# DEVELOPMENT FINANCE INSTITUTIONS AND NIGERIA'S SOCIO-ECONOMIC INFRASTRUCTURE: EMPIRICAL EVIDENCE FROM COMMUNITY-INPUT APPROACH

**Christian Chidi OKEKE, Ph.D**
Department of Political Science
Nnamdi Azikiwe University, Awka, Nigeria.
Email: co.chidi@unizik.edu.ng
Tel: +2347037000279
ORCID: https://orcid.org/0000-0002-5361-2436
**&**
**Jude Chukwuemeka OKAFOR, Ph.D**
Department of Political Science
Nnamdi Azikiwe University, Awka, Nigeria.
Email: ud.okafor@unizik.edu.ng
Tel: +2348038741057

**Abstract**
Financing socio-economic infrastructure is key to the economic viability of developing states, including Nigeria. However, a critical gap exists in the relegation of the community-input approach as a catalytic model for driving project funding. This study therefore examined the usefulness of community involvement in infrastructure funding in Nigeria. It utilized a survey research design to collect data from a sampled population in the South-East region using a questionnaire instrument. Hypotheses were tested at the 0.05 level of significance using the Chi-square ($\chi^2$) statistical technique. Anchored on Systems Theory, the study revealed that while communities in the geo-political zone are willing to partner in socio-economic infrastructure development, community input is largely absent in socio-economic funding by Development Finance Institutions (DFIs). The study therefore recommended the adoption of a community-based model as a top priority by key DFIs, such as the Bank of Industry, toward revitalizing the grassroots economy for maximum contribution to the country's socio-economic development. It also recommended an amendment of the Act establishing Development Finance Institutions in Nigeria to accommodate the community-input model through active collaboration with the National Assembly. Furthermore, the study advocated the introduction of a Community–Public Partnership (CPP) initiative that allocates equity shares to communities for the funding of socio-economic infrastructure.
**Keywords:** Development Finance Institutions, Socio-economic Infrastructure, Infrastructure Development Funding, Community, Nigeria

## 1.0 Introduction

The role of finance in an economy is indisputable, just as infrastructure is widely-accepted as an enabler of economic activity (Oke & Itemeh, 2021). Financing development initiatives is essential but a critical challenge to most developing countries, including Nigeria is the lack of capacity and financial resources to fund development programmes (Wudil & Kabuga, 2024; Duru, Okafor, Eze & Ebenyi, 2020).

The current level of infrastructure deficit in the country is the major constraint towards achieving the national vision of becoming one of the 20 largest economies. The sustainable growth and development of the country hinge greatly on the provision and maintenance of adequate infrastructure yet the current state of infrastructure in Nigeria poses a significant problem (Sanusi, 2012). This is basically worrisome, more so since building resilient infrastructure that makes cities and human settlements inclusive, safe, resilient and sustainable is a major objective of the United Nations Sustainable Development Goals yet insufficiently achieved ahead of 2030 (United Nations, 2025).

In Nigeria, working out an answer to the debacle informed setting up of some development finance institutions which are Bank of Industry (BOI), Federal Mortgage Bank of Nigeria (FMBN), Nigerian Export–Import Bank (NEXIM), Bank of Agriculture (BOA), Infrastructure Bank (formerly Urban Development Bank of Nigeria Plc., and National Economic Re-construction Fund (NERFUND) which, however, face serious challenges including poor business models (Sanusi, 2012). The Bank of Industry has major responsibility including to facilitate the transformation of Nigeria's industrial sector by providing financial and advisory support for the establishment of large, medium, and small projects/enterprises and the expansion, diversification, rehabilitation, and modernization of existing enterprises with far-reaching outcomes, cutting across vital industrial sectors, geopolitical zones, and multilateral stakeholders. It is focused on nurturing and expanding our economy's emerging sectors while supporting established segments for increased global impact. Since its inception in 1964, BOI has consistently supported numerous Nigerian businesses across various sectors, including agro and food processing, oil and gas,

solid minerals, healthcare and petrochemicals, creative Industries, renewable energy, engineering, and technology (Bank of Industry, 2025). This necessitates an examination into the options open to development-oriented institutions in financing key infrastructures for liveable cities particularly in Africa. Focus is on Development Fina ncial Institutions such as Nigeria's Bank of Industry since they play pivotal roles in funding development initiatives through the provision of finance to industrial sectors (Bank of Industry, 2025; Okah, Origin & Uwaezuoke, 2024).

## 2. 0 Literature Review

### 2.1 Conceptual Review

#### 2.1.1 Development Finance Institutions

Development finance Institutions relate to government-controlled institutions that have mandates to invest in sustainable private sector projects with objective targeted at jump-starting sustainable development in countries. As key to realising the objectives, the institutions provide finance to projects that are important for economic development through the provision of medium-long term funds (Oke, 2021). The focus of DFIs is on the realisation of national economic goals. They strive to meet the financial requirements and facilitate rapid industrial development of the economy. Contextually, their primary focus is developmental and one of the key indicators is development of rural economy while promoting private sector. Although not exhaustive, they have roles towards financing development projects and acting as facilitators of finance in the larger industrialization and economic development trajectories of countries. These translate into serving as catalysts for accelerated industrialization, economic growth and human resource development (Adesoye & Atanda, 2014). This is what Jhingan (2012) described as multi-purpose functions that include industrial development, as well as resources mobilisation and management.

#### 2.1.2 Socio-Economic Infrastructure

Socio-economic infrastructures emerged in development discourses as public utilities which include power, telecommunications and public works that generally provide services that are part of the consumption bundle of residents but stimulus to the economy, and serve as complementary function to private sector production. In essence, economic infrastructure seeks to expand the productive capacity of the economy by increasing the quantity and quality of outputs that lead to sustainable economic development. They play key role in the growth performance indicators of countries and are realised through rational, well-coordinated and harmonised models and policies (Adesoye, & Atanda, 2014). It is in this light that the provision of socio-economic infrastructure in Nigeria is often described as being in serious short supply, posing a threat to the country's general socio-economic survival. In fact, the dearth of viable and sustainable infrastructure in the country is believed as a single, significant factor which challenges the efforts towards realisation of long-term economic and social development (Ike, 2021). The infrastructure stock in Nigeria stands at 35% of the Gross Domestic Product (GDP) which is below the international benchmark of 70% of GDP. This infrastructure deficit remains a major constraint to sustained and broad-based strong economic growth (Oke & Itemeh, 2021). The challenge at present is the manner in which adequate use of DFIs can be guaranteed, to safeguard against the deployment of some costly policy instruments, while ensuring they play a dynamic role in providing access to finance (Gutierrez, Rudolph, Homa and Blanco, 2011). Bridging the gap has become more worrisome in relation to a set of projects that are neither fully commercially viable nor suitable for full public funding (Ryan-Collins (2013), thus necessitating grassroots' perspectives to infrastructure financing since the end of development pursuits in democracies is the benefits for the people.

### 2.2 Empirical Review

The nexus between development finance institutions and development programmes in Nigeria has received attention in scholarship with wide range of efforts made to enhance nuanced understanding of the relationships between the challenges and prospects. For instance, Okah, Origin and Kabuga (2024) investigated the nexus between development finance institution credit and economic development of Nigeria using two models covering the period from 1992 to 2022. The research employed auto-regressive distributed lag (ARDL) models to test the effect of the Bank of Industry credit (BOI), World Bank credit (WBC), and African Development Bank credit (AFDBC) on Human Poverty Index (HPI) and Per Capita Income (PCI) and found that development finance institution credit had an insignificant effect on economic development during the study period. It therefore recommended that development banks design and fund programs specifically aimed at the most impoverished and marginalized groups as well as the need for a robust monitoring and evaluation frameworks to be implemented in order to track the impact of funded projects on HPI and PCI. In the same vein, Oke and Itemeh (2021) explored the role of development finance institutions in bridging infrastructure deficit during a period of revenue decline in Nigeria. With sufficient focus on private partnership model available.

Wudil and Kabuga (2024) in a study titled Financing Models and Social Development in Low and Middle-Income African Countries: A Comparative Analysis examined how different financing models including Islamic finance, foreign aid, and government budgets, impact social development in low- and middle-income African countries. Using data from 54 African countries between 2013 and 2022, the study employed a robust analytical method called the 2-Step System Generalized Method of Moments (SGMM). The findings show that all three financing models had positive impact on social development, but their effectiveness varied significantly. Islamic finance, with its ethical and responsible investment principles, shows promise in sectors like education and healthcare, particularly in middle-income countries. However, its impact in low-income countries is limited.

Ojediran (2023) utilized the unit root test, Johansen co-integration test, Granger causality test, and Ordinary Least Square (OLS) approaches to determine whether infrastructural development promotes economic growth in Nigeria. The study's findings found that Nigeria's economic development may be attributed to factors including infrastructure, currency, and inflation. Except for the labour force, all of the study's factors were statistically significant in explaining Nigeria's economic development. According to the investigation findings, the independent variables have a 96 per cent correlation with the R2. On the other hand, the author advocated for the government and policymakers to put these principles into action to improve infrastructure. In addition, emphasis should be paid to the construction of high-quality infrastructure.
What is specifically lacking in the avalanche of literature is grassroots-focused approach towards boosting socio-economic infrastructures. This is worrisome since infrastructure is seriously underprovided with financing shortfall for Africa put at $48 billion per annum (Foster & Briceño-Garcia (2010).

**2.3 Theoretical Framework**

Ludwig Von Bertalanffy's Systems Theory was adopted as framework of analysis which in originating in the 1940s emphasised the importance of interacting processes and the manner in which they influence each other to guarantee the continuity of some larger whole (Mouori, 2012). The theory is explicit on the issue of dynamic relationships and interdependence between components of the system based on the structure and patterns of the relationships emerging from interactions among components. A major contestation of the theory is that components of each system are structured in an interdependent way with one another such that components function with support of each other.
The systems theory is expedient toward a nuanced understanding of the interconnectivity between community input and socio-economic infrastructural development in Nigeria, given that since communities constitute the society, their participation in the development process is crucial for the survival of the society. The approach is equally helpful for achieving the necessity of community ownership of infrastructures provided by development finance institutions through private support. This model is largely lacking in the South East of Nigeria and remains counterproductive in the realisation of socio-economic infrastructure within the sub-region.

**3.0 Methodology**

**3.1Research Design**

The study adopted survey research design as such data was collated from a sampled part of the population. It involved the use of questionnaire. The choice of this design is to extract relevant data from primary sources knowledgeable in the subject of investigation.

**3.2 Population of the Study**

The study was conducted in the South East geo-political zone of Nigeria which is made up of five states of Abia, Anambra, Ebonyi, Enugu and Imo. It has a population of approximately 21 million people (Merem, et al. 2019) with spread shown on table 1.

**Table 1: Population of South East Nigeria**

| States | Population |
|---|---|
| Abia | 3,727,300 |
| Anambra | 5,271,800 |
| Ebonyi | 2,800,400 |
| Enugu | 4,411,100 |
| Imo | 5,408,800 |
| Total | 21,619,400 |

**Source:** Merem et al. (2019).


**Figure 1: South East Nigeria**

**Source:** Morem et al (2019)

Since the population of twenty one million, six hundred and nineteen thousand, four hundred (21, 619, 400) of South East is too large, the study utilised Taro Yamani (1964) sample size determination statistical formula to determine the sample size thus:

$$n = \frac{N}{1+N(e)^2}$$

Where n = Sample size
N = Population size
e = Error margin allowed
I = Constant

$$n = \frac{21,619,400}{1 + 21,619,400\ (0.0025)} = 399.99 \text{ or } \mathbf{400}$$

Therefore, the sample size for the study is 400. The number of questionnaire used was 400 and distributed with research assistants as follows:

**Abia State**

$\frac{3,727,300 \times 400}{21,619,400} = \frac{1,490,920,000}{21,619,400} = \mathbf{68.962 = 69}$

**Anambra State**

$\frac{5,271,800 \times 400}{21,619,400} = \frac{2,108,720,000}{21,619,400} = \mathbf{97.538 = 97}$

**Ebonyi State**

$\frac{2,800,400 \times 400}{21,619,400} = \frac{1,120,160,000}{21,619,400} = \mathbf{51.812 = 52}$

**Enugu State**

$\frac{4,411,100 \times 400}{21,619,400} = \frac{1,764,440,000}{21,619,400} = \mathbf{81.613 = 82}$

**Imo State**

$\frac{5,408,800 \times 400}{21,619,400} = \frac{2,163,520,000}{21,619,400} = \mathbf{100.073 = 100}$

**Total: 400**

**Table 2: Sample Size Distribution**

| State | Population | Sample Size |
|---|---|---|
| Abia State | 3,727,300 | 69 |
| Anambra State | 5,271,800 | 97 |
| Ebonyi State | 2,800,400 | 52 |
| Enugu State | 4,411,100 | 82 |
| Imo State | 5,408,800 | 100 |
| **Total** | **21,619,400** | **400** |

**Source:** Research Report, 2025

**Table 3: Return Rate of Distributed Questionnaire**

| State | No. Distributed | No. Returned | No. Not Returned | No. Condemned | No. Used |
|---|---|---|---|---|---|
| Abia | 69 | 62 | 7 | 8 | 54 |
| Anambra State | 97 | 84 | 13 | 5 | 79 |
| Ebonyi State | 52 | 49 | 3 | 8 | 41 |
| Enugu State | 82 | 70 | 12 | 11 | 59 |
| Imo State | 100 | 91 | 9 | 10 | 81 |
| **Grand Total** | **400** | **356** | **44** | **42** | **314** |
| **Percentage %** | **100 %** | **89 %** | **11%** | **10.5%** | **78.5%** |

**Source:** Research Report, 2025

### 3.3 Method of Data Analysis

The administered questionnaire copies were collated and scored in order to obtain the number of respondents that selected particular options listed on a 4-point Likert scale (Strongly Agree, Agree, Strongly Disagree and Disagree). The benchmark used for establishing whether the respondents agreed or disagreed with each of the items on the questionnaire was 2.50. Mean and Standard Deviation was employed to answer the research question. Test of hypotheses was carried out at 0.05 level of significance using Chi-Square ($x^2$).

## 4.0 Result and Discussion

**Table 4: Development Finance Institutions and Infrastructure Financing in South East Nigeria**

| Responses | Strongly Agree | Agree | Don't Know | Disagree | Strongly Disagree | Total |
|---|---|---|---|---|---|---|
| Community input is lacking in socio-economic funding by DFIs in my area | 172<br>55% | 62<br>20% | 17<br>5% | 34<br>11% | 29<br>9% | 314<br>100% |
| Community input propels infrastructure protection in South East Nigeria | 120<br>38% | 67<br>21% | 44<br>14% | 28<br>9% | 55<br>18% | 314<br>100% |
| My community is willing to partner DFIs for socio-economic infrastructure development | 156<br>50% | 51<br>16% | 25<br>8% | 50<br>16% | 32<br>10% | 314<br>100% |
| Communities show no interest in projects they have no input in | 164<br>52% | 53<br>17% | 37<br>12% | 28<br>9% | 32<br>10% | 314<br>100% |
| Communities have institutional structures to support Community-Public Partnerships for infrastructure development | 156<br>50% | 56<br>18% | 28<br>9% | 40<br>13% | 34<br>11% | 314<br>100% |
| South East Nigeria will welcome Community-led model for development of socio-economic infrastructure | 168<br>54% | 55<br>18% | 20<br>6% | 43<br>14% | 28<br>9% | 314<br>100% |

**Source:** Research Report, 2025.

**Test of Hypothesis**

Calculation of Degree of Freedom (DF)

DF = (R – 1) (C – 1)

Where R = number of rows in the contingency table

C = number of columns in the contingency table

DF = (3 – 1) (5 – 1)

= 2 x 4

= 8

At 0.05 significant level and 8 degrees of freedom, the total value of chi-square($x^2$) =15.51

Computation of chi-square($x^2$)

$X^2 = \frac{\sum(o - e)^2}{e}$

Where o = observed frequency

E = expected frequency

Expected frequency (e) is given by $\frac{RT \times CT}{GT}$

Where RT = row total

CT = Column Total

GT = Grand Total

**Table 4.6: Computation of Chi-Square ($x^2$) for Hypothesis**

| **Observed frequency (o)** | **Expected frequency (e)** | **(o – e)** | **$(o - e)^2$** | **$\frac{(o - e)^2}{e}$** |
|---|---|---|---|---|
| 31 | 40.59 | -9.59 | 91.9681 | 2.28 |
| 20 | 24.42 | -4.42 | 19.5364 | 0.80 |
| 12 | 13.76 | -1.76 | -3.0976 | 0.23 |
| 26 | 15.82 | 10.18 | 103.6324 | 6.55 |
| 19 | 13.41 | 5.59 | 31.2481 | 2.33 |
| 38 | 33.45 | 11.60 | 134.56 | 5.10 |
| 19 | 20.12 | 5.62 | 31.5844 | 2.36 |
| 17 | 11.34 | 5.87 | 34.4569 | 3.10 |
| 6 | 13.04 | -8.5 | 72.25 | 4.98 |
| 9 | 11.05 | -6.78 | 45.9684 | 2.91 |
| 49 | 43.97 | 5.03 | 25.3009 | 0.58 |
| 32 | 26.46 | 5.54 | 30.6916 | 1.16 |
| 11 | 14.90 | -3.90 | 15.2100 | 1.02 |
| 14 | 17.14 | -3.14 | 9.8596 | 0.56 |
| 11 | 14.53 | -3.53 | 12.4609 | 0.86 |
| | | | | $X^2 = \frac{\sum(o - e)^2}{e} = \frac{34.82}{e}$ |

**Source**: Research Report, 2025

**4.1 Implication of the Finding**

Since the computed value of chi-square ($X^2$) of 34.82 is greater than (>) the table value of chi-square of 15.51, hypothesis one is accepted. The study therefore established the preference of community-based approach in determining socio-economic infrastructure to benefit from development finance institutions' funding in South East Nigeria.

## 5.0 Conclusion and Policy Recommendations

In development-conscious societies, the contribution of infrastructure to socio-economic growth is widely acknowledged as a catalyst for the attainment of the common good. It is in this context that Development Finance Institutions (DFIs) serve as key players and leverage points in economic development. However, despite the growing recognition that funding approaches for economic enablers should be recalibrated toward a community-based model, this approach remains largely underutilized, particularly in the South-East geo-political zone of Nigeria. This concern necessitated the present study, whose major finding is that the people strongly prefer the community-based funding model as a viable option for infrastructure financing. In view of these findings, the study strongly recommends the following:

i. The adoption of a community-based model as a top priority by key Development Finance Institutions, such as the Bank of Industry, to revamp grassroots economies for enhanced contribution to socio-economic development in the zone and the country at large. To achieve this goal, DFIs should consider a 60:40 funding ratio that prioritizes grassroots economic development initiatives driven by community consensus. This approach has the capacity to engender community ownership of socio-economic infrastructure in Nigeria.
ii. The amendment of the Act establishing Development Finance Institutions in Nigeria to institutionalize the community-input model in infrastructure financing by DFIs. To achieve this, active collaboration with the National Assembly is recommended, spearheaded by relevant ministries and government agencies such as the Federal Ministry of Finance and the Central Bank of Nigeria.
iii. The introduction of a Community-Public Partnership (CPP) initiative that allocates funding shares to communities for socio-economic infrastructure development. When legalized, such arrangements would compel communities, through contractual obligations, to actively sustain and ensure the success of infrastructural projects.

**References**

Adesoye, A. A. & Atanda, A. A. (2014). Development Finance Institutions in Nigeria: Structure, Roles and Assessment. *Research Journal of Finance and Accounting,* 5(13), 26-31.

Bank of Industry. (2025). *About BoI.* Retrieved August 25, 2025, from https://www.boi.ng/about/

Duru, I., Okafor, B. O., Eze, M. A. & Ebenyi, G. O. (2020). Foreign aid and economic growth: Empirical evidence from Nigeria. *Growth, 7*(1), 35-50.

Foster, V. & Briceño-Garcia, C. (2010). *Africa's infrastructure: A time for transformation*. Washington D.C.: World Bank.

Gutierrez, E., Rudolph, H., Homa, T. & Blanco, E., (2011). *Development banks: Role and mechanisms to increase their efficiency.* Policy Research Working Paper No 5729. Washington, DC: World Bank Group.

Ike, M. O. (2021). Exploring development finance institutions to bridge the infrastructure deficit during a period of revenue decline in Nigeria. *Global Scientific Journal*, 9(1), 2455-2485.

Jhingan, M, L. (2011). *Money, banking, international trade and public finance, 8th Edition.* New Delhi: Virinda Publications.

Merem, E. C., Twumasi, Y., Wesley, J., Alsarari, M., Fageir, S., Crisler, M., Romorno, C. Olagbegi, D., Hines, A., Mwakimi,O. S., Nwagboso, E., Leggett, S., Foster , D., Purry, V. & Washington, J. (2019). Analyzing land use and change detection in Eastern Nigeria using GIS and remote sensing. *American Journal of Geographic Information System*, 8(2): 103-117 DOI: 10.5923/j.ajgis.20190802.06

Montuori, A. (2012). *Systems Theory.* Retrieved August 25, 2025, from https://www.sciencedirect.com/topics/psychology/systems-theory

Ojediran, O. A. (2024). Does infrastructural development promote economic growth in Nigeria? *ACU Journal of Social Sciences, 2*(1), 1-18.

Okah, D. J. O., Origin, D. C. K.., & Uwaezuoke, D. (2024). Nexus between development finance institution credit and economic development of Nigeria using two models. *Advance Journal of Management, Accounting and Finance*, *9*(11), 108–130.

Oke, M. O & Itemeh, G. G. (2021). Exploring development finance institutions to bridge the infrastructure deficit during a period of revenue decline in Nigeria. *Global Scientific Journal, 9*(1), 2455-2486.

Ryan-Collins, L. (2013). *Development finance institutions and infrastructure: Findings from a systematic review of evidence for development additionality*. Retrieved August 22, 2025, from https://ecdpm.org/work/financing-infrastructure-volume-2-issue-4-may-june-2013/development-finance-institutions-and-infrastructure-findings-from-a-systematic-review-of-evidence-for-development-additionality

Sanusi, L S. (2012). *The role of development finance institutions in infrastructure development: What Nigeria can learn from BNDES and the Indian infrastructure finance company.* Keynote Address Presented on the Occasion of the 3rd Infrastructure and Regulatory Commission (ICRC) PPP Stakeholders Forum Held in Abuja

Sharma, M (2010). *Management of financial institutions (with emphasis on bank and risk Management).* New Delhi: PHI learning Private Limited.

United Nations. (2025). *The 17 goals.* Retrieved from https://sdgs.un.org/goals

Wasurum, E. & Kpagih, L. L. (2023). Socio-economic infrastructure and standard of living in Nigeria. *IIARD International Journal of Economics and Business Management,* 9(8), 118-132.

Wudil, A. A., & Kabuga, N. A. (2024). Financing models and social development in low and middle-income African countries: A comparative analysis. *BOI Journal of Development Finance, 1*(1), 157-186.

Yamane, T. (1967). *Statistics: An introductory analysis, 2nd edition.* New York: Harper and Row.