Greener Journal of Internet, Information and Communication Systems

ISSN: 2354-2373

Impact of Cashless Economy in Nigeria

By

Omotunde M.
Sunday T.
John-Dewole A.T.

Research Article

Impact of Cashless Economy in Nigeria

***Omotunde Muiyiwa¹, Sunday Tunmibi,¹ and John-Dewole A.T.²**

¹School of Computer Science, Mathematics and Information Technology, Houdegbe North American University, Republic of Benin.

²Department of Computer Science with Electronics, Faculty of Information Technology and Applied Sciences Lead City University, Ibadan. Nigeria.

*Corresponding Author's email: folatunde2004@yahoo.com

ABSTRACT

This paper studied the impact of cashless policy in Nigeria. The policy was introduced by Central Bank of Nigeria (CBN) in December 2011 and was kick-started in Lagos in January 2012. Survey research was adopted with questionnaire as data collection instrument. Responses from the respondents show that cashless policy will increase employment; reduce cash related robbery thereby reducing risk of carrying cash; cashless policy will also reduce cash related corruption and attract more foreign investors to the country. The study, therefore, 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, reduction in high security and safety risks and also curb banking related corruptions.

Keywords: Cashless economy, Cashless policy, Lagos State, Nigeria.

INTRODUCTION

Cashless economy is an economy where transaction can be done without necessarily carrying physical cash as a means of exchange of transaction but rather with the use of credit or debit card payment for goods and services. The cashless economy policy initiative of the Central Bank of Nigeria (CBN) is a move to improve the financial terrain but in the long run sustainability of the policy will be a function of endorsement and compliance by end-users (Ejiro, 2012). The CBN cash policy stipulates a daily cumulative limit of ₦150, 000 and ₦1, 000,000 on free cash withdrawals and lodgments by individual and corporate customers respectively in the Lagos State with effect from March 30, 2012. Individuals and corporate organizations that make cash transactions above the limits will be charged a service fee for amounts above the cumulative limits. Furthermore, 3rd party cheques above ₦150, 000 shall not be eligible for encashment over the counter with effect from January 1, 2012. Value for such cheques shall be received through the clearing house. All Nigerian banks were expected to cease cash in transit lodgment services rendered to merchant-customers from January 1, 2012.

The policy through the advanced use of information technology facilitates fund transfer, thereby reducing time wasted in Bank(s). Wizzit, a fast growing mobile banking company in South Africa has over three hundred thousand customers across South Africa. Likewise, M-PESA was introduced in Kenya as a small value electronic system that is accessible from ordinary mobile phones. It has experienced exceptional growth since its introduction by mobile phone operator (Safaricom) in Kenya in March, 2007 and has already been adopted by nine million customers, which is about 40% of Kenya's adult population. Wizzit and other mobile financial services including M-PESA in Kenya are helping low income Africans make financial transaction across long distance with their cell-phones, thereby reducing their travel cost and eliminating the risks of carrying cash and also avoiding most banking charges (Akintaro, 2012). It is assumed that the proper implementation of mobile phones and other technologies can aid the implementation of cashless policy and hence, the growth of cashless economy in Nigeria.

The introduction of the implementation of cashless policy (policy is program of actions adopted by government) began in Lagos State, Nigeria. Why Lagos? According to Central Bank of Nigeria (CBN, 2011) Lagos state accounted for 85% of POS and 66% of cheques transaction in Nigeria. Cashless economy aims at reducing the amount of physical cash circulating in the Nigeria economy and thereby encouraging more electronic-based transaction. According to Central Bank of Nigeria (CBN, 2011) the policy is expected to reduce cost incurred in maintaining cash-based economy by 90% upon its full implementation in Nigeria. This study aims to look at the impact of cashless economy in Nigeria.

2. BRIEF LITERATURE REVIEW

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).

(2004) 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.

Echekoba and Ezu (2012), in a research carried out in Nigeria, observed that 68.2% of the respondent complained about long queues in the bank, 28.9% complained of bad attitude of teller officers (cashiers) while 2.89% complained of long distance of bank locations to their home or work places. Likewise, in her 24th NCS national conference in December 2011, CBN data shows that 51% of withdrawal done in Nigeria was through 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 Echekoba 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).

3. RESEARCH METHODOLOGY

This study was carried out, using accidental sampling method, in Lagos state, Nigeria. A total of 500 traders, students and civil servants were sampled. Questionnaire was used as data collection instrument, with questions on demographics and benefits of cashless economy in Nigeria. The major statistical technique used was descriptive (use of frequency tables and charts).

4. RESULT

4.1 Demographics

responses on gender show that male respondents accounted for 55.6% while the female respondents are 44.4%. Figure 1 and Figure 2 presents the responses on age and occupation, respectively. For age, majority of the respondents are between 18 to 25 years, this is followed by those between 26 to 40 years while the least number are between 41 to 60 years. For occupation of the respondents, the highest percentage (44.4%) is traders, followed by students (33.3%) and civil servants (22.2%).

Figure 1: Age of Respondents

Figure 2: Occupation of Respondents

4.2 Benefits

Table 1 shows the view of respondents on benefits of cashless economy in Nigeria. The lowest percentage, 11.1% of the respondents, believed that cashless policy will increase employment. A higher percentage, 22.2% of the respondents, believed that cashless policy in Nigeria will reduce cash related robbery thereby reducing risk of carrying cash. The highest percentage of the respondents believed that cashless policy will reduce cash related corruption (33.3%) and cashless policy will attract more foreign investors to the country (33.3%).

Table 1: Benefits of Cashless Economy in Nigeria

Benefits of Cashless Economy	Percentage (%)
Increase employment	11.1%
Reduce cash related robbery	22.2%
Reduce cash related corruption	33.3%
Attract more foreign investment	33.3%
Total	100%

5. CONCLUSION

The study, impact of cashless economy in Nigeria, focused on the three major categories by which Nigerians can be divided – traders, students and civil servants. More number of traders was sampled, compared to students and civil servants, because they are more into business and financial transactions. More so, a higher number of respondents within the age bracket of 18 and 25 years show that apart from students, quite a number of Nigerian youth are also into trade.

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.

REFERENCES

- Akhalumeh, P.B., and Ohiokha, F. (2011): Nigeria's Cashless Economy; The Imperatives. *International Journal of Management & Business Studies*. vol.2 pp. 12 – 17.
- Akintaro, S. (2012): Going Cashless. IT & Telecom digest, online magazine, august,2012
- CENTRAL BANK OF NIGERIA (2011): Towards a Cashless Nigeria: Tools & Strategies. *Nigerian Journal of Economy*. 3(2), 344 – 350.
- Echekoba, F.N., and Ezu, G.K. (2012): Electronic Retail Payment Systems: User Acceptability & Payment Problems in Nigeria. *Arabian Journal of Business & Management Review*. vol.5, pp. 60 – 63.
- Ejiro, O. (2012): What Nigerians Think of the Cashless Economy Policy. *Nigerian Journal of Economy*. 4(6), 97 – 102.
- Humphrey, D. B. (2004): —Replacement of cash by cards in U.S. Consumer Payments, *Journal of Economics and Business*, 56, 211–225.
- Marco, A. and L. Bandiera (2004): -Monetary Policy, Monetary Areas and Financial Development with Electronic Money, IMF Working Study, IMF.
- Moses-Ashike, H. (2011),“Cashless Economic can Reduce Risk of Carrying Huge Cash”, [Online] Available: <http://www.businessdayonline.com/.../22217>.
- Odior, E.S., and Banuso, F.B. (2012): Cashless Banking in Nigeria: Challenges, Benefits & Policy Implications. *European Scientific Journal*. Vol 8, pp. 12 – 16.
- Roth, B. L. (2010). “The Future of Money: The Cashless Economy – Part 1”. [Online] Available: <https://www.x.com/.../future-money-cashless-economy—part-i>.
- Woodford M. (2003). “Interest & Price: Foundation of a Theory of Monetary Policy”, Princeton University Press.