WJOMABS
World Journal of Management and Business Studies *(ISSN: 2795-2525)*
Vol. 3, No 3., July., 2024

FINANCIAL INCLUSION IN NIGERIA: REALITY OF IRONY - AN EPISTEMOLOGICAL STUDY OF APPROPRIATE STAMP DUTY TAX ADMINISTRATION IN THE BANKING SECTOR

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Abstract*: This research is based the study of appropriate stamp duty tax administration and the effect it has on financial inclusion as well as the performance of banking sectors in Nigeria" focused on finding the value added by appropriate stamp duty tax administration to financial inclusion in banking sectors as well as its role on nation building The study objectives are to examine the effect of stamp duty tax on-financial inclusion and to investigate the impact of appropriate stamp duty tax administration on financial inclusion in banking sectors of Nigeria, Descriptive statistics was used to study the data collected for this work through a well-structured questionnaire. The rate of financial inclusion aided by appropriate stamp duty tax administration which make up 95% of the added value is very high and this make appropriate stamp duty tax administration highly valued in banking system,*

Keywords: Stamp duty tax administration, financial inclusion and banking sectors

1.0 INTRODUCTION

In recent years, financial inclusion (FI) has been seen as an important factor for sustainable financial inclusion in any given business organisation. Because economic opportunities are linked to access to financial services and that access particularly affects the poor as it allows them to save, invest and benefit from credit (Subbarao, 2009). From the efforts to get the majority of people access to formal financial services, it has contributed to increasing the overall efficiency of the economy and the financial system. However, such benefits are limited to developed countries, since most developing countries lack access to financial services. Therefore, the promotion of FI level has posed policy challenges on scale with urgency for developing countries and emerging markets, where more than 90% of 1.7 billion people in the world do not have an account at a financial institution (Demirguc-Kunt et al., 2018). Hence, FI is not only important but also the main goal of top priority in these countries.

The financial economics literature is replete with evidence of the role of financial innovation on economic development. One rationale for the evidence relies on the argument that financially developed economies allocate investible funds more efficiently rather than the size of investments. Haber (2010) notes that the

crucial factor responsible for economic stagnation in African countries is inadequacy of the financial system. Ndako (2010) provides evidence of the importance of financial development in motivating economic development. Cull, Demirguc-Kunt, & Lyman, (2012) and Chibba (2009) note that financial development can be pro-poor in one sense because its impact on economic growth can lift many households above the poverty line. In a relative sense, financial development can narrow income differentials. In this sense, a reduction in income inequality and consequent impact on poverty reduction are key ingredients of financial inclusion. Cull et al. (2012), also reveal that through field experiments, researchers can learn that access to formal financial services especially savings improves stability within households. Therefore, financial inclusion drives healthier households and small business sector with implications for macroeconomic stability and sustainability. Jia, Qiu & Yang (2021), note that financial inclusion is not explicitly inserted into the United Nations sustainable development goals, but it is critically needed to support sustainable development. The key question is how to define financial inclusion. Omar and Inaba (2020) argue that financial inclusion is a dynamic tool used to achieve macroeconomic stability. Camara & Tuesta (2014) view financial inclusion as the access to financial services as well as the maximization of usage of while minimizing involuntary financial exclusion.

In about 2006, there was a serious concern that African countries was unable to meet the Millennium Development Goals (MDGs) by 2015 especially the part that relates to financial inclusion. To arrest the situation, the United Nations hosted a financial inclusion conference in Dakar, Senegal in June 2006. The World Bank also held a conference in 2007 in Washington. DC on the theme, Banks' Access to Finance. The UK Department of International Development in collaboration with the World Bank also hosted a financial inclusion conference in June 2007 (Chibba, 2009; CGAP, 2011). The United Nations General Assembly met in September 2015 to adopt the 2030 Agenda for Sustainable Development by committing to pursue 17 Sustainable Development Goals (SDGs). All these are efforts made to help Africa chart a new course to achieve economic growth. Klapper, El-Zoghbi, & Hess (2016) note that although the SDGs do not explicitly target financial inclusion, the achievement of financial inclusion is implied in several of the goals. The relevant SDGs are not limited to ending poverty (SDG1), reducing hunger, and promoting food security (SDG2), achieving good health and well-being (SDG3), promoting gender equality (SDG5) and promoting shared economic growth (SDG8).

With the mandate from the G20 Group Leaders, the Financial Inclusion Experts Group (FIEG) began to work on a roadmap towards global development through financial inclusion. At the G20 Summit in Seoul, South Korea, the Global Partnership for Financial Inclusion (GPFI) was launched in December 2010. The GPFI is a body charged with helping countries to imbibe the G20 Financial Inclusion Action Plan (FIAP) as well as the G20 Principles of Innovative Financial Inclusion. The GPFI works in collaboration with the Alliance for Financial Inclusion (AFI), the Consultative Group to Assist the Poor (CGAP) and the International Finance Corporation (IFC). Since 2012, many more organizations including the World Bank, joined the GPFI as partners. Finally, financial inclusion is a critical part of the United Nation's 2030 Agenda for Sustainable Development.

Stamp Duty

Stamp Duty is a tax payable in respect of dutiable instruments such as agreements, contracts, receipts, memorandum of understanding (MOU) promissory notes, insurance policies etc as provided under the Stamp Duties Act, CAP S8 Laws of the Federation of Nigeria 2004 as amended. Stamp Duty is payable either 'ad valorem' where the tax payable is a percentage of the consideration of an instrument, as in the case of company registration. A 0.75% of the authorized capital of new companies being registered is paid as stamp duty tax. Conversely, the stamp duty tax could be flat rate, where a fixed sum is chargeable irrespective of the consideration on dutiable instrument or document. The burden of payment of stamp duty tax is that of the beneficiary of a contract or parties making the payment. Although stamp duty is tax government places on legal documents, usually in the transfer of assets or property so as to legally record certain types of transactions, the Finance Act 2019 recognizes electronic transfers of cheques, receipts, agreements, conveyance documents and promissory notes stamp dutiable. The Finance Act 2019 took effect from January 13, 2020 and set a threshold for charges of stamp duty on electronic transfers and receipts from Ten Thousand Naira (N10,000) and above. Stamp duty is a levy on written and electronic documents or instruments. Stamp duties are levied on instruments on either Ad-valorem or flat rate basis and the body in charge of the administration of stamp duties is either the federal Inland Revenue Service (FIRS) (duties on instruments for transactions between corporate bodies and individuals, group, or body of individuals) or the State Internal Revenue Service (duties on instruments for transactions between individuals).

Before the Finance Act of 2019, stamp duties were levied on only written documents, but the Finance Act amended Section 52 of the Stamp Duty Act (SDA) to expand the scope of the instruments or documents to include electronic instruments. Stamp duties that relate to Banks and other financial institutions are to be charged on qualifying transactions and remitted to FIRS.

The Central Bank of Nigeria (CBN) in a circular with reference number CBN/GEN/DMB/02/006 to deposit money banks (DMBs), instructed them to deduct Fifty Naira (N50) as stamp duty tax for every teller deposit and electronic transfer of funds. It is instructive to note that, in December 9, 2020 the Federal High Court seating in Asaba, Delta State declared the N50 stamp duty on teller deposits and electronic transfers of funds as illegal. However, in spite of this historic pronouncement by the Judiciary, the stamp duty tax on all teller deposits and electronic transfers still persists.

Research Objectives

In the light of the above, the study came up with the following objectives:

i. To examine the effect of stamp duty tax on-financial inclusion in banking sectors of Nigeria

ii. To investigate the impact of appropriate stamp duty tax administration on the performance of banking sectors in Nigeria.

Research Hypotheses

Based on the study objectives, the following null hypotheses were formulated:

H_{01}: Stamp duty has no significant effect on-financial inclusion in banking sectors in Nigeria.

H_{02}: Stamp duty has no significant effect on the performance of banking sectors in Nigeria

2.0 LITERATURE REVIEW

Financial inclusion is a broad concept. Previous studies have provided different definitions of this. However, depending on the level of socio-economic development of each country, Financial inclusion could be defined in different aspects (Kempson and Whyley, 1999; Aduda and Kalunda, 2012; Akileng et al., 2018). Although there is no consensus on a FI definition, it is generally understood that Financial inclusion is the process of ensuring that people have easy access to and use of financial services from the formal financial institutions in a timely, adequate, affordable manner, especially for the financial disadvantaged group (Sarma, 2008; De Koker and Jentzsch, 2013; Joshi et al., 2014). For the World Bank, Financial inclusion means individuals and businesses have access to affordable financial products and services that meet their needs and are implemented in a way that is responsible and sustainable. In particular, the financial services mentioned in most of the studies here are savings, credit, insurance and payment (Hannig and Jansen, 2010; Ghosh and Ghosh, 2014; Camara, Tuesta, 2015; World Bank, 2018)

According to Jukan & Softic (2016), the definition of financial inclusion given by the Centre for Financial Inclusion (CFI) can be broken into: access to a full suite of financial services, quality of service, use of financial services by everyone, financial capability, and delivery through a diverse and competitive marketplace. Beck, Demirgüc-Kunt, & Levine (2007), Al-Smadi (2018) and Jukan & Softic (2016) argue that the impact of financial inclusion on economic growth and poverty reduction is of great interest to economic decision makers, social policy makers and researchers around the world. In view of the aforementioned, many central banks in countries of the world have put in place programmes in pursuit of financial inclusion promotion. These initiatives would require data collection to drive policy performance evaluation and allow comparisons among countries. Amidzic, Massara, & Mialou (2014) and Mialou, Amidzic, & Massara (2017) note that the financial inclusion debate has also captured the attention of academics who are exploring other ramifications of financial inclusion including poverty levels, women empowerment, income inequality, and sustainable development.

Chinoda & Kwenda (2019), construct an index of financial inclusion for 49 African countries from 2004 through 2016. The results show the existence of a wide distribution in terms of index of financial inclusion (IFI) validating a conclusion that Africa is characterized by a very high level of financial exclusion with consequence on poverty and sustainable development. The authors also report a shortage of information necessary to measure financial inclusion. The consequence of a lack of data has placed financial service providers as well as policy makers in a difficult position to locate opportunities. Mbutor and Uba (2013),

present a model involving financial inclusion and monetary policy, and report that promoting financial inclusion, has a potential to enhance the effectiveness of monetary policy in Nigeria.

Demirguc-Kunt & Klapper (2012), provide a cursory overview of financial inclusion in Africa. The authors analyse the Global Financial Inclusion Indicators (GFII) database to reach a conclusion that less than 25% of adult Africans have accounts with formal financial institutions. They find that most adult Africans rely on informal sources of credit and savings. Furthermore, almost all small- and medium-sized enterprises are classified as unbanked. Zins and Weill (2016) unravel the determinants of financial inclusion in Africa in a recent study. They employ the econometric probit analysis on data from the 2014 Global Findex database on individuals from 37 African countries. The results reveal that the level of wealth, education, gender, and relative age favour financial inclusion. The most influential factors are male gender, advanced age, education level and high income which are associated with elevated financial inclusion. The existence of mobile banking is also reported as catalyst for promoting financial inclusion. The authors also argue that access to and use of financial services are required for accelerating economic growth and the stability of a financial system.

Nguyen (2020) employs a two-stage principal component analysis (PCA) to measure financial inclusion index (IFI) for 41 developing countries including Nigeria from 2012 through 2018. The author's estimates of IFI are based on three dimensions, namely, access, availability, and usage. The access indicators are the number of deposit accounts with commercial banks, credit unions and credit cooperatives per 1,000 adults and the number of registered mobile money accounts per 1,000 adults. The availability indicators represent the number of deposit money banks (DMBs) per 100,000 adults, the number of ATMs per 100,000 adults and the number of registered mobile money agent outlets per 100,000 adults.

Ondiege (2015) provides a conclusive report that the success of mobile financial services depends on creating an open and level playing field which allows non-bank providers to operate. The regulatory environment in Nigeria has not given room for competition in the provision of mobile financial services. An increased availability and access to cell phones by unbanked consumers is the most cost-effective and efficient way to promote financial inclusion. Ondiege argues that the role of government is to develop supportive regulatory frameworks, build an appropriate financial infrastructure and encourage financial literacy. According to Alexander (2021), financial inclusion is given prominence because of the role that the financial system plays in a movement toward a more sustainable economy.

Onukwue (2020), opines that interoperable financial services environment allows peer-to-peer transactions without resorting to cash. According to the author, most people will be banked or have formal financial accounts if markets are highly interoperable. Unfortunately, the author argues that the Nigerian ecosystem leans heavily on cash because consumers seek to avoid bank charges. More importantly, the

underlying technological infrastructure required to allow modern financial transactions are absent. In many parts of Nigeria, the available technology sits on an archaic 2G network.

According to Azuh (2020), Nigeria has 198 million active mobile lines and as of May 2020, only 41.5 million have been linked with new national identity cards. The National Identity Management Commission (NIMC) confirms that only 38% of Nigerians have any form of identification as at early 2020. The NIMC national identity registration began in 2007. The programme is faced with several problems to the extent that some people do not get their national identity cards within four years. Azuh (2020) questions why the National Communications Commission (NCC) now mandates all mobile phone numbers to be linked with national identity cards when Nigerians have other means of identification such as driver's license, voters' registration cards, international passports, birth certificates and bank verification numbers.

3.0 METHODOLOGY

This research therefore covers selected deposit money banks (DMBs) in Abuja, Nigeria. Secondary data was obtained through books, journals, and internet. Empirical works of other scholars were consulted. A simple size of 82 was obtained from the population of 104 at 5% error tolerance and 95% degree of freedom using Yamane's statistical formula 82(100%) of the questionnaires distributed, 75 (91%) were returned and 7(9%) were not returned. The questionnaire was designed in Likert scale format. The researchers conducted a pre-test on the questionnaire to ensure the validity of the instrument. Pearson moment product co-efficient and regression analysis were used to test the hypotheses.

4.0 TEST OF HYPOTHESES

H_1: Appropriate stamp duty tax administration has no significant effect on financial inclusion-in Nigerian banking sectors

H_{01}: Appropriate stamp duty tax administration has significant effect on financial inclusion-in Nigerian banking sectors

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***Table 1:** Table of correlation between appropriate stamp duty tax administration and financial inclusion in banking sectors of Nigeria*

Correlations

		Appropriate stamp duty tax administration	Financial inclusion
Appropriate stamp duty tax administration	Pearson Correlation Sig. (2-tailed) N	1 200	.536 ** .000 80
Financial inclusion	Pearson Correlation Sig. (2-tailed) N	.536 ** .000 80	1 200

***. Correlation is significant at the 0.01 level (2-tailed).*

According to above calculations it is observed that amount of correlation coefficient between financial inclusion and appropriate stamp duty tax administration is equal to 53.6 per cent and considering that a significant level is less than 5%. Then we can say that there is a positive relationship between appropriate stamp duty tax administration and financial inclusion in banking sectors of Nigeria.

***Table 2:** Regression analysis tests of appropriate stamp duty tax administration and financial inclusion in banking sectors of Nigeria.*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.965[a]	.716	.586	3.79952

a. Predictors: (Constant), appropriate stamp duty tax administration

Regression coefficient of R = .965 or 96.5% indicate that relationship exist between independent variables and dependent variable. The coefficient of determination $R^2 = 0.716$ which show that 71.6% of variation in appropriate stamp duty tax administration explained by the level of financial inclusion. The adjusted R square in the table shows that the dependent variable, (financial inclusion) is affected by 58.6% by independent variable (appropriate stamp duty tax administration). It shows that appropriate stamp duty tax administration is responsible for high level of financial inclusion in banking sectors.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant) appropriate stamp duty tax administration	12.310 1.056	.901 .085	 .536	13.656 12.426	.002 .000

a. Dependent Variable: Financial inclusion

The coefficient of determination for appropriate stamp duty tax administration is positive (1.056) and is highly significant (0.001) in ensuring financial inclusion. The p-value of 0.000 is less than the t-statistic value of 12.426 and the standard error value of 0.085. This implies that a unit increase in appropriate stamp duty tax administration will lead to 1.056 increases in financial inclusion.

Therefore, the null hypothesis is rejected and alternative hypothesis accepted that there is a relationship between appropriate stamp duty tax administration and the level financial inclusion in banking sectors of Nigeria.

Hypothesis Two

H_{02}: Stamp duty has no significant effect on the performance of banking sectors

H_2: Stamp duty has significant effect on the performance of banking sectors.

Table 3: *Table of correlation between appropriate stamp duty tax administration and performance of banking sectors*

		Appropriate stamp duty tax administration	performance of banking sectors
Appropriate stamp duty tax administration	Pearson Correlation Sig. (2-tailed) N	1 200	.499** .002 80
Performance	Pearson Correlation Sig. (2-tailed) N	.499 ** .002 80	1 200

***. Correlation is significant at the 0.01 level (2-tailed).*

According to above calculations is observed that amount of correlation coefficient appropriate stamp duty tax administration is equal to 49.9% and considering that a significant level is less than 5%. Then can say that there is a positive relationship between appropriate stamp duty tax administration and performance

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of banking sectors. This implies that one per cent decrease in appropriate stamp duty tax administration will lead to 49.9% increase in performance of banking sectors.

Table 4: *Regression analysis test of appropriate stamp duty tax administration and performance of banking sectors*

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.899[a]	.849	.747	3.90132

a. Predictors: (Constant), appropriate stamp duty tax administration

Regression coefficient of R = .899 or 89.9% indicate that relationship exist between independent variables and dependent variable. The coefficient of determination R^2 = 0.849 which show that 84.9% of variation in performance of banking sectors is explained by appropriate stamp duty tax administration. The adjusted R-square in the table shows that the dependent variable is affected by 74.7% by independent variable. It shows that appropriate stamp duty tax administration is responsible for performance of banking sectors.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1(Constant)	16.960	.593		28.596	.000
appropriate stamp duty tax administration	1.733	.154	.499	11..257	.002

a. Dependent Variable: performance

The coefficient of determination for appropriate stamp duty tax administration is positive (1.733) and is highly significant (0.002) in ensuring that there is sustainability of financial inclusion. The p-value of 0.000 is less than the t-statistic value of 11.257 and the standard error value of 0.154. This implies that a unit increase in appropriate stamp duty tax administration will lead to 1.733 increases in performance of banking sectors. Therefore, the null hypothesis is rejected and alternative hypothesis that appropriate stamp duty tax administration has significant impact on the performance of banking sectors.

5.0 CONCLUSION/RECOMMENDATION

Conclusion

The study appraises the effect of appropriate stamp duty tax administration on financial inclusion in banking sectors of Nigeria. From all literatures reviewed, the researchers deduced that introduction of stamp duty has significant positive effect on financial inclusion in banking sectors. The researchers established relationships between stamp duty and their ability to pay taxes, appropriate stamp duty tax administrations and financial inclusion sustainability. The researchers therefore conclude that appropriate stamp duty tax administrations affect the performance of banking sectors in Nigeria. Appropriate stamp duty tax administration are vital in many ways – maintenance and retention of employees, transformation of the banking sectors and contribution towards nation building as such should be highly valued. Therefore, it is beyond every reasonable doubt that appropriate stamp duty tax administration has a significant positive effect on financial inclusion in banking sectors of Nigeria.

Recommendation

Arising from the ongoing, the study recommends that policy that support affordable stamp duty should be introduced by (Federal Inland Revenue Service (FIRS) to serve as a relief measure to the payers. Also, government should develop common strategy to enhance public awareness on what taxes are payable.

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