

New Communication Technologies and Microfinance Banking in Nigeria: Critical Role of the Social Media

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Abstract

Microfinance institutions provide support for the economically active poor, low income earners and small and medium scale entrepreneurs. Microfinance banking is the engine that powers socio-economic development in developing countries. In Nigeria, activities of microfinance banks are structured to touch the grassroots and contribute positively towards economic development of the nation. Communication is pivotal to the achievement of every development goal. Effective use of modern communication channels such as the social media could contribute positively towards achievement of microfinance banking goals in Nigeria. This study adopts the analytical approach in discussing the critical role of the social media in achieving microfinance banking goals in Nigeria. It explains the basic concepts that shape the discourse - New Communication Technologies, social media, and microfinance banking. The paper suggests among others, that mass enlightenment of targets of microfinance schemes (the poor, low income earners, micro, small and medium scale entrepreneurs) on how to access and use social media in airing their views on microfinance issues, is essential.

Introduction

Development is the core of every government activity. Major plans and policies are targeted at bringing about robust socio-economic growth which is the foundation of meaningful multi-sectoral development in any society. Micro, small and medium scale businesses constitute the engine for industrialization and economic development at the grassroots, leading to a strong national economic base. They establish an industrial foundation upon which the industrial sector of any nation is built (Adams, 2007). Industrialization is a catalyst for economic development. Micro, small and medium scale industries which are pillars of industrialization, make meaningful impact when energized by a vibrant microfinance banking sector.

Microfinance is an instrument for self empowerment which enables the poor and less privileged to become economic agents of change. Microfinance banks provide support to indigenous entrepreneurs and small businesses in developing economies. Akande (cited in Nwoji, 2008) observes that the future of Nigeria is tied to the success of microfinance banking scheme because microfinance banking activities touch the grassroots and if sustained, would contribute positively towards economic development of the nation. This underscores the pertinence of a viable microfinance banking sector in Nigeria and other developing African nations.

However, given that effective communication is central to the success of every development policy/scheme, there arises the need for media strategies that could play functional roles in monitoring activities of microfinance banks, encouraging their growth, and enlightening potential and actual indigenous entrepreneurs on how to tap from the opportunities provided by these banks. This brings up the functional values of New Communication Technologies (NCTs) in stimulating multi-sectoral development communication. The NCTs are communication facilities which have made the process of acquiring, storing, processing, retrieving and disseminating information, including sharing of ideas relatively faster, easier, cheaper and more accessible. They include such gadgets as the computer, Direct Broadcast Satellite (DBS), digital radio and television, the internet and World Wide Web, GSM phones etc.

Among the channels of communication and information sharing brought about by the emergence of new communication technologies is the social media. These are web-based social interaction channels which functionally involve both the sender and receiver in determining message content (Nwabueze, 2010). They include such networks as Face book, You Tube, Wikis, and My Space, among others. These media have proved effective in mass mobilization for political goals achievement at the international scene. A typical example of the effectiveness of the social media is the 2009 presidential elections in Iraq during which the social media community was able to let the world know the happenings in that country after President Ahmadinejad had banned the foreign media from covering the election. Also, the social media are responsible for the emergence of the Tea Party movement in the United States of America in 2009, a group which is largely responsible for mobilizing voters against the Democrats during the 2010 congress elections, as a result of which the Republicans grabbed majority of the seats in the congress elections that year.

This thrust of this discourse is that the social media can also play crucial roles in promoting microfinance banking in Nigeria, enlightening indigenous entrepreneurs on how to benefit from facilities offered by these banks and how to monitor the activities of these to protect the interest of the citizenry.

Theoretical Framework

This discourse is premised on the technological determinism theory. This theory which was developed by Marshall McLuhan posits that technology determines the trend of events in the society. McLuhan posited that changes in modes of communication shape human existence, that inventions in technology invariably cause cultural change (Griffin, 2000). Similarly, McQuail (2005, p.104) gave the following basic tenets of technological determinism theory; (i) Communication technology is fundamental to society; (ii) each technology has a bias to particular communication forms, contents and uses; (iii) The sequence of invention and application of communication technology influences social change; (iv) Communication revolutions lead to social revolutions.

McLuhan explained that the way people live is a function of the way they processed information, that the medium is the message and also the message i.e. the medium changes people more than the sum of all the messages of that medium (Griffin, 2000). The theory posits that people's perception of the world is determined by the dominant medium of any age. Criticisms however came up against this theory as some scholars averred that there was no existing evidence to support McLuhan's postulations. But as Nwodu (2004, p.74) writes:

Irrespective of whatever odds against the potency of McLuhan's ideas, the impact of communication technologies on our daily lives challenges us to accept the fact that McLuhan was ahead of his time. It cannot be argued however, that his great ideas find greater expression in contemporary time more than ever.... It shows not only that the medium rather than the content of communication impacts more on the audience of mass communication (the medium is the message) but also, communication technologies are turning the world into the global village.

Relating this theory to the present discourse, the social media are products of new communication technologies with far-reaching impact on users. For instance, the use of social media in campaigns in recent times have determined the trend of events in the political scene - the growth of Tea Party movement in the US which largely determined the outcome of congress elections in that country in 2010 is one in numerous ways communication technologies impact or the society. The social media can also be effectively used to mobilize people to contribute in the development of microfinance banking in Nigeria. This study is structured along this line of thought.

Social Media Development: The Nigerian Experience

Definition: The social media concept refers to a 21st century phenomenon brought about by the advent of the Internet and World Wide Web. The social media are interactive, web-based media which engage key players in a communication channel in defining and determining the message content. They are media that lay emphasis on dialogue or two-way active contribution by both sender and receiver in message development (Nwabueze, 2010). Kaplan and Haenlin (2010) describe the social media as media that use web-based technologies to transform and broadcast media monologues into social media dialogues.

To Nations (2010), the social media are instruments of communication which are different from the conventional instruments like newspapers. According to Nations, while the regular media operate as a one-way street where a person could read a newspaper or listen to a report on television with very limited ability to give his thought on the content, the social media operate as a two-way street that gives a person or receiver the ability to communicate too. Examples of the social media include Facebook, You Tube, My Space, and the numerous interactive blogs in the web. Emphasis on the social media is dialogue. This is why they are described as Consumer Generated Media (CGM) or media that have User Generated Content (UGC) (Kaplan and Heanlein, 2010).

Historical Overview: The origin of the social media could be traced to the emergence of the Internet which led to the creation of Interactive websites that functionally engage sender and receiver in shaping the message content. The social media are associated with the term "Web 2.0" which is used to describe websites that provide opportunities for a user to interact with the sender of a message. The concept – web 2.0 - refers to the state of the web from 2004 till date, a period when interactive websites emerged. This is different from web 1.0 which describes the state of the web prior to 2004. Among the examples of web 2.0 sites are web-based communities, social networking sites, video-sharing sites, Wikis, and blogs.

It is pertinent to note that the term social media" is not synonymous with the term "new media", since not all new media are interactive in nature. Some websites have contents that can only be read while some other sites create opportunity for dialogue. The social media ushered the world into what is called the attention age, an

era that emerged after the information age (Nwabueze and Ugwunno, 2010). The attention age is characterized by the ability of individuals to create and consume information instantly and freely as well as share it with the social media community on the Internet.

The social media have proved to be virile channels for mass enlightenment and mobilization in contemporary society. The 2009 presidential elections in Iraq during which social media were used to mobilize against election results and expose post election demonstrations against president Ahmadinejad, the mobilization like minds to form the Tea Party movement in the USA in today, the mobilization of pro-wikileaks hackers to engage in a movement called hacktivism during which hackers across the world penetrated and destroyed data base of companies that refused to do business with Wikileaks (the web site that leaked confidential information about diplomatic activities of Western nations); these are among numerous examples of how the social media are impacting on trends of events in today's world.

The Nigerian Experience: Though social media are internet-based communication channels, social platforms for information sharing and dissemination had existed in traditional Nigerian society prior to the emergence of the Internet. Such traditional communication channels as town unions, age grades, women organizations, kindred meetings etc. provide interactional communication platforms (Nwabueze and Ugwunno, 2010). What the Internet-based social media have done is to expand the interactive community with a wider reach and communicative effectiveness.

However, Nigeria has also registered some level of presence in the Internet-based social media community. There are numerous weblogs or blogs either run by Nigerians or they create a forum for Nigerians to air their views and make meaningful contributions to the topics being discussed by a chain of users. Some of these blogs include Klinreports.com, Chidiopara reports, Nairaland, Naijapost.com, Topic.net, and Amana online. As at July 2009, there were 475 Nigerian blogs ([www.Blogcatalog.com/country / Nigeria](http://www.Blogcatalog.com/country/Nigeria)). There are also over 3 million Nigerians online (Nairaland, 2006). Facebook is a popular social medium among Nigerians. Issues on microfinance banking could be discussed in the numerous social media with Nigerian users.

Microfinance Banking in Nigeria

Definition: Microfinance banking is the business of providing microfinance services such as savings, loans, domestic funds transfer, and other financial services needed by the economically active poor, micro, small and medium enterprises to conduct or expand their business (CBN, 2005). Microfinance refers to such services as loans (usually small loans), savings, insurance, transfer services, and payment facilities basically targeted at low income earners. Microfinance banks are monetary institutions that offer or provide micro credits and other financial services to the poor, less privileged and micro, small and medium scale business operators who do not have the opportunity of accessing micro credits from conventional banks.

Why they were Established in Nigeria: Having acknowledged the pertinence of microfinance institutions as a catalyst for economic growth, nations across the world, especially developing nations give priority to these institutions. Though the origin of microfinance practice in Nigeria dates back to several centuries, such groups operated as informal self-help groups or Rotating Savings and Credit Associations (ROSCA). However, the Central Bank of Nigeria officially launched a microfinance policy in 2005, empowering Microfinance banks to provide diversified, affordable and dependable financial services to the poor, low income earners, and micro business operators (CBN, 2005).

According to the Central Bank of Nigeria, the establishment of microfinance banks in the country is justified by the following points;

- i. Weak institutional capacity of community banks which are supposed to be providing microfinance services to the poor;
- ii. Weak base of the existing institutions, particularly the community banks, which could not adequately provide a cushion for the risk of lending to micro entrepreneurs without collateral;
- iii. The existence of a huge un-served market created a huge gap in the provision of financial services to a large proportion of the active but poor and low income groups;
- iv. The need for economic empowerment of the poor, employment generation and poverty reduction;
- v. The need for increased (safe, less costly, convenient and easily accessible) saving opportunity that would be attractive to rural clients and improve the savings level in the economy;
- vi. The interest of local and international communities in micro financing, which would provide an opportunity for financing the economic activities of low income groups and the poor;
- vii. The need to utilize the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) fund.

The achievement of these goals would lead to the development of a robust economic base for Nigeria. With the focus on the poor, low income earners and small business entrepreneurs, microfinance banks are expected to achieve these goals. These banks are not permitted to engage in all banking activities carried out by commercial

banks and other conventional banks.

The crucial place of microfinance banking in Nigeria's development is not in doubt. Akande (cited in Nwoji, 2003) notes that the future of Nigeria is tied to the success of microfinance banking scheme basically because microfinance banking activities touch the grassroots and if sustained, would contribute positively towards economic development of the nation. Similarly, Chuka (2008) writes that microfinance banking is the engine that powers the socio-economic development of a developing country like Nigeria as it provides financial services to the *unbanked* segments of the population. As the *Daily Sun* Editorial of April 2, 2008 put it, "Microfinance and mortgage institutions, if well regulated and managed, can be the engine of any growing economy and emerging markets as witnessed in Asian countries of late." The discourse thus far shows that a sustainable microfinance banking sector is vital in strengthening the economy of developing nations. This cannot be meaningfully achieved without effective communication strategies for monitoring activities of such banks, encouraging their development and enlightening the public on activities of these banks.

Social Media and Microfinance Banking in Nigeria: The fusion

The social media have the proven ability to mobilize the public to chat specific courses. These media could play relevant roles at the level of public enlightenment, awareness creation and sensitization on the activities of microfinance banks and the benefits that could be accessed and enjoyed from these banks.

Microfinance is a scheme targeted at the poor, economically less privileged, and low income earners most of who are either illiterate or semi-literate. These people may not even be aware of the benefits and opportunities inherent in these banks and how to access the facilities. Also, most of these people may not be in the social media community and cannot benefit directly from discussions in these media. However, the two-step flow approach could be used in enlightening these microfinance targets on the benefits of the scheme. Nwabueze (2010, p.5) describes the interpersonal social media as *trado-social* media which consist of "organizations primarily aimed at enhancing the well-being of members and the society or community at large." These are people from all walks of life who gather and socialize for a common purpose. Examples include age grades, town unions, secret societies, women organizations, social clubs, kindred meetings etc. The web-based social media (Facebook, My Space, blogs etc.) and the interpersonal social media could be combined in this respect. Web-based social media users are also members of interpersonal social media community. Those who benefit from enlightenment campaigns on microfinance via the web-based social media networks could extend such knowledge to members of interpersonal social groupings either during meetings or specially organized workshops. This way, the message flows from the web-based social media, through the interpersonal social media or *trado-social* media, to the economically active poor and micro, small and medium scale business entrepreneurs who are the primary targets of microfinance banking. For the economy grow through microfinance banking, the targets must be empowered, and for these targets to be empowered, they have to be aware of what these banks offer and how the facilities could be accessed.

Blogs run by Nigerians could host discussions on microfinance banking where people can air their views on the efficacy or otherwise, of the scheme. Similarly, Nigerians could also initiate discussions on microfinance in the Facebook community. Through such means, people in other parts of the world could share their success or even failure stories which would provide background guide on how Nigerians can strengthen the microfinance sector of the nation. Access to the social media is no longer a problem, with the continuous emergence of sophisticated but affordable mobile phones with Internet facility.

In the area of monitoring of microfinance banks activities, the social media could play crucial roles in keeping the public informed. Recently, the Federal government closed down 240 microfinance banks for insolvency and for not operating within stipulated rules. Many people who patronize these banks had their money trapped basically because they did not see the CBN action coming. The social media could be used to keep users informed on such actions i.e. about microfinance banks not performing, or those under-performing, and also threats on closure of such banks. This way, unsuspecting investors in these banks and other clients could take last minute action to either withdraw their money from endangered banks or avoid huge deposits or investments on these banks.

Owing to the popularity and efficacy of the social media as communication channels, key government functionaries and agencies are on Facebook and also run blogs where constructive discussions on how to move the nation forward take place. For example, the President of Nigeria, Dr. Goodluck Jonathan is on Facebook. Reports on non-performance of microfinance banks, shoddy practices, or refusal to offer services stipulated in the regulatory guidelines for microfinance banks, could be sent to such sites. This way, government gets informed on such developments and vibrant discussion on the reports could ensue. Such channels should not be underestimated in anyway.

Microfinance banks can operate blogs or interactive sites where users can discuss operations of these banks with meaningful contributions on how to move the banks forward. The public relations or corporate affairs

units of these banks can run such blogs. Through such blogs, the banks can share their challenges with the public through the social media community. Constructive criticism from the public would also be made available in such blogs or interactive sites. Problems encountered with accessibility to microfinance bank facilities are communicated directly to the banks through such interactive sites. This is similar to reports made to the Central Bank of Nigeria through its website, on activities of banks in Nigeria. However, in this social media instance, the communication on such reports is interactive. Weblogs or blogs could operate as public diaries, collections of photos, or commentaries on the news (Hanson, 2005). These are opportunities for engaging the public in vibrant discussions that can throw up ideas on how to better the microfinance banking sector in Nigeria.

The Challenges

Despite the popularity of social media in modern communication, developing nations of Africa are still grappling with challenges associated with the use of such media. Technological factor is a basic challenge in this respect. Social media awareness is still low in Nigeria when compared with what obtains in the Western world. Most Micro, small and medium scale entrepreneurs, the poor and low income earners who constitute the targets of microfinance, may not be aware of existence of social media, what the concept refers to, or how to access such media. Awareness creation is a major hurdle that needs to be cleared so that key targets of microfinance schemes would know what social media are and how to utilize such media to achieve their goals.

Lack of infrastructure such as electric power supply, cost of accessing the social media (especially in Nigeria where most people access the Internet at cyber cafes, including high cost of Internet subscription), computer illiteracy, and poverty also constitute stumbling blocks to the popularity of social media use among Nigerian and people in other developing African nations. With specific reference to rural areas of Africa where a good number of targets of microfinance programmes reside, Zulu (2004, p.11) lists the following factors that militate against use of NCTs in communication: scarcity or absence of public facilities such as reliable electricity supply, water, access roads and regular transport; scarcity of technical personnel, difficult topographical conditions e.g. lakes, rivers, hills, mountains or deserts, which render the construction of wire telecommunication network very costly, severe climatic conditions that make critical demands on the equipment...low capital income, under-developed social infrastructures (health, education etc)....

These are among factors that retard the growth of NCT use in effective communication in rural areas. However, the emergence of wireless communication facilities and expansion of mobile telecommunication companies as MTN, Glo and Zain with networks in rural areas, has contributed positively in extending Internet networks to rural areas, leaving illiteracy, low social media awareness, poverty, and lack of facilities for accessing the Internet as major challenges militating against social media use in rural and urban areas of Nigeria. However, these challenges are surmountable if government and other stakeholders in development give priority attention to NCT development in the country.

Conclusion

In Africa, development efforts make their greatest impact when targeted at rural dwellers, the needy, less privileged and the grassroots (Nwabueze, 2010). Microfinance is a scheme targeted at these sets of people. The success of microfinance banking in Nigeria translates to economic development from the grassroots. Microfinance banking scheme is aimed at providing financial services that would enable the active poor to undertake and develop long-term sustainable entrepreneurial activities, create employment opportunities, increase productivity of the active poor in the country and enhance organized systematic and focused participation of the poor in socio-economic development and resource allocation (CBN, 2005).

This underscores the pertinence of ensuring the success of microfinance banking in a developing economy. Modern communication channels as the social media are crucial to the achievement of microfinance banking goals in contemporary society. Efforts should be put in motion with a view to overcoming the challenges posed by factors that militate against effective utilization of NCTs in Nigeria.

Among measures that are recommended towards achieving these goals include social media awareness creation which should be part of a broader Internet awareness creation. Various communication channels (mass media and traditional communication channels) should be engaged in enlightening the public on the existence of social media channels and how to access them. This would empower the targets of microfinance schemes with necessary information on how to engage the social media in communication for various purposes. This is a first step towards the use of social media by this group of people (targets of microfinance scheme) for microfinance related purposes discussed earlier in this discourse.

Microfinance banks should operate weblogs or interactional sites that would encourage discussion among users on how to improve their services to the public. There is also the need for government to set up facilities such as infor-kiosks and cyber cafes in rural areas at subsidized rates so as to encourage access to Internet facilities by the active poor. This way, those of them that can use social media for microfinance related

enquiries, complaints, contributions, and criticisms, would have the opportunity to do so. The vital place of microfinance in nation building requires that every relevant effort be channeled towards ensuring success of this scheme.

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