

Challenges and Prospects of Cashless Policy and E-payment System on the Nigeria Economy. A study of Anambra State.

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Abstract

Nigeria as a country has experienced a lot of problems due to excessive dependence on cash for transactions and other things. Too many serious social problem have continued to exist in our society because there is always ready cash which is available to the perpetrators of these evil. The Federal government through the Central Bank of Nigeria (CBN) therefore deems it fit to introduce cashless policy as it helps to avert some of these problems in the country and help the economy to become progressive just like the other economies of the world. So, this study on cashless policy examines the effect of the policy on the Nigerian economy. There are various challenges associated with its practice, ranging from poor infrastructural facilities and difficulty in imbibing the e-payment culture due to illiteracy. Both primary and secondary data were used in this study; tables, charts and simple percentage were used in the analysis. Based on the findings, it was recommended amongst others that the quality of the telecommunication network and internet services, which are among the key facilities needed for this cashless policy, be enhanced. There should also be orientation and reorientation, as the case may be, on how to use these gadgets provided for the cashless operations.

Keywords: Cashless policy, e-payment, funds transfer, cheque, automated teller machine.

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Introduction

Payment system is of great importance in every economy that wants to grow. Cashless economy is an economy where transaction can be done without necessarily carrying physical cash as a means of exchange but can make use of credit or debit card in payment. The cashless economy does not mean a complete absence of cash transactions, rather it refers to cash transactions being kept at the barest minimum. The cashless economy policy initiative of the Central Bank of Nigeria (CBN) is a move to improve the financial terrain of Nigeria's Economy, but in the long run the sustainability of the policy will be a function of endorsements and compliance by end-users (Ejiro 2012). According to CBN, the cashless policy was introduced in line with the nation's vision 2020 goal of being one of the top 20 economies of the world to drive the development and modernization of the Nigerian payment system. However, the use of cash, according to Nwolisa and Kasie (2014), in carrying out transactions has remained relatively high in Nigeria. This is due to poor network connections in the use of point-of-sale and bank transfers which often results in debiting customers' accounts more than once, higher transaction charges by banks as well as security and technical setbacks. These are some of the factors still posing challenges in crossing into a complete cashless society. The transition to a cashless economy raises a lot of concern as it seems there is yet no substantial evidence to justify its implementation in Nigeria. Thus, this research is set to evaluate the impact of cashless policy on Nigerian economy.

The major objectives of this study is to find out whether the quality of the social infrastructure needed for the policy is adequate; to ascertain the impact of the policy of the Nigerian economy.

This research work is significant in that it will help the regulatory authorities to know the areas they need to work on in order that the Nigerian economy will feel the positive impact of the cashless economy. This study will also make the masses to know what they stand to gain if they allow the policy to be fully implemented.

Review of Related Literature

According to Adurayemi (2016), the cashless policy of the Central Bank of Nigeria is designed to provide mobile payment services, breakdown the traditional barriers to financial inclusion of millions of Nigerians and reduce cost, and to provide convenient financial services across the country. Presently, there are up to seven different electronic payment channels in Nigeria. Alternative means of payments that will affect the cashless economy include: cheques, bank drafts, Automated Teller Machine (ATM), the Nigeria Interbank Settlement Scheme (NIBSS), Real-time Gross Settlements (RTGS), Mobile Money, E-transfers, Point of Sale (POS), etc.

Cashless policy was introduced into the Nigerian economy in December 2011, and came into practice in Lagos in January 2012.

On December 6, 2022, the CBN announced a withdrawal limit of N100,000 and N500,000 on weekly basis by individual and corporate organizations respectively across all payment channels. On December 21, 2022 the CBN announced an upward review of its cash withdrawal policy. Effective January 9, 2023, individuals and corporate entities can now withdraw a minimum of 500,000 naira and 5 million naira respectively still on weekly basis. But the CBN later stated that in compelling circumstances where cash withdrawal above the limit is required for legitimate purposes, such request shall be subjected to processing fee of 3% and 5% for individuals and corporate organizations respectively.

Cashless policy comes with some benefits among which are: it offers Nigerians a number of top-up options including use of credit and debit cards, reduction in payroll, etc. Thereby reducing the use of cash and the related security risk. The reduction of cash in circulation also reduces the risk of armed robberies and other cash related crimes in Nigeria society as most people no longer carry physical cash with them or keep it in their homes. E-banking improves the time within which transactions are settled both locally and internationally. Customers can now transact their banking businesses at any place and at any time with the use of various alternatives provided in the cashless society rather than going to the bank branch where their account are domiciled. Since robbers are attracted by large volume cash movements by banks, the use of alternative

electronic payment system has reduced the need for cash movement. Leakages and other fraudulent incidents are reduced in that payment to government agencies like custom duties are now made electronically and directly to the government accounts. It drastically improves the efficiency of Nigerian banks; it reduces the number of people that come to the banking halls thereby reducing the number of staff that the bank needs and their cost of operations. It provides the populace with the means to easily make the daily payment like paying utility bills, air tickets, school fees and thereby improving their standard of living. It helps government to do their tax collection easily. Payments using e-payment options are designed to be instant. Instant payment helps to improve the cash flow situation.

Cashless policy in Nigeria has its challenges despite its many advantages. Internet network issues due to the developing telecommunication infrastructure impedes its effectiveness. Some elderly and uneducated populace of Nigeria are already accustomed to cash transactions, so they find it very difficult to adopt the cashless policy. There is the problem of inadequate banking system in Nigeria e.g a significant portion of the population, especially in the rural areas lacks access to formal banking services due to lack of branches and infrastructure, and this is bound to hamper the cashless policy. Some customers, sometimes, borrow from banks and do not pay back because they are the directors' friends and relations. The state of power generation in Nigeria cannot accommodate the smooth operations of financial activities.

Central Bank of Nigeria (2015) described a cashless economy as one skewed in favor of card transactions and less of cash payment. A cashless society is a culture where one scarcely uses cash for transactions; most purchases being made are by credit cards, debit cards, cheques, direct transfer from one account to another through Mobile banking etc.

According to Hock-Han Tee & Hway-Boon Ong (2016), cashless or e-payment economy is a situation where financial transaction payments and receipts are carried out with the use of card (credit and debit), Automated Clearing House (ACH), instead of the use of physical cash in the purchase and payment of goods and services within the economy. In other words, a cashless society carries out its transaction without necessarily moving with hard currency.

Elechi and Rufus (2016) examined cashless policy in Nigeria and its socio-economic impact on small-scale business in Nigeria. They opined that if all the necessary measures are not put in place and stakeholders carried along, that the cashless policy will negatively affect small-scale businesses and may lead to their failure.

Adu and Adurayemi (2016) assessed the effect of cashless policy on the Nigerian economy; they started off with the manual and electronic payment options in Nigeria, the effect of cashless policy (negative and positive), the benefits to the economy and stakeholders

Taiwo et al (2016) did an appraisal of cashless policy on the Nigerian financial system. The study argued that there is no significant evidence to justify the implementation of cashless economy.

Jatau and Dong (2014), enthused that the cashless policy which involves adopting electronic processes to documenting all payments (e-payment) will provide an effective database for optimal revenue generation. The study argued that the process is capable of significantly reducing financial corruption because of the reduced cash movement and leakages that it curbs.

Ezeamama et al (2014) studied the impact of cashless policy in Nigeria's economy using survey research. The data were collected using questionnaire. The study found out that cashless policy will help curb corruption and cash related robberies, increase the standard of living of Nigerians, reduce the operating cost of banks, attract international investors and thereby improving the economy.

Osazevbaru, Sakpaide&Ibubunne (2014) examined the impact of cashless policy in the profitability of Nigerian banks. They were skeptical and quick to ask if banks in the cashless regime will still make as much profit as they used to make. The result of the study revealed that cashless economy policy positively impacts on bank profit through a reduction in the cost of operations and banking the unbanked populace.

Methodology

Accidental sampling method in Anambra state was used in the study. The number of people sampled in this study is 400 which is made up of civil servants, traders and students. Questionnaire was used as data collection instrument, with questions on demographics, benefits and challenges of cashless policy in Nigeria. The main statistical technique used was descriptive (the use of frequency tables and charts). Simple percentage of data analysis was also used.

From fig. 1, the responses on occupation, respondents that are traders are 200, that is 50%; 100 (25%) are students and 100 (25%) are civil servants.

Fig. 2 presents the responses on age. In the figure, most of the respondents fall between the ages of 43 to 62 years (47.5%); 25 to 42 years (32.5%); then the smallest number falls between the ages of 19 to 24 years (20%)

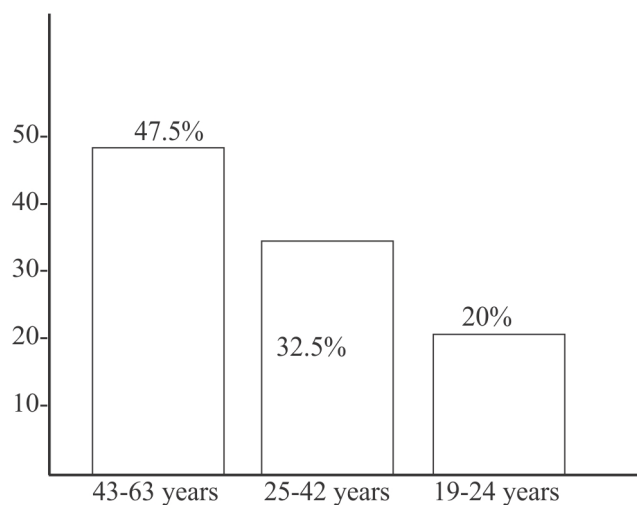
Fig. 3 presents the responses on gender. 37.5% of the respondents which is 150 are male why 62.5% which is 250 are female.

Fig. 1: Occupation of Respondents

Occupation	No. of Respondents	Percentage
Traders	200	50%
Students	100	25%
Civil Servants	100	25%
	400	100%

Source: Field Survey 2023

Fig. 2: Age of Respondents



Source: Field Survey 2023

Fig. 3: Gender of Respondents

Gender	No of Response	Percentage
Male	150	37.5%
Female	250	62.5%
	400	100%

Source: Field Survey 2023

Section B

Cashless policy is beneficial to Nigeria economy in that it will increase employment, payment of ransom by kidnapped victims thereby reducing kidnapping.

Table 1.

Response	No. of Respondents	Percentage
Yes	350	87.5
No	50	12.5

Total	400	100
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Source: Field Survey 2023

From the table 1 above, 87.5% of the respondents agreed that cashless policy is beneficial to Nigerian economy in that it will increase employment, reduced ransom taken thereby reducing kidnapping; and attract more foreign investment, but 12.5% of the respondents do not agree to that.

Social infrastructure like telecommunication network and internet facilities are still inadequate for the smooth running of the cashless policy.

Response	No. of Respondents	Percentage
Yes	380	95
No	20	5
Total	400	100%

Source: Field Survey 2023

From the table 2 above, 95% of the respondents said that social infrastructure like telecommunication network and internet facilities are still inadequate for the smooth running of the cashless policy while 5% of respondents said no to that.¹⁵⁶

The masses should be given proper orientation on the usage of the electronic payment system.

Response	No. of Respondents	Percentage
Yes	385	96.25
No	15	3.75
Total	400	100

Source: Field Survey 2023

From the table 3 above, 96.25% of the respondents are of the opinion that proper orientation on the usage of the electronic payment system while 3.75% do not agree to the opinion.

Findings

The following are the findings of this study:

1. The quality and quantity of social infrastructure like telecommunication network and internet facilities are not adequate yet for the smooth running of the policy.
2. The masses do not have enough knowledge concerning the usage of the electronic payment system.
3. Cashless policy has a lot of benefits for Nigerian economy in areas of development and modernization if it will be properly implemented.

Conclusion

Based on the findings above, it is clear that the reason why the cashless policy seems not to be doing well is because telecommunication network and internet facilities provided are not adequate.

There is also the lack of proper knowledge on how to use the electronic payment system on the side of the masses. If there will be improvement in internet facilities and increase orientation of the masses, then there will be the much needed development and modernization in the Nigerian economy. So, this study shows that the introduction of cashless economy in Nigeria can be seen as a step in the right direction. But there is a need to pay attention to challenges that is hindering the policy for a better result. Nevertheless, one can say with some degree of certainty that the cashless economy is impacting positively on the development of our payment system in Nigeria.

Recommendations

The following recommendations are made in the light of the findings above.

1. Seminars, workshops and conferences need to be organized for orientation and re-orientation of people on how to use the electronic payment system.

Available online at: <https://ijopad.org.ng>

2. There should be provision of adequate telecommunication network and internet facilities without which the cashless policy cannot work.
3. People should also be made to understand that cashless economy is not to work against them but to eliminate some of the maladies that the economy had been operating under.
4. More efforts need to be put in place by the regulatory authority to encourage cashless economy. 103

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