Effect of cashless monetary policy on Nigerian banking industry: Issues, prospects and challenges

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ABSTRACT

This study examined the effect of cashless monetary policy on Nigerian banking industry. Out of 5000 Guaranty Trust Bank (GTBank) staff, 370 sample sizes were selected based on Taro Yemane’s formula for sample size. The study was carried out in Ekiti State, Nigeria with 370 questionnaires administered to the bank staff in the state. Of the total questionnaires distributed, 350 questionnaires (representing 95%) were returned. The data collected was analyzed using frequency table and percentages while for non-parametric statistical test, Chi-square was used to test the formulated hypothesis. The results of the study showed that there are significant reasons and benefits inherent in the implementation of cashless policy. It also showed that the policy has positively affected the development of banks; as it facilitates ease of operations and reduces queue and congestion in the banking hall, among others. However, inadequate technological infrastructures, high rate of cyber crime and high rate of illiteracy, among others are hindering the full implementation and benefits of the policy during the period of the study. It was therefore recommended that government should put in place a law preventing cyber crime and intensify public enlightenment campaign about the cashless system. Bank officials should also be properly trained about the operations of the policy in order to be efficient with the services rendered to customers. Provision of adequate technological infrastructures sufficient to cope with their teeming customers should be put in place without which the objectives of the policy would not be fully realized.

INTRODUCTION

Banks are the linchpin of the economy of any country. They occupy central position in the country’s financial system and are essential agents in the development process. By intermediating between the surplus and deficit savings units within an economy, banks mobilize and facilitate efficient allocation of national savings, thereby increasing the quantum of investments and hence national output. In a developing economy such as Nigeria, financial sector development has been accompanied by structural and institutional changes and the sector generally has long been recognized to play a crucial role in the economic development of the nation.

Monetary Policy is the regulation of the money supply and interest rates by a Central Bank in order to control inflation and stabilize currency. The Central Bank of Nigeria (CBN) undertakes monetary policy in order to maintain Nigerian’s external reserve, safeguard the international value of the legal currency, promote and maintain monetary stability. Similarly, it acts as a sound and efficient financial system in Nigeria, as a banker and financial adviser to the Federal Government and as lender of last resort to the banks. Consequently, in pursuance of its functions in compliance with the core mandate, the CBN as a result of change which is a constant factor, has engaged in series of reformations aimed at both making the financial system formidable and enhancing the overall economic performance of Nigeria so as to place it on the right path in tune with global
trends.

The payments system plays a very crucial role in any economy, being the channel through which financial resources flow from one segment of the economy to the other. Therefore, it represents the major foundation of the modern market economy. Essentially, there are three pivotal roles for the payments system namely; the Monetary Policy role, the financial stability role and the overall economic role (CBN, 2011).

The cashless policy introduced by the CBN is aimed at achieving a cashless economy. One of the prerequisite for the development of national economy according to Ajayi and Ojo (2006) is to encourage a payment system that is secure, convenient and affordable. In this regard, developed countries of the world, to a large extent are moving from paper payment instruments towards electronic ones (Humphrey, 2004).

The policy was conceptualized by the apex bank to migrate Nigeria’s economy from a cash based economy to a cashless one through electronic payment systems (e-payment), not only to enable Nigeria’s monetary system fall in line with international best practices or discourage movements of huge cash manually, but at the same time, increase the proficiency of Nigeria’s payment systems which will in turn improve the quality of service being offered to the banking public.

The Nigerian cashless system of payment has been evolving in line with the global payments evolution. Cashless system of payments and instruments are significant contributors to the broader effectiveness and stability of the financial system. Innovations in technology and business models have implications for the efficiency and safety of cashless system of payments.

Cashless system of payment is defined as a society where transactions is functioning, and operated or performed without using coins or banknotes for money transactions but instead using credit cards or electronic transfer of funds (Reverso Dictionary).

Cashless economy is an economy where transactions can be done without necessarily carrying physical cash as a means of exchange of transaction but rather with the use of credit or debit card payment for goods and services.

The nation’s quest of migrating from cash to cashless economy has been on the front burner. Analysts have posited that to meet the target of becoming one of the leading world economies by the year 2020, efforts must be made to embrace electronic payment system in its entirety. It was in this consciousness that the CBN, which is the apex regulatory body of the banking sector, came up with are form of policy to check the increasing dominance of cash in the banking sector in order to enhance e-payment system in the economic landscape. Nigeria’s preparedness in adopting this new policy has been questioned by stakeholders given her socio-cultural milieu and other social vices associated with electronic payments that drive cashless policy.

Against this backdrop, the study sought to examine cashless monetary policy as regards the Nigerian Banking Industry with a view to exposing the issues relating to it, the possible challenges to be faced by it, as well as the prospects of the policy on the industry.

LITERATURE REVIEW

Cashless economy does not mean a total elimination of cash as money will continue to be a means of exchange for goods and services in the foreseeable future. It is a financial environment that minimizes the use of physical cash by providing alternative channels for making payments.

Contrary to what is suggestive of the term, cashless economy does not refer to an outright absence of cash transactions in the economic setting but one which the amount of cash-based transactions are kept to the barest minimum. It is an economic system in which transactions are not done predominantly in exchange for actual cash. It is not also an economic system where goods and services are exchanged for goods and services (the barter system). It is an economic setting in which goods and services are bought and paid for through electronic media.

According to Woodford (2003), Cashless economy is defined as “one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances, and that accordingly provide a reason for holding such balances even when they earn rate of return”.

Basel Committee (1998) expressed the difficult in rightly defining the electronic money but agree that it blends technological and economic characteristics. Other renowned institutions and experts have tried to define concept of electronic money which they all believe is the backbone of the cashless economy. For European Central Bank (1998), electronic money is broadly defined as an electronic store of money value on a technical device that maybe widely used for making payments to undertakings other than the issuer without necessarily involving bank accounts in the transactions, but acting as a prepaid bearer instrument.

Electronic payments as argued by scholars have a significant number of economic benefits apart from their convenience and safety. These benefits when maximized can go a long way in contributing immensely to economic development of a nation. Automated electronic payments help deepen bank deposits thereby increasing funds available for commercial loans – a driver of all of overall economic activity.

Efficient, safe and convenient electronic payments carry with them a significant range of macro-economic benefits. The impact of introducing electronic payments is
akin to using the gears on a bicycle. Add an efficient electronic payments system to an economy, and you kick it into a higher gear. Add better-controlled consumer and business credit, and you notch up economic velocity even further.

In a similar narrative by Hord (2005), electronic payment is very convenient for the consumer. In most cases, you only need to enter your account information such as your credit card number and shipping address once. The information is then stored in a database on the retailer's Web server. When you come back to the Web site, you just log in with your username and password. Completing a transaction is as simple as clicking your mouse: All you have to do is confirm your purchase and you're done (Hord, 2005).

Hord (2005) further emphasizes the fact that electronic payment lowers costs for businesses. The more payments that is processed electronically, the less money is spent on paper and postage. Offering electronic payment can also help businesses improve customer retention. A customer is more likely to return to the same e-commerce site where his or her information has already been entered and stored (Hord, 2005).

**Conceptual definitions**

**Cashless as the transitory phase of payment systems development**

Cashless banking is that banking system which aims at reducing, not eliminating the amount of physical cash (study notes and coins) circulating in the economy, whilst encouraging more electronic based transactions (payment for goods, services, transfers etc.). In other words, it is a combination of two e-banking and cash-based systems. In most developing countries, it represents a middle phase in the development of payment system as illustrated in Figure 1.

A ‘cashless’ economy forms the middle phase of a three-phased economic model of payment systems. This essentially means that countries (particularly developing countries) would transit from a ‘cash-based’ economic model to cash-less’ economic model before achieving the pure state of a ‘cashless’ economic model.

Cash-based economy is defined as one in which day-to-day payments and business activities are predominantly transacted in physical notes and coins. Cashless economy, on the other hand, is an economy where the physical cash circulating in the economy is minimized while other forms of payment especially electronic based payments are utilized. In other words, cashless economy is a combination of the cash-based payment system and electronic payment systems with the latter exceeding the former in terms of utilization.

A cashless economy represents the pure state of non-cash payment systems where no more sturdy coins and notes are printed for circulation by the Central Bank. As Claudia and Grauwe (2001) define it, cashless society is a regime in which currency issued by the central bank has ceased to exist. All the money is private money issued by banks in the form of deposits or some fancier e-money issued by institutions that are not necessarily banks.

**Rationale for cashless banking in Nigeria**

The new cashless policy was introduced in April 2011 by the Central Bank of Nigeria. The justifications/reasons for this policy are to:

- Drive the development and modernization of the payment system in line with Nigeria’s vision 2020 goal of being amongst the top 20 economies by the year 2020. An efficient and modern payment system is positively correlated with economic development and is a key enabler of economic growth.
- Reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach.
- Improve the effectiveness of monetary policy in managing inflation and driving economic growth.
- Curb the negative consequences associated with high cash usage that has resulted to a number of challenges across the system.

Example of challenges resulting from high-cash usage (not exhaustive) includes the following:

- High cost of cash:- There is a high cost of cash along
the value chain from CBN and the banks to corporations and traders; everyone bears the high costs associated with volume of cash handling.

- High risk of using cash: Cash encourages robberies and other cash-related crimes. It also can lead to financial loss in the case of fire and flooding incidents.
- High subsidy: CBN analysis showed that only 10% of daily banking transactions are N150, 000, but the 10% account for majority of the high value transactions. This suggests that the entire banking population subsidizes the costs that the few population of 10% incurs in terms of high usage.
- Informal economy: High cash usage results in a lot of money outside the formal economy, thus limiting the effectiveness of monetary policy in managing inflation and encouraging economic growth.
- Inefficiency and corruption: High cash usage enables corruption, leakages and money laundering amongst other cash related fraudulent activities.

E-banking product and services in modern day economy

- Point of sale terminals: This mode of e-banking handles Cheque verification, credit authorization, cash deposit and withdrawal, and cash payment. It enhances electronic fund transfer at the point of sales. Thus customers account would be debited immediately with the cost of purchase in an outlet such as a petrol station or supermarket. The implication of this is that customers can make payment for goods and services without necessarily coming in contact with physical cash as the purchase price would be debited on the buyer's card and credited on the seller's account.
- PC banking: The technology of e-banking has a universe of possible applications. Online banking for example provides the opportunity of paying bills and performing transactions of any kind. The availability of online information has provided banking and customer with a powerful vehicle for research.
- GSM/Mobile banking: This mode of e-banking primarily uses mobile phones as the electronic devices. Mobile phone gives customer the opportunity to operate their account with bank as long as their phones and network services provider support the short messaging service (SMS) which would enable the customer check account balance.
- Automated teller machine (ATM): ATM is a computer controlled device that dispenses and provides other services to customers who identify them with a personal identification number (PIN). The physical carriage of cash as well as frequent visit to the banks is being reduced. The principal advantage of ATM is that it dispenses cash at anytime of the day even as it needs not to be located within the banking premises but in stores, shopping malls, fuel stations etc, unlike the traditional method where customers have to queue for a very long period of time to withdraw cash or transfer funds. The ATM is the most popular e-transaction solution in Nigeria. ATM is popular because of its convenience. With ATM, it is a lot easier to withdraw money or to check account balance. However, despite its popularity, the ATM has done very little in reducing the amount of cash in the economy. This is because most Nigerians use ATM only for cash withdrawal. Although ATM machines can perform other functions like fund/cash transfer, mobile phone credit recharge and bills payment, cash withdrawals and balance inquiry remain the most popular applications sort after by users in Nigeria. This is largely due to ignorance and the absence of merchants. Because ATM machines are mainly used for cash withdrawals, they do not go far enough in turning Nigeria into a cashless economy. ATM only makes more cash available in the economy because of the ease at which depositors can withdraw cash. To turn Nigeria into a cashless economy Nigerians need more than just ATM cards, Nigerians need credit/debit cards.
- Bankers automated clearing services: The automation focus of the instrument is to reduce the number of clearing days and improve on security arrangement in the course of settlement and collection of Cheque. This involves the use of magnetic ink character reader (MCR) for Cheque processing which makes it capable to encode, read and sort out changes even as request for Cheque books can be made via electronic devices.
- Card System: It is a unique electronic payment type which involves the use of smart cards. Smart cards are devices with embedded integrated circuit being used for settlement of financial obligations. It can be used as credit card, debit card and even ATM cards. The power of these cards lies in its sophistication and acceptability to store and manipulate data as well as handling of multiple applications on one card securely. While ATM cards make cash withdrawal convenient (thereby contributing to the problem), Credit cards, debit cards and e-wallets (like mobile money) makes cashless shopping a lot more convenient. Hence to turn the country to a cashless economy the drive should be towards credit cards, e-wallets and debit cards. While ATMs cards require ATMs machines to operate, credit and debit cards require a Point of Sale (POS) terminal. POS terminals are located at accredited retail shops (merchant). These merchants accept credit and debit cards as means of payment by customers. Credit and debit cards like Visa, InterSwitch and MasterCard can also be used to purchase from merchants on the internet.
The implications of cashless economy in Nigerian economic development

Nigeria is a developing nation. The type of business done in Nigeria is yet to develop to the standard seen in advanced countries. The former CBN governor, Sanusi Lamido Sanusi announced the intending introduction of cashless economy where one can withdraw N150, 000 and corporate body N1 million and any excess of that, the person concerned will pay penalty. The implications of these are:

- The people who are doing business will be delayed in carrying out their normal business.
- It is also assumed that fraud will reduce, but it is obvious that ATM even encouraged more fraud.
- It will also make people that have gotten some cash to withhold it, because of the fear that it will be difficult to get another one in the bank.
- It will also make the people who engage in major transactions not to engage in their normal business. It will indirectly create unemployment for people who engage in business that need lots of cash.
- The intention of mobilizing fund from the rural dwellers may not be achieved because they may keep the money so that they will not have problems of sourcing for cash from the bank because of the ceiling by the apex bank on the maximum of withdrawal.
- We are also aware that most of money laundering done in the bank are connivance with bank managers, because of the bad moral hazard in Nigeria, the managers may arrange with the withdrawers and disadvantage other banks, so these has to be revisited for all the participating banks to have level playing ground. Assuming that after purchases and there was no network from the cash point or that the server developed problems, what will happen.

Advantages/benefits of cashless policy

A lot has been said about the convenience of electronic cash, the time it saves for individuals, and the ease of access resulting in money being instantly available for us without having to be carried around while currency exchange will be largely unnecessary.

A cashless society will experience a high degree of control as the move from cash to electronic money (electronic credit) is a part of a well organized attempt to unify the world and control it through its currency. It will be a big booster for bringing the economic uniformity in the world. A cashless society will further enhance the globalization that characterizes our present time. The computerized systems can be used to reduce the amount of paper trail. Also replacing paper cash with cashless credits or electronic money transfers can at least minimize crime, illegal drug trade, terrorism, illegal immigration, human trafficking and corruption.

A cashless society will go a long way in making our society and the earth a better place to live, with reduced rate of criminal activities. Physical paper cash is non-traceable, unaccountable, easy to hide or lose, steal, counterfeit and spent without a trace. As such, paper cash has allowed all sorts of criminal activity to thrive. However, in a cashless economy, this will change with certain crimes almost eliminated. Violent crimes such as bank robberies, store holdups, armed robberies, employee cash theft, kidnap for ransom, and purse snatching would be significantly reduced, if not entirely eliminated, because carriage of Cash would be light. The illegal drug trade and human trafficking are ‘cash’ businesses, and in a Cashless economy, all illegal enterprises will be disrupted. There is also the reduced risk of transferring diseases. Citizens would be less likely to become ill due to contamination from bank notes and coins, as cash has been identified as disease carriers and medium of diseases transmission.

Taking a consumer point of view, mobile payments contain some practical advantages in the form of queue avoidance, time saving, place independent, remote access to payment services, availability and increased speed. Judging the bank’s perspective, the cashless society implies advantages in the form of savings. Cashiers and bank assistants would become superfluous and only a few assistants would be needed to assist at self-service counters.

On the part of government and society, this is however not desirable, as it means a reduction in the number of jobs with its inherent challenges such as crime and insecurity especially in an environment such as Nigeria.

Another advantage to the bank is the possibility of a reduction in card production costs when customers pay with their personal mobile phone or their personal payment card, information on the paper is transferred together with the money, thus omitting the need for loyalty, bonus and member cards.

Prospects of cashless policy

A variety of benefits are expected to be derived by the various stakeholders from an increased utilization of e-payment system and consequently the cashless policy. These include:

- For consumers:- The benefits ranges from increased convenience, more service option, reduced risk of cash related crimes, cheaper access to (out of branch) banking services and access to credit.
- For corporations:- Faster access to capital, reduced revenue leakage and reduced cash handling cost.
- For government:- Increased tax collections, greater
financial inclusions, increased economic development.
- For banks: The efficiency through electronic payment process reduces cost of operation (cash handling) and increases banks penetration.

Other prospects cashless policy includes:

- It will reduce the cost of minting and transporting cash around the country even as it will help forestall the inherent risk in dealing with cash such as armed robbery, theft, bribery and corruption. It will also reduce money laundering and terrorist financing. All this will make monetary policy to be effective.
- It would create more employment opportunity for financial sectors and ensure growth in the real sector of the economy because of the increase in velocity. This would not only ensure that credit is available to investors but also provide banks with more liquidity for lending to the needy sectors of the economy at attractive rates.

Disadvantages of cashless policy

Despite the usefulness of the proposed technology, there are still some disadvantages of a cashless society as enumerated below: the disadvantages include that the unstable electronic value of money will become even more volatile especially, given that people will be conducting business with imaginary money. The government would be able to monitor purchases, spending habits and businesses patronized. Under this new system, the government will have a total control of our transaction and therefore exposing the privacy of individuals. Another issue concerns the transaction involving children with the challenge of determining the age at which children will have to be allowed to such transactions as accessing their substance ‘pocket’ money since it would need a mobile phone or a payment card to store their money. A cashless society would therefore force parents to acquire mobile phones or payment cards for their children earlier than they may wish if they would want to give their children pocket money.

The proper handling of a mobile phone or payment card therefore becomes an additional challenge given that users must be able to remember details as PIN and passwords. This might be a problem for the elderly or illiterate people who might have to compromise privacy and divulge their personal codes in search of assistance.

Another issue is the possibility of theft. People are likely to lose mobile phones more than their wallets. In relation to this is the security issue. It is a fact that electronic systems designed by experts can be disassembled by others who have unwholesome intentions and used for bad antisocial activities.

Challenges of cashless policy implementation in Nigeria

- Lack of Unique National Identity System which makes it difficult to implement the policy efficiently and effectively. The effect of this is that one can rob Peter to pay Paul. Thus, one can dupe a bank today and reappear in another area under another name.
- Inadequate infrastructure which ranges from network failure, inadequate ATM and POS machines and epileptic power supply which is critical to efficient electronic payment system will undoubtedly militate against the success of cashless policy. For example, some ATM and POS machines do not work when the consumers need them because it is out of service or unable to dispense cash.
- High rate of illiteracy and poor sensitization has been a major challenge in a country where literacy rate is still very low especially in the northern part of the country. Inadequate education coupled with poor enlightenment of bankers and customers on various aspects and issue of electronic payment transactions and cashless policy before launching the scheme has made the strategies for marketing the project fall short of expectations.
- Poor timing and sequencing for both the policy and penalty which is too stiff for Nigeria who have a strong habit of using cash for most of their transactions has limited the success of the policy because inherent implementation of a policy of this kind demands attitudinal change from the public which constitutes an inherently complete endeavor that involves multiple players and multiple system.

Theoretical framework

The theoretical framework of this study is Technology Acceptance Model (TAM) and Diffusion of Innovation (DOI) Theory. TAM is one of the models that have been developed to provide a better understanding of the usage and adoption of information technology. It is presently a prominent theory used in modeling technology acceptance and adoption in Information systems research. Fred Davis in 1985 proposed the TAM in his doctoral thesis at the MIT Sloan School of Management. TAM is an information systems theory that models how users come to accept and use a technology that will encourage economic growth. The model suggests that when users are presented with a new technology, a number of factors influence their decision about how and when they will use it. The factors are; perceived usefulness (PU) and perceived ease-of-use (PEOU). According to TAM, one’s actual use of a technology system is influenced directly or indirectly by the user’s behavioral intentions, attitude, perceived usefulness of the system, and perceived ease
of the system.

DOI theory seeks to explain how, why, and at what rate new ideas and technology spread through cultures. This theory was developed by Gabriel and Rogers (a professor of rural sociology), popularized the theory in their 1962 book Diffusion of Innovations. He said diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system.

Rogers explained the process of Innovation diffusion as one which is dictated by uncertainty reduction behavior amongst potential adopters during the introduction of technological innovations. Innovation Diffusion Theory (IDT) consists of six major components: innovation characteristics, individual user characteristics, adopter distribution over time, diffusion networks, innovativeness and adopter categories, and the individual adoption process. Arguably the most popular of the six components of IDT centers on the characteristics of the innovation itself. After analyzing a variety of previous innovation diffusion studies, Rogers singled out the following five characteristics of innovations that consistently influence the adoption of new technologies.

**Empirical review**

Empirical studies on cashless policy are sparse because it is a newly implemented policy of the CBN. However, the following are worth mentioning.

Echekoba and Ezu (2012) in a research carried out in Nigeria, observed that 68.2% of the respondent complained about long queues in the bank, 28.9% complained of bad attitude of teller officers (cashiers), while 2.89% complained of long distance of bank locations to their home or work places. Likewise in her 24th NCS national conference in December 2011, CBN data shows that 51% of withdrawal done in Nigeria was through ATM, while 33.6% was through over the counter (OTC) cash withdrawals and 13.6% through Cheque. Payment was also done through point of sales machine (POS) which accounted for 0.5% and web 1.3%. Therefore, if the introduction of ATM in Nigeria cash withdrawals system reduced OTC withdrawal; then it will implies that introduction of cashless policy supported by application of information technology can achieve more to reduce over dependent on cash payment in Nigeria economy system.

Adewoye (2013) empirically studied the impact of mobile banking on service delivery in the Nigerian Commercial Banks through the use of questionnaire. He found out that the introduction of e-banking services has improved banking efficiency in rendering services to customer. His findings shows that mobile banking improve banks service delivery in a form of transactional convenience, savings of time, quick transaction alert and save of service cost which has recuperate customer's relationship and satisfaction. To this end, he recommended that banks management should create awareness to inform the public about the benefits derived on the e-banking service products, collaboration among banks should perfectly maintained, skilled manpower and computer wizard should be employed by every banks, in order to prevent fraudulent personal and hackers from manipulating the banks data and stealing money from the banks accounts. Finally, provision and maintenance of public network system such as telephone (Nitel) and the availability of these basic infrastructures is fundamental to the efficient functioning of the mobile banking services.

Olatokun and Igbinedion (2009) used DOI theory to investigate the adoption of ATM in Nigeria. They found out that constraint such as relative advantage, complexity, observability, compatibility and trialability were positively related to attitude to the use of ATM cards in Nigeria. Olorunsegun (2010) used cluster sampling technique to study the impact of electronic banking in Nigerian banking system. He found out that a bank has an effective electronic banking system which has improved its customer's relationship and satisfaction. James (2012) used Statistical Package for Social Sciences (SPSS) to investigate the acceptance of e-banking in Nigeria. The result showed that acceptance of e-banking in Nigeria was significantly influenced by age, educational background, income, perceived benefits, perceived ease of use, perceived risk and perceived enjoyment. James (2013) used Rogers Diffusion of Innovation theory to investigate the determinants of the adoption of mobile banking in Nigeria. The study empirically showed that age, educational qualification, relative advantage, complexity, compatibility, observability and trialability were important determinants of the adoption of mobile banking. This therefore makes it imperative for relevant stakeholders to make efforts to positively influence these independent variables so as to make mobile banking more popular.

Morufu and Taiabat (2012) used qualitative survey to ascertain banker’s perceptions of electronic banking in Nigeria. The results suggest that bankers in Nigeria perceive electronic banking as a tool for minimizing inconvenience, reducing transaction costs, altering customers queuing pattern and saving customers banking time.

Olagbade (2012) used theories to investigate cashless banking in Nigeria and its implications on the economy. He found out that cashless banking will boost the economy on the long run. Egwali (2008) used consumer acceptance theory to investigate customers’ perception of security indicators (SI) in online banking sites in Benin, Nigeria. He found out that SI were not very effective at alerting and shielding users from revealing sensitive information to fool e-banking sites in Nigeria.

Humphrey and Berger (1990) and Humphrey et al.
Table 1. Analysis of rate of response by respondents.

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<tr>
<th>Questionnaire</th>
<th>Respondents</th>
<th>%</th>
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<tbody>
<tr>
<td>Returned</td>
<td>350</td>
<td>95</td>
</tr>
<tr>
<td>Returned but not properly filled</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Not returned</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Total distributed</td>
<td>370</td>
<td>100</td>
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</table>

(1996) suggests that the increased use of cashless payment system, that is money or scrip which is exchanged only electronically via computer networks has led to predictions of a cashless society. In a cashless society, consumers can make payments over the internet, payment at unmanned vending machines, manned point of sale (POS) using mobile phone devices, personal digital assistant (PDA), smart cards and other electronic payment systems, including debit and credit cards.

Ezeoha (2006) used descriptive survey to examine regulating internet banking in Nigeria, problem and challenges. He found out that Internet banking in Nigeria is slowly been embraced by customers because Internet practice in Nigeria has been abused by cyber fraudsters who use real and deceptive banking websites to fool users and set their sensitive information and funds.

METHODOLOGY

The research design used in this study is the descriptive survey method. It involves the use of a representative sample from the population. The descriptive survey research design was used because it gives greater room to study the subject matter and ensures that inferences can be made about some characteristics, attitude, or behavior of the population examined in the study.

The secondary data sources include journals, books, e-books, reports, etc.

The data collected for this study was sourced using questionnaires and a total of 370 questionnaires were administered to bank staff. The research population of this study includes all Nigerian Banks. The population of GTBank staff nationwide was used as the sample population. The approximate population of GTBank staff used in this study was 5000.

The representative sample size was calculated with the aid of Yemane’s (1967) formula of sample size as shown below:

\[ n = \frac{N}{1 + Ne^2} \]

Where:

- \( n \) = The sample size
- \( N \) = The population size
- \( e \) = The acceptable sampling error
- * = 95% confidence level and;
- \( e = 0.05 \) are assumed.

Out of population size of 5000 staffs of GTBank, 370 constitute the sample size based on the Yemane’s formula.

Data Analyses

The primary data was subjected to research analyses to ascertain the extent to which it supports or rejects the hypothesis preparation. The collected data were analyzed based on descriptive statistics (frequency and percentage) and with Chi square.

RESULTS

A total of 370 questionnaires were personally administered out of which 350 copies were retrieved in usable form. This represents a response rate of 95%.

Table 1 shows that 370 questionnaires were distributed, out of which 350 were properly filled and returned which represents (95%), none of the questionnaires were returned either not properly filled or unfilled which represents 0% and 20 questionnaires were not returned at all by the respondents which represents 5%.

Research question 1: - What is/are the reason(s) and the proposed advantages for the implementation of cashless monetary policy in Nigeria?

Table 2 shows that 37 (10.5%) of the respondents strongly agreed and agreed with the first question (Q1), 39 (11.1%) were neutral and 274 (78.3%) disagreed and strongly disagreed. In question (Q4), 300 (85.7%) strongly agreed and agreed, while 31 (8.9%) were neutral, and 19 (5.4%) disagreed and strongly disagreed. 272 (77.7%) strongly agreed and agreed on the third
Table 1. Responses of respondents.

<table>
<thead>
<tr>
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<th>Percentages (%)</th>
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<td>20</td>
<td>5</td>
</tr>
<tr>
<td>Total Distributed</td>
<td>370</td>
<td>100</td>
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Table 2. Response to research question 1.

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<th>Items</th>
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<th>D</th>
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<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
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<td>Q1</td>
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<td>3.1</td>
<td>26</td>
<td>7.4</td>
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<td>109</td>
<td>31.1</td>
<td>163</td>
<td>46.6</td>
<td>65</td>
</tr>
<tr>
<td>Q9</td>
<td>112</td>
<td>32</td>
<td>112</td>
<td>32</td>
<td>58</td>
</tr>
<tr>
<td>Q15</td>
<td>133</td>
<td>38</td>
<td>131</td>
<td>37.4</td>
<td>50</td>
</tr>
</tbody>
</table>

Table 3. Response to research question 2.

<table>
<thead>
<tr>
<th>Items</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td>N</td>
</tr>
<tr>
<td>Q2</td>
<td>80</td>
<td>22.9</td>
<td>162</td>
<td>46.3</td>
<td>59</td>
</tr>
<tr>
<td>Q3</td>
<td>107</td>
<td>30.6</td>
<td>140</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>Q5</td>
<td>162</td>
<td>46.3</td>
<td>135</td>
<td>38.6</td>
<td>36</td>
</tr>
<tr>
<td>Q7</td>
<td>112</td>
<td>32</td>
<td>112</td>
<td>32</td>
<td>58</td>
</tr>
<tr>
<td>Q10</td>
<td>172</td>
<td>49.1</td>
<td>117</td>
<td>33.4</td>
<td>39</td>
</tr>
</tbody>
</table>

question (Q6), 65 (18.6%) were neutral and 13 (3.7%) disagreed and strongly disagreed. 224 (64%) strongly agreed and agreed on the fourth question (Q9), while 58 (16.6%) were neutral and 68 (19.4%) disagreed, and strongly disagreed. 264 (75.4%) strongly agreed and agreed on the last question in the table (Q15), while 50 (14.3%) were neutral, and 36 (10.3%) disagreed, and strongly disagreed. From the above analysis, 62.67% represents the total of the strongly agreed and agreed for research question 1, while 13.9% represents the total of neutral, and 23.42% represents the total of the disagreed and strongly disagreed on the questions. Hence, from the analysis of questions 1,4,6,9 and 15, there is an overwhelming support for the reasons for the adoption of cashless policy in Nigeria which may be due to the inherent benefit accruable to the customers in the implementation of the policy.

Research question 2: - To what extent has cashless policy implementation affected the development of GTB?

Table 3 shows that 242 (69.2%) of the total respondents strongly agreed and agreed on the first question on the table (Q2), while 59 (16.9%) were neutral, and 49 (14%) disagreed and strongly disagreed. 247 (70.6%) strongly agreed and agreed on the second question (Q3), while 60 (17.1%) were neutral, and 43 (12.3%) disagreed and strongly disagreed. 297 (84.9%) strongly agreed and agreed on the third question (Q5), while 36 (10.3%) were neutral, and 17 (4.9%) disagreed and strongly disagreed. 224 (64%) strongly agreed and agreed on the fourth question (Q7), while 58 (16.6%) were neutral, and 68 (19.4%) disagreed and strongly disagreed. 289 (82.5%) strongly agreed and agreed on the last question (b10), while 39 (11.1%) were neutral, and 22 (6.3%) disagreed and strongly disagreed. From the above analysis, 74.23% represents the total of the strongly agreed and agreed for research question 2, while 14.4% represents the total of the neutral and, 11.38% represents the total of the disagreed and strongly disagreed. Hence, from the analysis of questions 2, 3, 5, 7 and 10, it was revealed that the implementation of cashless policy have positively affected the development of GTB, improved the performance of bankers in carrying out their duties, helped to maximize business profitability by extending
customers’ base, boost cash flow and improved competitive advantage in GTB. Likewise, cashless policy tends to reduce the operating expenses of the bank and bring about development of new products and services in the bank.

**Research Question 3:** What are the challenges and problems facing the cashless policy adoption in Nigeria?

Table 4 shows that 224 (64%) of the respondents strongly agreed and agreed on the first question on the table (Q7), while 58 (16.6%) were neutral, and 68 (19.4%) disagreed and strongly disagreed. 242 (69.1%) strongly agreed and agreed on the second question (Q8), while 52 (14.9%) were neutral, and 56 (16%) disagreed and strongly disagreed. 215 (90%) strongly agreed and agreed on the third question (b11), while 32 (9.1%) were neutral, and 3 (0.9%) disagreed and strongly disagreed. 267 (76.3%) strongly agreed and agreed on the fourth question (b12), while 33 (9.4%) were neutral, and 50 (14.3%) disagreed and strongly disagreed. 31 (8.8%) strongly agreed and agreed on the last question (Q14), while 60 (17.1%) were neutral, and 259 (74%) disagreed and strongly disagreed. From the above analysis, 61.65% represents the total of the strongly agreed and agreed for research question 3, while 13.42% represents the total of the neutral, and 24.92% represents the total of the disagreed and strongly disagreed. Hence, from the above analysis of questions 7, 8, 11, 12 and 14, it was revealed that there were inherent challenges hindering the successful implementation of the cashless policy as at the time of carrying out this research work. Among the challenges include the following; the present state of technology infrastructures in Nigeria is a factor hindering the successful implementation of the policy, security concern is one of the major problems hindering the adoption of cashless policy, and also, there were limited number of electronic channels available to make cashless policy implementation a success.

**Validation of hypothesis**

Three (3) research hypothesis earlier formulated were tested using inferential statistics involving chi-square ($\chi^2$) statistics of 0.05 level of significant.

**Hypothesis 1**

$H_0$: There are no significant reasons behind the implementation of cashless monetary policy in Nigeria.

$H_1$: There are significant reasons behind the implementation of cashless monetary policy in Nigeria.

Table 5 shows that the calculated value ($\chi^2$) is greater than the table value ($\chi^2$) at 0.05 level of significant in all the questions on the table. The null hypothesis is rejected and we accept the alternative hypothesis. Therefore, there are significant reasons for the implementation of cashless monetary policy in Nigeria.

**Hypothesis 2**

$H_0$: Cashless policy implementation has not positively affected the development of GTB.

$H_1$: Cashless policy implementation has positively affected the development of GTB.
Table 6. Test of hypothesis 2.

<table>
<thead>
<tr>
<th>Items</th>
<th>$\chi^2$</th>
<th>$\chi^2 (0.05)$</th>
<th>DF</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>184.829</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q3</td>
<td>160.771</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q5</td>
<td>176.331</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q10</td>
<td>295.2</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q13</td>
<td>320.343</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Table 7. Test of hypothesis 3.

<table>
<thead>
<tr>
<th>Items</th>
<th>$\chi^2$</th>
<th>$\chi^2 (0.05)$</th>
<th>DF</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q7</td>
<td>110.314</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q8</td>
<td>193.171</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q11</td>
<td>228.811</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q12</td>
<td>193.229</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
<tr>
<td>Q14</td>
<td>191.800</td>
<td>9.49</td>
<td>4</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Table 6 reveals that the calculated value ($\chi^2$) is greater than the table value ($\chi^2$) in all the questions on the table at 0.05 level of significant. The null hypothesis is rejected and we will accept the alternative hypothesis. Therefore, cashless policy implementation has positively affected the development of GTB.

**Hypothesis 3**

$H_0$: There are no identifiable challenges/problems facing the cashless policy adoption in Nigeria.

$H_1$: There are identifiable challenges/problems facing cashless policy adoption in Nigeria.

Table 7 shows that the calculated value ($\chi^2$) is greater than the table value ($\chi^2$) in all the questions on the table at 0.05 level of significant. The null hypothesis is rejected and we will accept the alternative hypothesis. Therefore, there are identifiable challenges/problems facing the cashless policy adoption in Nigeria.

**Summary of findings**

The first objective of this study was to determine the reason(s) and proposed advantages for the implementation of cashless monetary policy in Nigeria. The results have identified some reasons and advantages that are inherent in the implementation of Cashless policy to include:

- Helps to drive development and modernization of Nigerian payment system in line with visions 20:20;
- To make CBN’s policy tools more effective;
- To bring about a reduction in the cost of cash management, and;
- Operating cashless society in Nigeria is a wise strategy for fast tracking growth in the nations’ financial sector.

The second objective of this study was to examine the extent to which cashless policy implementation has positively affected the development of GTB. It was discovered that the implementation of cashless policy has positively affected the development of GTB in the following ways:

- It has improved the performance of bankers in carrying out their duties;
- e-Payment has helped to maximize business profitability by extending customers’ base, boosting cash flow and improving competitive advantage;
- Likewise, cashless policy tends to reduce the operating cost of the bank, and bring about development of new products and services in the bank.

The third objective of this study was to identify the challenges and problems facing the cashless policy adoption in Nigeria. The results revealed some of the challenges that are inherent to the adoption of ash-less policy to include:

- The state of social infrastructures in Nigeria is a challenge to the successful implementation of the policy;
- The present state of technology infrastructures in Nigeria is a factor hindering the successful implementation of the policy,
Security concern is one of the major problems hindering the adoption of cashless policy. There are limited numbers of electronic channels available to make cashless policy implementation a success.

Summary

This study examined the new cashless banking policy in Nigeria with a view to ascertain its effect on the Nigerian Banking industry. The study has identified the issues relating to cashless Monetary Policy vis-à-vis what the policy entails, the channels involved in carrying out this policy, etc. The reasons for implementing this policy were also discovered. It is agreed that cashless policy will help drive development and modernization of Nigerian payment system in line with visions 20:20, likewise it will help make CBN’s policy tools more effective and it brings about a reduction in the cost of cash management. It also shows that operating cashless society in Nigeria is a wise strategy for fast tracking growth in the nations’ financial sector.

Cashless policy is seen to have improved the performance of bankers in carrying out their duties. It tends to maximize business profitability by extending customers’ base, boosting cash flow and improving competitive advantage. The policy tends to reduce the operating expenses of the bank, and bring about development of new products/services in the bank.

Likewise, the challenges facing this policy were discovered and recommendations were made. The CBN cashless policy which began in Lagos last January is aimed at among other things make transactions with financial institutions very easy and simplified. It is also fashioned at bringing the money outside the banking system into the banks for the growth of the economy.

Conclusion

From the above stated analysis, it appears that much has already been done on the issue of awareness of cashless economy. It also appears that many people actually agree with the government on the usefulness of the cashless economy. It is agreed that the cashless system will be helpful in the fight against corruption and money laundering. One most significant contribution of the cashless economy is that it is expected to reduce the risk associated with carrying cash.

Dynamism in financial system is manifested by the nature and quality of payment products paraded in the system. These products range from common paper money, cheque and cash to electronic payments. Products such ATM, Smartcard, telephone banking, internet banking etc will, no doubt, reduce or totally eliminate cost of cash management.

The CBN, commercial banks and other financial institutions are expected to enhance the system through effective banking and monetary policies. To sustain the cashless payment system, strategic measures must be taken to reduce negative effects of the problems identified as obstacles to the smooth functioning of the system.

Both the government and CBN have a great role in the introduction, development and maintenance of cashless banking in Nigerian economy through policies, finance, infrastructure development and massive campaign for the awareness and acceptance of cashless banking among Nigerians.

Above all, Nigerians have a greater role in accepting the cashless banking payment system, making use of it with the believe that it would improve their financial and economic life and boost the image of the country leading to booming economy. High GDP under the cashless banking system would attract, encourage and build confidence of foreign investors, tourists and analysts, which would on the long run, lead to further development and improvement of our economy.

RECOMMENDATIONS

After the critical examination of the banks’ responses that are directly affected by the implementation of this policy and the various reviews of relevant literatures, the following recommendations are thereby made in order to achieve success of the policy in general.

- Measures that will ensure that the reasons for the implementation of this policy are achieved should be put in place.
- The relevant stakeholders should intensify their efforts in achieving a successful implementation of the cashless policy.
- The bank officials must be properly educated about the operations of the policy in order to be effective with the services rendered to the customers using this service and also in order to give answers to the questioning minds of the customers about the policy.
- A major problem in the working of the cashless economy is internet related fraud. Nigeria is a major hub of electronic fraud and this can only be expected to increase as we march into the cashless economy. It is recommended that a country as large as Nigeria should have a signed law preventing cybercrime. Nigeria should make concerted efforts to design an internet security framework to check online fraud so that the public can be assured and protected against cyber-attack and fraud.
- The bank staffs need to be assured of their job security because some still think that the adoption of this policy...
will cause them a loss of job. When they are assured of the security in their job, they will be fully committed to seeing that this policy is successful by contributing their quota to its success.

- There is the need to intensify the public enlightenment programme about the cashless system so that everybody will be well acquainted with the system since it will affect everybody. Since there is a high rate of illiteracy, and all people must be brought into the system, the government should design special enlightenment programmes for the non-literates, using probably signs and symbols to educate this segment on how to operate the cashless system (post on sale vis-à-vis mobile phones)

- The social infrastructural facilities should be adequately enhanced and maintained in order for success to be attained.

- The adequate technological infrastructures sufficient enough to carry the whole country along with this policy should be put in place. Since the implementation of the policy is now nationwide, each state of the federation must have the facilities needed in adequate proportion in order to facilitate a wide acceptance and usage by Nigerians.

- Relevant legislative laws curbing cyber crimes must be put in place by the initiators of this policy. This will create confidence in the mind of the masses.

REFERENCES


