

# Effects of the Role of Central Banks of Nigeria (CBN) in the Implementation of Cashless Banking System in Nigeria

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## ABSTRACT

*This study assessed the effects of the roles of Central Banks of Nigeria (CBN) in the Implementation of Cashless Banking System in Nigeria. The research work was based on survey method where primary data were generated and used through questionnaire. The study has a population comprised the staff of CBN and customers of the banks under study. Yamane formula was applied and Simple Sampling Technique was used and arrived at a sample size of three hundred and twenty four (324). Descriptive Statistics and Regression were used in the analysis. The study discovered that although banks have varying products available to customers, these may not be enough under cashless banking showed that introduction of new compatible products would enhance the system and that  $p$  – value  $p < 0.000$   $p < 0.05$  shows role played by banks in implementing Cashless Banking in Nigeria significantly guarantees the prospect of the policy. The study recommended that if banks really want to guarantee the future prospect of cashless banking system in Nigeria, there should be organized seminars, workshops, symposium, etc., reduction service charges, adherence to CBN's policy and introduction of new compatible products would enhance the system in Nigeria.*

**Keywords:** *Cashless banking, Implementation, Service charges, Point of sales*

## I.INTRODUCTION

The implementation of Cashless Banking in Nigeria was aimed at reducing the amount of physical cash circulating in the Nigeria economy and thereby encouraging more electronic-based transaction. The policy is expected to reduce cost incurred in maintaining cash-based economy by 90% upon its full implementation in Nigeria. However, no matter how beneficial policy is, there is always a factor that may likely affect either implementation and/or prospect. It is against this background that this study will be conducted to assess the factors affecting the prospects and implementation of Cashless Banking by banks in Nigeria. According to the study of Adesina, & Ayo (2010) on a survey involving 2,200 bank customers, it was discovered that Electronic Payments accounted for N360 Billion (US\$340 Million) worth of transactions in 2008. The foregoing has made

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it imperative to study the underlying factors affecting the prospects and implementation of cashless banking in order to identify and deal with factors inhibiting its usage. This will enable relevant stakeholders (banks, regulatory agencies, digital switch operators, etc.) formulate or modify existing policies that will further increase the popularity of cashless banking services.

Though many studies have been carried out on issues related to this study by various researchers such as Femi A, “Financial Inclusion: Nigeria’s Slow Steady Ride to banking the Unbanked.” Published in *The Guardian*, Wednesday, July 25<sup>th</sup>, 2012, p. 23), Obi V. “Imperatives of Advancing a Cashless Nigeria.” Available at <http://nsacc.org.ng/imperatives-of-advancing-a-cashless-nigeria/> Posted on: 13/06/ 2012 and accessed 27/04/2016, Akhalumeh PB and Ohiokha F. Nigeria’s Cashless Economy; The Imperatives. *International Journal of Management & Business Studies*, vol. 2, 2011: pp. 12 – 17, Floh, & Treiblmaier, (2006) in Odumeru, JA, The Acceptance of E-banking by Customers in Nigeria, *World Review of Business Research Vol. 2. No. 2. March 2012. Pp. 62 – 74*, Adesina, AA & Ayo, CK (2010), on “An Empirical Investigation of the Level of Users’ Acceptance of E-banking in Nigeria”, in *Journal of Internet Banking and Commerce*, Vol. 15(1), etc., these studies were not a direct survey of the Factors Affecting the Prospect and Implementation of Cashless Banking System with Special Reference to Selected Commercial Banks in Nigeria.

## 1.1 Objective of the Paper

A study to assess the effect of the roles of Central Bank of Nigeria in the implementation of Cashless Banking System in Nigeria with special reference to commercial banks in Nigeria is the main focus of this study.

## 1.2 Hypotheses

Ho: The role played by banks in implementing Cashless Banking System in Nigeria does not significantly guaranty the prospect of the System.

## II.LITERATURE REVIEW AND THEORETICAL FRAMEWORK

### 2.1 Empirical Review

In recent years, many authors have in one way or the other investigated the introduction of electronic banking and its implications on the economy in both developed and developing countries. James (2012) used Statistical Package for Social Sciences (SPSS) to investigate the acceptance of E-banking in Nigeria. The result shows that acceptance of e-banking in Nigeria is significantly influenced by Age, Educational Background, Income, Perceived Benefits, Perceived Ease of Use, Perceived Risk and Perceived Enjoyment. Morufu and Taibat, (2012), used qualitative survey to ascertain banker’s 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.

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. Zeithaml and Gilly (1987) used

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technology acceptance theory to determine the Characteristics affecting the acceptance of retailing technologies: a comparison of elderly and non-elderly consumers in developed country. He opined that there is existence of a positive relationship between education, income, and exposure to mass communication and the adoption of Electronic Funds Transfer (EFT) and the relationship was greater for younger than for older consumers. Karjaluoto, Mattila, & Pento (2002) used consumer acceptance theory to determine online banking acceptance. They found out that attitude towards online banking and its usage is significantly affected by Prior Computer Experience, Prior Technological Experience, Personal Banking Experience and Reference Group Influence. John & Rotimi (2014) in a descriptive survey to examine the Analysis of Electronic Banking and Customer Satisfaction in Nigeria used, found out that Internet banking in Nigeria is slowly been embraced by customers because Internet practice in Nigeria has been abused by cyber fraudsters who use real and deceptive banking websites to fool users' and set their sensitive information and funds.

## 2.2 Operational Policy/Criteria for Cashless Banking in Nigeria

In a circular dated 20th April, 2011 and addressed to all Banks; CIT Companies; Payments System Service Providers Switches; Card Acquirers, Issuers and Processors, the Central Bank of Nigeria, in collaboration with the Bankers Committee, is adopting policies to reduce the high usage of cash, moderate the cost of cash management and encourage the use of electronic payment channels.

The circular, which was signed by Muhammad Nda, Director, Currency Operations Department read: "Consequently, the Central Bank of Nigeria hereby directs as follows:

1. Commencing from June 1, 2012, a daily cumulative limit of N150,000 and N1,000,000 on free cash withdrawals and lodgments by individual and corporate customers respectively with Commercial Banks shall be imposed. To this end, individuals and corporate organizations that make cash transactions above the limits will be charged a penal fee of N100/thousand and N200/thousand respectively for amounts above the cumulative limits.
2. Contravention of this policy shall attract a fine of five (5) times the amount that the bank waives as a first offender. Subsequently, the bank shall pay ten (10) times the charges waived.
3. Furthermore, 3rd party cheques above N150, 000 shall not be eligible for encashment over the counter. Value for such cheques shall be received through the clearing house. If a bank allows 3rd party cheque encashment, it shall be liable to a sanction of 10% of the face value of the cheque or N100,000 whichever is higher.
4. Banks will cease cash in transit lodgment services rendered to merchant-customers from June 1, 2012. In this regard, customers could engage the services of the CBN licensed cash-in-transit (CIT) companies to aid cash movement to and from their banks at mutually agreed terms and conditions. Contravention of this policy shall attract a fine of N1.0 million per specie movement.
5. This arrangement shall be in force in Lagos state, F.C.T., Port Harcourt, Kano and Aba in the first instance. The arrangement shall be extended to other parts of the country at a date to be determined by the Bankers Committee.

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6. To achieve interoperability of local currency POS transactions, no card scheme, foreign or local, shall operate exclusive acquirer agreement or contract in Nigeria with effect from June 1, 2011.
7. This policy shall apply to both private and public sector transactions. All financial institutions including Deposit Money Banks, Savings and Loans, Mortgage and Microfinance Banks shall comply accordingly.
8. Compliance with the policy shall be monitored by the Banking Supervision Department and the Other Financial Institutions Supervision Department with appropriate sanction applied to erring institutions.”

### III. RESEARCH METHODOLOGY

The study was conducted in Nigeria with Borno State as the area where primary data were obtained. Because the Borno State borders with four countries (Benin Republic, Republic of Chan, Niger Republic and Republic of Cameroon), it became a centre where international businesses are organised, and this factor made these cities an opportunity for banks to harness, thereby justifying the location of many banks in this study. This study adopted exploratory research design followed by descriptive study during conduct of the study. This is recommended by Kothari & Garg (2014). Note the problem is to determine how many respondents should be included in the sample for the study, if one need to be 95% certain (confidence level) that the error of estimation does not exceed 0.05 (confidence interval=5).

Considering the population size which is large, and to reduce the size of the population to a manageable size. The researcher used Yaro Yamane’s formula to determine the number of banks included in this study. The sample size of this study is three hundred and twenty four (324) drawn randomly from selected banks as earlier stated.

This study used mainly primary data collected through the use of five - Likert point scale Structured Questionnaire. Respondents indicated their level of agreement with a given statement by the way of scale ranging from “strongly agree” to “strongly disagree”. Data collected were analysed using both descriptive frequency analysis and inferential statistics. Multiple Regressions was used to examine the relationship between constructs and test the hypothesis accordingly. A total of 324 questionnaires were distributed retrieved 294 completely and correctly filled upon which this analyses were made. This also means that the researcher and other stakeholders can relies on the findings and conclusions of the study. The level of significance (alpha) used for analyses and tests in this research study is 0.05 (5%).

### IV. ANALYSIS AND INTERPRETATION OF DATA

**Table 1: Create more awareness and sensitization**

Responses	Frequency	Percent
Strongly Agreed	47	16.03
Agreed	91	30.98

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Neutral	79	26.90
Disagreed	47	16.03
Strongly Disagreed	30	10.05
Total	294	100.00

Source; Field Survey, 2018

The results presented in Table 1 showed that a combined 138(47.01%) agreed that creating more awareness and sensitization through organizing seminars, workshops, symposium, etc. by banks would guaranty the future prospect of cashless banking system in Nigeria. Responding to this statement, 26.08% disagreed while 26.90% of the respondents are neutral. This shows that if banks really the guaranty the future prospect of cashless banking system in Nigeria, they should be organizing seminars, workshops, symposium, etc., on the use and benefits of the system.

**Table 2: Provision of more functional equipment**

Responses	Frequency	Percent
Strongly Agreed	44	14.95
Agreed	150	50.95
Neutral	38	13.04
Disagreed	30	10.05
Strongly Disagreed	32	11.01
Total	294	100.00

Source; Field Survey, 2018

Table 2 presented that 44(14.95%), 150(50.95%), 38(13.04%), 30(10.05%) and 32(11.01%) respondents represented by the corresponding percentages Strongly Agreed, Agreed, Neutral, Disagreed and Strongly Disagreed respectively that provision of more functional equipment, especially promotional policy such as bonuses, gifts, etc. would guaranty the future prospect of cashless banking system in Nigeria.

**Table 3: Reduction of Inter-banks service charges**

Responses	Frequency	Percent
Strongly Agreed	56	19.02
Agreed	138	46.88
Neutral	38	13.04
Disagreed	30	10.05
Strongly Disagreed	32	11.01
Total	294	100.00

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Source; Field Survey, 2018

In Table 3 however, 19.02% strongly Agreed and 46.88% of the responses agreed that reduction of service charges with inter banks would go a long way in guarantying the future of cashless banking system in Nigeria. In the same vein, 13.04% response was neutral, while 21.06% of the respondents are in disagreement with this statement. The result showed that majority of the respondent agreed that reduction of service charges with inter banks would go a long way in guarantying the prospect of cashless banking system, therefore banks in Nigeria should take note.

**Table 4: Effective/efficient Transfers and payments**

Responses	Frequency	Percent
Strongly Agreed	126	42.99
Agreed	68	22.99
Neutral	50	17.01
Disagreed	32	11.02
Strongly Disagreed	18	5.99
Total	294	100.00

Source; Field Survey, 2018

Respondents' opinions in Table 4 on whether the provision of effective and efficient transfers and payments system by banks in Nigeria would guaranty the prospect of cashless banking system. The responses showed that 65.98% of the respondents agreed strongly, 17.01% of the respondents were neutral and only 5.99% disagreed strongly to the statement. This however shows that the provision of effective and efficient transfers and payments system by banks would guaranty the prospect of cashless banking system in Nigeria.

**Table 5: Compliance with CBN Policies**

Responses	Frequency	Percent
Strongly Agreed	47	16.05
Agreed	120	40.95
Neutral	59	20.00
Disagreed	35	11.97
Strongly Disagreed	32	11.02
Total	294	100.00

Source; Field Survey, 2018

Table 5 presented a varying responses regarding commercial banks' adherence to CBN's policy on Cashless banking system and its sustainability in the country. Result from the table shows 16.05% and 40.95% of the respondents strongly agreed that compliance with CBN's policy by commercial banks in Nigeria would bring

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about a better and structured Cashless banking system, 22.99% of the respondents either disagreed or strongly disagreed, while 59 respondents represented by 20.00% of the total responses were neutral. This shows commercial banks must adherence to CBN's policy on Cashless banking system in order to guaranty its prospect and sustainability in the country.

## V.HYPOTHESIS

**Ho:** The role played by banks in implementing Cashless Banking System in Nigeria does not significantly guaranty the prospect of the System.

**Table 6: Model Summary**

Model	R	R Square	Adjusted R <sup>2</sup>	Std. Error	Change Statistics				
					R <sup>2</sup>	F Change	df1	df2	Sig.
1	.301a	.091	.084	.461	.094	12.400	6	288	.000

Tables 5 describes the linearity relationship between the roles played by CBN in implementing Cashless Banking significantly guarantees the prospect of the policy as earlier observed. The variables were subjected to regression model from the result of the regression, the summary model showed that  $r = 0.091$ , which implies that the variables within the factors by rule, belong together at  $R^2 = 0.84 = 84\%$  which indicated that the combination of all the independent variables in the models explained up to 46.1% of the attitudes. The  $p$  – value  $p < 0.000$   $p < 0.05$  shows role played by CBN in implementing Cashless Banking in Nigeria significantly guarantees the prospect of the policy. Therefore, the study rejected the Null hypothesis and accepted the alternate.

## VI.DISCUSSION OF RESULTS

The study identified that provision of more functional equipment, especially promotional policy such as bonuses, gifts, etc. would guaranty the future prospect of cashless banking system in Nigeria. The result showed that majority of the respondent agreed that reduction of service charges with inter banks would go a long way in guarantying the prospect of cashless banking system, therefore banks in Nigeria should take note. Same was found out by Akhalumeh and Ohiokha, (2011). Although data on how to improve Cashless Banking system in Nigeria is scarce, this does not affect its prospect, and that lack of awareness of the importance of the Cashless Banking and level of literacy required to use the system may affect the prospect of the system in Nigeria, and that that the provision of effective and efficient transfers and payments system by banks would guaranty the prospect of cashless banking system in Nigeria. This disagreed with the findings of Siyanbola, (2013). The results from the hypotheses indicate that The  $p$  – value  $p < 0.000$   $p < 0.05$  shows role played by banks in

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implementing Cashless Banking in Nigeria significantly guarantees the prospect of the policy. This agrees with the findings of Yaqub, Bello, Adenuga & Ogundeji (2013) but disagrees with the study of Sumanjeet, (2009).

## VII.CONCLUSIONS OF THE STUDY

From the data analysis done above, it concluded that the role played by CBN in implementing Cashless Banking in Nigeria significantly guarantees the prospect of the policy. People are aware of the facilities of cashless Banking in Nigeria, and that a sizeable proportion of the people are actually embracing the system. Though the system may face machine malfunctioning and technical hitches, this however does not impair on the prospects of Cashless Banking system in Nigeria.

## VIII.RECOMMENDATIONS

The following recommendations were proffered:

1. For banks to really guaranty the future prospect of cashless banking system in Nigeria, they should be organizing seminars, workshops, symposium, etc., on the use and benefits of the system.
2. Commercial banks should provide more functional equipment, especially promotional policy such as bonuses, gifts, etc. would guaranty the future prospect of cashless banking system in Nigeria.
3. Since the transactional charges are claimed to be high, the apex bank (CBN) should work toward the reduction of service charges with inter banks would go a long way in guarantying the prospect of cashless banking system.
4. Although banks have varying products available to customers, these may not be enough under cashless banking showed that introduction of new compatible products would enhance the system is eminent.

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