

**THE IMPACT OF CBN CASHLESS POLICY ON THE DEVELOPMENT
OF THE BANKING SECTOR IN NIGERIA**

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Abstract

This study is on the impact of CBN cashless policy on the development of the banking sector of Nigeria. The total population for the study is 200 staff of CBN in Enugu State. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. A total of 133 respondents made up human resource managers, accountants, customer care officers and junior staff was used for the study. The data collected were presented in tables and analyzed using simple percentages and frequencies

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The recent evolution of technology for financial transactions poses interesting questions for policy makers and financial institutions regarding the suitability of current institutional arrangements and availability of instruments to guarantee financial stability, efficiency and effectiveness of monetary policy. Over the course of history, different forms of payment systems have been in existence. Initially, 'trade by barter' was common; however, the problems of barter such as the double coincidence of wants necessitated the introduction of various forms of money (Swartz et al, 2004). Nevertheless, analysts have been predicting the complete demise of study instruments and the emergence of potentially superior substitute for cash or monetary exchanges, that is, 'cashless society'. Unlike the barter system which involves the exchange of one good for another, a cashless environment refers to one in which transactions are carried out with minimal exchange of physical cash. It implies that the payment instrument is not physical cash but other instruments such as cheques, electronic

transfers, e-payment and so on. The rapid advancement in electronic distribution channels has produced tremendous changes in the financial industry in recent years, with an increasing rate of change in technology, competition among players and consumer needs as argued (Hughes, 2001). Since Nigeria's Independence in 1960, there have been different governments, constitutional reforms, change in economic policies and banking reforms, mainly directed at enhancing social welfare and achieving developmental goals but there has been no substantial positive change in Nigeria's Human Development Indicators. This also calls to question the effectiveness of the cash-less policy of the Central Bank of Nigeria (CBN). At the end of the 1980s, the use of cash for purchasing consumption goods in the US has constantly declined (Humphrey, 2004). Hence, most LDCs (Less Developed Countries) like Nigeria are on the transition from a pure cash economy to a cash-less 'one for developmental purposes'. Little wonder why the Central Bank of Nigeria recently introduced a cashless policy. Thus, as part of its regulatory functions, the Central Bank of Nigeria, issued a circular dated April 20, 2011 in which it conveyed to operators and the banking public its decision to introduce a cash less banking policy into the Nigerian financial system with effect from January 1, 2012 using Lagos

as the pilot programme that is the policy kick-starts from Lagos and eventually all over the other states in the nation. To enforce the implementation, the Central Bank had, in a circular April last year, declared that “commencing from June 1, 2012, a daily cumulative limit of N150,000 and N1,000,000 on free cash withdrawals and lodgements by individuals and corporate customers respectively with deposits money banks shall be imposed.” Following public outcry, the daily cash withdrawal and deposit limit was raised to N500,000 and from N1,000,000 to N3,000,000 for corporate accounts. According to CBN, the new cashless policy was introduced for a number of key reasons, including, To drive development and modernization of our 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 for economic growth. To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach and to improve the effectiveness of monetary policy in managing inflation and driving economic growth. In addition, the cash policy aims to curb some of the negative consequences associated with the high usage of

physical cash in the economy, including: high cost of cash: high risk of using cash, high subsidy, informal economy and inefficiency & corruption (CBN, Website, 2011). Regarding this context, the study seeks examine the cashless economy by exploring its impact on the Nigerian economy

STATEMENT OF THE PROBLEM

As more payment systems have been introduced, pundits have been predicting the emergence of a 'cash less society'. Today, we still pay with cash and checks, but several other payment instruments, such as credit and debit cards, are widely used. The use of paper money is more declining, but at a rather slow pace. As it were, Nigeria is a country heavily dominated by cash and there are some factors that negatively affect the choice of cash over non-cash instruments, some of these include time spent in counting and verifying cash, susceptibility to loss, time spent in the banking halls, amongst others (Nnanwobu et al, 2011). A cash-based economy is one which is characterized by the psychology to physically hold and touch cash a culture informed by ignorance, illiteracy, and lack of security consciousness and appreciation of the merit of digital payment (Ovia, 2002). Cash, as a payment system, attracts lots of negative

consequences such as high cost of handling cash, risks of using cash and keeping them in houses which eventually lead to high rate robbery, financial loss in the case of fire and flooding incidents. High cash usage results in lots of money outside the formal economy, thus limiting the effectiveness of monetary policy in managing inflation and encouraging economic growth. Also high cash usage enables corruption, leakages, money laundering, counterfeiting, mis-management, mutilation and depreciation in value if not invested. Some or most of these factors are one which exists in the Nigerian economy today thus creating gap for this current study. In Nigeria today, infrastructure is a major problem that hinders the money deposit banks from attaining full potential in terms of certain policy implementations and its impact on financial transactions in the banking industry. The infrastructure in Nigeria over the years hasnt been reputable and thus has given way to ineffectiveness to the sincerity in financial transactions in the banks. The level of technology in the nation is rather poor and increasing at a slow pace and as such hasn't given room for major development and policy implementations that may have risen. The technology available for carrying out banking transactions are not as effective as they ought to be therefore leaving people with no other choice

than to keep cash in their houses in order to avoid having to spend lots of time in the banking halls due to low servers, interrupted power supply, bad internet services. Illiteracy and the low level of education of people does nothing else than leave people in the dark and therefore results into the inability of the people to understand when developments are being put into place. Many people do not see the need to keep their money in the banks or invest them due to the lack of understanding they have and also insufficient publicity and awareness measures are what have being in existence which if dealt with would at least reduce the lack of understanding of many and make them see viable reasons why they should keep their money in the banks and invest them other than keep them in their houses as a route to the safety of many lives and better growth of the economy and as such increase the standard of living. This of course, is the motivation behind this study. As a matter of fact, the demand for money is being taken in terms of demand deposits in banks and liquid assets outside the banks that is the average willingness of people to either hold money in cash or keep it as demand deposits in the banks effects the activities of commercial banks in controlling the amount of money in circulation, which in turn determines the hold of the CBN on the economy

in terms of monetary policy implementations. The analysis of banking innovations and the response of the public towards them would help determine the hold of the Central Bank of Nigeria (CBN) on the extent to which they have been able to foster financial transactions in money deposit banks across the nation. The introduction of E-commerce has made room for various tools in transacting business, although not all of these tools have been fully utilised. The new policy adopted is such that has been made to affect the whole economy and to put in full use all of these tools which include the monetary and fiscal policies, and in turn will maximise the effort of the e-commerce innovation

1.3 OBJECTIVE OF THE STUDY

The broad objective of this study is to establish the relationship between CBN's Cashless policy and the development of the financial sector and the Nigerian economy. This broad objective is broken down to the following specific objectives which are;

1. To ascertain the relationship between Cashless policy and accessibility to customers' accounts.

2. To investigate the relationship between Cashless policy and queue-ups in banking halls.
3. Ascertain the relationship between Cashless policy and the promptness of bank-related transactions.

1.4 RESEARCH HYPOTHESES

For the successful completion of the study, the following research hypotheses were formulated by the researcher;

H₀: There is no significant relationship between accessibility to customers' accounts and cashless policy.

H₁: There is significant relationship between accessibility to customers' accounts and cashless policy.

H₀₂: There is no significant relationship between queue-ups in banking halls and cashless policy.

H₂: There is significant relationship between queue-ups in banking halls and cashless policy.

1.5 SIGNIFICANCE OF THE STUDY

The following are the significant of this study:

1. The findings from this study will form a useful guide for the government of Nigeria as they will have first hand information about the pains and the gains of the CBN's cashless policy on the Nigerian populace and make necessary reforms and amendment.
2. This research will be a contribution to the body of literature in the area of the effect of personality trait on student's academic performance, thereby constituting the empirical literature for future research in the subject area.

1.6 SCOPE AND LIMITATION OF THE STUDY

This study examined CBN cashless policy by exploring its impact on the Nigerian economy. Since cashless policy is a recent economic policy with no previous data and more so, the study seeks the opinion of the people by examining the impact analysis of the policy. Basically, for this study, both primary and secondary sources of data were used in carrying out this research. For the primary data, a survey would be carried out within the Lagos State metropolis as it is the only state where the policy is being implemented for now, while the secondary data focuses on every available from the Central Bank of Nigeria (CBN) within reach and various paper

publications. The researcher encounters some constrain which limited the scope of the study;

a) AVAILABILITY OF RESEARCH MATERIAL: The research material available to the researcher is insufficient, thereby limiting the study

b) TIME: The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

c) Organizational privacy: Limited Access to the selected auditing firm makes it difficult to get all the necessary and required information concerning the activities

1.7 DEFINITION OF TERMS

CASHLESS POLICY: Cash-less Nigeria is a **policy** established in the year 2012 by the Central Bank of Nigeria to curb excesses in the handling of cash in the Nigerian federation. ... The **policy** was enforced not to eliminate the use of cash but to reduce the volume of cash in circulation.

BANKING SECTOR: The **banking sector** is the section of the economy devoted to the holding of financial assets for others, investing those

financial assets as leverage to create more wealth and the regulation of those activities by government agencies

CBN: The Central Bank of Nigeria is the Central bank and apex monetary authority of Nigeria established by the CBN Act of 1958 and commenced operations on July 1, 1959

1.8 ORGANIZATION OF THE STUDY

This research work is organized in five chapters, for easy understanding, as follows

Chapter one is concern with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

Cash-less banking is that banking system which aims at reducing, but not eliminating, the volume of physical cash circulating in the economy whilst encouraging more electronic based transactions. In other words, it is a combination of e-banking and cash-based system. It is essentially a mobile payment system which allows users to make payment through GSM phones with or without internet facilities (Odior and Banuso, 2012; Akhalumeh and Ohiokha, 2012). In 2011, it was estimated that 99% of over 215 million customer transactions in Nigeria banks were through ATM and over-the-counter, and this was valued at about N2.1 trillion. It is estimated that an average Nigerian transacts about N65 in cash out of N100 income earned (Princewell and Anuforo, 2013) The operation of the cash based system has been at a significant cost to the Nigerian economy. The estimate shows that cash distribution cost accounts for 60% overheads in the banking industry while cash management operations require up to 80% of the industry's infrastructure base and staff strength (CBN, 2012).

Furthermore, the direct cost of transporting, processing and storing (vault) huge volume of cash borne by the financial system was valued at N114.5 billion in 2009 and it was estimated to rise to N192 billion by the end of 2012. Again, heavy cash users (i.e. those with transaction value above N150, 000) account for only 10% of transaction volume but 71% of the transaction value. It appears therefore, that implicit cash holding costs for the minority class of cash users are being subsidized by the majority (Nweke, 2012). In response to this trend, the Central Bank of Nigeria by its legal mandate initiated the policy shift from cash-based system to cash-less one. In 2005, the CBN initiated the National Payment Systems (NPS) specifically to achieve the objectives of promoting efficiency and effectiveness of payment system, promoting safe and sound banking practices and protection against systemic risks. It also set the objective of migrating to cash-less mode of payment, such as electronic debit/credit instruments, credit/debit cards, ATM – sharing Electronic Fund Transfer at Point of Sales and Real Time Gross Settlement System (RTGS). Other objectives of NPS include; to ensure payment system audit transparency and full transaction reporting and to achieve acceptance and confidence through information dissemination, customer convenience and total quality

delivery (Princewell and Anuforo, 2013). Eventually, the NPS initiative metamorphosed into the cash-less policy in April 20, 2011. According to CBN, the cash-less policy aims at reducing the amount of physical cash in circulation and to encourage more electronic based transactions. The policy came into effect in January 1, 2012 with partial implementation in Lagos State and later moved into full execution in that State in April 1, 2012. Thereafter, the policy was extended to five states (Kano, Ogun, Rivers, Anambra, and Abia) and Abuja on October 1, 2013 and to the entire country in July 1, 2014. The cardinal objectives of the policy are: (i) to drive development and modernization of Nigeria payment system in line with vision 2020 goal of Nigeria becoming one of the top twenty economies of the world by year 2020, (ii) to reduce the cost of banking services (including the cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach, (iii) to limit high cash usage outside the formal sector and thereby improve the effectiveness of monetary policy in managing inflation and encouraging economic growth, and (iv) to curb some of the negative consequences associated with high physical cash usage, including high cost of cash: robberies, corruption and leakages through money laundering, fraud and cash-related crimes

(Central Bank of Nigeria, 2011; Odior and Banuso, 2012; Shonubi, 2012). However, the following are vital issues of the cash-less policy. First, there is a threshold of daily cumulative cash of N500, 000 and N3 million on cash withdrawals and lodgments by individual and corporate bodies respectively free of processing fees. At the conception of the policy in 2011, these were pegged at N150, 000 and N1 million but were later reviewed. This limit applies to all account so far as it involves cash, irrespective of the channel used. Second, there are processing fees for withdrawals above the limit, and it is 3% for individual and 5% for corporate bodies. Lodgment above the limit attracts 2% and 3% processing fee for individual and corporate bodies respectively. These processing fees are subject to review every six months. Thirdly, these fees do not apply to accounts operated by Ministries, Departments and Agencies of the Federal and State Governments, solely meant for the purpose of revenue collections. Exemptions are also extended to Embassies, Diplomatic Missions and Multi-lateral and Aidonor Agencies, as well as Micro Finance Banks and Primary Mortgage Institutions (CBN, 2012) Reducing the huge population of Nigerians who do not have access to financial services is one of the major targets of the CBN. A survey on enhancing financial innovation and access

in 2010, revealed a marginal increase of those served by formal financial market from 35% in 2005 to 36.3% in 2010; five years after the launch of Micro finance policy which was thought could massively mobilize rural Nigerians into formal financial services (Onyinye, 2012). The survey attributed the reasons why most Nigerians do not have or maintain a bank account to unsteady income, unemployment and distance to bank branches. Accordingly, the CBN targeted to increase the number of Nigerians in the formal sector from its figure of 36.3% in 2010 to above 70% by 2020 (The Nigerian Voice, 2013; The Nation, 2013). In pursuant of the foregoing, the CBN has undertaken a number of strategic initiatives, including a commitment at the 2011 Alliance for Financial Inclusion Global Forum held in Mexico to reduce Nigeria's financial exclusion from 46.3% to 20% by 2020. One way to realizing this is to facilitate access to the otherwise disadvantaged groups like the farmers, aged citizens, self-employed, jobless school leavers and SMEs considered by banks a costly, risky and unviable bankable population (Onyinye, 2012). Also, the introduction of mobile money services by the CBN is seen as a veritable tool to create payment access to those unbanked Nigerians in the rural areas, and also help drive financial inclusion in the country. Financial

analysts are of the view that the high level of mobile telecommunications usage in the country is expected to translate into increase in bankable Nigerians if perfectly harnessed (Amaka, 2012)

2.2 CASHLESS POLICY

The cashless policy which took effect from April 1, 2012 in Lagos as a pilot project pegs daily cash transactions over the counter for individuals and corporate bodies at one hundred and fifty thousand naira (N150,000) and one million naira (N1,000,000) respectively. However, these amounts were later reviewed upward to five hundred thousand naira (N500, 000) and three million (N3, 000,000) for individuals and corporate organizations respectively. Any over the counter (OTC) cash transactions above the aforementioned amount for individuals and corporate organizations attract a charge. The essence of the policy is to shift the economy from a cash-based economy to a cashless one. Thus it is geared towards engendering an efficient payment system anchored on electronic based transactions. Electronic based transaction seeks to drive the development and modernization of Nigeria's payment system in line with her vision 20:20 20 goal of being among the top 20 economies of the world by the year 2020 (Central Bank of Nigeria, 2011). It is a truism that an efficient and modern

payment system is a key enabler and a sine qua non for driving growth and development. The policy also aims at improving the effectiveness of monetary policy in managing inflation in the economy. The cashless policy applies to all accounts, including collection accounts and the cash limits apply to an account irrespective of channel (i.e. whether it is over the counter, ATM, third party cheques cashed over the counter etc). As far as cash is involved, any withdrawal or deposit that exceeds the limits attracts a service charge (Central Bank of Nigeria, 2011). The charge is borne by the account holder and is about N100 per every 1000 in bank charges (This day Live 2012, April 25). The limit however does not prevent customers from withdrawing or depositing beyond the pegged limits but such customers should be prepared to pay the aforementioned penal fee. The implementation of the policy which is currently undergoing a test run in Lagos is expected to be extended to other states of the federation from January 1, 2013. However, contrary to the initial plan to introduce the policy to all states of the federation by January 1, 2013, the apex bank has now decided to pursue the implementation process in stages, beginning from five additional states and the Federal Capital Territory. These states are Kano, Ogun, Anambra, Rivers, a state in the North Eastern zone of the

country and the Federal Capital Territory (FCT), Oketola (2012, July 30). Desirous of making the policy succeed, the apex bank has introduced a number of financial services which among others include mobile money payment system, point of sale terminals, Alerts and Automated Teller Machines (ATM). Essentially, Mobile Payment System introduced at the dawn of January 1, 2012 allows users to make payments with their GSM phones. It is a saving device and transfer system that turns GSM phone into a saving account platform, allowing owners to save money in it and also make transfers. The Point of Sale (POS) terminals are installed by businesses and connected to the Nigeria Inter Bank Settlement System for purposes of making payments during business transactions. As mentioned earlier, one of the cardinal objectives of the cashless policy is to actualize the Nigeria's Vision 20: 20 20. What then is vision 20: 20 20? Vision 20:20 20 is an economic transformation blue print which articulates "the long term intent to launch Nigeria onto a path of sustained social and economic progress and accelerate the emergence of a truly prosperous and United Nigeria". In other words, the blueprint expresses Nigeria's intent to improve the living standards of her citizens, taking cognizance of the enormous human and material resources in Nigeria and drive the economy

to be among the top 20 economies in the World with a minimum GDP of \$900 billion and a per capita income of no less than \$4000 per annum (Nigeria vision 20:20 20, 2009). The economic blueprint intent is aptly captured in the vision statement: "By 2020 Nigeria will have a strong diversified, sustainable and competitive economy that effectively harnesses the talents and energies of its people and responsibly exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens" (Nigeria vision 20: 20 20, 2009). To achieve the provisions of Nigeria Vision 20: 20 20, efficient and modern payment system is critical, which the cashless policy seeks to address

2.3 IMPLICATIONS OF CASH BASED ECONOMY

Nigeria is a heavily cash oriented economy with retail and commercial payments primarily made in cash. Indeed, cash is a strong motivator in Nigeria's highly informal economy. According to the Central Bank of Nigeria (2012), cash related transactions represented over 99% of customer activity in Nigerian banks as at December 2011. Cheques and POS have about 29,159,960 and 1,059,069 volume of transaction representing 14 per cent and 1 per cent respectively which is an insignificant or negligible transaction volume, while the WEB channel accounts for zero per cent of

transaction volume. Cash based economy is not without cost to the banking system, government and individuals. High cash usage, results in high cost of processing, borne by every entity across the value chain (i.e. from the CBN, to banks, to the operating entities and individuals as well). For example, the cost of printing new bank notes as a result of frequent handling of cash is said to cost the Central Bank of Nigeria (CBN) a colossal amount annually. Generally, cost of cash to Nigeria's financial system is high and increasing. It is estimated to reach N192 billion in 2012 (Central Bank of Nigeria, 2011). The grand total of cost of cash to both the Central Bank of Nigeria (CBN) and other banks in 2009 reach a terrifying amount of N114.5 billion. It is also worthy of note that cash is an integral element that fuels several vices in Nigeria with negative consequences to individuals, corporate organizations, and the government. These vices among others include corruption, revenue leakage out of government and corporate organizations' coffers, election rigging, armed robberies, and other cash related crimes. In the light of the foregoing, the introduction of the cashless policy by the Central Bank of Nigeria (CBN) is applauded as a policy package with bountiful benefits as it seeks to encourage cashless payments, thereby arresting some of these cash related vices.

2.4 BENEFITS OF THE CASH-LESS POLICY

Undoubtedly, an efficient payment system (that which depends less on cash) is a sinequa-non for national development and a significant national infrastructure for growth. All things being equal, it has been shown that 10% increase in the efficiency of the national payment system can cause the Gross Domestic Product to increase by 1% (Odior and Banuso, 2012). With the advent of cash-less policy in Nigeria, what are the likely benefits? Opinions on this differ. On one side, we have those who are apprehensive about the policy. The assertion by Tunde (2012) sums up this: "Transaction charges are seen to make significant contribution to the profits of the banks. The cash-less Nigeria programme has even brightened the horizon for the banks to make even higher income from transaction fees. Isn't this likely to result in "armchair banking" whereby banks will do little to mobilize deposits and build credit asset while also scaling back retail distribution outlet as has been reported? Are we likely to see some of the multiple fees consolidated to some point?" On the other hand there are those who are optimistic about the policy. For instance, Obina (2012) believes that if the reported two-third of the total cash in the economy which are outside the banking system is brought in (as it will be in cash-

less economy), the banks will have enough resources to do their businesses. Still expressing optimism, this study agrees with the submissions of Laoye (2011), Akhalumeh and Ohiokha (2012), and Okey (2012) that if the cashless policy is successfully implemented, the following benefits will be attained.

- i. A shift towards cash-less policy will reduce the high operational cost incurred in a cash-based economy. Such costs emanate from cash management and movement, currency sorting and printing.
- ii. Cash-less policy will help minimize the risks associated with the use of physical cash that do arise from burglaries and thefts as well as financial losses in fire outbreaks.
- iii. Cash-less economy will make every segment of the banking population to pay for its usage of cash. The situation in the cash-based system where the majority small cash users pay for the minority high cash users will stop. There will be no more subsidies on cash transaction costs. To recapitulate, a survey conducted by the CBN in 2009 revealed that 90% of bank customers' daily withdrawals are amounts below N150, 000, whereas only 10% of the bank customers who withdraw over N150, 000 are responsible

for the rise in cost of cash management incurred by all the customers. Implicitly, the entire banking population supports financially the costs that the minority (10%) incurs. A cashless economy will reduce this subsidy and makes the minority of the bank population account for the cost of cash movement they incur rather than the entire banking population.

- iv.** Cash-less economy will arrest a situation where a lot of cash are outside the formal banking system. By encouraging formal financial arrangement, it will facilitate the effectiveness of monetary policy in checking inflation and pushing economic growth.
- v.** Furthermore, cash-less economy is capable of reducing corrupt practices like money laundering which is common-place in cash-based economy. To the extent that cash is not easily pulled out of the system, it will discourage launders.
- vi.** The cash-less economy will bring about increased convenience, more service option, reduced risk of cash related crimes, cheaper access to banking services, and credit to customers.
- vii.** Corporate organizations will benefit by way of faster access to capital, reduce revenue leakages and reduce cash handling cost.

- viii.** On the part of the government, it will bring about increased tax collection, greater financial inclusion, reduced revenue leakages and increase economic development.
- ix.** Other stakeholders: The cash-less system brings along with it different banking instruments such as POS systems, mobile payments, direct debits, internet banking, electronic fund transfer etc. Implicitly, companies that relate to the production of these products will benefit. Such companies include Nigeria Inter-Bank Settlement System Plc (a shared infrastructure company of the bankers committee with a mandate to continuously enhance the Nigeria payments system owned by all licensed deposit money banks in Nigeria and the CBN), POS manufacturers, telecom providers, and switch operators.

2.5 CHALLENGES OF THE CASH-LESS ECONOMY

Notwithstanding the fact that the cash-less policy comes with enormous benefits, there are also some envisaged challenges that could confront the

policy. These challenges identified by this study, and elsewhere by Okechukwu (2011), Ejiofor and Rasaki (2012) include, but not limited to:

- i. The policy is challenged by financial infrastructure deficit. The cash-less payment channels that are currently available are not adequate to cope with the demand of the policy if it is to be implemented religiously. This means that the policy will require further investment of funds by operators and regulators.
- ii.** Given that the system is driven largely by ICT, the policy is exposed to dangers of fraudulent practices as any security lapses can be exploited by the astute fraudster to perpetuate fraud. Internet related crimes like hacking is likely to threaten the cash-less policy in Nigeria
- iii.** Electricity is a critical infrastructure for an efficient e-payment system. Sadly, Nigeria cannot boast of steady power supply across its urban and rural areas. This will without doubt affect the success of cash-less policy if not addressed.
- iv.** The high charges and fees on some of the electronic channels are capable of generating resistance by the banking public. For

example, the recent re-introduction of charges for ATM withdrawals didn't go down well with the users.

- v. To operate successfully in cash-less economy, some level of literacy is required in view of the technology involved. Therefore, Nigeria with high rate of illiteracy will certainly have some challenges. Illiterate population would prefer to keep their money in cash

2.6 THEORETICAL BACKGROUND

Cashless economy is not the complete absence of cash, 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. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010). It has been observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones,

especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchanges. These all refer to how transactions and payments are effected in a cashless economy (Moses-Ashike, 2011). Marco and Bandiera (2004) argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it does conclude that central banks can lose control over monetary policy if the government does not run a responsible fiscal policy. Echekeba 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 automated teller machine (ATM), while 33.6% was through over the counter (OTC) cash withdrawals and 13.6% through Cheques. 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. However, Akhalumeh and Ohioka (2011) observed some challenges with the introduction of cashless policy. Their findings show that 34.0% of the respondents cited problem of internet fraud, 15.5% cited problem of limited POS/ATM, 19.6% cited problem of illiteracy and 30.9% stayed neutral - the respondent not been sure of problem been expected or experienced. While in some quarters there was fear of unemployment, some believe it will create more jobs especially when companies manufacturing POS machine are cited in Nigeria. More so, data sourced from Central Bank of Nigeria portal shows that Lagos state, with a population of 17 million people, only has sixty one Point Of Sales, twenty bank branches and twenty four ATMs per 100,000 people which are far less to satisfy the needs of the population. These data verify the claim of Echekeba and Ezu (2012) on the problem of cash based economy and cashless policy in Nigeria. For effective cashless implementation in Nigeria availability of sufficient and well-functioning infrastructure (notably electricity), harmonization of fiscal and monetary policy, regular

assessment of the performance of cashless banking channels, consideration of the present state and structure of the economy, redesign of monetary policy framework and greater efforts towards economic growth whilst managing inflation should be considered (Odior and Banuso, 2012)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

The researcher used descriptive research survey design in building up this project work the choice of this research design was considered appropriate because of its advantages of identifying attributes of a large population from a group of individuals. The design was suitable for the study as the study sought to the impact of CBN cashless policy on the development of the banking sector of Nigeria

3.2 Sources of data collection

Data were collected from two main sources namely:

- (i) Primary source and
- (ii) Secondary source

Primary source:

These are materials of statistical investigation which were collected by the research for a particular purpose. They can be obtained through a survey, observation questionnaire or as experiment; the researcher has adopted the questionnaire method for this study.

Secondary source:

These are data from textbook Journal handset etc. they arise as byproducts of the same other purposes. Example administration, various other unpublished works and write ups were also used.

3.3 Population of the study

Population of a study is a group of persons or aggregate items, things the researcher is interested in getting information the impact of CBN cashless policy on the development of the banking sector of Nigeria. 200 staff of CBN in Enugu State was selected randomly by the researcher as the population of the study.

3.4 Sample and sampling procedure

Sample is the set people or items which constitute part of a given population sampling. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample population of the study.

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

$$n = \frac{200}{1 + 200(e)^2}$$

$$1+200(0.05)^2$$

$$= \frac{200}{1.05}$$

$$1+200(0.0025)$$

$$= \frac{200}{1.05} = \frac{200}{1.05}$$

$$1+0.5 = 1.5 = 133.$$

3.5 Instrument for data collection

The major research instrument used is the questionnaires. This was appropriately moderated. The secretaries were administered with the questionnaires to complete, with or without disclosing their identities. The questionnaire was designed to obtain sufficient and relevant information from the respondents. The primary data contained information extracted from the questionnaires in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer and administered the same on staff of the two organizations: The questionnaires contained structured questions which were divided into sections A and B.

3.6 Validation of the research instrument

The questionnaire used as the research instrument was subjected to face its validation. This research instrument (questionnaire) adopted was adequately checked and validated by the supervisor his contributions and corrections were included into the final draft of the research instrument used.

3.7 Method of data analysis

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations it is with a view to making valuable recommendations and contributions. To this end, the data collected has to be analysis for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of workers response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion. The simple percentage method is believed to be straight forward easy to interpret and understand method.

The researcher therefore chooses the simple percentage as the method to use.

The formula for percentage is shown as.

$$\% = f/N \times 100/1$$

Where f = frequency of respondents response

N = Total Number of response of the sample

100 = Consistency in the percentage of respondents for each item

Contained in questions

CHAPTER FOUR

PRESENTATION ANALYSIS INTERPRETATION OF DATA

4.1 Introduction

Efforts will be made at this stage to present, analyze and interpret the data collected during the field survey. This presentation will be based on the responses from the completed questionnaires. The result of this exercise will be summarized in tabular forms for easy references and analysis. It will also show answers to questions relating to the research questions for this research study. The researcher employed simple percentage in the analysis.

DATA ANALYSIS

The data collected from the respondents were analyzed in tabular form with simple percentage for easy understanding.

A total of 133(one hundred and thirty three) questionnaires were distributed and 133 questionnaires were returned.

Question 1

Gender distribution of the respondents.

TABLE I

Gender distribution of the respondents

Response	Frequency	Percent	Valid Percent	Cumulative Percent
Male	77	57.9	57.9	57.9
Valid Female	56	42.1	42.1	100.0
Total	133	100.0	100.0	

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

TABLE II

The positions held by respondents

Response	Frequency	Percent	Valid Percent	Cumulative Percent
HRMs	37	27.8	27.8	27.8
Accountants	50	37.6	37.6	65.4
Valid Customer care officers	23	17.3	17.3	82.7
Junior staff	23	17.3	17.3	100.0
Total	133	100.0	100.0	

The above tables shown that 37 respondents which represents 27.8% of the respondents are human resource managers 50 respondents which represents 37.6 % are accountants 23 respondents which represents 17.3% of the respondents are customer care officers, while 23 respondents which represent 17.3% of the respondents are junior staff

TEST OF HYPOTHESES

There is no significant relationship between accessibility to customers 'accounts and cashless policy

Table III

There is no significant relationship between accessibility to customers 'accounts and cashless policy

Response	Observed N	Expected N	Residual
Agreed	40	33.3	6.8
strongly agreed	50	33.3	16.8
Disagreed	26	33.3	-7.3
strongly disagreed	17	33.3	-16.3
Total	133		

Test Statistics

	There is no significant relationship between accessibility to customers 'accounts and cashless policy
Chi-Square	19.331 ^a
Df	3
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3.

Decision rule:

There researcher therefore reject the null hypothesis there is no significant relationship between accessibility to customers 'accounts and cashless policy as the calculated value of 19.331 is greater than the critical value of 7.82

Therefore the alternate hypothesis is accepted that there is significant relationship between accessibility to customers 'accounts and cashless policy

TEST OF HYPOTHESIS TWO

There is no significant relationship between queue-ups in banking halls and cashless policy

Table V

There is no significant relationship between queue-ups in banking halls and cashless policy

Response	Observed N	Expected N	Residual
Yes	73	44.3	28.7
No	33	44.3	-11.3
Undecided	27	44.3	-17.3
Total	133		

Test Statistics

	There is no significant relationship between queue-ups in banking halls and cashless policy
Chi-Square	28.211 ^a
Df	2
Asymp. Sig.	.000

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.3.

Decision rule:

There researcher therefore rejects the null hypothesis there is no significant relationship between queue-ups in banking halls and cashless policy as the calculated value of 28.211 is greater than the critical value of 5.99

Therefore the alternate hypothesis is accepted that state there is significant relationship between queue-ups in banking halls and cashless policy

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

It is important to ascertain that the objective of this study was to ascertain the impact of CBN cashless policy on the development of the banking sector of Nigeria

In the preceding chapter, the relevant data collected for this study were presented, critically analyzed and appropriate interpretation given. In this chapter, certain recommendations made which in the opinion of the researcher will be of benefits in addressing the challenges of the impact of CBN cashless policy on the development of the banking sector of Nigeria

5.2 Summary

This study was on the impact of CBN cashless policy on the development of the banking sector of Nigeria. Three objectives were raised which included: To ascertain the relationship between Cashless policy and accessibility to customers' accounts, to investigate the relationship between Cashless policy and queue-ups in banking halls. Ascertain the relationship between

Cashless policy and the promptness of bank-related transactions. In line with these objectives, two research hypotheses were formulated and two null hypotheses were posited. The total population for the study is 200 staff of CBN in Enugu State. The researcher used questionnaires as the instrument for the data collection. Descriptive Survey research design was adopted for this study. A total of 133 respondents made up human resource managers, accountants, customer care officers and junior staff was used for the study. The data collected were presented in tables and analyzed using simple percentages and frequencies

5.3 Conclusion

This study shows that the introduction of cashless economy in Nigeria can be seen as a step in the right direction. It is expected that its impact will be felt in modernization of Nigeria payment system, reduction in the cost of banking services as well as reduction in high security and safety risks. This should also include curbing banking related corruptions and fostering transparency. It is also assumed that the introduction of cashless policy in Nigeria will help to reduce the amount of bills and notes circulating in the economy. This should, therefore, reduce handling operation cost incurred

on conventional money, as well as reduction in cash related crimes. It should also help to provide easy access to banking services for Nigerians

5.4 Recommendation

The cash-less policy should however not be seen as having no consequences. For instance, the use of POS in cash-less setting will attract special charges that do not go with cash transactions as shown in the data analysis section. To mitigate the challenges of the cash-less policy it is recommended that power and electricity infrastructures should be put in place to provide support for electronic banking equipment. Situations where banks have to provide own power supply practically every working day (like the banks in Abraka environs) will increase overhead costs and diminish the gains accruable to them. Legal and regulatory framework that will check electronic fraud should be put in place by the government. The mandate of anti-graft agencies like the Economic and Financial Crimes Commission (EFCC) should be expanded to cover fraudulent practices that are associated with operations of cash-less economy. In addition, the policy should have local content by ensuring that it is in tune with fundamental economic policy of Nigeria founded on socio-cultural ideals of Nigerians. A

situation where foreign banking culture is imported and imposed should not be associated with the cash-less policy. Finally, the CBN should embark on public enlightenment to educate the populace on the nitty-gritty of the cash-less system. This will raise the level of awareness and reduce possible resistance by the banking public

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QUESTIONNAIRE

INSTRUCTION

Please tick or fill in where necessary as the case may be.

Section A

(1) Gender of respondent

A male { }

B female { }

(2) Age distribution of respondents

a) 15-20 { }

b) 21-30 { }

c) 31-40 { }

d) 41-50 { }

e) 51 and above { }

(3) Marital status of respondents?

(a) married []

(b) single []

(c) divorce []

(4) Educational qualification off respondents

(a) SSCE/OND { }

(b) HND/BSC { }

(c) PGD/MSC { }

(d) PHD { }

Others.....

- (5) How long have you been CBN
- (a) 0-2 years { }
 - (b) 3-5 years { }
 - (c) 6-11 years { }
 - (d) 11 years and above.....
- (6) Position held by the respondent in CBN
- (a) HRM { }
 - (b) Accountant { }
 - (c) Customer care officer { }
 - (d) Junior staff { }
- (7) How long have you been working in CBN
- (a) 0-2 years { }
 - (b) 3-5 years { }
 - (c) 6-11 years { }
 - (d) 11 years and above.....

SECTION B

- (8) Cashless policy affect Nigeria economy
- (a) Agrees { }
 - (b) Strongly agreed { }
 - (c) Disagreed { }
 - (d) Strongly disagreed { }
- (9) Cashless policy affect SME
- (a) Agrees { }
 - (b) Strongly agreed { }
 - (c) Disagreed { }

(d) Strongly disagreed { }

(10) There is a significant relationship between accessibility to customers' counts and cashless policy.

(a) Agreed { }

(b) Strongly agreed { }

(c) Disagreed { }

(d) Strongly disagreed { }

(11) There is a significant relationship between queue-ups in banking halls and cashless policy.

(a) Agreed { }

(b) Strongly agreed { }

(c) Disagreed { }

(d) Strongly disagreed { }

(12) There is a significant relationship between cash-related robbery in money deposit banks and the cashless policy.

(a) Agreed { }

(b) Strongly agreed { }

(c) Disagreed { }

(d) Strongly disagreed { }

(13) There is a significant relationship between the promptness of bank-related transactions and the cashless policy.

- (a) Agreed { }
- (b) Strongly agreed { }
- (c) Disagreed { }
- (d) Strongly disagreed { }

(14) CBN cashless policy affect commercial banks

- (a) Agreed { }
- (b) Strongly agreed { }
- (c) Disagreed { }
- (d) Strongly disagreed { }

(15) Cashless policy is beneficial to public servant?

- (a) Agreed { }
- (b) Strongly agreed { }
- (c) Disagreed { }
- (d) Strongly disagreed { }

(16) CBN cashless policy is helping the National economy

- (a) Agreed { }
- (b) Strongly agreed { }
- (c) Disagreed { }
- (d) Strongly disagreed { }

