

Examining the Nexus between Insecurity and Financial Inclusion: Evidence of Mobile Banking in Nigeria

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Abstract

The research aimed to explore the impact of insecurity on mobile banking usage, assessing its effects on accessibility and affordability in Nigeria. Specifically focused on the Niger Delta region, the study sought to uncover insights into the relationship between insecurity and financial inclusion, particularly within the context of mobile banking services. The study employed a descriptive cross-sectional design, utilizing purposive sampling to collect data from 311 mobile banking operators and users in Nigeria. A specialized questionnaire assessed how insecurity impacts mobile banking services in terms of usage, accessibility, and affordability. Data analysis involved employing ordinary least square model to test research hypotheses. The findings of the study revealed a significant negative relationship between insecurity and the usage, accessibility, and affordability of mobile banking in the Niger Delta region of Nigeria. The results indicated that as insecurity increases, there is a likelihood of a decrease in the usage and accessibility of mobile banking services. The study also highlighted the impact of insecurity on financial inclusion, particularly in the form of kidnapping, hostage-taking, violence, and other social vices, which have hampered the quality of financial products and the number of financially included individuals in the region. The study identified several gaps in the existing literature on insecurity and financial inclusion in Nigeria. It noted that previous studies often focused solely on financial inclusion, neglecting the influence of insecurity. Additionally, many studies were primarily theoretical and qualitative in nature, and some were found to have methodological and analytical limitations. Furthermore, the research highlighted that this study was the first of its kind to be conducted in the South-south region of Nigeria, indicating an existing gap in the understanding of insecurity and financial inclusion in this specific area.

Keywords: Insecurity, Financial Inclusion, Mobile Banking, Accessibility, Affordability, Usage.

INTRODUCTION

Insecurity has attracted increasing amount of attention among academics, politicians, and other stakeholders in the society. Insecurity is the anxiety produced by a lack of economic safety. The menace of insecurity in Nigeria has reached an alarming situation, it poses a serious threat to not just lives and property of the people but to

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business and economic activities. Government, cooperate bodies and individuals effort to fight insecurity in Nigeria seems abortive. People no longer go about freely in their daily activities. This is a threat to economic growth and development, it has also affected the economic activities of mobile banking transaction which is a sure way of drawing the people closer to banking services in Nigeria. However, as at the time of writing this paper in March, 2022, Global Terror Index (GTI) announced 2021 as recording the lowest in terror for Nigeria since 2011. The report had it that Boko Haram killings reduced by 72%. That Nigeria has been moved from World number three terror group to number six, a major jump considering that Nigeria was at one time had the World's number one terror group, Ofaram (2021).

Insecurity according to (Onime, 2018) has led to the closing down of multinational shops, loss of lives, destruction of investment opportunities and high unemployment rate with attendant civil unrest in parts of Niger delta region of Nigeria. Stewart (2004) affirms that fighting insecurity of any country is expensive and critical, as government allocate much of her national resource to it. According to Stewart (2004) insecurity prevent the contribution of meaningful Nigeria to national building because those that are involve in the fight to maintain peace are being killed on a daily basis and when this happens their contribution to economic growth is wasted. The high rate of criminal activities as a result of violence in Nigeria affected the business of mobile banking transactions. The mobile banking service is one of the ways rural areas can have asses to banking services, it is also an avenue that most individuals can assess the banking service effectively without going to the banking hull, which is the essence of financial inclusion to the people.

Financial inclusion according to Ulokoaga (2020) "allows the low-income earner to smoothen their consumptions and make projections in the interest of safety of their income against economic uncertainties."Financial inclusion assists in ameliorating poverty and inequality, creating wealth, generating employment and improving welfare and living standards for the rural people and the financially excluded. Ndebbio (2004) augured that as a stimulant of economic growth, financial inclusion means being able to access financial services at their local environment by the low-income earners and be able to make significant use of different quality of financial products or services.

Nigeria over the years have recorded high rate of insecurity that has eaten deep into the economy. The case of the Niger Delta region is worst as violence cases like militancy, pipeline vandalization, kidnapping, armed robbery, ritual killing etc. has become the other of the day. Mobile banking operators in the region no longer have interest in operating the Point of Sale (POS) and Automated Teller Machine (ATM) transactions. According to Ofaram (2021), the most scaring security challenges now in the South East region of Nigeria is the sit at home order by the Indigenous People of Biafa (IPOB) which has affected negatively every sector of the economic in that region. Therefore, mobile money operators who are the drivers of financial inclusion through the use of automated teller machine (ATM) and Point of Sale (POS) etc. are no longer willing to perform their economic activities. Mwangi & Mwangi (2014), maintains that mobile money operators have the power to act and provide service of the financial institution by Deposit Money Banks (DMB).

Notwithstanding, this effort by government and DMB to close the gap of financial inclusion to low income earners in Niger Delta region of Nigeria, is still not achievable by the region. The Niger Delta region otherwise called the South-South region is made up of Cross River, Akwa Ibom, Rivers, Bayelsa, Delta and Edo States. The study used Bayelsa and Rivers State as area of study. Some of the towns and villages visited in Bayelsa and Rivers to administer copies of questionnaire were Ogbia, Yenagoa, Brass, Sagbama and Nembe as well as Degema, Afam, Bodo, Mbiama, Okrika and Okoloma respectively. In this study, the security apparatus indicator considers the threats to the region in terms of bombings, kidnapping, attacks, battle-related deaths, rebel movements. The security proxy also considers organized crimes and homicides among others.

Therefore, this paper seeks to investigate the effect of insecurity and financial inclusion in the Niger Delta region bearing in mind the usage, accessibility and affordability of mobile banking. The study is limited by the number of potential inaccessible usage of persons that were supposed to be administered with questionnaires. Some water-lodged areas also posed several challenges. Therefore, future researchers should adopt sophisticated means of administering questionnaires in these zones to explore insecurity and financial inclusion in South-South based on other contextual variables relevant in the region.

LITERATURE REVIEW

In other to encourage access to Micro enterprise and low-income earner to financial service, the Central bank of Nigeria introduced the National financial inclusion strategy (NFIS) in 2012 with the sole aim of giving every Nigerian who is of age the possibility of accessing the financial services without going through the banking hull. The main target was to reduce the percentage of financial exclusiveness from 46.3 in 2010 to 20% in 2021 (Stephen, 2016). According to World Bank (2020) financial inclusion enable individual and business owners to have access to useful and affordable financial product and service. It maintains that financial assess enhances day to day living, by helping families and business owners plan for their goals and unforeseen events. United Nation (2015) define financial inclusion to mean having full access to financial services. Therefore, financial inclusion is a sure way to strengthen the involvement of banking service to the rural areas.

Financial inclusion (FI) to any country is a desire goal of every government. The evident in Nigeria is seen when it was introduced in 2012 to help in the delivery process of including every Nigerian to financial service. Hence, due to insecurity not every Nigerian is being informed of this strategy. Insecurity in the Niger Delta region in Nigeria is not a novelty, in the past, the ancient people invent ways to protect themselves against danger in times of war and other security challenges. Some of the measures use for protection were canals, trenches, watch towers, mount, high walls, hill top, gullies and caves. Inadequate protection of human lives, properties, groups, communities and state against danger be it physically and emotions that affects the people values and interest is seen as insecurity.

The fact is insecurity challenges in the region has hinders so many business activities. Omede (2019), argued that insecurity is a serious condition that put stares and communities in fear. Torsten and Jack (2023) examined fostering financial inclusion through digital financial services in Nigeria. The paper made a theoretical and literature review of financial inclusion and its attendant's undeniable successes and challenges. The authors noted that financial inclusion rates had gradually improved. However, is still weakened by the fact that the targeted Nigeria's 2012 financial inclusion strategy (revised in 2018) have not been achieved. The duo added that financial inclusion in Nigeria is not only relatively low but uneven as well as lack of financial literacy among others. The paper adopted desk survey method. The analysis used was statistical in nature such as bar chart, multiple bar charts and other graphical representations. The International Monetary Fund (IMF) paper noted the benefits of digital finance to include: financial inclusion of people into the formal financial system, gender inclusion where men and women play identical roles in the labour market and digital economy. The paper recommended policies that would focus on improving networks and financial access points as well as initiatives aimed at promoting financial literature and access to finance.

Ezzahid and Elouaourti (2021) x-rayed financial inclusion, mobile banking, informal finance and financial exclusion at micro-level evidence in Morocco. The paper captured two major objectives: to construct a financial inclusion index and investigate if the reforms implemented during the last decades have contributed to financial inclusion in Morocco. The research method used was principal component analysis and the Probit model to construct a financial inclusion index. It was revealed that the level of financial inclusion in Morocco has followed different trends. Empirical results revealed that the determinants of formal finance use and mobile banking use differ from those of informal finance use. The paper further revealed that remoteness and high cost are the major barriers to financial inclusion of all social classes while Islamic finance model constitutes a less for inclusion of population segment excluded for religious reasons. It was recommended that programmes and policies designed to facilitate financial inclusion should be oriented towards enhancing access and use of formal financial services for all.

Koomson, Asongu and Acheampong (2022) explored the linkage between financial inclusion and food insecurity in Ghana. The paper adopted a multidimensional index of financial inclusion and food insecurity construct obtained from Ford insecurity experience scale. The data was gotten from round seven of the Ghana Living Standards Survey (GLSS7) gathered by Ghana Statistical Service (GSS, 2019). The ordinary least square method was used to estimate the link between financial inclusion and food insecurity. The results revealed that financially included households are less likely to be food insecure. Financial inclusion has the potential to decrease food insecurity. Other results indicated that financial inclusion is associated with a reduction in food

insecurity. Moreover, the result also revealed that entrepreneurship is a vital pathway through which financial inclusion influences food insecurity. The paper recommended that policy makers in developing economies to take critical steps in achieving universal financial accessibility in their different domain or countries.

Achumba et al (2013) noted that insecurity is a state of susceptibility to harm and openness to risk and of suspected outcome in the future. That is, insecurity is view in terms of instability and weak control action to execute action against unforeseen danger. Insecurity is seen as inadequate protection, no psychological freedom against harm, emotional stress resulting from paucity of individual assurance and fear. The effect of insecurity on financial inclusion in the Niger Delta region has put a negative influence on the operation of mobile money. Mobile banking operators are individuals who are permitted to carry out the same financial service to the public who are of age of carrying out financial action. Mobile banking is made to provide solution to the challenges involved with helping people at the under-banked areas. Mobile banking plays a vital role by assisting DMB to activate the essence of financial inclusion of making banking services more available in the line through the regulatory guidelines. Mobile banking is technologically driven instrument like POS, mobile phone, and must be integrated among the banking system. Mobile banking takes charges of the service like cash deposit, fund withdrawal, account opening and transfer.

Eyong & Odum (2004) examined the financial consequences of the arms struggle in the Niger Delta region of Nigeria. Primary and secondary data was used. The study used sample of oil revenue accruable from daily crude production between 2006 – 2012. A paired sample “t” test statistic model was used. It was discovered that there were significant losses in the oil revenue earnings aside from numerous losses of life and properties as a result of Arms struggle in the Niger Delta region. It was recommended that discouragement of militancy through trainable ages like youths and commensurate palliatives as incentives to the people whose property have been damaged should be implemented.

Ozili (2021) explored financial inclusion in Nigeria: an overview. The study analyzed financial inclusion with the use of global index indicators. Six (6) financial inclusion indicators were used in the study. There were accounts ownership, extend of borrowing from a banking institution, extend of borrowing from family and friends, credit card ownership, debit card ownership and savings in a formal financial institution. The method of analyses used was percentage change analyses. It was discovered that Nigeria grew using several financial inclusion indicators in 2014. However, the benefits were sustained in 2017. It was recommended that the government should use appropriate policies to solve existing supply and demand problems in the market for financial services. The study anchored on Relative deprivation theory by Gurr, 1970. The theory explains that whenever an individual or group of persons are deprived of benefits they should have had but others in similar circumstances do, it will result to aggression, grievances violence and frustration. The theory is based on what the public expect to have and the reality on ground. An individual’s capacity for violence is a product of the degree of relative deprivation he or she suffers. The capacity for violence of person is a function of the extent of relative deprivation he or she undergoes.

A review of empirical studies on insecurity and financial inclusion in Nigeria points to several gaps. First, most of the studies focus on financial inclusion as a concept neglecting insecurity. Other studies were mostly theoretical and qualitative in nature. Again, review of some papers was still marred with wrong methodology and analyses. Moreover, this research has not been carried out in South- south of Nigeria; this is first of its kind. Therefore, in the light of the above, there is still inconclusive evidence and a gap on insecurity and financial inclusion in Nigeria.

Aims and Hypotheses

The specific aims of this study is to examine the effect of insecurity on the usage of mobile banking, investigate the impact of insecurity on accessibility of mobile banking and assess the effect of insecurity on affordability of mobile banking in Nigeria. The study is anticipated to provide answers to the research hypotheses put forward as follows:

H1: Insecurity has an insignificant effect on the usage of mobile banking in Nigeria.

H2: Insecurity has an insignificant effect on accessibility of mobile banking in Nigeria.

H3: Insecurity has an insignificant effect on affordability of mobile banking in Nigeria

METHODOLOGY

Descriptive cross sectional research design was adopted for this study. Cross-sectional research design is relevant in this study as it takes cognizance of the relationships and characteristics of the population at a single point in time. The design is efficient and provides insights into correlation. This design tries to find out the what, where and how of an event or activity. This method is chosen in order to enable us use it as a generalization using the findings. The purposive (opinion) sampling technique was used because it serves the purpose of the researcher in terms of which units were included in the sample. Purposive sampling strategy is chosen in the study because it is most efficient and used to select specific individuals or cases that possess certain characteristics, behaviors, or experiences relevant to the research questions. The personal interviews presented a good platform for close interaction and rapport between the researcher and the respondents. Data obtained was summarized and tabulated using tables and percentages. We specify the model to capture the objectives of the study in mathematical terms as:

$$\text{Mobile Banking} = f \{ \text{Insecurity} \}$$

$$Y_1 = \beta_0 + \beta_1 X_1 + \epsilon \dots\dots\dots \text{Eqtn 1}$$

$$Y_2 = \beta_0 + \beta_2 X_2 + \epsilon \dots\dots\dots \text{Eqtn 2}$$

$$Y_3 = \beta_0 + \beta_3 X_3 + \epsilon \dots\dots\dots \text{Eqtn 3}$$

Where: Y1= Usage of mobile banking, Y2 = Accessibility of mobile banking, Y3 = Affordability of mobile banking, $\beta_1 X_1 - \beta_3 X_3$ = Insecurity and β_0 represent constant terms, ϵ = Error estimate;

Therefore, a total population of 1,400 was used. The sample size (n) computed was 311 which represents the number of respondents. Out of 311 copies of questionnaires administered, 298 copies representing 96% were correctly filed and returned, while 13 copies of questionnaire representing 4% were not returned. Data were obtained, summarized and tabulated using tables and percentages. A structured questionnaire titled: Insecurity and financial inclusion in Niger delta region of Nigeria was constructed and administered. The questionnaire was also divided into sections representing the various variables used. The questionnaire was designed on a 5-point Likert-style rating scale. The Likert-style rating method enabled the researcher to examine how strongly respondent agree or disagree with a statement or series of statement.

RESULTS AND DISCUSSION

The result in Table 1 revealed that 88 (30%) respondents strongly agreed that violence causes low usage of mobile banking services, 90 (30%) agreed, 55 (18%) disagreed, 30 (10%) strongly disagreed, while 35 (12%) were undecided. 89 (30%) respondents strongly agreed that security challenges prevent users from making mobile transactions, 88 (30%) agreed, 45 (15%) disagreed, 34 (11%) strongly disagreed, while 42 (14%) were undecided. Also, 75 (25%) strongly agreed that customers are constrained to get a facility in an unsecured business environment, 80 (27%) agreed, 42 (15%) disagreed, 49 (16%) strongly disagreed, while 52 (17%) were undecided.

Table 1: Responses on insecurity and usage of mobile banking. n= 298.

Items	SA	%	A	%	D	%	SD	%	U	%
Violence causes low usage of mobile banking services	88	30	90	30	55	18	30	10	35	12
security challenges prevent users from receiving or making mobile transactions	89	30	88	30	45	15	34	11	42	14
Customers are constrained to get a facility in an unsecured business environment	75	25	80	27	42	15	49	16	52	17

Source: Authors' computation, 2022

Table 2 Simple regression analysis on the influence of insecurity on usage of mobile banking n=298

Variable		R	R ²	Adj R ²		Std. Error
Insecurity on usage of mobilebanking		-0.116 ^a	0.013	0.010		0.99230
Source of variation		SS	Df	MS	F	Sig.
	Regression	3.977	1	3.977	4.039	.000 ^b
	Residual	291.460	296	3.570		
	Total	295.436	297			

*p<.05; df= 1, 297

Source: Authors' computation, 2022

Table 3 Responses on insecurity and accessibility of mobile banking. n= 298

Items	SA	%	A	%	D	%	SD	%	U	%
Users can access their bank accountthrough ATM or other means at anytime without molestation	49	16	75	25	43	15	81	27	50	17
Banking services are available for everyone to carry out mobile banking transactions in battle-related areas	50	17	35	11	53	18	74	25	86	29
Organized crime has hindered accessibility of mobile bankingservices in my area	83	28	75	25	66	22	46	15	28	10

Source: Authors' computation, 2022

Table 4 Simple regression analysis on the influence of insecurity on accessibility of mobile banking n=298.

Variable		R	R ²	Adj R ²	Std. Error	
Insecurity on accessibility of mobilebanking		-0.202 ^a	0.041	.037	1.70779	
Source of variation		SS	Df	MS	F	Sig.
	Regression	36.606	1	36.606	12.551	.000 ^b
	Residual	863.301	296	2.917		
	Total	899.906	297			

*p<.05; df= 1, 297

Source: Authors' computation, 2022

Items	SA	%	A	%	D	%	SD	%	U	%
Militancy within my locality does not prevent us from purchasing affordable android phones	51	17	41	15	90	30	73	24	43	14
Attacks and rebel movements has hindered documentation of mobile registration in my locality	77	26	85	29	44	15	52	17	40	13
Lack of economy safety has deterred any in my area to make mobile banking business	75	25	80	27	48	17	49	16	46	15

Source: Authors' computation, 2022

Table 6 Simple regression analysis on the influence of insecurity on affordability of mobile banking n=298

Variable	R		R ²	Adj R ²	Std. Error
Insecurity on usage of mobile banking	-0.113 ^a		0.013	.009	1.10516
Source of variation	SS	Df	MS	F	Sig.
Regression	10.686	1	10.686	8.897	.041 ^b
Residual	355.529	296	1.201		
Total	366.215	297			
*p<.05; df= 1, 297					
Variable	R		R ²	Adj R ²	Std. Error
Insecurity on usage of mobile banking	-0.113 ^a		0.013	.009	1.10516
Source of variation	SS	Df	MS	F	Sig.
Regression	10.686	1	10.686	8.897	.041 ^b
Residual	355.529	296	1.201		
Total	366.215	297			
*p<.05; df= 1, 297					

Source: Authors' computation, 2022

From Table 2 the R, which is the correlation coefficient was -0.116, indicating significant negative relationship between mobile banking and insecurity. This showed that, as insecurity increases, there is likelihood decrease in usage of mobile banking. The coefficient of determination (Adj. R²) which explains the power of the independent variable in predicting the dependent variable is 0.010. This showed that up to 1.0 percent of variance in usage of mobile banking in Niger Delta Region of Nigeria is explained by insecurity. This suggest that insecurity to a small extent influence usage of mobile banking in Niger Delta Region of Nigeria. The table also showed that the p-value of 0 .000 associated with the computed F-ratio of 4.039 is less than 0.05 level of significance at 1 and 296 degrees of freedom. With these results, the null hypothesis was rejected. It was accepted alternately that insecurity significantly influence usage of mobile banking in Niger Delta Region of Nigeria.

The result in Table 3 revealed that 49 (16%) respondents strongly agreed that users can access their bank account through ATM or other means at any time without molestation, 75 (25%) agreed, 43 (15%) disagreed, 81 (27%) strongly disagreed, while 50 (17%) were undecided. 50 (17%) respondents strongly agreed that banking services are available for everyone to carry out mobile banking transactions in battle related areas, 35 (11%) agreed, 53 (18%) disagreed, 74 (25%) strongly disagreed, while 86 (29%) were undecided. Also, 83 (28%) strongly agreed that organized crime has hindered accessibility of mobile banking services in my area, 75 (25%) agreed, 66 (22%) disagreed, 46 (15%) strongly disagreed, while 28 (10%) were undecided.

From Table 4, the correlation coefficient was -0.202 indicating significant negative relationship between insecurity and the accessibility of mobile banking. This showed that, as insecurity increases, there is likelihood decrease in accessibility of mobile banking. The adjusted R² which explains the power of the independent variable in predicting the dependent variable is 0.037. This showed that up to 3.7 percent of variance in accessibility of mobile banking in Niger Delta Region of Nigeria is explained by insecurity. It suggested that insecurity to a small extent influence usage of mobile banking in Niger delta region of Nigeria. The table also showed that the p-value of 0 .000 associated with the computed F-ratio of 12.551 is less than 0.05 level of significance at 1 and 296 degrees of freedom. With these results, the null hypothesis was rejected. It was accepted alternately that insecurity significantly influence accessibility of mobile banking in Niger delta region of Nigeria

The result in Table 5 revealed that 51 (17%) respondents strongly agreed that militancy within my locality does not prevent us from purchasing affordable android phones, 41 (15%) agreed, 90 (30%) disagreed, 73 (24%) strongly disagreed, while 43 (14%) were undecided. 77 (26%) respondents strongly agreed that attacks and rebel movements has hindered documentation of mobile registration in my locality, 85 (29%) agreed, 44 (15%) disagreed, 52 (17%) strongly disagreed, while 40 (13%) were undecided. Also, 75 (25%) strongly agreed that lack of economy safety has deterred so many in my area to make mobile banking business, 80 (27%) agreed, 48 (17%) disagreed, 49 (16%) strongly disagreed, while 46 (15%) were undecided.

From Table 6, the correlation coefficient was -0.113 indicating significant negative relationship between the insecurity and affordability of mobile banking. This showed that, as insecurity increases, there is likelihood decrease in affordability of mobile banking. The coefficient of determination (Adj. R²) is 0.009. This showed that up to 0.9 percent of variance in affordability of mobile banking in Niger Delta Region is explained by insecurity. It suggested that insecurity to a small extent influence affordability of mobile banking in Niger delta region of Nigeria. The table also showed that the p-value of 0.041 associated with the computed F-ratio of 8.897 is less than 0.05 level of significance at 1 and 296 degrees of freedom. With these results, the null hypothesis was rejected. It was accepted alternately that insecurity significantly influence affordability of mobile banking in Niger Delta Region of Nigeria.

CONCLUSION

In this study, the simple linear regression technique was employed to examine the effect of insecurity on mobile banking in Niger delta region of Nigeria. It is pertinent to note that businesses cannot survive in an environment that is not free from civil unrest. The study showed that business transactions in form of mobile banking that are exposed to violence are less likely to use mobile banking system as means of exchange of financial transactions. This is in line with the theoretical underpinning of relative deprivation theory. The study concluded that insecurity has a negative significantly influence on usage of mobile banking in Niger Delta Region of Nigeria. That is why many persons and entrepreneurs are finding it difficult to operate with mobile banking in interior villages and remote villages of Bayelsa and Rivers State of Nigeria. The study also showed that insecurity significantly influence accessibility of mobile banking in Niger delta region of Nigeria. This study is in tandem with Ulukoga (2020) and Achumba et al (2013) who posited that businesses cannot thrive in locality where there is civilunrest and economic instability. That is, insecurity has negatively affected the accessibility of mobile banking in Nigeria. This has made many individuals to be financially excluded thereby affecting their economic sustainability in the Niger delta region of Nigeria. Militancy as part of insecurity in any form destroys capital, deters economic growth and investment. This work contributes to the body of literature by developing

a measure of the concept of insecurity and attempts to examine its relationship with mobile banking in Niger Delta region of Nigeria.

The study has shown that moderate security is a prerequisite for any business or individual to operate freely. It was recommended that for financial inclusion to thrive, greater access should be made for more potential users. Government should assist in provision of a friendly environment by providing acquisition skills to young people within the region to reduce the level of insecurity in Niger delta region. To increase the proportion of number of those who own bank accounts, government should create an enabling environment, possibly financial infrastructural development for more people to open accounts.

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