

Effect of Cashless Policy on Peasant Traders in the Rural Areas in Nigeria, Anambra View.

¹Orafu Ebere Benedeth and ²Okeke, Raphael Chukwuma

^{1&2}Department of Accountancy, Federal Polytechnic, Oko, Anambra state, Nigeria.

Corresponding Author's email: ebereben@yahoo.com

Abstract

The cashless policy permeates all nooks and crannies of this nation, both the urban and rural areas alike because it is concerned with an all-important matter, money which is means of exchange. It affects all and sundries even the beggar on the streets of the lanes in Abuja and the peasant farmers on the farmland of villages in a remote town of Aguluezechukwu. This calls for this study, effects of cashless policy on peasant traders in rural areas. It tried to discover how the cashless economy policy which the CBN has embarked on in the recent past has affected the peasant traders in rural areas in Nigeria. Survey method was used and primary data gathering was used to gather data for hypothesis testing. The questions were constructed and because some of the respondents could not read and write, interviewing them was used to elicit information from them. The Chi Square was used for Hypothesis testing. From the findings it was discovered that the cashless policy affects the hitch-free movement and thereby the survival of their business. Broadband network was discovered as the major problem associated with cashless policy which in turn will make payments difficult. It was then recommended that Network should be improved on. Again, banks should see how it can reduce writing and bureaucracy in the banking process in order to help the illiterate ones.

Key words: Cashless Policy, Rural Areas, Peasant Traders, Bank, Network

Citation of article: Orafu, E. B and Okeke, R. C (2023).Effect of Cashless Policy on Peasant Traders in the Rural Areas in Nigeria, Anambra View.*International Journal of Public administration (IJOPAD)*, 2(2): 220-231.

Date submitted:09/08/2023**Date accepted:** August 16, 2023 **Date published:** August 2023

Introduction

Nigeria Apex bank announced 31st January 2023 as deadline for acceptance of #200, #500 and #1000 notes as legal tender. The citizenry in obedience to this deposited such denominations of currencies in their custody to the banks around them. The Apex bank has announced that new design of those denominations of notes will be issued in their place to be considered as the new legal tender after 31st January 2023. This posed a lot of discomfort on the citizenry because while they were actually depositing, they were not getting the new naira notes commensurate with what they deposited.

According to Olanrewaju, (2023) a man in his late forties took hold of a microphone at a public gathering in Nigerian's capital. He screamed at the top of his voice that the cashless policy was "an evil plan against the people and it will not affect any body in attendance." The participants shouted "Amen" in unison. According to him still at the gathering, one of those at the venue narrated how she spent a day at an automated teller machine (ATM) queue to withdraw #2000. Another lamented that he spent #600 to withdraw #1000 from a point-of-sale outlet in his area.

All these were what people suffered and when they cried out in pain, the CBN announced that the former president, Muhammadu Buhari had approved an extension of the deadline. Nevertheless, in March 2023, the Supreme Court ruled that the old #200, #500 and #1000 notes will remain a legal tender until December 31, 2023. Moreover, the new CBN governor(acting) Folashodun Adebisi Shonubi reaffirmed on 26th July 2023 in a meeting held in Abuja when giving report on Monetary Policy that the notes will be faced out gradually as it has several processes to undergo as a new currency. It is important to note that there is a link of facing out the old notes with the cashless policy. The redesign helped to gather the money in circulation into the bank so that it was easy to control the money holding of the citizens. However, that method faltered the idea.

Of course, the Apex bank has a plan of advancement in economy in proposing such policy when it is viewed in the light of the assertion made by Ajayi and Ojo (2006) that the prerequisite for the development of economy is to encourage a payment system that is secure and affordable. In the developed country payment is done electronically and one can pay for a vending machine snack by dialling a number on one's phone bill, (Elechi and Rufus 2016).

Background of the Study

The peasant traders in the rural area are part of the economy in any country and should be carried along. Elechi and Rufus (2016), made a very important remark as follows

“For developing countries like Nigeria to advance economically, emphasis should be made to develop the private sector. This can be achieved by developing and supporting the Micro and Small-scale businesses. Hence there is need to understand the implications of government policies to their advantages in order to ensure their survival and growth.

Looking at the above statement it should be noted that the survival of the micro traders, which are the peasant traders whether in the city or rural areas should not be disregarded when making policies that would affect their survival. The paper seeks to discover how the cashless economy policy in Nigeria affected the peasant traders in the rural area. The study was carried out in a rural area of Anambra state, precisely, Aguluezechukwu. If they must be carried along, the cashless policy must seek to know the difficulties befalling this set of economy and see how such policy can be implemented without negative effect on them. The question then is, “how can the peasant traders be carried along and not be left behind in this on-going cashless economic policy.” In this regard the hypothesis that would be tested is as follows;

Ho: Cashless policy has no negative effect on the peasant traders in the rural area.

Hi: Cashless policy has negative effect on the peasant traders in the rural area.

This work will be of immense benefit to the traders in order to throw more light on their understanding of cashless policy. To the bank (including the CBN) in helping them to discover how their customers fare in this policy and see how they can be of help to them and carry them along. It will also be of help to researchers, to arouse more research work on this topic as very an important matter. Lastly to all and sundry because all of us are involved.

Conceptual Review

Cashless Policy in Nigeria

Far back as 2012, the cashless economic policy has been in existence. It started with Lagos state in January, 2012. Rivers, Anambra, Abia, Kano Ogun and the Federal capital followed suit on 1st July 2023, (Elechi and Rufus 2016). The CBN report states that the policy was targeted to reducing (and not eliminating) the amount of physical cash (coins and notes) circulating.

It aims at introducing other ways of making payments instead of transacting in cash. Other ways include using the ATM, Credit card whether valve or master card, mobile payment system, internet banking, multifunctional ATM electronic fund transfer system direct debit.

It stipulates that individuals and corporate bodies should not transact any amount more than #500,000 and #3,000,000 respectively. If they do, they will be charged for any amount higher than the stipulated amount.

Review of Related Literature

In the recent years and especially after the incidence of demonetisation of #200, #500 and #1000 notes by the Central Bank of Nigeria between February and March 2023. The internet has been flooded with articles on cashless economy. Most of these researchers became interested in this topic due to the hardship all and sundries went through these period

Elechi and Rufus, 2016 noted that cashless economic policy will adversely affect the micro business due to many of them being unbanked. Electronic money is attached to having an account with the bank unlike cash which can be used by anybody any time whether banked or unbanked. They also noted that there are some challenges that may mitigate against the smooth implementation of this policy in Nigeria as a whole which include, among other points. Nigerians are cash-based people and may find it difficult to adapt, again insecurity in online banking operation is another strong matter. In studies carried out by Echochoka and Ezu (2012), over 50% percent of their respondents complained their problem with the bank is the long queue one has to endure before he can make transaction over the counter or ATM. Others complained other things like distance and so on.

This will surely be taken care of by the increase in POS terminals and mobile app. Olanrewaju (2023), stated that the country is being hurt by poor mobile and internet network on which the cashless policy can only be possible. Without network, no mobile banking, no POS services and even banks depend on network for operation. He noted that the network of

this nation stood at 48.2 per cent in January 2023 which denoted coverage of only 51.8 locations of the nation lacking network penetration.

For Nigerians to enjoy the cashless economy policy as purported by the apex bank, they should do something to improve on the network of the nation. So that the use of USSD and POS will not prove abortive as disappointment weaken the user's interest. He also frowned at the high cost of getting a POS machine.

Adedamola (2023), asserted that notwithstanding the challenges encumbering the cashless policy, the push by the Central Bank of Nigeria to modernise the country's financial system to enable individuals and businesses to enhance their financial efficiency and security is commendable. He noted that point of sale (POS) terminals available for services rapidly increased from 155,000 to 1.1million between 2017 and 2022. He attributed this growth to increase in awareness and understanding of the benefit of online payment system.

This means that in the long run of this policy the benefit will surely overwhelm the difficulties that becloud the cashless policy.

Review of the Cashless Policy

The cashless policy is the recent effort of the Central Bank of Nigeria to move the Economy forward. According to Adedamola (2023), cashless economy offers more convenient and secure alternative to cash. This will include all electronic aided payments like: Automated Teller Machine (ATM), Point of Sale Terminals (POS), Mobile cash facilities (mcash) like USSD or mobile app., e-payment enhancement, etc. It has been the effort pursued by the Apex bank. For this reason, limit of withdrawal has been set to the tune of #500,000 for individuals and #3,000,000 for corporate bodies

Benefits of Cashless Economy

The CBN Report in 2011 listed the following as the benefits that would accrue to the Nation in cashless economy.

1. It will change the system of payment which would help in achieving vision 2020.
2. It will reduce the huge cost of providing banking services.
3. It will be of help to CBN and commercial banks in managing the economy.

Furthermore, Elechi and Rufus (2016) listed benefits that accrue to individuals as follows

1. Increased convenience.
2. More service options.
3. Reduced risk of cash related crime.
4. Cheaper access to (out- of- branch) banking services and
5. Access to credit.

Problems Associated With Cashless Policy

One of the problems associated with cashless economy is cloning of ATM card by the 419 yahoo boys. Many has actually suffered in this sense. Many has their accounts hacked and so lost millions of naira into the hands of these hoodlums.

Another of this is inadequate banking system. The Apex bank issues regulations from time to time, on the banking system and bank customer relationship, but how many of these are adhered to?

Another problem is that Nigerians a used to cash and carry business especially in the rural area. Many are not banked and so for cashless policy to be feasible such must change.

Brief Insight on Peasant Traders (Micro Traders or Enterprise)

ATSWA Management Park,(2022) defined Micro enterprise as a business with value of total fixed assets excluding land not exceeding #400,000. In Nigeria, such trade is scattered all over the places, also this is the type of business we see in the rural area.

Characteristics of Peasant Traders

Some characteristic so common with peasant traders include but not limited to:

- High level of poverty and low income. Their goods and services are just few bringing little income as depends on turnover.
- Their products are usually ranged from household wares to food stock some usually perishable.
- Usually, the ownership is also the manager who does everything by himself or at most takes a few helpers.
- Limited knowledge of modern technologies.

- Usually prefers trading on cash and carry basis.
- Independent in operation. No policy, restrictions or all those protocols in corporations.
- Lack of formal registration.

These traders are found scattered all over the places. The introduction of cashless policy, for the fact that it limits cash holding with which they do their business, is a threat to their survival. The only language here is cash and any other payment system can pose a problem. Ogu (2011), pointed out that the high level of illiteracy which is common in the rural area will be a hindrance to their participation in cashless economy policy.

Rural Area in Nigeria

According to Wikipedia 2010, Rural Areas are any place outside a municipality' urban development and it is carried by informal usage. Again, the Encyclopaedia 2022 states that it is an open swath of land that has few homes or other building and not very many people.

The American census Bureau classifies a rural area as places having 2500 people or less, However, Federal Statistics Office in Nigeria classifies a neighbourhood that has a population of 20,000 people or less as Rural. The Wikipedia in defining the rural area contrasted it with urban area which it sees as "a settlement where the population is very high and has the features of a built environment (an environment that provides basic facilities for human activities). This categorically means that rural areas do not provide people with basic facilities for human activity.

Basic facilities include, power supply, broadband network, good roads, even banks, etc. Most of this people are illiterates. Operation in cashless policy requires literacy. Ogu (2011) again states that high level of illiteracy among Nigerians makes use of cheques and electronic payments unsuitable in some cases. More challenges here will include, lack of ICT knowledge, poor banking habit, unavailability of point-of-sale machine, the distance it will take to get to the ATM boot, lack of access to internet in the rural area. The under listed problems could be a matter too;

- Modern Technology also poses much difficulty on them'
- Banking protocols are better avoided because of wasting time when they should be in their business.
- Avoidance of ATM and POS transaction in other to avoid online fraud.

- Unsteady light may even hinder their use of mobile banking.
- Unavailability of steady network worsens the matter as urgent need of cash may throw them off balance when they needed money for business transaction.

There is an assertion put forth by Madu (2010) which states that the more worrisome matter since independent in 1960 is the state of rural area as compared with urban contexts. Therefore, Nigeria is predominantly rural. 70 per cent of its population lives in rural areas (NBC 2010).

Nigeria Federal Statistics Office has already classified a neighbourhood that has a population of 20,000 people or less as Rural. It then means that they should not be ignored in the interest of economic growth of the nation.

Methodology

This is a survey data gathering in which 25 peasant traders were randomly selected and interviewed and their responses analysed using a table as follows.

Research Question one: Do you have idea of cashless policy?

Options	Response	Percentage
Yes	25	100%
No	0	0%
Total	25	100%

Source: field work 2023.

Research Question two: Do you have an account with any bank?

Options	Response	Percentage
Yes	22	88%
No	3	12%
Total	25	100%

Source: field work 2023.

Research Question Three: Do you have an ATM card

Options	Response	Percentage
Yes	23	92%

No	2	8%
Total	25	100%

Source: field work 2023.

Research Question four: Is there any Bank or POSoutlet in your arear?

Options	Response	Percentage
Yes	23	92%
No	2	8%
Total	25	100%

Source: field work 2023

Research Question five: From your experience so far, is the network always favourable during tranctions?

Options	Response	Percentage
Yes	6	24%
No	19	76%
Total	25	100%

Source: field work 2023

Research Question six: Do you know how to read and write?

Options	Response	Percentage
Yes	7	28%
No	18	72%
Total	25	100%

Source: field work 2023

Hypothesis Testing

Data Analysis Using Chi Square

$$\text{formula: } (x^2) = \sum \frac{(fo-fe)^2}{fe}$$

x^2 = chi squire

\sum = summation

Fo = observed frequen y

Fe = expected frequency

Degree of freedom = (R-1) (C-1),

R=Number of rows

C=Number of columns

Table 1 Observed Frequency Table (Fo)

S/N	Questions	Yes	No	Total
1	1	25	0	25
2	2	22	3	25
3	3	23	2	25
4	4	23	2	25
5	5	6	19	25
6	6	7	18	25
TOTAL		106	44	150

Field work 2023

Expected Frequency (fe)= $\frac{RT \times CT}{GT}$

Question	Yes	(fe)	No	Fe
	$\frac{106 \times 25}{150}$	= 17.7	$\frac{44 \times 25}{150}$	= 7.3
	$\frac{106 \times 25}{150}$	= 17.7	$\frac{44 \times 25}{150}$	= 7.3
	$\frac{106 \times 25}{150}$	= 17.7	$\frac{44 \times 25}{150}$	= 7.3
	$\frac{106 \times 25}{150}$	= 17.7	$\frac{44 \times 25}{150}$	= 7.3
	$\frac{106 \times 25}{150}$	= 17.7	$\frac{44 \times 25}{150}$	= 7.3

Chi Square Calc.= $\sum (fo-fe)^2$
 $(25-18)^2 + (0-7)^2 + (22-18)^2 + (3-7)^2 + (23-18)^2 + (2-7)^2 + (23-18)^2 + (2-7)^2 +$

$$18 \quad 7 \quad 18 \quad 7 \quad 18 \quad 7 \quad 18 \quad 7$$

$$\frac{(6-18)^2}{18} + \frac{(19-7)^2}{7} + \frac{(7-18)^2}{18} + \frac{(18-7)^2}{7} = \frac{7^2}{18} + \frac{7^2}{7} + \frac{4^2}{18} + \frac{4^2}{7} + \frac{5^2}{18} + \frac{5^2}{7} + \frac{5^2}{18} + \frac{5^2}{7} + \frac{12^2}{18} + \frac{12^2}{7} + \frac{11^2}{18} + \frac{11^2}{7} = 75.0$$

Degree of freedom = (2-1) (6-1) = 5

TABLE 2 TABLE OF VALUES (Summary of findings)

Variables	DF	Calculated value	Critical value
Cashless Economy and Rural Peasant Traders	5	75.0	12.5

Based on the above result of the tested Alternate (H_1) it was discovered that the calculated value (x^2) was 75.0 and the critical value (cv) was 12.5 respectively, thus the researcher accepted the alternate (H_1) Hypothesis. It therefore implies that the cashless policy affects the rural peasant traders.

Findings and Recommendation

From the findings, it was discovered that

1. Many in the rural area find it difficult to understand the importance of the cashless economy policy.
2. Illiteracy is among the major problems
3. Network should be improved on in order to make the policy workable without much stress on the citizenry because without network, there will be no cashless economy.

Recommendation

1. There is need for educating people on the need for this cashless policy so as to enable them embrace the idea and stop complaining.
2. Let the bank see how the illiterates could be helped; let writing process be reduced. Let something like thumb printing be inculcated so that these could be carried along
3. Network should be improved on in order to ease the process.

References

Adedamola, G. (2023) Nigeria's Cashless Policy: A significant opportunity for growth. Home BD weekender

Ajayi, S.I. and Ojo, O.O. (2006) – Money and Banking: Analysis and Policy in the Nigerian Context, Second Edition, University of Ibadan, Daily Graphics Nigeria Ltd.

ATSWA Management Park,(2022)- Accounting Technicians Scheme West Africa. Study Text.

Echekoba, F.N., and Ezu, G.K (2012): Electronic Retail Payment Systems: User Availability & Payment Problems in Nigeria. Arabian Journal of Business & Management Review.Vol. 5, pp. 60 – 63

Elechi, A. C., and Rufus, A. (2016) – Cashless Policy in Nigeria and its Socio-Economic V ISSN 2224-5731(Paper) ISSN 2225-0972(Online)Vol.6, No.10, 2016

Madu, I. A. (2010) The structure and pattern of rurality in Nigeria. An article from University of Nigeria Nsuka

Ogu M and Ashika H. (2011) “Cashless Economy can Reduce Risk of Carrying Huge cash. [Online]Available [http:// business day online /.../22217](http://businessdayonline/.../22217)

Olanrewaju, O. 2023 “Nigerians groan as poor implementation mars CBN's cashless policy (1), CBN Cashless Policy Reporters