

Assessment Of The Effect of Cashless Policy on the Payment Systems in Nigerian Tertiary Institutions

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Abstract: This research was carried out to assessment the effect of cashless policy on payment system in tertiary institutions of Nasarawa State. A total of three hundred (300) questionnaires were used for the studies whereby two hundred and seventy five (275) questionnaires were retrieved. Survey design was employed to administered questionnaires to the respondents. Data obtained were analyzed using descriptive and inferential statistics. The result of the findings revealed that cashless policy has significant impacts on payment system in the study area and has greatly improved e-payment system and reduced financial fraud. Some of the major constraints to effective implementation of cashless policy include; corruption, fraudulent practices, poor power supply, illiteracy and adequate facilities. Based on the findings, it was recommended that Government should be proactive in fight against corruption, government should provide uninterrupted power supply, provide adequate security, create awareness, provide skilled manpower and computer equipment for the smooth e-payment system in tertiary institutions

Key words: e-payment, Cashless, Policy, Point of Sale, Mobile Payment, Money

INTRODUCTION

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 cashless policy of the Central Bank of Nigeria (CBN). Within the last decade, our world has become rapidly more digitized. For example, we now have internet purchases, and social interactions made via short message service (SMS), e-mails and social networks on the Internet. Two important factors that have contributed to this development are the use of mobile phones, and the

use of the Internet. Today, we still make payment using cash and cheques, but several other payment instruments, such as credit and debit cards are widely used (Lawal, 2018). The use of paper money is declining, but at a slow pace. A success story today in Nigeria of electronic payment is the Automated Teller Machine (ATM) which is used by consumers primarily as cash dispenser a usage that has continued to grow. The basis of mobile payments has been described and it is relevant to pay attention to what kind of mobile payment technologies that exist today in order to be able to assess the introduction of a cashless society through mobile payments.

According to Central Bank of Nigeria (2015), the Nigeria government on its drive to be amongst the top 20 economies by the year 2020, introduced the new cashless policy for a number of key reasons, which include; to drive development and modernization of our payment system in line with Nigeria's vision 2020 goal, 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, 2015).

It is in the light of the foregoing, that this study was carried out to examine the effect of the cashless policy, on the Payment System in Nigerian Tertiary Institutions. This is anticipated will help bridge the gap between recent perceptions about the cashless economy and the actual operations of the system in tertiary institutions.

Methods of Cashless Payments

Most of the cashless methods of payment consists of the following: mobile banking, internet banking, telephone banking, cashless card, and of course credit card.

Mobile Banking: Mobile banking involves the use of mobile phone for settlement of financial transactions, it support person to person transfers with immediate availability of funds for the beneficiary, mobile payments use the card infrastructure for movement of payment instructions as well as secure SMS messaging for confirmation of receipt to the beneficiary, mobile banking is meant for low value transactions where speed of completing the transaction is key, mobile payment have a very exciting potential within Nigeria, given the low infrastructure requirements and a rapidly increasing mobile phone penetration. The services covered under this product include account enquiry, funds transfer, recharge phones, changing of passwords and bill payment which are offered by few institution (Clarida et al., 2017).

Telephone Banking: These are banking services which a customer of a financial institution can access using a

telephone line as a link to the financial institution's computer centre. Services rendered through telephone

banking include account balance funds transfer, change of pin, and recharge phones and bills payment.

Electronic Card: A cashless card is a physical plastic card that uniquely identifies the holder and can be used for financial transactions on the internet, automated teller machine (ATM) and point-of sales (POS) terminal, to authorize payment to the merchant or seller (Usman, 2019). The various types of cashless cards includes debt, credit cards, releasable cards require visiting banks for replenishment, debit cards are linked to local bank accounts and offer immediate confirmation of payment while credit line and can be used for are linked to a credit line and can be used for accessing local and international networks and were widely accepted in most countries, the underlying infrastructure and operational rules are often provided by global trusted schemes (such as visa and master card) in addition to local lines (Edet, 2018). Debit cards are the dominant card mechanism in Nigeria, they are also known as ATM cards and ATM usage is wider than POS transactions given the current limited deployment of POS terminals (Gresvik and Owre 2012).

Benefits of Cashless Policy in Nigeria

Several benefits are could be derived from the adoption and use of cashless payment systems. Laoye (2017) highlighted some of these benefits as:

- i. A shift towards cashless policy will reduce high operational cost incurred in cash based economy.
- ii. Cashless policy will help minimize the risk associated with the use of physical cash that do arise from burglaries and thefts as well as financial losses in fire outbreaks
- iii. Cashless economy will make every segment of the banking population to pay for its usage of cash
- iv. Cashless 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 improving economic growth.
- v. Cashless economy is capable of reducing corrupt practices like money laundering since cash is not easily pulled out of the system.
- vi. Cashless economy will bring about increased convenience, more service option, reduce 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 government, it will bring about increased tax collection, greater financial inclusion, reduced revenue leakages and increase in economic development.

ix. Cashless policy/system brings along with it different banking instruments as POS systems, mobile payments direct debits, internet banking companies that are connected with production, marketing and serving of these products will benefit, and employment opportunities will be high.

Statement of the Problem

According to the Central Bank of Nigeria, 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 Nwaolisa and Kasie (2014), in carrying out transactions has remained relatively high in Nigeria. This is due to the poor network connections in the use of Point-Of-Sale and bank transfers which often results in debiting customers' accounts more than once, high transaction charges by banks, as well as security and technical setbacks. These are some of the factors still posing challenges in crossing into a cashless society. So much may have been said about the prospects and gains of the adoption of e-payment and cashless economy (or cashless banking), but in concrete terms people have not been convinced that the policy is for the good of all. The transition to a cashless economy raises a lot of concerns as it seems there is yet no substantial evidence to justify its implementation in Nigeria. It is in the light of the forgoing that this research is set to evaluate the impact of a cashless on the payment system in tertiary institutions in Nasarawa State.

Objectives of the study

The main objective of this study is to assess the effect of the cashless policy on payment system in tertiary institutions in Nigeria. The specific objectives are;

- i. To identify the benefits of adopting cashless policy on Payment System in Nigerian Tertiary Institutions.
- ii. To determine the possible effects of the cashless policy on the economic growth of the tertiary institutions.
- iii. To examine the possible constraints to the implementation of e-payment system in the study areas.

Research Hypothesis

H₀: Cashless policy does not have significant effect on payment system in Nigerian Tertiary Institutions.

H₁: Cashless policy have significant effect on payment system in Nigerian Tertiary Institutions.

RESEARCH METHODOLOGY

This study used both the descriptive and survey method of research.

The Study Area

The study was carryout in three selected tertiary institutions of Nasarawa State Nigeria. The state is situated in North Central Nigeria. The state is shares boundary with Plateau and Kaduna State in the North, Benue State from the south as well as Federal Capital Territory from the west (National Bureau of Statistics, 2015).

Population of the Study

The population of this study consists of the entire administrative and accounting staff in the selected institutions – Nasarawa State University, Keffi, Isa Mustapha Agwai I (IMAP) Polytechnic, Lafia and College of Education, Akwanga. A total population sample of three hundred (300) staff were randomly selected for the study.

Method of Data Analysis

Data were collected from the respondents through the use of questionnaire, and was administered to three hundred respondents using face- to -face interviews. Data collected were analyzed using simple descriptive statistics, such as frequencies, percentages and mean.

RESULTS AND DISCUSSION

This study was conducted to assess the effect of cashless policy on payment system in tertiary institutions of Nasarawa state using IMAP Polytechnic, Lafia, College of Education Akwanga, and Nasarawa State University, Keffi as case study. A survey design was used to collect

data for the study using a structured questionnaire. A total of 300 questionnaires were randomly distributed to the respondents in the three (3) selected tertiary institutions whereby 275 representing 92% were filled and returned while 25 representing 08% were not returned which shows a positive response.

have help to reduce cash pilfering and financial mismanagement with majority of the respondents (266) representing 96.73% agreed to that while few 09 Representing (3.27%) disagreed to that opinion.

Benefits Cashless Policy on cash pilfering and financial mismanagement in Tertiary Institutions of Nasarawa State

The result obtained in table 1 showed that the implementation of cashless policy in tertiary institutions

Table 1: Analysis on Benefits Cashless Policy on cash pilfering and financial mismanagement in Tertiary Institutions of Nasarawa State

Option	No. of Respondents	Percentage of Respondents
Agree	266	96.73
Disagree	09	3.27
Total	275	100

Source: Field Survey, 2021

Effect cashless policy on payment system in Nigerian Tertiary Institutions.

The result obtained of the hypothesis tested on the effect of cashless policy on payment system in study area revealed that t-calculated was greater than the table value (i.e. 23.43 > 9.49), then the null hypothesis is

rejected, while the alternative hypothesis is accepted and we conclude that there is significant relationship between cashless on payment system in the study area.

Table 2: Cashless policy does not have significant effect on payment system in Nigerian Tertiary Institutions.

Responses	No	%	T-calculated	Table value	Decision
Agreed	27	38.6			
Disagreed	43	61.4	23.43	9.49	Reject

Level of significance =0.5

Constraints to Implementation of Cashless Policy

Based on the results obtained in table 3, some of the constraints to the implementation of cashless policy in the study area include corruption, fraudulent practices, poor power supply, illiteracy and poor infrastructural

facilities as the major problems affecting effective implementation of cashless policy in the study area.

Table 3: Constraints to Implementation of Cashless Policy

Factors	SD	D	A	SA
Corruption	32	15	162	66
Illiteracy	152	15	08	100
Fraudulent Practices in Banks	36	51	147	36
Poor power supply	124	55	64	32
Inadequate facilities	82	35	115	42
lack of adequate Equipment and E-Facilities	14	154	62	43

Source: Survey, 2021

CONCLUSION

Despite the huge benefits of cashless policy, The Nigerian tertiary institutions her faced with a lot of challenges with respect to the smooth running of the cashless policy. Proper foundations have to be established as the CBN courageously transform the modes of operation of the Nigeria economy. The dynamism in financial system is manifested by the nature and quality of payment products paraded in the system. These products range from common paper money, cheques and cash to electronic payments. Products such as ATM, Smartcard, telephone banking, internet banking amongst others will no doubt reduce or totally eliminate cost of processing cheques.

The CBN, commercial banks and other financial institutions are expected to enhance the system through effective banking and monetary policies. To sustain the electronic payment system, strategic measures must be taken to reduce negative effects of the problems identified as obstacles to the smooth functioning of the system.

Both the government and CBN have a great role in the introduction, development and maintenance of cashless policy in Nigerian through policies, finance, infrastructure development and massive campaign for the awareness and acceptance of cashless policy among Nigerians.

Above all, Nigerians have a greater role in accepting the cashless policy, accepting it with believe that it would improve their financial and economic life and boost the image of the country leading to booming economy. The cashless policy will no doubt increase the country Gross Domestic Product (GDP) as it will encourage and build confidence of foreign investors and tourists.

RECOMMENDATION

Based on this findings, the following recommendation are made:

- i. For proper implementation of the cashless policy, there is need for government to provide infrastructure facilities and equipment in the tertiary institutions for smooth cashless operation in the institutions.
- ii. Government should also support banks in the aspect of financing the payment system which requires a lot of capital to maintain.
- iii. There is the need to intensify the public enlightenment programme about the cashless system so that everybody will be acquainted with the system before its introduction since it will affect everybody.
- iv. Electronic payment system is capital intensive, therefore banks are encouraged to collaborate with other stakeholders to provide needed e-payment equipment such as computers, ATM machines at the institutions. This will help them to share the cost and reduce the initial cost of setting up the electronic banking system.
- v. Government should provide adequate security so as to encourage people to buy into the policy fully and to check online fraud so that the public can be assured and protected against cyber attack and fraud without attracting any security charge on customers.

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