass the financial system either through sole reliance on cash transactions mainly or gain access to the financial system through third parties at high costs.

Gender Gap**:** While overall financial inclusion is high among women, gender intersects with other demographics to create barriers with 23% of low income households, 14% of black women unbanked compared to 11% of Hispanic and same 11% for women with disabilities (FDIC, 2023).

DISCUSION

The analysis shows that the financial inclusion rate in Nigeria is 74% while the rate is 96% in USA. Technology and regulatory interventions have positively shaped the course of financial inclusion in both Nigeria and USA, however, socioeconomic and geographic factors are major sources of financial exclusion in both countries, particularly among women and ethnic minorities in the USA.

Our finding here is similar to that of Ndiritu & Nyang'oro (2024) who found that both Kenya and Ethiopia have made progress in financial inclusion while highlighting that differences in regulatory frameworks, technological adoption, and financial literacy significantly affect the level and nature of financial inclusion in both countries. However, our finding differs from that of Qureshi, Qureshi, & Qureshi (2024) who conducts a comparative panel data analysis across multiple countries to assess the relationship between financial inclusion and economic growth and found that the influence of financial inclusion on economic growth is more pronounced in developing countries compared to developed countries.

In Nigeria, the emphasis on financial inclusion has shifted from just providing payment access to include wealth generation, micro-financing, insurance, and digital savings. The emergence of agent banking, fintech firms providing online financial services and mobile money has made financial services more accessible to marginalized groups, though issues like heavy reliance on cash transactions, regulatory hurdles, and lack of digital literacy and the introduction of numerous charges by financial institutions particularly commercial banks (deposit money banks) and high interest rate continue to serve as major barriers to financial inclusion in Nigeria.

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Despite the overall high level of inclusion, the U.S. faces challenges related to:

Disparities based on race and ethnicity: Unbanked and underbanked populations consist largely of Black and Hispanic families and households with disabilities and the concomitant reliance on cash and third party transactions to escape financial exclusion.

Disparities Based on Geography: Individuals in rural and isolated regions frequently face challenges due to a lack of physical banking facilities.

Cost and Trust Concerns: Like in Nigeria, high fees, unfair bank charges, and minimum balance requirements, and a lack of confidence in financial institutions discourage some people from using formal financial services.

Policy Responses and Strategic Directions

Nigeria

National Strategies: The NFIS and related policy documents showcase a unified approach that includes the CBN, governmental bodies, and private sector partners (THISDAYLIVE, 2025) in the quest for financial inclusion in Nigeria.

Digital Financial Services: Emphasis is placed on agent banking, online banking, mobile money, and fintech innovations to serve the unbanked population (Agarwal, & Assenova, 2023; Boston Consulting Group (BCG), 2021).

Financial Literacy: Efforts aimed at enhancing financial literacy, particularly among women and youth, are essential for fostering greater inclusion (THISDAYLIVE, 2025).

Gender-Focused Interventions: Specific programmes such as the Women Entrepreneurs Finance Code (We-Ficode) and the Women’s Financial Inclusion Dashboard (WFID) are designed to bridge the gender gap in access to financial services.

United States

Consumer Safeguards: Regulatory structures promote transparency, equitable lending practices, and mechanisms for addressing grievances.

Investment in Communities: Initiatives like the CRA motivate banks to assist low-income and minority populations.

Access to Digital Services: Ongoing efforts aim to close the digital gap and enhance access to online financial services.

Challenges and Future Directions

Despite advancements, both Nigeria and the USA continue to encounter significant challenges:

Nigeria: Ongoing exclusion of rural populations, women, and low-income individuals; regulatory obstacles for fintech companies; infrastructure deficiencies; and the necessity to transition from predominantly cash-based systems to digital economies remain major challenges in Nigeria (Chang, Tantivasadakarn & Pongsaparn, 2022)

USA: Tackling the needs of the still unbanked and underbanked, minimizing racial and geographical inequalities, and ensuring that technological progress does not exacerbate the digital divide.

Both nations are experiencing a rise in fintech solutions, which aim to enhance accessibility while also introducing new regulatory and cybersecurity challenges.

There is an increasing awareness of the importance of tailored interventions, like gender-sensitive policies in Nigeria and community-oriented initiatives in the U.S.

Cross-national learning and the adaptation of effective practices are progressively shaping national strategies. Table I below presents a tabular comparative illustration of the state of financial inclusion in both Nigeria and the USA.

Table I: Financial inclusion in Nigeria and USA: Comparative Analysis

Parameters	**Nigeria**	**USA**
Financial Inclusion Rate	74% (a2f.ng, 2024)	~96% but disparities exist amongst Black, Hispanic, low income households and families with disabilities (2023, FDIC data)
Gender Gap	Significant (47% women vs. 58% men) (Women's World Banking, 2025)	Present, but less pronounced
Key Barriers	Poverty, literacy, infrastructure, regulation, cost.	Cost, trust, racial/geographic disparities
Role of Fintech	Transformative, filling gaps left by banks	Important, but complements established banks
Regulatory Approach	Evolving, sometimes restrictive	Mature, focused on consumer protection
Use of Cash	Predominantly cash dominated economy	High amongst unbanked minorities

Source: Author’s compilation, June, 2025

Emerging Trends

Fintech and Digital Transformation: Both countries are witnessing a surge in fintech-driven solutions, which promise to further improve access but also raise new regulatory and cybersecurity concerns (Feyen, Frost,

(Feyen, Frost, Gambacorta, Natarajan, & Saal, 2021)

Inclusive Policy Design: There is a growing recognition of the need for targeted interventions, such as gender-sensitive policies in Nigeria and community-focused programs in the U.S.

CONCLUSION AND RECOMMENDATIONS

The examination of financial inclusion in Nigeria and the USA highlights progress in financial inclusion in both countries but reveals differences in the challenges faced, strategies employed, and results achieved. Both Nigeria's and USA’s financial inclusion trajectories are characterized by rapid progress through technological innovation and regulatory/policy changes, yet there are still considerable gaps, especially affecting women and rural communities. Although the U.S. has an advanced financial system, it still struggles with areas of exclusion linked to socioeconomic and geographic inequalities.

The paper recommends the need for continued global learning: cross-country learning and adaptation of best practices to inform national strategies and policy. Specifically, it is further recommended that gender disparity in financial inclusion should be reduced to the barest minimum in Nigeria, and in the US disparities based on ethnicity and other socio-economic factors should be addressed, through relevant strategies appropriate for each nation’s circumstances.

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