

## Demand and supply-side determinants of financial inclusion: A case study of micro, small and medium enterprises in southwest Nigeria

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### **Abstract**

This study examined the demand and supply-side factors that influence financial inclusion among micro, small and medium enterprises (MSMEs) in Southwest Nigeria. The study used the survey research design and primary data was sourced with the use of questionnaire. More specifically, the study employed a multivariate regression model. The findings on the determinants of financial inclusion revealed that the major constraint to access to finance by MSMEs was high interest rate charged on loan, while poor infrastructural facilities was a major constraint hindering financial inclusion from the supply-side view. The regression results on demand-side determinants revealed that bank services awareness positively and significantly drives access to, usage and quality of financial services (used as proxy for financial inclusion) of MSMEs. On the other hand, availability of other means of savings aside from bank negatively affects the access to, usage and quality of financial services, income constraint, illiteracy and lack of trust in financial institution negatively drive financial inclusion. Similarly, supply-side determinants such as transaction cost/charges, bank distance, collateral requirements, difficulty to withdraw, and interest rate negatively drive access to, usage and quality of financial services. The study recommends that the borrowing interest rate should be attractive to encourage continuous access to loanable funds. Financial providers should build an effective and well-functioning financial system that offers affordable and sustainable financial services to MSMEs.

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