AN ASSESSMENT OF CASHLESS POLICY IN NIGERIA AND ITS IMPACT ON THE ECONOMIC DEVELOPMENT OF LESS-CITY COMMUNITIES

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ABSTRACT

Before the introduction of the cashless policy into Nigeria economic space, the country was operating a cash-oriented economic system with a large volume of narrow liquid transactions outside the banking system. The objective of this study is to assess the impact of the cashless policy in Nigeria specifically less city communities in the country. This study will adopt mixed method research techniques.

This paper discovered that a cashless policy cannot be effective in less city communities due to lack of good access to internet facilities. The study recommended that the government should make internet facilities available and also encourage banks to site their branches in these areas.

KEYWORDS: *Cash less policy, Internet, e- banking, Community, economic development*

1.   INTRODUCTION

The use of physical cash in business transactions has been limited in some countries, especially the developed and developing nations of the world. Online banking became popular in the early 1990s which prompted a shift from the use of cash transactions. In the early of 2010, many countries have adopted online banking into their economic activities. Most of these countries encouraged the use of digital payment of transactions through the use of PayPal, Apple Pay, venom, and others. In a research work carried out on a US consumer study, 75% where reported to prefer using credit or debit cards, while 11% preferred cash payments (Nayan, 2022).

The idea of introducing a cashless policy in Nigeria was conceived by the Central Bank of Nigeria (CBN) in the year 2012. The essence of this policy was to reduce the quantity of physical cash in the economy by discouraging the use of cash for business transactions and encouraging the use of electronic payment systems. The policy is not to abolish the use of cash in business transactions, but to limit the use of physical cash in the economy (Gbanador, 2023).

This monetary policy was test run in Lagos state on 1st January, 2012. The second phase of the test run was done in some states like Ogun, Rivers, Abia, Kano, the capital city of the country among others while the full implementation of

the policy commenced 31st of July, 2013. The policy was brought to the fore to facilitate the adoption of electronic banking with the use of mobile banking, electronic fund transfer, automated teller machines and, point of sale among others. Ajayi, (2014) posited that a cashless economy connotes an economic environment where business transactions are carried out with the use of physical cash. In the view of Omotunde, Sunday and John- Dewole (2013) they stated that the monetary policy does not stand for total eradication of cash transactions in the country.

Before the introduction of the cashless policy into Nigeria's economic space, the country was operating a cash-oriented economic system with a large volume of narrow liquid transactions outside the banking system (Kama and Adigun, 2021). This monetary policy aims to enhance the effective payment system and purchasing power in the economy of the nation.

With the introduction of this policy it is expected that it will improve both the economic growth and development in Nigeria, this policy has not been effective in the country because it's an emerging economy with some challenging factors like fraud, illiteracy level, network issue, and lack of adequate basic technology to make the cashless policy effective (Gbanador, 2023). Economic growth and development are often used interchangeably, however, economic growth can be attained without economic development. Economic growth could be attained through an increase in Gross Domestic Product (GDP) while economic development can be noticed through an increase in the standard of living of the people residing in a particular country (Adigwe, 2022).

Prateek (2019), submitted that a good standard of living is usually measured with human development indices, life expectancy, poverty level, and others. The researchers of this paper opined Nigeria has not attained economic development but growth. The essence of this paper is to assess the cashless policy in Nigeria and its impact on the economic development of less-city communities in Nigeria a case study of the Remo- North local government.

Many research works have been conducted on the cashless policy in Nigeria mainly on electronic payment modes such as online banking, ATM, and POS, majority of these research works were centered on banks' effectiveness and the economy of the urban areas rather than the economy of the rural areas.

This research work is meant to ask the following questions:

i.   What is the impact of the cashless policy on the economic activities of the residents of Remo North local government
ii.   What are the challenges of the cashless policy in Remo North local government

1.1.   RESEARCH HYPOTHESIS

H_0: Cashless policy does not affect the economic activities of the residents of Remo North local government.

H_1: Cashless policy has affect on the economic activities of the residents of Remo North local government.

2.   LITERATURE REVIEW

2.1.1 Cashless economy: A cashless economy is a type of economic system where money can be kept in an electronic purse which can be used to operate business transactions. It is a system where business activities are not carried out in exchange for actual cash (Akhalumeh and Ohiokha, 2012). According to Yaqub, Bello, Adenuga and Ogundeji, (2021), they submitted that cashless economy is a system whereby mobile money payment can be made through the use of internet facilities. They also noted that a cashless policy enhances convenience and enables other payment alternatives.

In the developed nations of the world, business transactions are mostly done through mobile and online platforms through the use of payment cards (Humphrey, 2020). In the same vain, Moses- Ashike (2021) highlighted that a cashless economy system is majorly powered by e-finance, e-money, e- exchange among others, these media connote the way business transactions and payments are being done in a cashless economy.
According to Gbanador (2023), a cashless society is an economy where commercial activities and business transactions are made through the alternative payment media viz; online banking, point of sale, automated teller machine, cheques, electronic wallet etc. rather the use of physical cash. Adigwe (2022), submitted that a cashless society is an economic society where internet is the driving force of business transactions, commercial activities are not carried out with physical cash but done through the use of information telecommunication technology.

The 2003 report by Central Bank of Nigeria technical committee on internet banking stated that a cashless society connotes an environment where business transactions are been carried out through the use of automated channels and electronic devices such as computers, personal phone, credit cards media. A cashless economic environment does not depicts the total absence of cash, however, the economic environment and business activities like buying goods and offering of services are done through the electronic means (Omotunde, Sunday and John-Dewole, 2013).

2.1.2. Economic development: The concept of economic development like many other concepts in social science does not have an all-inclusive definition. Different scholars have defined it from different angles and perspectives. Economic development can be seen as an effort seeking to improve the economic condition and the standard of living of people living in a particular environment by creating and or improving the working conditions, and revenue of the people. According to Onyekwere (2016), economic development is the conscious effort of a community to improve both the local economy and the quality of life through building capacities in to adapt to economic changes. This submission connotes that there is a clear distinction between economic growth and development.

Economic development connotes government policies, programe, and endeavours meant to accelerate the economic situation and standard of living of the people residing in a given community or country. The terms may depict different meaning to different people depending on the society one resides in, each country or nation have different problems, goals, and priorities. It is the means of creating and making use of human capital, funds, and social resources to create an improved and meaningful economic condition and quality of life for a nation or society (Seidman, 2005).

According to Greenwood and Richard (2010), economic development is different from economic growth because the latter is a holistic and sustainable improvement in the quality of life of the people living in the country. It means economic growth including meaningful changes in the well-being of the people using variables like quality health delivery, education, and gross domestic product. Economic development is a concept that has been used by many professionals such as economists, academia, politicians, and others in various ways.

3.   THEORETICAL FRAMEWORK

Bank-focused Theory: This theory was propounded by Kapor, (2010). The theory conceived on the idea that banks do make use of non-traditional though conventional with low-cost delivery platforms to offer financial services to their customers. Among these media are online banking, mobile pay, and automated teller machines among others. Hence, with the aid of bank-focused theory banks can provide multiple financial services without being engaged with customers' domiciled branches through online payment platforms. The bank-focused theory is relevant to this study due to it is anchored on the online banking system that the CBN cashless policy is based on.

4.   METHODOLOGY

This study adopted a mixed method research techniques where data was sourced from both primary and secondary means. Questionnaire was used to elicit necessary information from the residents of Remo- North Local Government of Ogun State through the use of convenience sampling procedure to select 200 respondents from the local government. Only literate residents of the local government where involved in the sample size. 200 questionnaires were distributed out of which 133 were retrieved. Chi-square and simple percentage were used to analyse the secondary data.

5.   DATA ANALYSIS AND DISCUSSION

Table 1: Gender distribution of respondents

Variables	Respondents	Percentage
Male	73	54.89
Female	60	45.11
Total	133	100

  Source: Field survey, September, 2023

The table above shows that 54.89% of the respondents were male and the remaining 45.11% of the respondents were female**.**

Table 2:   Age distribution of respondents

Variables	Respondents	Percentage
Below 21 years	3	2.26
21- 40 years	41	30.83
41- 50 years	52	39.10
51- 60 years	28	21.05
61 years or above	9	6.77
Total	133	100

Source: Field survey, September, 2023

The table above shows that 2.26% of the respondents were below 21 years of age, 30.83% were 21-40 years, 39.10% were 41-50 years, 21.05% were 51-60 years and 6.77% were 61 years or above.

Table 3: Marital status distribution of respondents

Variables	Respondents	Percentage
Single	42	31.58
Married	91	68.42
Total	133	100

Source: Field survey, September, 2023

The table above shows that 31.58% of the respondents were single while 68.42% were married.

Table 4: Educational qualification distribution of respondents

Variables	Respondents	Percentage
WASC/SSCE	7	5.26
NCE/OND	48	36.09
HND/B.Sc.	59	44.36
MA/ M.sc	2	1.50
Ph.D	17	12.78
Total	133	100

Source: Field survey: September, 2023

The table above reviews the Educational Qualification of the respondents which shows that 5.26% of the respondents had WAEC/SSCE; 36.09% had NCE/OND; 44.36% had HND/B,Sc; 12.78% had M.sc/ MA and 1.50% had Ph.D.

Table 5: Occupational Distribution of Respondents

Variables	Respondents	Percentage
Student	40	30.08
Paid employee	61	45.86
Traders	16	12.03
Unemployed	5	3.76
Artisan	11	8.27
Total	133	100

Source: Field survey, September, 2023

The table above indicates that 30.08% of the respondents were students, 45.86% were paid employees, 3.76% were traders, 12.03% were unemployed; and 8.27% were artisans.

Table 6: The cashless policy poses restrictions on the transactional capacities of residents of Remo North local government.

Variables	Respondents	Percentage
Strongly Agree	79	59.40
Agree	29	21.80
Disagree	9	3.77
Strongly Disagree	16	12.03
Total	133	100

Source: Field survey: September, 2023

The table above indicates that 59.40% of the respondents strongly agreed with the statement, 21.80% agreed, 3.77% disagreed and 12.03% strongly disagreed with the statement.

Table 7: Financial transactions are carried out faster and easier with cashless policy in Remo North Local Government.

Variables	Respondents	Percentage
Strongly Agree	3	2.26
Agree	28	21.05
Disagree	58	43.61
Strongly Disagree	44	33.08
Total	133	100

Source: Field survey, September, 2023

The table above indicates that 2.26% of the respondents strongly agreed with the statement, 21.05% agreed, 43.61% disagreed and 33.08% strongly disagreed with the statement.

Table 8: Automated teller machines (ATM) have an impact on business transactions in Remo North Local Government

Variables	Respondents	Percentage
Strongly Agree	-	-
Agree	-	-
Disagree	100	75.2
Strongly Disagree	33	24.8
Total	133	100

Source: Field survey: September, 2023

The table above indicates that 75.2% disagreed and 24.8% strongly disagreed.

Table 9: Online network technology available is sufficient to fulfill power cashless policy in Remo North

Variables	Respondents	Percentage
Strongly Agree	18	13.53
Agree	14	10.53
Disagree	76	57.14
Strongly Disagree	25	18.80
Total	133	100

Source: Field survey, September, 2023

The table above indicates that 13.53% of the respondents strongly agreed with the statement, 10.53% agreed, 57.14% disagreed and 18.80% strongly disagreed.

Table 10: Mobile banking transactions affect the financial activities in Remo North Local Government

Variables	Respondents	Percentage
Strongly Agree	38	28.57
Agree	30	22.55
Disagree	40	30.07
Strongly Disagree	25	18.79
Total	133	100

Source: Field survey, September, 2023

The table above indicates that 28.57% of the respondents strongly agreed, 22.55% agreed, 30.07% disagreed and 18.79% strongly disagreed with the statement.

Table 11: Cashless policy is a means of creating job opportunities for people in Remo North Local Government.

Variables	Respondents	Percentage
Strongly Agree	55	41.35
Agree	45	33.83
Disagree	20	15.03
Strongly Disagree	13	9.77
Total	133	100

Source: Field survey, September, 2023

The table above indicates that 41.35% of the respondents strongly agreed with the statement, 33.83% agreed, 15.03% disagreed and 9.77% strongly disagreed.

Table 12: Point of Sales (POS) transactions affect economic activities in Remo North Local Government

Variables	Respondents	Percentage
Strongly Agree	69	59.34
Agree	38	33.84
Disagree	6	4.51
Strongly Disagree	3	2.26
Total	133	100

Source: Field survey, September 2023

The table above indicates that 59.34% of the respondents strongly agreed with the statement, 33.84% agreed, 4.51% disagreed and 2.26% strongly disagreed.

Table 13: The policy reduces financial transaction stress in Remo North Local Government

Variables	Respondents	Percentage
Strongly Agree	56	42.11
Agree	49	36.84
Disagree	13	9.77
Strongly Disagree	15	11.23
Total	133	100

Source: Field survey, September, 2023

The table above indicates that 42.11% of the respondents strongly agreed with the statement, 36.84% agreed, 9.77% disagreed and 11.23% strongly disagreed with the statement.

6   HYPOTHESIS QUESTION AND TEST OF HYPOTHESIS

Table 14: Financial transactions are carried out faster and easier with cashless policy in Remo North Local Government

Responses	Respondents	Percentage
Strongly Agree	3	2.26
Agree	28	21.05
Disagree	58	43.61
Strongly Agree	44	33.08
Total	**133**	**100**

The table above indicates that 2.26% of the respondents strongly agreed with the statement; 21.05% agreed; 43.61% disagreed while 33.08% strongly disagreed with the statement.

Test of Hypothesis

H_0: Financial transactions are not carried out faster and easier with cashless policy in Remo North Local Government

H_1: Financial transactions are carried out faster and easier with cashless policy in Remo North Local Government

The following questions drawn from the questionnaire are directly related to the hypothesis and are hereby further subjected to statistical test:

Question: Financial transactions are carried out faster and easier with cashless policy in Remo North Local Government

Table 15: Contingency Table for Observed Frequency

Response	Question	Total
Strongly Agreed	3	**3**
Agreed	28	**28**
Disagreed	58	**58**
Strongly Disagree	44	**44**
Total	**133**	**133**

SOURCE: Field Survey, September, 2023

Calculation of expected frequency
EF = Row Total x Column Total
          Grand Total

E1.1 = $\frac{3 \times 133}{133}$ = 3

E2.1 = $\frac{28 \times 133}{133}$ = 28

E3.1 = $\frac{58 \times 133}{133}$ = 58

E4.1 = $\frac{44 \times 133}{133}$ = 44

Table 16: Calculation of Chi-Square (X^2)

Response	OF	EF	OF-EF	$(OF-EF)^2$	$\frac{(OF-EF)^2}{EF}$
Strongly Agree	3	3	0	0	0.000
Agree	28	28	0	0	0.000
Disagree	58	58	0	0	0.000
Strongly Disagree	44	44	0	0	0.000
Total					**0.0**

SOURCE: Field Survey, September, 2023

X^2= **0.0**

Predetermined alpha level of significance is 5%

X^2Tab at (0.05, df)

Where df   = degree of freedom

                  = (r-1) (c-1) that is, r = Row, c = Column

                  = (5-1) (5-1)

                  = (4) (4)

                  = 16

Now that our Chi-Square statistics (X^2 = **0.0**), our predetermined level of significance (0.05), and our degree of freedom (df = 16) are known, we can now read our critical value from the table.

Therefore:

X^2Tab at (0.05, 16) = 26.296

Decision Criteria

If X^2Cal>X^2Tab, reject H_0 and accept H_1

If X^2Cal<X^2Tab, accept H_0 and reject H_1

Since the computed X^2 value of **0.0** is less than the table value of 26.296 at 0.05 level of significance and degree of freedom of 16, we accept the H_0 which says "Financial transactions are not carried out faster and easier with cashless policy in Remo North Local Government" and reject the H_1 which says "Financial transactions are carried out faster and easier with cashless policy in Remo North Local Government"

7. Conclusion

The essence of the introduction of a cashless policy into the economic system is ambitious and noble to increase and aid quick financial transactions through the use of mobile banking but it has not brought the needed benefits to the people of Nigeria especially people living in remote areas. The adoption of a cashless policy in Nigeria's environment has significant effects on businesses and society at large.

The world has become a global village through the instrumentality of the information communication technology which had made the traditional way of transacting business gradually fading off. A cashless economy makes an opportunity for a convenient and safer option for physical cash. The benefits of a cashless policy are numerous but the benefits are not enjoyed by the residence of local communities in Nigeria.

8. Recommendations

Based on the findings of this study, the following recommendations are offered:
i.   The government should redesign the cashless policy to reflect the current realities in the Nigeria economy and put less-developed communities into consideration.
ii.   It is important for regulatory bodies to properly educate Nigerians on the use and benefits of the cashless policy.
iii. There is a need to put in place adequate technology to effectively drive the cashless policy in Nigeria.
iv.   Financial institutions should make acquaint their customers with relevant information on the cashless policy.
v.   Customers' complaints on the cashless transactions should be attended to as quickly as possible to instill confidence in the cashless system

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