

ASSESSMENT OF THE IMPACT OF CENTRAL BANK OF NIGERIA'S CASHLESS POLICY ON THE DEVELOPMENT OF NIGERIAN BANKING SECTOR: A SURVEY OF SELECTED COMMERCIAL BANKS IN NSUKKA, ENUGU STATE

David-Wayas, Onyinye Maria

Department of Economics, University of Nigeria¹

Ezeobata Chidimma C.

Department of Economics, University of Nigeria, Nsukka²

Abstract:

This study examines the impact of the Central Bank of Nigeria's cashless policy on the development of Nigerian banking sector. A survey design was adopted, and data were collected from 80 employees of Ecobank Nigeria Plc, United Bank for Africa, Guaranty Trust Bank, and First Bank of Nigeria Plc using a structured questionnaire. Data were analysed using descriptive statistics, mean, standard deviation, and chi-square tests. Results indicates that respondents perceived the cashless policy to have positively influenced bank performance and service quality, with 95% agreeing that the policy's channels improved operational outcomes. Chi-square analysis showed a significant positive relationship between the cashless policy and bank development, $p < 0.001$, and between the policy and service quality, $p < 0.05$. Perceived challenges to cashless policy adoption were not statistically significant considering a p-value, $p = 0.061$. The study concludes that the cashless policy has enhanced perceived bank performance and service delivery. It recommends that banks incorporate financial literacy into their marketing strategies and offer incentives and tailored products to encourage sustained adoption of cashless channels.

Keywords: Cashless policy, electronic payment, bank performance, service quality, Nigeria.

1. INTRODUCTION

Banks are the backbone of the economy of any country; they occupy central position in the country's financial system and are essential agents in the development process. By intermediating between the surplus and deficit savings units within an economy, banks mobilize and facilitate efficient allocation of national savings, thereby increasing the quantum of investments and hence national output. In a developing economy such as Nigeria, financial sector development has been accompanied by structural and institutional changes and the sector generally has long been recognized to play a crucial role in the economic development of the nation.

Monetary Policy is the regulation of the money supply and interest rates by Central Bank in order to control inflation and stabilize currency. The Central Bank of Nigeria (CBN) undertakes monetary policy in order to maintain Nigerian's external reserve, safeguard the international value of the legal currency, promote and maintain monetary stability. Similarly, it acts as a sound and efficient financial system in Nigeria, as a banker and financial adviser to the Federal Government and as lender of last resort to the banks. Consequently, in pursuance of its functions in compliance with the core mandate, the CBN as a result of change which is a constant factor, has engaged in series of reformations aimed at both making the financial system formidable and enhancing the overall economic performance of Nigeria so as to place it on the right path in tune with global trends.

The payments system plays a very crucial role in any economy, being the channel through which financial resources flow from one segment of the economy to the other.

Therefore, it represents the major foundation of the modern market economy. Essentially, there are three pivotal roles for the payments system namely; the Monetary Policy role, the financial stability role and the overall economic role (CBN, 2011).

In recent years, Nigeria has been experiencing growth and the condition seems right for launching onto a path of sustained and rapid growth justifying its ranking amongst the 11 countries as identified by Goldman Sachs to have the potential for attaining global competitiveness based on their economic and demographic settings and the foundation for reforms already laid. Constraints to the achievement of Nigeria's ambition to be among the top 20 economies of the world by year 2020 is the fact that the Nigerian Economy is too heavily cash oriented in transaction of good and services which is not in line with the global trends hence the introduction of cashless policy.

In order to rescue the Nigerian economy from total collapse, the Central Bank of Nigeria in collaboration with the bankers' committee introduced the cashless policy. The main aim of the introduction of cashless policy was to provide mobile payment services, breakdown the traditional barriers hindering the financial inclusion of millions of Nigerians and bring about low-cost safe and convenient financial services to all across the country.

A cashless economy is an environment where the use of physical cash for any business transaction is minimized. Electronic devices and information technology play an important role in ensuring a successful cashless economy. Without an optimal use of information technology, no country can attain a speedy socio-economic growth and development. Information Technology is one of the major reasons why the United States of America has attained there level of economic development. The future and success of all businesses especially those in the service industry depends on information technology. Also, companies and banks compete based on the level of information technology each has. Information technology in the banking system is not all about the physical computers present in the banking hall. It entails the database, computerization of customer's accounts, access to one's account from any branch, withdrawal of cash from automated teller machine, the use of online services etc. Recently, any bank that has not upgraded in their electronic services is seen as not been competitive with others. Most banks are constantly working on their servers to enable their customer's swift transactions online.

During the period when Nigeria was fully cash-based system, the operation of the system was significantly high cost to the Nigerian Economy. The Central Bank of Nigeria estimated that cash distribution costs account 60% overheads in the banking sector while cash management operations required up to 80% of the industry's infrastructure base and staff strength (CBN, 2012). Also, the cost of transferring, processing and storing huge amount of cash borne by the financial system was valued at N114.5 billion in 2009 which latter rose 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)

A cash handling charge of 3% and 5% is to be charged on daily withdrawals which exceed N500, 000 and N3, 000,000 for individuals and corporate bodies respectively and 2% for individual and 3% for corporate, on deposits which exceeds the daily limit. The microfinance banks, government revenue generation accounts, embassies and primary mortgage institutions were exempted from these charges. The major reasons for the introduction of cashless policy were (1) To drive development and modernization of our payment system in line with Nigeria's vision 2020 goals of being amongst the 20 economies by the year 2020 (ii) To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach (iii) To improve the

effectiveness of monetary policy in managing inflation and driving economic growth (CBN Bulletin, 2011)

The cashless policy does not mean a total elimination of cash-based system, it is aimed at the reduction of the volume of cash in circulation in the economy. It therefore combines the electronic payment system and cash-based system. The major reasons for the introduction of cashless policy are 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, to reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing efficient transaction options and greater reach and to improve the effectiveness of monetary policy in managing inflation and driving economic growth (CBN, 2011).

There are a lot of electronic channels made available which can be conveniently used in recent years. These channels make transacting business swift and easy. At the comfort of one's home one can send money across the country without visiting the bank. This is one of the benefits of the cashless policy. These channels include web transfers, Point of Sale, Automated teller machine, USSD code etc. some of these channels had been in existence before the official introduction of this policy in 2012.

The cashless policy was initiated by the Central Bank of Nigeria led by the then governor, Sanusi Lamido. It kick started in Lagos in the year 2011 with the aim of achieving an environment where most of the transactions in the banking sector are carried out with cheques and electronic payments in line with the global trend and Nigerian's ambition to be among the top 20 economies of the world by year 2020. Cashless policy aims at curbing some of the negative consequences associated with the high usage of physical cash in Nigerian Economy which included high cost of cash, high subsidy, inefficiency and corruption etc.

With the introduction of the cashless policy, a cash handling charge was also introduced with a cash handling charge for withdrawals that exceed N500, 000 and N3, 000,000 on a daily basis for individuals and corporate bodies respectively. The cashless policy came with the contents that only CIT (Cash in Transit) licensed companies is allowed to provide cash pick up services (any bank that does otherwise will be sanctioned) and 3rd party cheques over N150, 000 should not be paid over the counter but should be paid directly into the account. The CBN cashless policy kick started in Lagos on 30th March 2011, it took effect in Anambra, Rivers, Kano, Ogun, Abia and the Federal Capital Territory (FCT) on the 1st of October 2013. It was later spread through other states and fully implemented in all the parts of the Nation on 1st of July 2014.

The cashless policy does not imply the total elimination of cash in the economy, it's aimed at drastic reduction of cash usage and adopting the electronic means of transactions. There are several electronic means in which one can make payments in the banking system and these include; POS machines, Automated Teller Machines, issuance of cheques, electronic transfers etc.(Ogbuji, C.N et al)

The introduction of cashless policy has brought about tremendous reduction of queues in the banking hall, swift consummation of business transaction, great economic development, reduction in the risk of carrying physical cash to mention but a few

1.1 Statement of the Problem

The use of physical cash instrument as medium of exchange in business transactions has motivated inefficiency of the monetary authorities and also created various issues that are detrimental to both individual and corporate account holders, cash transactions include: time wasted in counting and verifying cash lodgment and withdrawals which in turn affects the money deposit banks and other financial institutions and the government through the CBN. As more payment systems have been introduced, pundits have been predicting the emergence of '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 has not 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 advent of electronic commerce has allowed space for multiple instruments in company transactions, although they are not all fully used. The new policy taken is such that it has been made to impact the economy as a whole and to make complete use of all these

instruments, including financial and fiscal policies, and in turn will maximize the e-commerce development effort.

1.2 Research Question

1. What is the relationship between the cashless policy and the development of Nigerian Bank?
2. What is the relationship between the cashless policy and improvement in the quality of bank's services to customers?
3. What are the identifiable challenges/problems facing the cashless policy adoption in Nigeria?

1.3 Objectives of the Study

The broad objective of this study is to establish the relationship between the Central Bank of Nigeria recently introduced policy called the Cashless Policy and the development of Nigerian banks. This specific objective is further broken down into the following

- a. To ascertain the relationship between the cashless policy and the development of Nigerian Bank.
- b. To ascertain the relationship between the cashless policy and improvement in the quality of bank's services to customers.
- c. To ascertain the identifiable challenges/problems facing the cashless policy adoption in Nigeria.

1.4 Statement of Hypothesis

H0₁: There is no significant relationship between the cashless policy and the development of Nigerian Bank.

H0₂: There is no significant relationship between the cashless policy and improvement in the quality of bank's services to customers.

H0₃: There is no identifiable challenge/problem facing the cashless policy adoption in Nigeria.

1.5 Scope 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 was used in carrying out this research. For the primary data, a survey would be carried out within the Nsukka Local government of Enugu state metropolis, while the secondary data focuses on every available from the Central Bank of Nigeria (CBN) within reach and various paper publications.

1.6 Significance of the Study

This study will be very much significant to the government, stakeholders, policy makers, and private investors; this is because an improved banking sector is necessary for the achievement of macroeconomic objectives. We can also put that improved macroeconomic environment makes for a viable and productive economy.

The study will in no small measure be of help to the government, and monetary authority to come up with appropriate fiscal and monetary measures that will help tackle the macroeconomic instabilities orchestrated by weakened financial institution development and revive the banking sector.

This study will also add to the existing stock of knowledge by capturing some gray areas in the topic under investigation. It will serve as a guide to fellow researchers that may pick interest in the topic or related ones. It will also stand as a reference point, and provide insight for further investigation. Furthermore, the study will equally be helpful also to the interested general public who wish to get familiar with the topic and its dynamics in Nigeria. It will educate them on the impact of cashless policy on development of Nigeria bank.

2. LITERATURE REVIEW

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Concept of Cashless Economy

Cashless economy does not mean an outright elimination of cash transactions in the economic setting but one in which the amount of cash-based transactions is kept to the barest minimum. 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. The following among others enhance the functioning of cashless economy; e-finance, e-banking, e-money, e-brokering, e-exchanges etc. In a modern economy, the use of noncash payment methods such as cards (credit and debit) dominates the use of cash in payments (Acha, 2008a).

The cashless policy initiative of the Central Bank of Nigeria is a move to improve the financial terrain of the economy. The policy aims at reducing (not eliminating) the amount of physical cash (coins and notes) circulating in the economy, and to encourage more electronic-based transactions (payments for goods, services, transfers). A cashless society is a culture where no one uses cash, all purchases being made are by credit cards, charge cards, cheques, or direct transfers from one account to another through mobile banking or other electronic money transfer modes. The cashless society refers to the widespread application of computer technology in the financial system (Obi, 2011). Considering the success potential of this policy Ejiro (2012) opined that “in the long run sustainability of the policy will be a function of the endorsement of, and compliance by end-users”. According to Central Bank of Nigeria (Central Bank of Nigeria, 2011) the policy is expected to reduce cost incurred in maintaining cash-based economy by 90% upon its full implementation.

As money will continue to be a means of exchanging products and services in the foreseeable future, cashless economy does not imply complete elimination of cash. It is a financial environment that minimizes the use of physical cash by providing alternative channels for making payments. Contrary to what is suggestive of the term, cashless economy does not refer to an outright absence of cash transactions in the economic setting but one in which the amount of cash-based transactions is kept to the barest minimum. It is an economic system in which transactions are not done predominantly in exchange for actual cash. It is not also an economic system where goods and services are exchanged for goods and services (the barter system). 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”. Basel Committee (1998) expressed the difficult in rightly defining the electronic money but agree that it blends technological and economic characteristics. Other renowned institutions and experts have tried to define concept of electronic money which they all believe is the backbone of the cashless economy. For European Central Bank (1998), electronic money is broadly defined as an electronic store of money value on a technical device that maybe widely used for making payments to undertakings other than the issuer without necessarily involving bank accounts in the transactions, but acting as a prepaid bearer instrument.

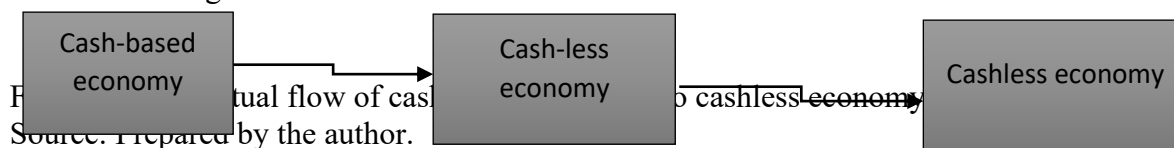
Electronic payments as argued by scholars have a significant number of economic benefits apart from their convenience and safety. These benefits when maximized can go a long way in contributing immensely to economic development of a nation. Automated electronic payments help deepen bank deposits thereby increasing funds available for commercial loans – a driver of all of overall economic activity. Efficient, safe and convenient

electronic payments carry with them a significant range of macro-economic benefits. The impact of introducing electronic payments is akin to using the gears on a bicycle. Add an efficient electronic payments system to an economy, and you kick it into a higher gear. Add better-controlled consumer and business credit, and you notch up economic velocity even further.

In a similar narrative by Hord (2005), electronic payment is very convenient for the consumer. In most cases, you only need to enter your account information such as your credit card number and shipping address once. The information is then stored in a database on the retailer's Web server. When you come back to the Web site, you just log in with your username and password. Completing a transaction is as simple as clicking your mouse: All you have to do is confirm your purchase and you're done (Hord, 2005). Hord (2005) further emphasizes the fact that electronic payment lowers costs for businesses. The more payments that is processed electronically, the less money is spent on paper and postage. Offering electronic payment can also help businesses improve customer retention. A customer is more likely to return to the same e-commerce site where his or her information has already been entered and stored (Hord, 2005).

2.1.2 Cashless as the transitory phase of payment systems development

Cashless banking is that banking system which aims at reducing, not eliminating the amount of physical cash (study notes and coins) circulating in the economy, whilst encouraging more electronic based transactions (payment for goods, services, transfers etc.). In other words, it is a combination of two e-banking and cash-based systems. In most developing countries, it represents a middle phase in the development of payment system as illustrated in Figure 1.



A 'cashless' economy forms the middle phase of a three-phased economic model of payment systems. This essentially means that countries (particularly developing countries) would transit from a 'cash-based' economic model to 'cash-less' economic model before achieving the pure state of a 'cashless' economic model.

Cash-based economy is defined as one in which day-to-day payments and business activities are predominantly transacted in physical notes and coins. Cashless economy, on the other hand, is an economy where the physical cash circulating in the economy is minimized while other forms of payment especially electronic based payments are utilized. In other words, cashless economy is a combination of the cash-based payment system and electronic payment systems with the latter exceeding the former in terms of utilization. A cashless economy represents the pure state of noncash payment systems where no more sturdy coins and notes are printed for circulation by the Central Bank. As Claudia and Grauwe (2001) define it, cashless society is a regime in which currency issued by the central bank has ceased to exist. All the money is private money issued by banks in the form of deposits or some fancier e-money issued by institutions that are not necessarily banks.

2.1.3 Rationale for cashless banking in Nigeria

The new cashless policy was introduced in April 2011 by the Central Bank of Nigeria CBN (2011). The justifications/reasons for this policy are to:

- Drive the development and modernization of the payment system. An efficient and modern payment system is positively correlated with economic development and is a key enabler of economic growth.

- Reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach.
- Improve the effectiveness of monetary policy in managing inflation and driving economic growth.
- Curb the negative consequences associated with high cash usage that has resulted to a number of challenges across the system.

Example of challenges resulting from high-cash usage (not exhaustive) includes the following:

- High cost of cash: There is a high cost of cash along the value chain from CBN and the banks to corporations and traders; everyone bears the high costs associated with volume of cash handling.
- High risk of using cash: Cash encourages robberies and other cash-related crimes. It also can lead to financial loss in the case of fire and flooding incidents.
- High subsidy: CBN analysis showed that only 10% of daily banking transactions are ₦150, 000, but the 10% account for majority of the high value transactions. This suggests that the entire banking population subsidizes the costs that the few population of 10% incurs in terms of high usage.
- Informal economy: High cash usage results in a lot of money outside the formal economy, thus limiting the effectiveness of monetary policy in managing inflation and encouraging economic growth.
- Inefficiency and corruption: High cash usage enables corruption, leakages and money laundering amongst other cash related fraudulent activities (CBN Bulletin, 2012)

E-banking product and services in modern day economy

Point of sale terminals: This mode of e-banking handles Cheque verification, credit authorization, cash deposit and withdrawal, and cash payment. It enhances electronic fund transfer at the point of sales. Thus, customers account would be debited immediately with the cost of purchase in an outlet such as a petrol station or supermarket. The implication of this is that customers can make payment for goods and services without necessarily encountering physical cash as the purchase price would be debited on the buyer's card and credited on the seller's account.

PC banking: The technology of e-banking has a universe of possible applications. Online banking for example provides the opportunity of paying bills and performing transactions of any kind. The availability of online information has provided banking and customer with a powerful vehicle for research.

GSM/Mobile banking: This mode of e-banking primarily uses mobile phones as the electronic devices. Mobile phone gives customer the opportunity to operate their account with bank if their phones and network services provider support the short messaging service (SMS) which would enable the customer check account balance.

Automated teller machine (ATM): ATM is a computer-controlled device that dispenses and provides other services to customers who identify them with a personal identification number (PIN). The physical carriage of cash as well as frequent visit to the banks is being reduced. The principal advantage of ATM is that it dispenses cash at any time of the day even as it needs not to be located within the banking premises but in stores, shopping malls, fuel stations etc., unlike the traditional method where customers have to queue for a very long period of time to withdraw cash or transfer funds.

The ATM is the most popular e-transaction solution in Nigeria. ATM is popular because of its convenience. With ATM, it is a lot easier to withdraw money or to check account balance. However, despite its popularity, the ATM has done very little in reducing the amount of cash in the economy. This is because most Nigerians use ATM only for cash withdrawal. Although

ATM machines can perform other functions like fund/cash transfer, mobile phone credit recharge and bills payment, cash withdrawals and balance inquiry remain the most popular applications sort after by users in Nigeria. This is largely due to ignorance and the absence of merchants. Because ATM machines are mainly used for cash withdrawals, they do not go far enough in turning Nigeria into a cashless economy.

ATM only makes more cash available in the economy because of the ease at which depositors can withdraw cash. To turn Nigeria into a cashless economy Nigerians, need more than just ATM cards, Nigerians need credit/debit cards Babalola (2008).

Bankers automated clearing services: The automation focus of the instrument is to reduce the number of clearing days and improve on security arrangement in the course of settlement and collection of Cheque. This involves the use of magnetic ink character reader (MCR) for Cheque processing which makes it capable to encode, read and sort out changes even as request for Cheque books can be made via electronic devices.

Card System: It is a unique electronic payment type which involves the use of smart cards. Smart cards are devices with embedded integrated circuit being used for settlement of financial obligations. It can be used as credit card, debit card and even ATM cards. The power of these cards lies in its sophistication and acceptability to store and manipulate data as well as handling of multiple applications on one card securely. While ATM cards make cash withdrawal convenient (thereby contributing to the problem), Credit cards, debit cards and e-wallets (like mobile money) makes cashless shopping a lot more convenient. Hence to turn the country to a cashless economy the drive should be towards credit cards, e-wallets and debit cards.

While ATM cards require ATM machines to operate, credit and debit cards require a Point of Sale (POS) terminal. POS terminals are located at accredited retail shops (merchant). These merchants accept credit and debit cards as means of payment by customers. Credit and debit cards like Visa, Interswitch and MasterCard can also be used to purchase from merchants on the internet (Moses-Ashike, 2011)

2.1.4 The implications of cashless economy in Nigerian economic development

Nigeria is a developing nation. The type of business done in Nigeria is yet to develop to the standard seen in advanced countries. The Central Bank of Nigeria (CBN) has introduced a new policy on cash-based transactions which stipulates a cash handling charge on daily cash withdrawals that exceed N500,000 for Individuals and N3,000,000 for Corporate bodies. The new policy on cash-based transactions (withdrawals) in banks, aims at reducing (**NOT ELIMINATING**) the amount of physical cash (coins and notes) circulating in the economy, and encouraging more electronic-based transactions (payments for goods, services, transfers, etc.) (Acha et al., 2016). The implications of these are:

- The people who are doing business will be delayed in carrying out their normal business.
- It is also assumed that fraud will reduce, but it is obvious that ATM even encouraged more fraud.
- It will also make people that have gotten some cash to withhold it, because of the fear that it will be difficult to get another one in the bank.
- It will also make the people who engage in major transactions not to engage in their normal business. It will indirectly create unemployment for people who engage in business that need lots of cash.

Benefits of cashless policy

Echekoba and Ezu (2012), in a research carried out in Nigeria, observed that 68.2% of the respondents complained about long queues in the bank, 28.9% complained of bad attitude of tellers (cashiers) while 2.89% complained of long distance of bank locations to their home or work places. Experts have pointed out specific areas in which the cashless economy will

improve the quality of life. These include: Faster transactions – reducing queues at points of sales, increased sales, collection of payment is simplified – time spent on collecting, counting and sorting cash is eliminated. Furthermore, excessive of cash outside the formal economy, which is the hallmark of a cash-based economy, may hinder the effort of monetary policy in managing inflation thus discouraging economic growth (Acha, 2008c;2009).

Oyewole, O. S., Gambo, E. J., Abba, M. and Onuh, M. E. (2013) assert that several studies revealed that e-payment system is increasingly gaining users' acceptance and there is gradual increase in the percentage of non-cash transactions in the last few years. The use of e-transaction gives more convenience and option of services to customers. Electronic payments will help businesspeople grow their customer base and resource pool, far beyond the limitations of their immediate geographic area. Using a payment card gives convenience and security than making cash withdrawal and moving to where to make purchase (Acha, 2008a). There is no room for quarrelsome attitude of cashiers in e-transactions.

Ndifon and Okpa (2014), opine that the aim of cashless policy is to eliminate the unhealthy consequences associated with the high usage of physical cash which consists of corruption, robbery, leakages and money laundering and other cash-related fraudulent activities. When there is accident as a result of fire or flooding, additional financial loss may be sustained due to over reliance and holding of cash for transactions. Cashless economy improves tax collection system; reduces cash handling charges and affects economic development positively. Hence, Osazevaru and Yomere (2015), opine that the operation of the cash-based system has been at a significant cost to the Nigerian economy.

According to Central Bank of Nigeria (2012), the financial estimate shows that cash distribution cost accounts 60% overheads in the banking industry while cash management operations require up to 80% of the industry's infrastructure base and staff strength. 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. According to Cobb (2005), "electronic payments can thus lower transaction costs stimulate higher consumption and GDP, increase government efficiency, boost financial intermediation and improve financial transparency". She further added that "Governments play a critically important role in creating an environment in which these benefits can be achieved in a way that is consistent with their own economic development plans".

Some researchers maintain that cashless policy reduces transfer/processing fees, improves processing/ transaction time, offers multiple payment options and gives immediate notification on all transactions on customers' account (Ndifon and Okpa, 2014; Osazevaru and Yomere, 2015). Central Bank of Nigeria (2015) added that the policy is beneficial to the banks and merchants because it enhances large customer coverage, internationalization of products and services, promotion and branding, increases customer satisfaction and personalized relationship with customers, and eases documentation and transaction tracking.

Cashless policy is also beneficial to government as it aids monetary authorities in monetary policy management by reducing stock of money outside the banking system. The consequential effect of this is that it improves monetary policy efficiency, helps control inflation and hence stabilizes the economy (Acha et al., 2016). In cashless economy, government is bound to experience increase and transparent tax collection, greater financial inclusion and increase economic development. Consumers will enjoy faster, easier payments, increase convenience / access (more payment options) and reduction in the risk of robbery. As a result of cashless economy, better access to capital due to shorter payment processing times, increase efficiency of payment processes and accounting; reduction of leakages of revenue and more efficient treasury management will be to the credit of the corporations. Banks will experience efficiency through electronic payment processing, reduction of cost of

operations through reduced cost of cash handling and increased banking penetration which easier access to electronic payment platforms engender. Cashless economy was introduced because it is believed that it will be beneficial to all economic actors, cause improvement in the standard of living and contribute to increasing Gross Domestic Product of the Nation.

A cashless society will experience a high degree of control as the move from cash to electronic money (electronic credit) is a part of a well-organized attempt to unify the world and control it through its currency. It will be a big booster for bringing the economic uniformity in the world. A cashless society will further enhance the globalization that characterizes our present time. The computerized systems can be used to reduce the amount of paper trail. Also replacing paper cash with cashless credits or electronic money transfers can at least minimize crime, illegal drug trade, terrorism, illegal immigration, human trafficking and corruption. A cashless society will go a long way in making our society and the earth a better place to live, with reduced rate of criminal activities. Physical paper cash is nontraceable, unaccountable, easy to hide or lose, steal, counterfeit and spent without a trace.

As such, paper cash has allowed all sorts of criminal activity to thrive. However, in a cashless economy, this will change with certain crimes almost eliminated. Violent crimes such as bank robberies, store holdups, armed robberies, employee cash theft, kidnap for ransom, and purse snatching would be significantly reduced, if not entirely eliminated, because carriage of Cash would be light. The illegal drug trade and human trafficking are „cash“ businesses, and in a Cashless economy, all illegal enterprises will be disrupted. There is also the reduced risk of transferring diseases. Citizens would be less likely to become ill due to contamination from bank notes and coins, as cash has been identified as disease carriers and medium of diseases transmission. Taking a consumer point of view, mobile payments contain some practical advantages in the form of queue avoidance, time saving, place independent, remote access to payment services, availability and increased speed. Judging the bank's perspective, the cashless society implies advantages in the form of savings. Cashiers and bank assistants would become superfluous and only a few assistants would be needed to assist at self-service counters. On the part of government and society, this is however not desirable, as it means a reduction in the number of jobs with its inherent challenges such as crime and insecurity especially in an environment such as Nigeria.

Another advantage to the bank is the possibility of a reduction in card production costs when customers pay with their personal mobile phone or their personal payment card, information on the paper is transferred together with the money, thus omitting the need for loyalty, bonus and member cards.

Prospects of cashless policy

A variety of benefits are expected to be derived by the various stakeholders from an increased utilization of e-payment system and consequently the cashless policy. For consumers, the benefits ranges from increased convenience, more service option, reduced risk of cash related crimes, cheaper access to (out of branch) banking services and access to credit while corporations stand to gain faster access to capital, reduced revenue leakage and reduced cash handling cost. The government on the other hand would benefit from increased tax collections, greater financial inclusions, increased economic development. And the banking sector would gain efficiency through electronic payment process reduces cost of operation (cash handling) and increases banks penetration (CBN Bulletin, 2013).

Other prospects cashless policy includes:

It will reduce the cost of minting and transporting cash around the country even as it will help forestall the inherent risk in dealing with cash such as armed robbery, theft, bribery and corruption. It will also reduce money laundering and terrorist financing. All this will make monetary policy to be effective. And also, it would create more employment opportunity for financial sectors and ensure growth in the real sector of the economy because of the increase

in velocity. This would not only ensure that credit is available to investors but also provide banks with more liquidity for lending to the needy sectors of the economy at attractive rates.

Disadvantages of cashless policy

Despite the usefulness of the proposed technology, there are still some disadvantages of a cashless society as enumerated below: the disadvantages include that the unstable electronic value of money will become even more volatile especially, given that people will be conducting business with imaginary money. The government would be able to monitor purchases, spending habits and businesses patronized. Under this new system, the government will have a total control of our transaction and therefore exposing the privacy of individuals. (Acha, 2008b).

Yaqub, J. O., Bello, H. T., Adenuga, I. A. and Ogundeji, M. O. (2013) mentioned another issue which concerns the transaction involving children with the challenge of determining the age at which children will have to be allowed to such transactions as accessing their substance „pocket“ money since it would need a mobile phone or a payment card to store their money. A cashless society would therefore force parents to acquire mobile phones or payment cards for their children earlier than they may wish if they would want to give their children pocket money.

The proper handling of a mobile phone or payment card therefore becomes an additional challenge given that users must be able to remember details as PIN and passwords. This might be a problem for the elderly or illiterate people who might have to compromise privacy and divulge their personal codes in search of assistance. Another issue is the possibility of theft. People are likely to lose mobile phones more than their wallets. In relation to this is the security issue. It is a fact that electronic systems designed by experts can be disassembled by others who have unwholesome intentions and used for bad antisocial activities (Karjaluo et al., 2009).

2.1.5 Challenges of cashless policy implementation in Nigeria

The challenges of this policy to Nigeria is as that one, inadequate infrastructure which ranges from network failure, inadequate ATM and POS machines and epileptic power supply which is critical to efficient electronic payment system will undoubtedly militate against the success of cashless policy. For example, some ATM and POS machines do not work when the consumers need them because it is out of service or unable to dispense cash. Also, high rate of illiteracy and poor sensitization has been a major challenge in a country where literacy rate is still very low especially in the northern part of the country. Inadequate education coupled with poor enlightenment of bankers and customers on various aspects and issue of electronic payment transactions and cashless policy before launching the scheme has made the strategies for marketing the project falls short of expectations. Lastly, poor timing and sequencing for both the policy and penalty which is too stiff for Nigeria who have a strong habit of using cash for most of their transactions has limited the success of the policy because inherent implementation of a policy of this kind demands attitudinal change from the public which constitutes an inherently complete endeavor that involves multiple players and multiple system Yaqub, J. O., Bello, H. T., Adenuga, I. A. and Ogundeji, M. O. (2013).

2.1.6 Cash – Based Nigeria Versus “Cashless” Nigeria: The Rationale for Policy Shift in Payment System and Cashless Policy

In spite of the recent introduction of cashless policy in Lagos, Abia, Anambra, Kano, Ogun, Rivers and Abuja, Nigeria is best described as a cash-based economy. This is true considering the size of retail and commercial activities transacted primarily in cash as well as the value of these transactions as a share of income per capita (CBN 2012). In 2011, it was estimated that 99% of over 215 million customer transactions in Nigerian banks were cash-related (i.e; through ATM and over-the-counter) and this was valued at about N2.1 trillion or

5% of GDP. It is estimated that an average Nigerian transacts about N65 in cash out of every N100 income earned.

This cash-based system has come at significant cost to the Nigerian economy. It is estimated that cash distribution costs account for 60% cost over-heads in the banking industry while cash management operations require up to 80% of the industry's infrastructure base and staff strength (CBN 2012).

According to CBN, the direct costs of transporting, processing and storing (vault) huge volumes of cash, borne by the financial system was valued at N115 billion in 2009; and it was estimated to rise to N192 billion by the end of 2012. Further, with heavy cash users (i.e. those with transaction volumes above N150000) accounting for only 10% of transaction volumes but 71% of the transaction value (N1.5 trillion). It appears that implicit cash handling costs for this class of cash users are being subsidized by all other classes of consumers (Nweke, 2012). Based on the foregoing backdrop, CBN by its wisdom and legal mandate initiated the policy drift from cash-based system to a cash less one.

In 2005 CBN initiated the National payment systems (NPS) specifically to achieve the objectives of promoting efficiency and effectiveness of payment systems; promoting safety and protection of systemic risks. It also set the objective of migrating to cashless modes of payment, such as electronic debit/credit instruments, credit/debit cards, ATM – sharing and Electronic Fund Transfer at point of sales and real – Time Gross settlement system (RTGs). Other objectives of NPS included to ensure payment systems audit transparency and full transaction reporting; and to achieve public acceptance and confidence via information dissemination, customer convenience and total quality delivery.

According to CBN, the cash-less policy aims at reducing (not eliminating) the amount of [physical cash in circulation in the economy, and encouraging more electronic – based transactions (payments for goods, services, transfers, etc)]. The policy is initiated to achieve the following objectives: To drive development and modernization of Nigeria payment system inline with Nigeria's vision 2020 goal of being among the top 20 economies by the year 2020; to reduce the cost of banking services (including cost of credit_ and drive financial inclusion by providing more efficient transaction options and greater reach; 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 to curb some of the negative consequences associated with the high usage of physical cash, including high cost of cash; robberies, corruption and leakages through money laundering, fraud and other cash – related crimes (CBN Bulletin, 2011).

However, there are key issues or instruments of the cashless policy. First, there is a threshold of daily cumulative cash of N500,000 and N3 million on free cash withdrawals and lodgments by individual and corporate bodies respectively. At the inception of the policy it was pegged at N150,000 and N1 million but reviewed upward as stated above. The limits apply to the account so far as it involves cash, irrespective of the channel (e.g. over the counter (OTC), ATMs, third party chequesen-cashed OTC etc) in which cash is withdrawn or deposited. Second, there are processing fees for withdrawals above limit, 3% for individual and 5% for corporate customers. There are downward reviews from the respective 10% and 20% fees set in January 2012. The service charge for daily cumulative deposits above the limits into an account shall be borne by the account holder. Again, and the processing fees for lodgments above limit is fixed at 2% for individual and 3% for corporate bodies; initially, the charges were pegged at 10% and 20% but reviewed downward respectively.

Thirdly, there are exemption fees which apply to accounts operated by ministries, departments and agencies (MDAs) of the federal and state governments, solely for the purpose of revenue collections. Exemptions are also extended to embassies, diplomatic

missions and multi-lateral and aid-donor agencies, as well as micro finance banks(CBN Bulletin, 2012).

2.1.7 Organizational performance

Most recent operations-related researches have this basic assumption that technological innovation has a direct bearing on performance improvement (Chemtai, 2016); Abubakar (2014) explained that, e-banking has the potentials to improve productivity, growth and profitability performance of banks due to low cost advantages associated with the delivery of its services. The concept of organizational performance is connected to the ideas of growth and sustainability and businesses typically try to perform well in a number of areas.

First they try to perform well financially, that is, realize a good return on their investment. Secondly, they try to gain much of the market share and thirdly, they try to create more value for their stakeholders. Creation of sustainable growth is a prime concern of businesses, however, achieving this goal is no easy task, given the rapidly changing political, economic, competitive, and consumer trends. Abaenewe et al. (2013) related bank performance, generally to how it has fared within a trading period in relation to the realization of its objectives. Indeed, there are many parameters a company can select to measure its growth but the most meaningful yardstick is the one that shows progress with respect to the ultimate goal of making profit, such that the size of the bank, the volume of deposit and its profitability were seen to be more reliable in measuring banks' performance (Abaenewe et al., 2013). However, according to Ekwueme et al. (2012), operational efficiency of e-banking can be assessed by critically evaluating the banking operations between the pre and post e-banking period.

2.2 THEORETICAL LITERATURE

Technology Acceptance Model (TAM) and Diffusion of Innovation (DOI) Theory

TAM is one of the models that have been developed to provide a better understanding of the usage and adoption of information technology. It is presently a prominent theory used in modeling technology acceptance and adoption in Information systems research. Fred Davis in 1985 proposed the TAM in his doctoral thesis at the MIT Sloan School of Management.

TAM is an information systems theory that models how users come to accept and use a technology that will encourage economic growth. The model suggests that when users are presented with a new technology, a number of factors influence their decision about how and when they will use it. The factors are; perceived usefulness (PU) and perceived ease-of-use (PEOU). According to TAM, one's actual use of a technology system is influenced directly or indirectly by the user's behavioral intentions, attitude, perceived usefulness of the system, and perceived ease of the system.

DOI theory seeks to explain how, why, and at what rate new ideas and technology spread through cultures. This theory was developed by Gabriel and Rogers (a professor of rural sociology), popularized the theory in their 1962 book Diffusion of Innovations. He said diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system. Rogers explained the process of Innovation diffusion as one which is dictated by uncertainty reduction behavior amongst potential adopters during the introduction of technological innovations.

Innovation Diffusion Theory (IDT) consists of six major components: innovation characteristics, individual user characteristics, adopter distribution over time, diffusion networks, innovativeness and adopter categories, and the individual adoption process. Arguably the most popular of the six components of IDT centers on the characteristics of the innovation itself. After analyzing a variety of previous innovation diffusion studies, Rogers singled out the following five characteristics of innovations that consistently influence the adoption of new technologies.

Theory of the Monetary Stages of Development

German economist Friedrich (1789 –1846), who is regarded as the forefather of the German historical school of economics, stated that economies of the temperate zone will go through four stages of economic development namely – pastoral life; agriculture; agriculture and manufacturing; and manufacturing, agriculture, and commerce.

Another German economist Hildebrand (1812 – 1878), took a variant yet historical approach to the study of the stages of economic growth and development. He asserted that the key to understanding the stages of economic growth was to be found in the conditions of exchange; thus, he posited three economic stages based on barter, money, and credit. This assertion is known as the Theory of the Monetary Stages of Development and forms the subject matter of this paper. Hildebrand's theory of monetary stages of development explained that an economy would develop along three stages of the mediums of exchange namely – barter, money, and credit.

According to Hildebrand (1878) referred to the natural economy where goods were exchanged directly for other goods. The money exchange system meant that goods and services were exchanged in coinage, which was the principal form of money at the time, in the form of the two precious metals – gold and silver (hence, the gold and silver standards of the late 19th and early 20th centuries). The ultimate transition to the credit economy meant the use of paper money and paper transfers such that wage earners at the time could access credit for property purchases on account of promissory paper notes. As another economist aptly describes:

Hildebrand's vision of society [was one of...] advancing from barter to monetary exchange before reaching its highest synthesis in a credit economy [where the] property-less wage earner [could have] access to capital and thereby resolve one of modern society's most pressing problems...

Although Hildebrand eventually failed to develop a coherent system of economics, his vision of a barter-money-credit advancement model of economic development provides theoretical evidence of the existing relationship (or correlation) between the mediums of exchange and economic development. The study was anchored upon the Theory of Money which has its roots in the 16th century during which classical economists such as Jean Bold in at that time sought to know the cause of the increases in French prices. He concluded that, among other factors, increases in gold and silver which served as currencies were responsible for the rise in the demand for French-made goods, hence French prices, thus linking movements in prices to movements in money stock. By the 1690s, the quantity theory of money was further advanced by John Locke to examine the effects of money on trade, the role of interest rate and demand for money in the economy (Omanukwue, 2010).

In particular, the role of money as a medium of exchange to facilitate trade transactions was born. Economists at the time inferred that the quantum of money needed for such transactions would depend on the velocity of money in circulation and the relationship between the demand from and supply of money such that where there was excess demand over supply interest rates rose and vice versa (Cantillon, 1755; Locke 1692 as cited in Ajuzie, et al, 2008

2.3 EMPIRICAL LITERATURE

Looking at empirical issues, however, in a cashless economy, money demand equation can be derived without influencing output and inflation (Gali et al, 2016). In this case, money plays the role of a unit of account and the amount of real money balances follows residually after output, inflation and interest rate have been determined

Humphrey and Berger (1990) and Humphrey et al. (1996) suggests that the increased use of cashless payment system, that is money or scrip which is exchanged only electronically via computer networks has led to predictions of a cashless society. In a cashless society, consumers can make payments over the internet, payment at unmanned vending machine,

manned point of sale (POS) using mobile phone device, personal digital assistant (PDA), smart cards and other electronic payment systems, including debit and credit cards.

In examining the cost implications of cashless banking instruments, Gresvik and Owre (2016) studied how much it costs Norwegian banks to process various payment instruments. It finds that payment cards used for cash withdrawals at ATMs cost considerably more since the transactions involve cash replenishment, maintenance and security costs. In addition, the cost of using cheques for cash withdrawals was found to be three times more expensive than cash withdrawals at ATMs.

Cross country studies such as Humphrey et al (2016) analyzed patterns in the use of cash and other e-payment instruments in 14 developed countries, including the US. Whilst treating payment instruments as if they were traditional goods, the authors construct measures of the cost (analogous to prices) of various payment methods in order to study whether differences in cashless instrument usage across countries can be explained by differences in the relative prices of such instruments. The result showed that such price differences failed to determine the usage of e-banking instruments. In other words, the convenience of using a particular instrument—a factor that is not measured may outweigh the price differences that users face (Carrow and Staten, 2000).

Similarly, Snellman, Vesala and Humphrey (2015) in their study pointed e-payments as any payment service that makes use of information and communications technologies including Integrated Circuit (IC) cards, cryptography and telecommunications. However, in this study, e-payment refers to delivery multichannel that provides for electronic exchange of monetary substances without physical contact of the transacting parties. It includes all electronic transactions as well as e-cheque payment. E-payment provides means of transacting business and settling financial commitment electronically without necessarily touching cash in a cashless society.

Hasan, Renzis and Schmiedel (2014) who explored fundamental relationship between electronic retail payment and overall economic growth using data from across 27 European markets over the period 1995-2009 and found that migration to efficient electronic retail payment stimulates overall economic growth, consumption and trade.

Newstead (2015) examined cashless payments and economic growth and found a link between cashless payment and the pace of economic growth. The study revealed that cashless payment volumes are growing twice as fast in developing economies as they are across the world. Similarly, World Payments Reports (2014) explored the state and evolution of global non-cash payments and found that non-cash payments make it easier and quicker for people and businesses to buy goods and services, pumping money into the system faster and contributing to GDP.

Zandi et al. (2017) examine risk perception of the E-Payment Systems using adult consumers in Malaysia and found that e-payment systems impact negatively on firm's sales growth; also, their further found that e-payment system has positive influence on consumers purchase intentions.

Okoye and Ezejiofor (2017) examined the significant benefits and essential elements of cashless policy, and the extent to which it can enhance the growth of financial stability in the country. The descriptive research design was adopted for the study with a sample size of 68 questionnaires arrived at using the convenience sampling technique. The data collected was subjected to face validity test, and was tested with ANOVA and chi – square (χ^2) technique and the results indicate that: majority of Nigerians are already aware of the policy and majority agree that the policy will help fight against corruption/money laundering and reduce the risk of carrying cash. Major problems envisaged to hamper the implementation of the policy are cyber fraud and illiteracy. Based on the findings, they recommended that government should adopt a different strategy to educate the non-literate Nigerians about the

cashless economy; and a framework should be worked out to provide cyber security in Nigeria.

Ebipanipre andUyuoyo (2017) in an article titled analysis of value creation of electronic banking in Nigeria examined trends of banking habit in Nigeria across banking regimes of regulation and deregulation hinged on historical perspective of banking development in Nigeria, from independence to 2012. Relevant secondary data covering 1960 to 2010 were collected from Central Bank of Nigeria annual reports and analysed using the descriptive trend analysis. Their finding suggests a static behavior across the monetary policy regimes and thus cautioned rushing the cashless program until measures are in place to encourage and push fast the banking culture change for the success of the cashless Nigeria program.

Osazevbaru and Yomere (2015) explored the benefits and challenge of the cashless policy vis-à-vis the cash-based policy. Specifically, Osazevbaru and Yomere (2015) seek whether other Point of Sales card acceptance services stakeholders attract a significant part of banks' income in cash-less economy. To address this, secondary data were collected, and content analysis applied in data analysis. After factoring in other POS stakeholders share of income, the study found banks' income higher in cash-less setting than in cash-based arrangement. Thus, the cash-less policy offers immense benefits to the banking sector (Osazevbaru and Yomere, 2015) concluded.

Ajayi&Ojo (2016) found out that the electronic system of payment has a great implication in cashless economy of Nigerian but that it will lead to significant decrease in deposit mobilization and credit extension by Nigerian deposit money banks. They concluded that cashless system of payment need to be examined and the e-payment system developed, so that people will get used to it before talking of cashless economy. This is because; bulk of the Nigerian economy is driven by SME and petty traders. To retain this policy of cashless economy in Nigeria, the authors recommended that the migration of our payments system towards a cashless society would require some reforms and a lot of effort and sensitization especially for low income group, who are currently deeply rooted in using cash and see it as a convenient and easy way of receiving and making payments.

Oyewole (2015) studied the impact of mobile banking on service delivery in the Nigerian Commercial Banks through the use of questionnaire. He found out that the introduction of e-banking services has improved banking efficiency in rendering services to customer. His findings showed that mobilebanking improved banks service delivery in a form of transactional convenience, saving of time, quick transaction alert and saving of service cost which has recuperated customer's relationship and satisfaction.

Olatokun and Igbinedion (2015) investigated the adoption of ATM in Nigeria. They found out those constraints such as relative advantage, complexity, observability, and compatibility and trial ability were positively related to attitude to the use of ATM cards in Nigeria.

James (2017) investigated the acceptance of e-banking in Nigeria. The result showed that acceptance of e-banking in Nigeria was significantly influenced by age, educational background, income, perceived benefits, perceived ease of use, perceived risk and perceived enjoyment. James (2017) used Rogers Diffusion of Innovation theory to investigate the determinants of the adoption of mobile banking in Nigeria. The study empirically showed that age, educational qualification, relative advantage, complexity, compatibility, observability and trialability were important determinants of the adoption of mobile banking. This therefore makes it imperative for relevant stakeholders to make efforts to positively influence these independent variables so as to make mobile banking more popular.

Olorunsegun (2010) used cluster sampling technique to study the impact of electronic banking in Nigerian banking system. He found out that a bank has an effective electronic

banking system which has improved its customer's relationship and satisfaction. James (2012) used Statistical Package for Social Sciences (SPSS) to investigate the acceptance of e-banking in Nigeria. The result showed that acceptance of e-banking in Nigeria was significantly influenced by age, educational background, income, perceived benefits, perceived ease of use, perceived risk and perceived enjoyment.

Olajide (2012) used theories to investigate cashless banking in Nigeria and its implications on the economy. He found out that cashless banking will boost the economy on the long run. Egwali (2008) used consumer acceptance theory to investigate customers' perception of security indicators (SI) in online banking sites in Benin, Nigeria. He found out that SI were not very effective at alerting and shielding users from revealing sensitive information to fool e-banking sites in Nigeria.

Taiwo, Kehinde, Afieroho and Agwu, (2016) carried out a study to appraise the implementation of the cashless policy since its introduction into the Nigerian Financial system in 2012. Another objective of the study was also to access the persistent challenges facing its implementation. They issued 120 questionnaires to respondents in Zenith Bank, First Bank, and United Bank of Africa. The results were analyzed using the Statistical Package for Social Sciences (SPSS) and one sample t-test. The results showed that the cashless policy will have the desired impact if a lot is done to ensure the implementation of an effective cashless policy system.

Latifat and Alhassan (2015) embarked on a research to examine the pre-and postimplementation period of cashless policy tools in Nigeria. They focused the relationships between the cashless policy tools and currency outside deposit money banks (DMBs) in the Nigerian economy it was between 2009-2012. The data was regressed upon using the ordinary least square method to test the effects of this tool on the level of currency in circulation. Their findings show that not a single cashless policy tool has a significant relationship with currency in circulation outside banks mainly due to high collinearity between the tools of cashless policy.

Adewoye (2013) empirically studied the impact of mobile banking on service delivery in the Nigerian Commercial Banks through the use of questionnaire. He found out that the introduction of e-banking services has improved banking efficiency in rendering services to customer. His findings shows that mobile banking improve banks service delivery in a form of transactional convenience, savings of time, quick transaction alert and save of service cost which has recuperate customer's relationship and satisfaction. To this end, he recommended that banks management should create awareness to inform the public about the benefits derived on the e-banking service products, collaboration among banks should perfectly maintained, skilled manpower and computer wizard should be employed by every banks, in other to prevent fraudulent personal and hackers from manipulating the banks data and stealing money from the banks accounts. Finally, provision and maintenance of public network system such as telephone (Nitel) and the availability of these basic infrastructures is fundamental to the efficient functioning of the mobile banking services.

Morufu and Taibat (2015) used qualitative survey to ascertain bankers' perceptions of electronic banking in Nigeria. The results suggest that bankers in Nigeria perceive electronic banking as a tool for minimizing inconvenience, reducing transaction costs, altering customers' queuing pattern and saving customers banking time.

Muyiwa (2017) examined the effect of cashless policy in Nigeria and his study found that cashless banking has positive and significant effect on national development; also his study revealed that cashless policy has positive impact on employment regime in Nigeria supported by (Akhalumeh&Ohiokha, 2015).

Moses & Ashike (2015) used consumer acceptance theory to investigate customers' perception of security indicators (SI) in online banking sites in Benin, Nigeria. He found out

that SI were not very effective at alerting and shielding users from revealing sensitive information to fool e-banking sites in Nigeria. Following the aforementioned gap created by the earlier researchers in the light of mixed views in findings and conclusion reached by different researchers, this study will aim at filling the gap by introducing a profound and clearer variables and analysis on the effect of central bank of Nigeria (CBN) cashless policy on the development Small and medium scale enterprises in Nigeria.

Okoye & Ezeifor (2017) looked at the challenges, benefits and prospects of cashless policy and their study found that some of the challenges that has the capacity to hamper the success of cashless policy are lack of electricity power supply and poor information technology infrastructure to mention but a few. On the other hand, their study revealed that cashless policy will promote economic growth and provide banks with more liquidity for lending to needy sectors and contribute to eliminating corruption if the right infrastructure and trust is instituted.

3. MATERIALS AND METHODS

3.1 Introduction

The application of a proper and well-organized scientific research procedure and methodology to large extent determines the success of any research undertaking. For the purpose of this study, this chapter chronicles detailed research procedures and methods adopted by the researcher to produce the needed data with which to take pertinent statistical decisions. The importance of this is that it explains in detail the procedures in arriving at the inference of the study as well as to enable other researchers/readers to know the procedures and methods followed in arriving at the research findings.

3.2 Research Design

The design used in this study is the descriptive survey design. The use of primary data and information in answering the research questions informed the choice and justification for a descriptive survey design. The design is cost effective and can provide the researchers with the needed primary data. More justifications to the use of descriptive survey design in this study is that it is very useful in describing the characteristics of a large population and provides a broader capability which ensures a more accurate sample to derive valid results in which to draw conclusions and make important decisions. The survey in this study will be conducted in paper form.

Survey obtains information from a defined population of people. Typically, they are based on questionnaires but they can provide more powerful data than other methods by using a combination of questionnaires and interviews. Based on this, questionnaires were administered to the sample population and interviews also conducted. The interviews are structured and semi-structured. The structured interview ensure that every topic is covered and minimizes variations between respondents, while the semi-structured interview enables the interviewer to phrase questions and vary them in order to suit the special characteristics of each interviewee (Armstrong, 2009). This is to allow answers to be reliably aggregated, so that comparison can be made with confidence between sample sub-groups.

This researcher used a variety of methods, namely closed (fixed-alternative) questions that require a 'Strongly Agree', 'Agree', 'Undecided', 'Disagree', and 'Strongly Disagree' ranking in an order of importance or value, or the Likert scales. The latter named after Rensis Likert the US sociologist who invented them, ask respondents to indicate the extent to which they agree or disagree with the statement (Armstrong, 2009). The questions were arranged both in closed and open-ended type; this gives the researcher vital information that may not be obtained from records.

To investigate the problems of inefficiency and ineffective cashless policy to the Nigeria banking industry, this research employed the descriptive survey method. This method

was used because the study was interested in finding the meaning and to obtain an understanding of the problem being investigated without any attempt to manipulate or control the sample subjects.

In addition, this study adopted the case study method. Kumeckpor (2002) observes that case studies provide precedence as well as a source of reference for future cases. It also helps track the root cause of an issue or problem to a number of, hitherto, unsuspected factors and may result in probing into real meanings of phenomenon likely to be otherwise overlooked.

Case studies also help in developing analytical and problem solving skills and allows for further exploration of solutions for complex issues. The method is also useful for research, especially in cases where the subject matter is of a unique nature rather than the normal or expected conditions. Because of the usefulness of the case study method, as enumerated above, the uniqueness of the circumstances of Nigerian Banking sector, and the fact that there is no clear single set of outcome on how specific cashless policy impact on performance, the case study method of data collection was used for this study.

The Model specification:

The model specification is as follows: $Y = f(X)$. Where: **Y** = dependent variable (Economic effect) which covers y_1 to y_3 . **X** = independent variable (Cashless policy) which comprises of x_1 to x_3 . The variables definition is as follows:

$$y_1 = \beta_0 + \beta_1 x_1 + \varepsilon_1 \dots \dots (1);$$

$$y_2 = \beta_0 + \beta_2 x_2 + \varepsilon_2 \dots \dots (2);$$

$$y_3 = \beta_0 + \beta_3 x_3 + \varepsilon_3 \dots \dots (3).$$

$$Y = \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 \dots \dots (4)$$

Equation (1) to (3) shall be examined by the study while (4) forms the basis for the model

$$\mathbf{CP} = \beta_0 + \beta_1 \mathbf{mdb} \mathbf{BASEQ} + \beta_2 \mathbf{mdb} \mathbf{CASHQUAL} + \beta_3 \mathbf{mdb} \mathbf{COSCHAL} + \varepsilon \dots (5).$$

A priori expectation: $\beta_0 > 0$; $\beta_1 > 0$; $\beta_2 > 0$; $\beta_3 > 0$.

Where: **CP** = Cashless Policy; **BASEQ** (x_1) = Development of banks; **CASHQUAL** (x_2) = Bank's quality of service delivery; **COSCHAL** (x_3) = Challenges of cashless policy.

β_0 = autonomous variable which shows the degree of the need for Cashless policy.

β_1 = coefficient of quality of bank service delivery in Enugu state.

β_2 = coefficient of quality of bank service delivery in Enugu state.

β_3 = coefficient of challenges of cashless policy in Enugu state.

ε = error terms, **mdb** = Money deposit bank

3.3 Population of Study

The target population or universe of this study comprised the entire staff the 21 deposit banks in Nigeria, the actual size of the service could not be determined at the time of this study but it was estimated to be about 75,087, workforce.

3.4 Sample Size and Sampling Techniques

Due to the effects of some environmental factors which have negative impact on the research planning, design and implementation, it becomes necessary to limit the study to a sample. For instance, the huge amount of money involved in administering questionnaires to the randomly selected respondents from the banking sector.

Also the time of data collection organization and analysis of data collected, interpretation of the results and implementation of the recommendation. The foregoing made it compulsory to limit the study to a sample made up of only four of these banks- Ecobank Nigeria Plc, United Bank of Africa (UBA), Guarantee Trust Bank (GTB) and First Bank Nigeria Plc (FBN) were purposely selected. As the size of the population is too large for the researcher to cover within limits, the simple random sampling method was used to draw the samples of eighty (80) respondents 21 deposit money banks in Nigeria with different branches

spread across the 36 states of the country. This method was employed in order to have representation of various categories of the grade levels because the population does not constitute a homogenous group (Kothari, 2004). The characteristics for the sampling process were based on the surveyed bank. The sample design was influenced by the staff strengths of various grade levels in the service since the size decreases progressively as the grade levels increases.

3.5 Data Collection Instruments

Two sets of data (primary and secondary) were collected for this study. Secondary data was mainly sourced from Central Bank of Nigeria Statistical bulletins, other sources include journals, books, e-books, reports etc. Extracts from these sources helped in the literature review section of the study and were also descriptively analyzed. On the other hand, primary data were generated from 21 deposit money banks in Nigeria with different branches spread across the 36 states of the country, but only four of these banks and located in Enugu State- Ecobank Nigeria Plc, United Bank of Africa (UBA), Guarantee Trust Bank (GTB) and First Bank Nigeria Plc (FBN) were purposely selected. The questionnaires were structured on a five point Likert scale with respondents given options ranging from strongly agree (SA) to the lowest point of strongly disagree (SD). The analyses were carried out using tables, simple percentages and relative mean scores.

These sources of data were documented in the references.

3.6 Administration of Data Collection Instruments

The instrument for this study is the questionnaire. Questionnaire is an inexpensive way to gather data for potentially large number of respondents like one at hand. It is the only feasible way to reach a large number of interviewee large enough to allow statistical analysis of the result. The questionnaire for the survey was designed to elicit information relating to the objectives of the study.

It also provides an opportunity for respondents to give frank, anonymous answers on certain questions they consider sensitive in the sense that their expressed opinion might run contrary to the views of the “power that be”.

The fixed choice or close-ended questionnaires were used but the danger in the fixed-choice approach adopted by social psychologists like Thurstone and Likert is that it is overly restrictive. This is because it compels respondents to compress a variety of opinions into a single alternative which may not exist in reality. This weakness was however minimized with conscious attempt at moderation in the design of the questionnaire.

A brief explanation of the purpose of the research was given in a covering letter attached to questionnaire given to respondents so that they would be at ease when answering these questions. This made the respondents to give adequate, honest and accurate information which contributed immensely to the success of this work. The instrument comprises twenty (26) items designed to measure the attributes of the subjects as specified by the purpose of the study. This piece of data was collected using Likert scale ranging from strongly agreed (5) to strongly disagreed (1), indicating varying degree of responses on the impact of performance appraisal on productivity. A Likert scale was chosen for this research because Likert scales are widely used in social and management science research, and have been substantially used and tested in social and management science literature. The questionnaires were made up of five scales as shown below:

SA = Strongly Agree 5

A	=	Agree	4
UN	=	Undecided	3
D	=	Disagree	2
SD	=	Strongly Disagree	1

The respondents were expected to rate the items according to the extent to which they agree or disagree with the underlying attributes under measurement.

To elicit the co-operation of the respondents, the nature and purpose of the study were made known to the respondents, and anonymity was assured. The design of the questionnaire was simple and respondents-friendly. The questionnaires were personally administered by the researcher. He requested for days when he would come round to collect the answers. A reasonable time was given to the respondents to answer the questions after which the questionnaires were collected on the spot, while a few were left with respondents and the researcher called several times to collect them. It was discovered that of the respondents did not encounter difficulties in supplying the needed information in the questionnaire but a few that requested for explanations were assisted accordingly. Such explanation helped in no small measure in getting the desired responses.

3.7 Validity and Reliability of Data Collection Instruments

Validity of data refers to the extents to which the data measures what it is intended to measure. Validity as the degree to which a measuring instrument measures what it is designed to measure. Therefore, validity can be defined as the characteristics used to describe research which measures what it claims to measure while reliability refers to the consistency of the methodology and it can only be reliable if it measured the expected results. In determining the validity and reliability of the data collection instrument, the instrument guides was passed to some professional colleagues, intellectual giants and my project supervisor to assess the suitability and make necessary corrections. Therefore, the validity of the research instrument is determined by content validity (content validity is the degree to which a test measures all it was designed to measure).

Reliability of research instrument simply means the degree to which the instrument consistently measures what it intend to measure. This study therefore employed the test-re-test method to assess the survey instrument in which the same measuring instrument is applied in taking two separate measurement on the same elements at different times using the same methods. The objective was to make or access the validity and reliability of the instrument. To complement the questionnaires, field notes from observations and face-to-face interview by the researcher were triangulated with the quantitative findings to identify the vital explanatory problems affecting effective performance appraisal in light of the literature review.

3.8 Procedure for Data Collection and Analysis

During the administration of the questionnaire as emphasized during the training, the following aspects were strictly adhered to:(1) Maximum spread of distribution in designated offices. (2) Person-to-person delivery and collection and (3) Confidentiality. In order to ensure the success of the exercise and maximum coverage, the researcher administered in areas over looked. The researcher performed the role of a coordinator and subsequently collected all responses to the questionnaire. The researcher also conducted personal interviews with key officials and administered the questionnaire to them.

The study adopted the simple percentage statistical method of analyzing the responses on the various elements of performance appraisal in the study area. Simple percentage entails using the diverse response or answer from respondents in categorizing them and thereby drawing the represented percentage for each of the group. This is done in a tabular form and the response is analyzed based on this percentage.

This is given by the formula:

$$S/n * 100/1$$

Where: S = response figure

n = sample size

Similarly, in order to test the hypotheses and establish the degree of dependence or independence of the variables under consideration, **the chi-square statistical** technique was used for this purpose.

Chi-square test is a very versatile statistical technique which is of wide applicability. Chi-square test is an inferential statistics and a non-parametric technique used as a tool for establishing the degree of association or relationship between two variables. When changes in one variable can cause a change in another variable, the two variables are said to be related, dependent or correlated. Joe (in Chukwuemeka, 2002) contends that in inferential statistics, one does not work with all individuals (entire population) but with selected representatives or sample of the population.

Data are collected from the sample, analyzed and interpreted, and conclusions are drawn about that population on the basis of observation made from the sample. Inferential statistics therefore provides the means for evaluating relationship that exist within the data collected from a sample of the population. Indeed, chi-square test uses a statistical formula to assess the degree of agreement between the values actually obtained and that expected under a particular hypothesis. This is given by the formula:

$$X^2 = \frac{\sum (fo - fe)^2}{fe}$$

Where:

\sum = Summation notation

X^2 = Chi-square distribution

fo = The observed frequency or actual number

fe = The expected frequency or expected number

The results were later used to draw deductions and conclusions on the subject matter of study in the concluding chapter.

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Preamble

This section of the study deals with the presentation and analysis of all the data collected from the field work. The data collected is presented in tabular forms and expressed in percentage. The presentation below shows the responses to the returned questionnaire.

4.2 Questionnaire Return Rate

The study administered 80 questionnaires to the respondents in the following categories in order to collect the necessary data and a total of 80 questionnaires were filled in and returned; hence the response rate was 100%. According to Gay (1981), ten percent of the accessible population is enough for a descriptive survey and therefore, these response return rates of

100% are way good and thus, have helped increase the reliability of the study. The distribution is as follows;

Ecobank Nigeria Plc	20	
United Bank of Africa (UBA)	20	20
Guarantee Trust Bank (GTB)	20	
First Bank Nigeria Plc (FBN)	20	20
Total	80	

4.3 Demographic Characteristics of the Respondents

The study sought to determine the demographic characteristics of the respondent based on gender, age, educational qualifications, marital status, experience and income per month and the findings are presented as follows;

Table 1. Gender distribution of Respondents

	Frequency	Percent	Cumulative Percent
Valid Male	43	53.8	53.8
Valid Female	37	46.2	100.0
Total	80	100.0	

SOURCE: Field survey, 2019

In table 1, 53.8% of the 80 respondents were males and 46.2% were females. The table shows that from the case study males are more than females.

Table 2. Age group distribution of Respondents

	Frequency	Percent	Cumulative Percent
Valid 18-25	11	13.8	13.8
Valid 26-35	27	33.7	47.5
Valid 36-45	29	36.3	83.8
Valid 46 and above	13	16.2	100.0
Total	80	100	

SOURCE: Field survey, 2019

In the table above, it is stated clearly that 13.8% of the respondents are within the age range of 18-25, 33.7% of the respondents are within the age range of 26-35, 36.3% lie within the range of 36-45, 16.2% lie within the age range of 46-and above

Table 3. Marital status

	Frequency	Percent	Cumulative Percent
Valid	Single	31	38.8
	Married	47	58.7
	Others	2	2.5
	Total	80	100

SOURCE: Field survey, 2019

In table 3, out of 80 respondents 38.8% were single, 58.7% were married 2.5% others. This states that majority of the respondents were married.

Table 4. Experience of Respondents

	Frequency	Percent	Cumulative Percent
Valid	Less than 6 years	40	50.0
	6 – 10 years	27	33.7
	10 – 15 years	7	8.8
	16 – 20 years	5	6.3
	20 years above	1	1.2
	Total	80	100

SOURCE: Field survey, 2019**Table 5. Qualification**

	Frequency	Percent	Cumulative Percent
Valid	O'Level/ND	12	15.0
	HND/B.Sc.	46	57.5
	Post Graduate	18	22.5
	Others	4	5.0
	Total	80	100

SOURCE: Field survey, 2019

Table 6. Income per month

	Frequency	Percent	Cumulative Percent
Valid	Below N50,000	11	13.7
	₦50,000 – ₦100,000.	62	77.5
	₦101,000 and above	7	8.8
	Total	80	100

SOURCE: Field survey, 2019

Table 7. Benefit of Cashless policy

S/N	Statement	SA	A	UD	D	SD	Total
1.	More service options	72	6	-	-	-	80
2.	Reduced risk of cash-related crimes	35	32	8	5	-	80
3.	Reduces cash handling cost	32	41	4	3	-	80
4.	Increased convenience	79	1	-	-	-	80
5.	There is 24/7 transaction	58	20	2	-	-	80
6.	Faster access to capital	63	16	1	-	-	80
7.	Reduce risks in Payments and Settlements	27	43	5	5	-	80
8.	Encourage Financial Deepening and promote savings	34	44	2	-	-	80

Table 8. Usage Rate of Means of Cashless Transactions

S/N	Statement	Very High	High	Moderate	Low	Very Low	Total
1.	ATM	78	2	-	-	-	80
2.	POS	5	13	31	19	12	80
3.	Web/Internet Transfers	2	9	26	27	16	80
4.	Mobile Payment	12	45	23	-	-	80

The table above shows that 97.5% respondents and 2.5% respondents reported very high and high usage of the ATM. 6.3% respondents, 16.2% respondents, 38.8% respondents, 23.7% respondents and 15% respondent reported very high, high, moderate, low and very low usage of the POS. Again, 2.5% respondents, 11.3% respondents, 32.5% respondents, 33.7% respondents and 20% respondent reported very high, high, moderate, low and very low usage of the Web/Internet transfers. Also, 15% respondents, 56.3% respondents, 28.7% and

respondents reported very high, high and moderate usage of the mobile payment. This indicates that most people use the ATM as a means for transactions.

Table 9. Responses of the Cashless policy and the development of Nigerian Bank

ITEM	S A (%)	A (%)	UN (%)	D (%)	SD (%)
The introduction of cashless policy and its channels have helped improve their banks' performance	76 95.0	4 5.0	-	-	-
Cashless policy has helped to increase the customer base	32 40.0	37 46.2	8 10	3 3.8	-
Promote financial inclusion	61 76.2	9 11.3	10 12.5	-	-
The process creates greater transparency and accountability	50 62.5	30 37.5	-	-	-
Cashless policy continues to influence banks activities and their income structure positively	30 37.5	45 56.3	5 6.2	-	-
The advent of cashless policy has made customers to hold less cash in hand	6 7.5	35 43.7	21 26.3	18 22.5	-
Adoption of cashless policy has led to unauthorized access to customers' accounts, untraceable embezzlement by bank officials, fake internet bank websites and cloning of smart cards	2 2.6	7 8.7	1 1.2	41 51.2	29 36.3
The introduction of cashless policy has eased banking transaction	38 47.5	41 51.3	1 1.2	-	-

Source: SPSS Output.

From the table above it is noted that cashless policy has helped improved bank performance, increase customer base, promote financial inclusion, creates greater transparency and accountability, continues to influence banks activities and their income structure positively and eased bank transactions.

Table 10. Responses of the Cashless policy and improvement in the quality of bank's services to customers

ITEM	S A (%)	A (%)	UN (%)	D (%)	SD (%)
E-banking services having improved the strength of their bank compared to the traditional ones	45 56.3	33 41.2	2 2.5	-	-
The introduction of cashless policy by the central bank	43	36	1	-	-

will improve the payment system in Nigeria	53.7	45.0	1.3		
Cashless policy enhances bank's operational efficiency through swift and timely responses to customers' demands	27 33.8	53 66.2	-	-	-
Cashless policy boosts the confidence of bank customers to carry out transactions online	22 27.5	42 52.5	13 16.2	3 3.8	-
Cashless policy ensures customers have 24 hours access to their accounts hence increasing their turnover	51 63.8	29 36.2	-	-	-
Banker/customer relationship has been boosted due to electronic banking	40 50.0	37 46.3	3 3.7	-	-

Source: SPSS Output

From the table above it is seen that cashless policy has improved the quality of bank's services to customers. Most respondents agreed that it had improved the strength of their bank compared to the traditional ones, banker/customer relationship has been boosted due to electronic banking, cashless policy ensures customers have 24 hours access to their accounts hence increasing their turnover and cashless policy enhances bank's operational efficiency through swift and timely responses to customers' demands.

Table 11. Responses of the Challenges/problems facing the cashless policy adoption in Nigeria

ITEM	S A (%)	A (%)	UN (%)	D (%)	SD (%)
Charges on usage and undue charges	5 6.3	12 15.0	9 11.2	35 43.8	19 23.7
Limited access to fund	8 10.0	8 10.0	11 13.8	38 47.5	15 18.7
Transaction difficulties	5 6.3	10 12.5	10 12.5	52 65.0	3 3.7
Fear of risk	3 3.7	16 20	17 21.3	38 47.5	6 7.5
Low literacy rate	6 7.5	15 18.7	10 12.5	40 50.0	9 11.3
Cashless policy will have a negative effect on customers residing in rural areas	11 13.7	12 15.0	17 21.3	37 46.3	3 3.7

Source: SPSS Output.

From the table it is agreed that fear of risk, low literacy rate, charges on usage and undue charges, limited access to funds and transaction difficulties posed little problem or challenges to the adoption of cashless policy.

4.4 Reliability Testing

For the variables that this study focused on, it is necessary to measure the internal reliability of each variable with its different number of items. A scale is internally consistent when the items making up a scale are highly correlated. High intercorrelations between the items mean that they are measuring the same construct (DeVellis, 1991). A low Cronbach's alpha, 0.50 or less, is an indication that the representative items are performing poorly in capturing the construct. For basic research studies reliabilities of 0.80 or beyond are very acceptable (Churchill, 1979). To test the internal reliability, the Cronbach's alpha are calculated for items designed for the same construct. The results of the reliability tests for the variables (that is, the measuring instruments) are presented in table 9 below:

Table 12. Cronbach's Alpha Coefficients for variables

Variables	Cronbach's alpha	Number of Items
Development of banks	0.862	8
Improvement of bank quality	0.831	6
Challenges/Problems	0.836	6

Source: SPSS Output.

In Table 12 above, the Cronbach's Alpha coefficient of main variable "Development of banks" including (8) items or statements as a scale to it was 0.862 (86.2%), while for "Improvement of bank quality" was (0.831 or 83.1%), Finally, variable "Challenges/Problems" had a Cronbach's Alpha coefficient (0.836 or 83.6%). Most of the results are within the acceptable level suggested by (Churchill, 1979) and Sekaran (2003). This implies that the items designed under each variable are more consistent and dependable.

4.5 Test of Hypothesis

Hypothesis 1

H0: There is no significant relationship between the cashless policy and the development of Nigerian Bank.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.772E2 ^a	60	.000
Likelihood Ratio	110.699	60	.068
Linear-by-Linear Association	23.610	1	.000
N of Valid Cases	80		

a. 50 cells (57.3%) have expected count less than 5. The minimum expected count is .01.

INTERPRETATION OF RESULT

The result of the Pearson chi-square analysis revealed there is significant effect between the cashless policy and the development of Nigerian bank, a p-value 0.000 which is lesser than $\alpha=0.05$, that is $p < 0.05$. Therefore, reject null hypothesis and accept alternate hypothesis.

Hypothesis 2

H0: There is no significant relationship between the cashless policy and improvement in the quality of bank's services to customers.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.456E2 ^a	60	.000
Likelihood Ratio	100.871	60	.204
Linear-by-Linear Association	12.074	1	.001
N of Valid Cases	80		

a. 52 cells (58.2%) have expected count less than 5. The minimum expected count is .01.

INTERPRETATION OF RESULT

The table above shows that $P < 0.05$. the result of the Pearson chi-square analysis revealed that there is significant relationship between the cashless policy and improvement in the quality of bank's services to customers considering a p-value 0.000 which is lesser than $\alpha=0.05$, that is $p < 0.05$. Therefore, reject null hypothesis and accept the alternate hypothesis.

Hypothesis 3

H0: There is no identifiable challenge/problem facing the cashless policy adoption in Nigeria.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.806E2 ^a	70	.061
Likelihood Ratio	115.049	70	.352
Linear-by-Linear Association	26.511	1	.043
N of Valid Cases	80		

a. 53 cells (98.5%) have expected count less than 5. The minimum expected count is .01.

INTERPRETATION OF RESULT

The table above shows that $P > 0.05$. the result of the Pearson chi-square analysis revealed there is no identifiable challenge/problem facing the cashless policy adoption in Nigeria, considering a p-value 0.061 which is greater than $\alpha=0.05$, that is $p > 0.05$. Therefore, accept null hypothesis and reject alternate hypothesis.

4.6 Evaluation of Research Hypothesis/Discussion of Findings

H0₁: There is no significant relationship between the cashless policy and the development of Nigerian Bank.

H0₂: There is no significant relationship between the cashless policy and improvement in the quality of bank's services to customers.

H0₃: There is no identifiable challenge/problem facing the cashless policy adoption in Nigeria.

Discussions

Hypothesis One: There is no significant relationship between the cashless policy and the development of Nigerian Bank.

With a statistically significant coefficient of development of Nigeria banks, the researcher rejects the null hypothesis that there is no significant relationship between the cashless policy and the development of Nigerian Bank and concludes that there exists a positive impact of cashless policy on the development of banks in Nsukka. The above assertion is supported by the fact that the chi square was positive and significant, $p < .05$, indicating that bank performances have improved, there have been great ease in banking transaction, and it has promoted financial inclusion.

Hypothesis Two: There is no significant relationship between the cashless policy and improvement in the quality of bank's services to customers.

The hypothesis was completely rejected because most of the factors did show improvement in the quality of bank's services to customers. For example, it showed that E-banking services having improved the strength of their bank compared to the traditional ones. This is possible because the modern society encourages enlightenment and technology adoption. The results show a significant relationship between the cashless policy and improvement in the quality of bank's services to customers at p value < 0.05 which is based on positivity from cashless policy enhancing bank's operational efficiency through swift and timely responses to customers' demands and ensures customers have 24 hours access to their accounts.

Hypothesis Three: There is no identifiable challenge/problem facing the cashless policy adoption in Nigeria.

The hypothesis was not rejected because there was no identifiable challenge/ problem facing cashless policy adoption. For example, most of the factors that were suppose to be problems were not so much a challenge as at now because cashless policy is now popular and it has been reviewed of recent and some challenges have been solved and the bank officials do not clearly see most of them as so much of a problem in this study.

With a statistically insignificant coefficient, the researcher accepts the null hypothesis that there is no identifiable challenge/problem facing the cashless policy adoption in Nigeria.

OTHER FINDINGS

- The study confirmed that the introduction of cashless policy has eased banking transactions in Nsukka Local Government area of Enugu State, Nigeria.
- It is agreed from table 11, that fear of risk, low literacy rate, charges on usage and undue charges, limited access to funds and transaction difficulties posed little problem or challenges to the adoption of cashless policy.
- It was also noted that cashless policy enhances banks' operational efficiency through swift and timely responses to customer's demand.

5. SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Summary

The aim of this research was to examine the impact of Cashless Policy and the development of Nigerian banks in Nsukka, Enugu state, Nigeria. In order to carry out the research, a survey was used, and cross-sectional design was adopted whereby questionnaires were administered for the data collection. For the tests of the main hypothesis and other subsidiary hypothesis, Chi square was employed.

Many respondents either agreed or strongly agreed to the items assessing development of banks, quality of bank's services and less challenges due to the adoption of cashless policy. There was positive and significant relationship in the findings of the relationship between the cashless policy and the development of Nigerian bank and also the relationship between the cashless policy and improvement in the quality of bank's services to customers. The above assertion is supported by the fact that the chi square coefficient was positive and significant at $p < .05$. While that of the identifiable challenges/problems facing the cashless policy adoption in Nigeria resulted in no identifiable problem of the cashless policy as there may be these issues but it is not significant.

Cashless policy is seen to have improved the performance of bankers in carrying out their duties. It tends to maximize business profitability by extending customers' base, boosting cash flow and improving competitive advantage. The policy tends to reduce the operating expenses of the bank, and bring about development of new products/services in the bank

5.1 Recommendations

Based on the findings of this study, the study made the following recommendations for the improvement of the use of cashless policy and development of banks in Nigeria.

Commercial banks should incorporate financial literacy in their advertising complemented by incentive programs such as promotions and tailor-made products. The development and implementation of a financial literacy framework by a mandated authority for the co-ordination of strategies for the improvement of the general level of financial literacy in Nsukka is recommended.

Improvement of the financial literacy at population level requires the involvement of relevant stakeholders. The adoption of such a multi-stakeholder approach anchored by the Central Bank of Nigeria (CBN) is the best way to avert some of the problems that occur when people are not financially literate. It is important to promote the development of partnerships involving a broad range of stakeholders in executing financial literacy programs. The approach is aimed at getting the stakeholders to appreciate the gains of a financially literate population and have their commitment to a harmonized delivery of intervention programs for optimal results. It is suggested that the CBN should be the vanguard in coordinating this effort and ensure that the benefits of such programmes result in achieving the objectives of financial inclusion in the nation's economy.

To increase the smooth functioning of the payment system, the government also has a major role to play in the aspect of financing and training so as to come up with improved forms of e-channels and also proper legislations and clear guidelines to ensure flexibility of the policy.

5.3 Conclusions

Several important analyses have been conducted in this study to examine the impact of cashless policy and the development of Nigerian banks, and to examine the improvement of bank's quality of service to customers and whether this policy pose challenges/problems. There was a positive impact of cashless policy and the development of Nigerian banks. Those who perceive E-banking services having improved the strength of their bank compared to the traditional ones, has improved the payment system in Nigeria

A multi-stakeholder approach for implementation of financial literacy as a means to improve cashless system/economy to the population and the enlightenment of the older generation concerning the benefits and possibilities inherent in adoption of policy is important in order to enhance financial inclusion and the development of banks.

It is evident that cashless policy plays a significant role in banks operational efficiency in Nigeria and it is obvious that it is one of the major sources of increase in banks' general performance. Though it is still to be secured enough to ensure adequate patronage, it is possible that with the introduction of new channels, alongside technology advancement, performances of banks in Nigeria can be drastically increased.

5. 4 Limitations and Directions for Future Research

Owing to some limitations regarding to this study, some recommendations for future studies to take care of the limitations are hereby made. First, because of time and financial constraints faced by this study, a generalized impact of Cashless economy policy on development of Nigeria banks with views from the bank. It is pertinent to note that Cashless economy policy on financial inclusion and the customer's perception of the policy should be researched upon taking into consideration the social class or level of income of respondents.

REFERENCES

- Adewoye J. O. (2013). Impact of mobile banking on service delivery in the Nigerian commercial banks. *Int. Rev. Manage. Bus. Res.* 2(2):333-344.
- Acha, I. A., Ikoh, I. and Nsien, C. (2016). The efficacy of Nigeria monetary policy: A comparative analysis. *Scholedge International Journal of Business Policy and Governance*, 3(4): 51-62.
- Akhalumeh, P.B & Ohiokha, F. (2015). Nigeria's Cashless Economy: The Imperatives. *International Journal of Management and Business Studies*, 2 (2), 31-36.
- Ajayi, S. I. and O. O. Ojo (2016), *Money and Banking: Analysis and Policy in the Nigerian Context*, Second Edition, University of Ibadan, Daily Graphics Nigeria Ltd
- Basel Committee (1998). Risk management for electronic banking and electronic money activities. Basel Committee Publications. No. 35
- Central Bank of Nigeria (2011), *Money Market Indicators & Money and Credit Statistics*, CBN Statistical Bulletin.
- CBN Publications Central Bank of Nigeria Website (2011), —New Cash Policy, Presentation for the Interactive Engagement Session with Stakeholders on Cash-Less Lagos, Stakeholder Session – Supermarket Operators
- Central Bank of Nigeria (2011). *Towards a cashless Nigeria: Tools & strategies*. *Nigerian Journal of Economy*, 3(2): 344–50.
- Central Bank of Nigeria, (2012). *Toward a cashless Nigeria: Tool and strategies*, retrieved from www.cenbank.org
- Chukwuemeka, E.E.O. (2002). *Research Methods and Thesis Writing: A Multi-Disciplinary Approach*, Enugu: Hope-Rising Ventures Publishers
- Claudia C. & De Grauwe P. (2001). *Monetary policy in a cashless society*. Brussels, CEPR. Discussion Study
- Cobb, A. (2005). <http://www.ameinfo.com/50050.html>
- Echekoba, Daasi, G.L.K. (2016). *Traditional financial institutions and rural enterprises in Ogoni land of Rivers state*. Unpublished seminar paper, Department of Economics, University of Uyo, Uyo – Nigeria.
- Ebipani, G. M. & Uyouyo, K.O. (2017). An empirical analysis of the benefits of cashless economy on Nigeria's economic development, *Research journal of finance and accounting*, 4(17), 11-16.

- Ejiro, O. (2012). What Nigerians think of the cashless economy policy. *Nigerian Journal of Economy*, 4(6): 97– 102.
- European Central Bank, ECB (1998). Report on electronic money, Frankfurt, Germany
- Gali, J., and L. Gambetti (2009), -On the Sources of the Great Moderation, *American Economic Journal: Macroeconomics*, 1, 26–57.14
- Hord J. (2005). Electronic payments. Retrieved from: <http://www.richmondfed.org/news>
- Humphrey D. B. (2004). Replacement of cash by cardless in U.S consumer payments. *J. Econ. and Bus.* 56:211- 225.
- Humphrey D. B. & Berger A. N. (1990). Market Failure and Resource Use: Economic Incentives to Use Different Payment Instruments, New York. Monograph Series in Finance and Economics.
- Humphrey D., Lawrence B. & Vessala J. M. (1996). Cash, electronic payments: across-country analysis. *Journal of Money*. 28: 914-939
- James, A. O. (2017). The Acceptance of e-banking by customers in Nigeria: *World Review of Business Research*, 2(2), 6-8
- Kothari, C.R. (2004). *Research Methodology, Methods and Techniques 2nd Revised Edition*, Delhi: New Age International
- Kumekpor, T. K. B. (2002). *Research Methods and Techniques of Social Research*. Accra: Sonlife Press
- Morufu, O. and Taibat, A. (2015). Bankers perceptions of electronic banking in Nigeria: A review of post consolidation experience. *Research Journal of Finance and Accounting*, 3(2): 5-6.
- Moses-Ashike, H. (2011). Cashless Economic can Reduce Risk of Carrying Huge Cash. [http:// www.businessdayonline.com/.../22217](http://www.businessdayonline.com/.../22217)
- Muyiwa, O., Tunmibi, S., & John-Dewole, A.T. (2017). The Impact of Cashless Economy in Nigeria. *Greener Journal of Internet, Information & Communication Systems*, 1(2), 40-43.
- Ndifon, E. and Okpa, I. (2014). Challenges and benefits of the cash-less policy implementation in the Nigerian economy. *European Journal of Business and Management*, 6(26): 24-32.
- Newstead, S. (2015). Cashless Payment Underpins Economic Growth. Retrieved Odumeru, J. A (2015), “Going Cashless: Adoption of Mobile Banking in Nigeria”. *Arabian Journal of Business and Management Review (Nigerian Chapter)* Vol. 1, No. 2, 9-17. NG_VOL_1_2/2.pdf. on 13th June 2014
- Obi, V. (2011). Imperatives of advancing cashless Nigeria. Posted online on june 13, 2011 accessed january10, 2016.
- Ogbuji, C. N., Onuoha, C. B. and Izogo, E. E. (2012). Analysis of the negative effects of the automated teller machine (atm) as a channel for delivering banking services in Nigeria. *International Journal of Business and Management*, 7(7): 180.
- Okoye, P.V.C and Ezejiofor, R. (2017), “An Appraisal of Cashless Economy Policy in Development of Nigerian Economy”. *Research Journal of Finance and Accounting*, Vol.4, No.7, pp237-252
- Olorunsegun, S. (2010). The impact of electronic banking in Nigeria banking system. MBA research project submitted to the Department of Management Science, Faculty of Engineering and Technology, Ladok Akintola University of Technology, Ogbomoso, Oyo State, Nigeria. Pp 23-29. Unpublished
- Olajide V. C. (2012). Cashless banking in Nigeria and its implications, 18. Retrieved online on 23/06/2013. Available online at: <http://mpr.ub.uni-muenchen.de/38096/>.

- Olatokun W. M. &Igbinedion L. J. (2009). The adoption of automatic teller machines in Nigeria: An application of the theory of diffusion of innovation. *Issues in Informing Science and Information Technology*, 6(2):373-393
- Onoh, J. K. (2017). *Dimensions of Nigeria's monetary and fiscal policies: Domestic and external.*: Astral Meridian Publishers: Aba.
- Osazevbaru, H. O. and Yomere, G. O. (2015). Benefits and challenges of Nigeria's cashless policy. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 4(9): 1-10.
- Oyewole et al. (2015). Electronic Payment Systems and Economic Growth: A Review of Transaction to Cashless Economy in Nigeria. *International Journal of Scientific Engineering and Technology*, 2(9), 913-919.
- Oyewole, O. S., Gambo, E. J., Abba, M. and Onuh, M. E. (2015). Electronic payment system and economic growth: A review of transition to cashless economy in Nigeria. *International Journal of Scientific Engineering and Technology*, 2(9): 913-18.
- Oyewole OS, El-Maude JG, Abba M, Onuh ME. (2015). Electronic payment system and economic growth: a review of transition to cashless economy in Nigeria. *Int J SciEng Technol* 2:913-918.
- Woodford M. (2003). *Interest and price: Foundation of a theory of monetary policy*. Princeton University Press.