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An Appraisal of Cashless Economy Policy in Development of Nigerian Economy

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Abstract
This paper is motivated by the seeming inadequacy of Nigeria in adopting and implementing the cashless economy policy. The problem is defined by Nigeria's backdrop level of development both technologically and educationally. The objective of the study is to examine its significant benefits and essential elements, and to check the extent to which it can enhance the growth of financial stability in the country. Two research hypotheses were formulated in line with the objectives of the study. The descriptive research design was adopted for the study with a sample size of 68. The convenience sampling technique was used. The questionnaire which was structured was the main instrument used for data collection. The data collected was subjected to face validity test, and was tested with ANOVA and chi – square (x^2) technique was used to test the hypotheses. 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 some recommendations made are: the 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.
Key Words: cashless economy, financial stability, Policy development and Nigerian economy

Introduction

The Central Bank of Nigeria (CBN) has in recent times engaged in series of reformations aimed at both making the Nigerian 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. There was the capitalization (to the tune of minimum of N25billion) agenda (Ajayi, 2006). There was also the aborted move at redenomination of the Naira. Recently, the CBN came out with two purportedly laudable agenda – the Islamic banking (non-interest banking) and the cashless economy (e-payment system). (Babalola, 2008).

Some of these policy measures came with tremendous success despite the initial skepticisms of Nigerians. For instance, when the CBN in July 2004 set December 31st ,2005 deadline for N25billion minimum capitalization, it was greeted with considerable cry and criticism, when the programme was completed, the banking landscape was transformed out of a system dominated mainly by "fringe banks to one made up of largely "mega banks" (Adeyemi, 2006). The product of the exercise was to "ensure a diversified, strong and reliable banking industry where there is safety of depositors' money, and reposition the banks to play active developmental roles in the Nigerian economy" (Adegbaju and Olokoyo, 2008). This remark sums up the assessment of analysts about the outcome of the reform agenda.

In recent years, Nigeria has been experiencing a growth turnaround and conditions seem right for launching onto a path of sustained and rapid growth, justifying its ranking amongst the N11 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 reform's already laid. Constraints to the achievement of Nigeria's ambition to be amongst the top 20 economies of the world by year 2020 is the fact that the Nigerian economy is too heavily cash oriented in transactions of goods and services which is not in line with global trends (http://www.nv2020bsg.org/aboutus.php).

In its efforts to rescue the Nigerian economy from the brinks of total collapse, the CBN in collaboration with the Bankers Committee the cashless economy policy designed to provide mobile payment services, breakdown the traditional barriers hindering the financial inclusion of millions of Nigerians and bring low-cost, secure and convenient financial services to urban, semi-urban and rural areas across the country (www.cenbank.org/out/speeches/2012/g...).

The cashless economy policy initiated by the CBN led by its Governor; Sanusi Lamido Sanusi was introduced first in Lagos state, the country's economic hub with the aim of achieving an environment where a higher and increasing proportion of transactions are carried out through cheques and electronic payments in line with the global trend (Obodo, 2012).

Upon this background, this study is poised to investigate and appraise to the best of the researchers ability the impact of the cashless economy policy on Nigerian citizens and the economy at large.

Some other policy agenda did not enjoy as much acceptance as did the recapitalization agenda. For instance, the redenomination proposal was snubbed and judged to be counter-productive. In the same vein, the non-interest, Islamic banking concept has been greeted with a lot of skepticism, and the initiators are accused of masking under some hidden agenda.

The same may be said of the proposal on the introduction of "cashless economy". The reaction of one Gibson sums up the skepticism in certain quarters about the "cashless economy", he remarks that "I am foreseeing the ANTI-CHRIST stepping in and the fulfillment of Biblical prophecy that a time for cashless society will come and nobody will buy or sell except you have a number, be wise" (magill, 2010). This may mean that not enough has been done to address the genuine concerns of the citizenry about the cashless economy.

So much may have been said about the anticipated gains attendant to the adoption of e-payment and cashless economy (or cashless banking), but in concrete terms, people have not been convinced that the agenda is for the good of all.

While we may point to such economies as the Japanese or U.S, we must be very ready to accept the fact that these are economies with functional institutional basis which cannot also be said about Nigeria with much conviction. Apart from the institutions, one fear that has been expressed is the state of Nigerian infrastructural decay. Have we witnessed the impact of infrastructure on the implementation of 'cashless economy' or is it an assumption that the infrastructural platform needed for the cashless economy to perform will simply come with the cashless economy?

All things being equal, there are still a few downsides to a cashless economy. Money by its nature is abstract. The less cash that flows through our hands, the more intangible it becomes and the more we lose our sense of its real value. Our banked assets are now on an electronic apparition, and the fear of not having cash at hand is a downturn (www.reinventrebuild.com/nigerione.php.).

Furthermore, the drive towards a cashless economy; a recent key policy of the CBN which has imposed on the financial sector calls for a leaner staff roll in many of the banks which has led to the mass retrenchment of workers, leaving many Nigerians without a source of income

Considering also that the sustainability of the policy will be a function of endorsement and compliance by the end users, the researcher deemed it fit to effectively gauge the level of the policy's endorsement by means of this research with respect to the end users.

Finally, anxiety still persists amongst Nigerians from every sector about how the introduction of the cashless economy policy in Nigeria will affect businesses, prices and economic stabilization.

These among other reasons led the researcher to carry out this study not only to examine and appraise the impact and effects of the cashless economy policy on the Nigerian economy, but to determine whether it will serve as a viable alternative cash transaction method in our society.

With respect to the above, one way of proffering solution to the problem would be to find out as well as determine among other things the extent to which the adoption of the cashless economy policy will enhance the growth of financial stability in the country. The extent to which Nigerians will significantly benefits from the cashless economy initiative, how the policy will ease business for them and its level of acceptance.

Hypotheses

1. H_0: Cashless economy initiative will not be of significant benefits to Nigerians.
   H_i: Cashless economy initiative will be of significant benefits to Nigerians.
2. H_0: The adoption of the cashless economy policy cannot enhance the growth of financial stability in the country.
   H_i: The adoption of the cashless economy policy can enhance the growth of financial stability in the country.

An Overview of the Cashless System

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 which the amount of cash-based transactions are 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. It 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" (woodford, 2003).

Cashless economy does not mean a total elimination of cash as money will continue to be a means of exchange for goods and services in the foreseeable future. It is a financial environment that minimizes the use of physical cash by providing alternative channels for making payments (Alilonu, 2012).

The cashless economy policy of the CBN is designed to provide mobile payment services, breakdown the traditional barriers hindering financial inclusion of millions of Nigerians and bring low cost, secure and convenient financial services to urban, semi-urban and rural areas across the country. This has however become an albatross to some elites, the poor, the uneducated and traders (Eromosele and Obinna, 2012). Valentine Obi, Managing Director/CEO e-Tranzact International Plc, a leading provider of mobile transaction services defines cashless society as one where no one uses cash, all purchases being made by credit cards, charge cards, cheques and direct transfers from one account to another. In other words, it refers to the widespread application of computer technology in the financial system. According to him, in the western world today, almost 97% of transactions are done without physical cash being exchanged and this has greatly reduced cost, corruption and money laundering. In Nigeria today, it is the opposite – with majority of transactions done with cash.

In a cashless economy, how much cash in your vault is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010). Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchange. These all refer to how transactions and payments are affected in a cashless (Ashike, 2011).

In Nigeria, under the cashless economy concept, the goal is to discourage cash transactions as much as possible. The CBN had set daily cumulative withdrawal and deposit limits of N150,000 for individuals and N1,000,000 for corporate entities (now reviewed to N500,000 and N3million respectively). Penalty fees of N100 and N200 respectively (now reduced to 3% and 5% respectively) are to be charged per extra N1000 (Ezumba, 2011).

It should be noted that as at now there are already some forms of cashless transactions that are taking place in Nigeria. It is noted that today there are up to seven different electronic payment channels in Nigeria : Automated Teller Machines (ATM), Point of Sales terminals, mobile voice, web, inter-bank branch and kiosks. E-payment initiatives in Nigeria have been undertaken by indigenous firms and have been stimulated by improvement in technology and infrastructure (Babalola, 2008).

As noted above, the cashless economy does not imply an outright end to the circulation of cash (or money) in the economy but that of the operation of a banking system that keeps cash transactions to the barest minimum. The CBN had set daily limits of cumulative withdraws and lodgments of N150,000 for individuals and N1,000,000 for corporate customers (now N500,000 and N3million respectively). The operation of the system does not mean the individual/corporations cannot hold cash in excess of N150,000/N1million (now N500,000 and N3million respectively) respectively at any single point in time but that their cumulative cash transactions with the bank must not exceed these limits over a period of one day. The system is targeted at encouraging electronic means of making payments, and not aimed at discouraging cash holdings. This policy on limits implies that an individual can actually have N5million (more than N150,000 now N500,000) under his pillow at home, buys goods and services with them but must not pay more than N500,000 into his bank account in one day without attracting a fine of 3% per N1000 for the excess.

What is anticipated by this policy is that instead of making large withdrawals to effect payment for goods and services, such monies will be kept in the banking system so that payments are made through "credit card-like means". In this system users are issued with electronic cards which can be slotted into special electronic machines in order to effect payments. At the center of such payment system are the Point of Sales (POS) terminals (Azeez, 2011). These are to be deployed across commercial points in the country. These POS terminals thus deployed will serve like the Automatic Teller Machines (ATM). In this case, upon completing a transaction and the value ascertained, the amount is entered into a POS terminal into which the electronic card has been slotted. The cash equivalent of the amount is transferred from the payer's account into the account of the payee automatically (Olaegbe, 2011).

Users are issued with a card (the electronic purse). The electronic purse is topped using revaluation terminals. There are different types of terminals: coin and note, credit card and payroll deductions terminals. The cards are simply inserted into the revaluation terminal and certain programmemed instructions are followed, and money is added onto the electronic purse. This can then be used to pay for goods/services by inserting them into the POS terminal. When the card is inserted into the POS terminal, and the transaction amount entered, the reader reads the amount and is quickly deducted from the e-purse (the card).(http://www.wmcltd.com.co.uk/cashlesssystem?2011).

While cash will still remains the preferred means of payment and exchange, other alternative modes are offered. To dissuade the reliance on cash payments, daily cash limits on deposits and withdrawals are enforced and any amount above the stipulated threshold is penalized by application of handling charges by banks. The alternative means of payment are as follows:

1. **Cheques**; there is an expected surge in the use of cheques. However, encashment of third-party cheques across the counter is prohibited and all cheques drawn in favor of any beneficiary other than the account owner must be presented through CBN clearing house. Sequence to that, the value on cheques must not exceed N10million.
2. **Bank drafts and other bank instruments;** bank drafts will become the toast of many merchants for big ticket transactions not more than N10million. This is because bank draft unlike personal cheques in normal Nigerian parlance, cannot bounce except if they are fraudulent. However, they cannot be paid across the counter and will still be subject to the three days clearing rule of CBN for cheques.
3. **ATM**; Automated Teller Machines will be used much frequently for making variety of online payments such as utility bills, T.V subscriptions, GSM recharges, etc. Customers are advised to keep their ATM cards (Debit and Credit) safe and never to divulge their PINs.
4. **NIBSS Funds Transfers** ; The Nigerian Interbank Settlement Scheme is an online platform where banks exchange value thereby enabling the performance of interbank transfers such as NEFT and NIBSS instant transferring funds between banks for single or multiple beneficiaries for individual amounts not exceeding N10million. NEFT transfers, once effected works with the next available clearing session of CBN and is received in the beneficiary's account the same day or next working day, but NIBSS instant payments are immediate.
5. **RTGS** ; Real Time Gross Settlements is used to transfer sums above N10million in favor of a single beneficiary. It is used for big ticket transactions which must have been effected before noon for most banks if the funds are to reach the recipient bank the same day.
6. **Mobile Money** ; this is a product that enables users to conduct funds transfers, make payments or receive balance enquiries on their mobile phones.
7. **E- transfers** ; refers to electronic transfers which can be effected via the internet on PCs, laptops and other devices. Bank customers who have subscribed to internet banking can do basic banking transactions via the web.
8. **POS Terminal** ; Point of Sale (POS) terminals are deployed to merchant locations where users swipe their electronic cards through them in order to make payment for purchases or services instead of using raw cash. As the POS terminals are online real-time, the customers bank account is debited immediately for value of purchases made or services enjoyed. (Alilonu, 2012).

There are indeed alternatives to handling or transacting in cash for transfers and for payments of goods and services purchased. These include : ATMs, which can mobile banking/payments, which can be done through the use of mobile phones for balance inquiry, funds transfers and bills payment ; internet banking, which can be used for instant balance enquiries, funds transfer, bills payment and other transactions. Most banks require you to have a token device for internet banking services in order to give some security for customers banking applications. Yet other alternative includes Point of Sales (POS) terminals which allow merchants access to card payments for sale of products and services. They also allow merchants to make commission from sales of third-party products and services e.g. recharge cards, bill payments, lottery tickets etc., and finally there is electronic funds transfer through which one can transfer money electronically from his account to other accounts. Some banks also offer an instant electronic funds transfer service. However, most of these e-payments channels require you to have an ATM/Debit card (Oyetade and Ofoelue, 2012).

It has to be noted that the operation of the cashless economy (electronic payment) system is not entirely free. It is noted that using the POS comes with a hefty price tag of 1.25 percent of the cost of every purchase or transaction that is affected in addition to the N5 for every N1000 commission on turnover that our deposit money banks are allowed by CBN to charge every time money is taken from our account (Omose, 2011).

The New Cash Policy and Law Response to Cash-Less Economy

The retail cash policy which commence from June 2, 2012 stipulates that over the counter cash transactions above N150,000 and N1,000,000 for individual and corporate respectively will attract a charge. Notwithstanding, the policy recognizes that merchants have to continue to receive payments therefore, it allows merchants and traders alike to choose either cash option for receiving payments or adopt cheaper and convenient alternative electronic payment channels to facilitate business transaction. The implementation of the policy will commence at first in Lagos, and gradually phased to cover Pot Harcourt, Kano, Aba and F.C.T.

A careful review of the policy reveals the following salient consideration that went into the formulation of the policy as well as actions being taken to ensure seamless implementation:

1. The central Bank of Nigeria, while acting within the limits of its statutory responsibilities in respect of the development of the payments system, did not place a limit on cash transactions in the banks rather the CBN is formally encouraging banks to shift cost burden of heavy cash management to customers conducting highvolumes of cash transactions in the banking halls.

Individuals and corporates who are desirous of such cash usage should be willing to pay for the cash services being offered by the banks. Since the majority of Nigerians (90%) do not carry out cash transactions of up to N150,000 a day on their respective accounts, the threshold for charging was set taking into consolidation the need to protect the low income earners and savers.

2. It is should be clarified that the policy does not prohibit the withdrawal of more than N150,000. Those who still wish to conduct heavy cash transactions with their banks are free to do so within the provisions of the directive.
3. The banks are poised and committed to an aggressive roo-out of ATM, point-of –scale (POS) and ensure these are readily available to the high cash driven individuals and businesses. The CBN and Bankers Committee are implementing an e-payment rollout program that will deploy additional 40,000 POS and 10,000 ATMs before December 31, 2011 and 375,000 POS and 75,000 ATMs by December 2015. These are to be deployed with strict rules on high uptime and availability.
4. Currently, there are funds transfer products of banks that ensure same day value to customers anywhere in the country through the electronic funds transfer system.
5. The CBN aims to roll out this policy with a pilot starting with Lagos, to be implemented by January 1, 2012. Following proof of concept, the roll-out will continue to the remaining identified cash-dominant localities with effect from June 1, 2012.
6. To address the communication infrastructure issue which had hitherto affected the level of availability od POS and ATMs to users in the country, the CBN and the bankers Committee have commenced concrete actions to ensure that priority is given to payments related data traffic by telecommunication networks. Agreement has been reach to provide dedicated channels for transaction over the Point of Sale (POS).
7. Power is another key infrastructure which impacts the availability of POS and ATMs. The CBN has therefore agreed on minimum POS standards which specify adequate battery life span to support uninterrupted availability of power supply.

While the distinguishing element in e-transactions is the electronic element, virtually all of Nigeria’s extant laws and regulations do not provide for the element in commercial transactions till date, there is no law that explicitly and exclusively deals with payment systems in Nigeria. This contrasts sharply with Kenya and South Africa, to name a few.

With the enactment of the Kenya Communication Amendments Bill 2008, Kenya retail banking sector enjoys the benefits of using electronic signatures and the recognition of electronic records in legal proceedings. Accordingly, cost reduction and customer related factors have emerged as the main drives of e-banking adoption in Kenya. On its part, India has three major statutes or guidelines governing e-finance, namely the; Information Technology Act, 2000 (Certifying Authorities) Rules 2000; and central Bank (Reserve Bank of India (RBI) guidelines on internet Banking in India.

However, the central bank of Nigeria Act (as amended) gives the Bank implicit powers to oversee and regulate the payments system. This role is complimented Corporation (NDIC) and the Nigerian Stock Exchange.

E-transactions and Consumer Protection

Consumer protection issues revolved round infrastructure, interconnection, investment, trade, and liberalization among others. Dispute resolution mechanisms must therefore be put in place to assuage the concerns of e-consumers. These may range from official to non-official approaches, including regulatory adjudication, court adjudication, alternative dispute resolution, negotiation and mediation to arbitration. Whatever model is adopted, the key elements must include speed and efficiency.

Uganda’s The communications (Fair competition) Regulations, 2005; Kenya’s Act of 1998, and the UK Consumer protection Regulations 2000 all deal with consumer-related issues. However, in Nigeria, the e-consumer does not seem to have adequate legal cover in the event of a commercial dispute. For instance, the duty of care and skill in handling and securing customer funds by bankers has increasingly come under scrutiny, moreso in the light of the seeming helplessness of ATM fraud victims in obtaining legal redress. This is not unconnected with Nigeria’s unsatisfactory e-commerce legal regime.

The Consumer Protection Council Act 1992 does not outline the responsibility of the trader to the consumer. Further, there are no details of punishment for the service provider, unsurprisingly; results have been mixed with regard to consumers seeking legal redress. While claimants were successful in Constance Ngonadi v. Nigerian

Bottling Co. Ltd [1985] INWLR (PT.4) 739, Oye soremu v. Nigerian Bottling Company Ltd, and the widely reported Pfizer Case, the same is not true for Boardman v. Guinness Nigeria Ltd (1980) NCLR 109, Nathaniel Ebelamu v. Guinness Nigerian Ltd [1980] 1 P.L.R. 538 and Okonkwo v. Guinness Nigeria Ltd (1980) 1P.IL.R 538. The Act also makes no provision in regard to electronic transactions. The Financial Ombudsman Bill aimed towards consumer protection is yet to be passed into law. This leaves the consumer in a wantonly precarious position vis-a vis e-transactions.

The CBN has created a Consumer and Division "to educate consumers and defend their interest." While the bank is currently advocating for the passage of the Financial Ombudsman Bill, e-consumer may to fall back on the apex bank's Guidelines on point of sale (POS) Card Acceptance Services 2011 in seeking legal redress. The guidelines, consistent with global best practices towards protecting the e-consumer, provide, *inter alia*, that "A card issuer shall be held liable (where proven) for card frauds arising from card skimming or other compromises of the issuer's security system, including payment done with hot-listed card," on its part the Electronic Transaction Bill also provides, *inter alia*, that "A person using electronic communications to sell goods or services to consumers shall provide accurate, clear and accessible information about themselves, sufficient to identify the legal name of the person, its principal geographic address, and an electronic means of contact or telephone number, facilitate prompt, easy and effective consumer communication with the seller, and allow service of legal process."

It is however instructive that though the bill mentions "service of legal process" in anticipation of litigations relating to e-transactions, it is ominously silent on possible offences by individuals and corporates that may be actionable in e-transactions as well as the attendant penalties. Remedies available to injured parties are equally not provided for, moreso as the bill is also silent on the mode of intermediaries also remains unclear. The bill is also silent on the role of a certification service provider towards ensuring the integrity of e-transactions.

Benefits of the Cashless Economy

However, experts and government officials have continued to paint the system in very colorful tones. For instance, the World Bank says that "operating a cashless society in Nigeria was strategy for fast-tracking growth in the nations' financial sector". If the World Bank says so, one expects that to be true. Experts have pointed out specific areas in which the cashless economy will enhance the quality of life. This includes:

1. Faster transactions – reducing queues at point of sales.
2. Improving hygiene on site – eliminating the bacterial spread through handling notes and coins.
3. Increased sales
4. Cash collection made simple – time spent on collecting; counting and sorting cash is eliminated.
5. Managing staff entitlements (http://www.wmcltd.com.co.uk/cashlesssystem?2011)

It is also noted that:

It reduces transfer/processing fees, increases processing/transaction time, offers multiple payment options and gives immediate notification on all transactions on customers' account. It is also beneficial to the banks and merchants; there are large customer coverage, international products and services, promotion and branding, increase in customer satisfaction and personalized relationship with customers and easier documentation and transaction tracking (Ashike, 2011).

E-payments have several advantages, which were never available through the traditional modes of payment, some of which are; privacy, integrity, compatibility, good transaction efficiency, acceptability, convenience, mobility, low financial risk, anonymity (Keck, 2012).

E-payment tends to benefit businesses by extending customers base, boosting cash flow, reducing costs, enhancing customer service and improving competitive advantage (www.electronic-payments.co.uk).

Five reasons why e-payment improves customer service – the five C's ;

1. Choice – like competitors, it can offer a wide range of payment options.
2. Convenience – they remove the need for invoices, cheques, cash and Banks Automated Clearing System (BACS).
3. Credit – they may allow purchases that would otherwise be delayed.
4. Concessions – small discounts to encourage online purchases improve the perception of value.
5. Competitive edge – if you don't offer the full range of payment options, but your competitor does, what does it say about your business?

(www.electronic-payments.co.uk).

Five reasons why e-payment increases profitability;

1. Convenience – removing administrative resources required by invoices, cheques and cash.
2. Immediacy – credit cards enable instant purchasing without delay.

3. Improved cashflow – payment at the time of purchase reduces the pressures caused by 30-days invoicing.
4. Growth – opens additional payment channels via the phone, mail order, and internet and increase customers' base. More customers mean more revenue.
5. Competitive advantages - match and beat the services of competitors and gain the edge. (www.electronic-payments.co.uk).

The government will benefit from the cashless economy in the area of adequate budgeting and taxation, improved regulatory services, improved administrative processes (automation), and reduced cost of currency administration and management (Ashike, 2011).

Jimi Agbaje, one of the former governorship candidates on the platform of DPA in Lagos State states that the advantages of a cashless society range from regulating and controlling to securing the financial system of our economy. National President, Nigerian Veterinary Medical Association (NVMA), Dr. Gani Enahoro, corroborated the views of Agbaje. However, he stated that for the policy to benefit Nigerians, they should not be fined for large withdrawals as prescribed by the CBN. "It is another form of taxation whose proceeds would not get to the Federal Inland Revenue Service (FIRS). It also gives the negative impression that Nigerians are never able to do good things except they are coerced; a mentality that should not be given official coloration", he stated (www.vanguardngr.com/2012/03/cash-le....)

A variety of benefits are expected to be derived by various stakeholders from an increased utilization of e-payment systems. This includes;

- For Consumers; increased convenience, more service options, reduced risk of cash-related crimes, cheaper access to (out-of-branch) banking services and access to credit.
- For Corporations; faster access to capital, reduced revenue leakage, and reduced cash handling costs.
- For Government; increased tax collections, greater financial inclusion, increased economic development.
- For Banks; efficiency through electronic payment processing, reduced cost of operations and increased banking penetration. (Oyetade and Ofoelue, 2012).
- Benefits to the economy ; through the system, users can also pay utility bills, school fees, hotel bookings, and house rents, among other transactions, using a mobile phone device. (Eromosele and Obinna, 2012).

As a policy instrument, CBN has heaped a lot of praises on the cashless system; it sees it as a tool for tackling corruption and money laundering.

It has been pointed out that : "Among the reasons glibly advanced by the CBN for this policy include reducing the cost of cash management, making the Nigerian economy cashless, checking money laundering and the insecurity of cash in transit (CIC)" (Ogu, 2011). Statistics show that cash management in 2009 cost N114.5billion and this is projected to stand at N200billion in 2020 (Ezumba, 2011). In the same vein, the cashless system provides the opportunity of being able to "follow the money" and thus check money laundering across boarders.

Other reasons cited by the Apex bank was ; to improve the effectiveness of monetary policy in managing inflation and driving economic growth, to reduce the cost of banking services (including cost of credit) and driving financial inclusion by providing more efficient transaction options and greater reach (Oyetade and Ofoelue, 2012).

The new cashless policy was introduced according to the CBN for a number of key reasons, including;

1. To drive development and modernization of our payment system in line with Nigeria's vision 2020 goal of being amongst the top 20 economies by the year 2020. An efficient and modern payment system is positively correlated with economic development, and is a key enabler for economic growth.
2. To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach
3. To improve the effectiveness of monetary policy in managing inflation and driving economic growth.

In addition, the cash policy aims to curb some of the negative consequences associated with the high usage of physical cash in the economy, including;

- High cost of cash: there is a high cost of cash along the value chain from the CBN and the banks, to corporations and traders; everyone bears the high costs associated with volume cash handling.
- High risk of using cash: cash encourages robbery and other cash related crimes. It can also lead to financial loss in the case of fire and flooding incidents.
- High subsidy: CBN analysis showed that only 10percent of daily banking transactions are above 150k, but the 10percent account for majority of the high value transactions. This suggests that the entire

banking population subsidizes the costs that the tiny minority 10percent incurs in terms of high cash 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. (www.cenbank.org/cashless/)

Added to this is the perceived impact on the Naira. The system will reduce the pressure on the Naira. This can only happen if there is effective and standard cross-border electronic transmittal's reporting system (Ezumba, 2011). Following from the above therefore, it is anticipated that the cashless system will bring with it transparency in business transactions (Jaiyeola, 2011).

In the same token, the cashless economy will bring with it a leaning towards banking culture. It is seen that the effort is directed at "ensuring a 'cashless economy' and nurturing the culture of saving in the unbanked majority in the country" (Nonor, 2011). Most Nigerians are still unbanked, and so we have large proportion of the citizenry not subject to such monetary policy instruments as are used in the banking system. This development will make CBN's policy tools more effective for achieving economic development and stability goals.

It appears that the most serious appeal of the cashless system comes from the high cost of cash management in Nigeria (Eboh, 2011). Other identified reasons for the cashless economy policy are robbery, revenue leakages and inefficient treasury. The system will present some costs to the banking public, there will be some costs to be borne by government and there will be costs for the operators of the system.

Costs of the Cashless Economy

When government officials and proponents talk of the gains of a cashless economy, they do so as if it is a heaven-packaged programme, tailor-made to solve the many problems of Nigeria, with no adverse consequences. Good as it may be made to look; the system will come at some costs.

As noted above, the use of POS terminals in the cashless system will attract special charges that do not go with cash transactions. A price tag of 1.25% of the cost of every transaction done through POS terminals will be charged by the operators of the terminals (Omose, 2011). This may be considered over-burdensome on the banking public given that this will not obviate nor lessen the normal commission on turnover charged by banks on withdrawals. Apart from being an additional charge on bank customers, the charges appear to be too high. Normal bank commission on turnover is N5 for every N1000 representing 0.5% of the amount of such transactions, compared to the CBN approved charges of 1.25% which would mean N12.50 for every N1000.

Another area of problem is seen in it is record keeping. Some questions have been asked: if the cards are capable of keeping records of a customers' banking and buying patterns, could a situation arise where every transaction a person makes is recorded? Will the individual not be powerless in a dispute with a financial institution over money that exists only as a computer record? (Fisher,1996). Will the convenience and versatility of cash be lost as all transactions come to rely on terminals and passwords? The big issue is privacy. Fears have also been expressed by some that a cashless system might lead to loss of jobs as the banks will not have need for most of the tellers under a cashless system. Since most transfers and settlements will be done electronically, there is fear that banks will lay off some of the staffs who are normally involved in telling jobs. While this fear appears founded, we may need to wait and see the extent of the actual impact. The same fear had followed the introduction of computers when it was feared that computerization will lead to massive job losses resulting from laying off of secretariat and clerical staff.

Beautiful as the policy has been made to sound, the challenges are many; the insufficiency of the POS machines; non-functioning internet connectivity; problem of power and the possibility of cloning and hacking into the system by fraudulent persons. There equally is the possibility of some individuals and corporate entities, in an effort to escape the punitive charges, to take some steps in order to circumvent or weaken the effect of the policy on their operations. According to some analysis, customers can convert their naira holdings to foreign currencies like the USD, GBP,YEN, EURO, CFA and CEDI, and also price their goods and services in these foreign currencies, as the burden on handling cash transactions above the approved limits only applies to the Naira and not foreign currency. Moreover, since the limit for individual and corporate cash lodging/withdrawals is N150,000 and N1,000,000 (now N500,000 and N3million respectively) respectively, it is not inconceivable that bank customers will open more corporate accounts either through registering a business name or incorporating a liability company, which increases their cash handling limits without penalty by N850,000. Customers can decide to open multiple individual or corporate accounts with different banks, and other than the trouble of going to these different banks to cash or lodge money, it can be business as usual for cash lovers who can withdraw N150,000 from two or more accounts in different banks (Oyetade and Ofoelue, 2012).

There is also the fear in some quarters that some customers can decide to boycott the banks entirely and join up with millions of Nigerians who operate in the informal sector of the economy and have nothing to do with bank transactions, and there is a strong possibility that informal institutions will spring up in the informal economy to fill the gap of handling cash on behalf of desperate Nigerians. Moreover, the system may fuel the corruption it aims to curb abolition, as it could be used to launder large sums of money electronically, even without trace (Oyetade and Ofoelue, 2012).

Essentials of a Cashless Economy

For a cashless economy to work certain factors must be present, not just present but in the right quantity and quality. It is for this reason that many analysts question the readiness of Nigeria for a cashless system, amongst others. Very vital among these factors is infrastructure. The whole skepticism about Nigeria's preparedness is summed up in the following: The CBN's rhetoric of making the Nigerian economy cashless may be melodious. But that is placing the cart before the horse, an undue haste to run without first crawling. What foundations exist in Nigeria for the take-off of a cashless economy? What is the level of literacy and acquaintance with Information Communication Technology (ICT) among Nigerians? How many Nigerians can use electronic banking services? What infrastructures are there to support electronic banking, assuming most Nigerians are educated and ICT – compliant is it enough to flood the nooks and crannies with ATMs, with their vulnerability to fraud unresolved? (Ogu, 2011).

Certain problems are reported to be associated with the operation of the cashless economy : "communication issues like power, ICT and uptime payment platform, interoperability of networks as well as cheque clearing period are important issues to be considered for the smooth operation of cashless economy" (Ifeakandu, 2011).

As the CBN prepares Nigeria for a rough transition into a cashless economy, they must put into considerations these factors;

- **Power** ; power must be improved dramatically to accommodate for smooth operations of financial activities.
- **The state of infrastructures** ; the financial infrastructure in Nigeria is not adequate to carry the load of a cashless society, ATMs, point of sales system, mobile banking and other mediums have to dramatically expand to touch at least 40% of the whole economy before any meaningful effect can be achieved.
- **Availability of real data** ; proper and accurate identification of account holders must be maintained and shared when necessary by all financial institutions; also CBN must collaborate with all other government and private agency responsible for collection of identification of individuals in Nigeria for reconciliation of any identification.
- **Investments** ; CBN must be ready to invest heavily to make these transition possible. Technology is not cheap and ever changing at a very fast pace. Investments in billions of dollars made in infrastructure, training, marketing, security, maintaining its networks and so on will be on a yearly basis for the years to come and should be a collaboration of efforts by all invested parties.
- **Security** ; as it relates to laws, there are needs to enforce new methods of transactions and a changing culture, the CBN must partner and work with the National Assembly to ensure proper legislation is been formulated. Enforcements of new legislation would be carried by the CBN and all other executive arms that are empowered such as the EFCC. They must commit to training of personnel and the judiciary must be prudent and up to the task (www.reinventrebuild.com/nigerione.php).

In his article **"Is Cashless Society a way forward"**, Alilonu Ifeanyi suggested that the following key performance indices should be addressed for there to be a successful transition to a cashless society in Nigeria:

1. **Sensitization** ; there is still need for the greater populace to get acquainted with this policy thrust, appraise them of its merits, address their concerns and enlist their commitment.
2. **Security;** the security of the proposed and existing systems of payment must be enhanced to protect the users from malware, hackers, fraudsters, viruses and identity theft.
3. **Power**; the issue of power in Nigeria continues to be a nagging problem. Electronic power is still needed to run most of these channels. Government must do its best to increase the supply of power.
4. **Online, Real-time, Every time** ; these alternative means of payment requires that the different media used should be online real-time and every time. For those who have experienced downtime in banks, it is totally a frustrating experience. The devices must be online for the transactions to sail through. For POS terminals, it has been announced that dual-sim POS terminals will be used to minimize downtime (Alilonu, 2012).

In other words, for an effective running of a cashless economy, the issue of infrastructure must be concertedly addressed. Another very important factor in the successful implementation of a cashless economy is the levels of awareness and literacy, of the populace. It is noted that : "Those who have also frowned at the policy argue that the high level of illiteracy in the country, low level of banking population and porous banking system are factors that would work against the success of the scheme" (Dada and Oronsaye, 2011). People need to know how else one can pay illiterates who do not have bank accounts, it is pointed out that, "…the high level of illiteracy among Nigerians makes the use of cheques and electronic payments unsuitable in some cases" (Ogu, 2011). The problem with this situation of illiteracy is that a very huge proportion of the populace will come to depend on the literate few, and this will leave them at the mercy of the scruples of such "literate few". They will be vulnerable and may constitute a cog in the wheel of the cashless economy.

The issue of security has been mentioned in passing. The issue is very serious, with Nigeria having been described as the hub of internet scam; one can only wonder how the vulnerability of the cashless system to various forms of internet-related crimes will be addressed. It is reported that : Information technology security experts in Nigeria have warned that, except the Central Bank of Nigeria and other regulatory agencies in the financial sector ensures that service providers adhere to minimum security standards on their web-based platform, the current move by the country towards a cashless economy may end up being a fruitless exercise (Azeez, 2011).

Thus, security concerns on the web, the platform of cashless economy, are massive. Nigeria is replete with cases of internet scam and this will only increase as we enter into the e-payment era if the issue of security is not comprehensively addressed. Another facet to the cyber security concerns is the recent spate of cyber attacks worldwide. Can we guarantee a sufficiently sophisticated system as to scale the hurdle of cyber attacks which are capable of derailing the whole cashless system? It is reported that : as it has been witnessed globally, the internet is the best thing (in a mundane sense) to happen to the world but offers the greatest risk and opportunities for criminals to unleash terror. Findings shows that even countries such as the United Kingdom, United States and other developed countries where high compliance to internationally acceptable security standards is maintained, cases of hacking have been continually reported (Azeez, 2011).

If the case is so with the more organized economies, it can only be imagined what can take place in an unorganized and vastly lawless economy like ours. Like the saying goes – "if gold rusts what will happen to iron?". If we must go cashless, cyber security must be guaranteed by government first. Speaking at an Information Security Society of Africa, Nigeria (ISSAN) organized forum, Laja Sorunke (the Associations' Vice President) notes that, "I want to assure you that Nigeria at the cyber space is under threats. We have vulnerability. We have issues bothering on our payment networks" (Azeez, 2011). We cannot treat this issue with the same official levity and laxity as it had come to be with government programmes and projects. We must sit down together and address these security concerns if we will not rush out of the cashless economy just like we are rushing in now. There is the need for proactive measures by companies in the country to put up a defensive mechanism against these attacks. Another security expert at the same forum notes that, "Truth is Nigeria cyber space is very insecure, vulnerable, we are open to attacks. For example we have no cyber security emergency programme in place so if we are attacked on cyber space today we have no way of knowing" (Azeez, 2011).

Another essential is that adequate terminals and Automatic Teller Machines (ATMs) must be provided for the system to operate smoothly. As noted : "unless about 26,000 additional POS terminals are deployed, by various merchants across the country, a proper take off of cashless economy in Nigeria may be a mirage" (Azeez, 2011). Investigations reveal that "only about 14,000 POS currently exists in the country" (Azeez, 2011). This is supported by the following observations : Within this period (between now and the start of the cashless economy), the apex might not record much success because infrastructure such as POS, ATM, etc needed to migrate from a cash-aware Lagos to a cashless Lagos are not on ground. Unless the song coming from the CBN is not true, the road to a cashless Lagos is like the Ibadan Expressway, there are so many detours, so many potholes and gullies (Olaegbe, 2011).

Highlighting other aspects to POS terminals deployment problem, the question asked is : When will they be deployed? How about the POS and ATM users, have they been educated? Are they aware enough about the cashless Lagos? How about malls, supermarkets, and other merchant locations; are they ready for the take-offs of the project? These are some of the issues that should be addressed before we contemplate taking a walk on the road that a leads to a cashless Lagos (Olaegbe, 2011).

On the need for there to be adequate POS terminals, it is noted that : Nigeria's low point of sales (POS) density and poor last mile connectivity constitutes significant drawbacks to the success of the CBN's cashless Nigeria project. Business day investigations reveal that there are only about 3000 functioning POS terminals in the country out of the existing 13,000. Spain, for instance, has 1.6million active POS terminals with a population of 14million people, while India which has deployed 500,000 POS terminals, conducts 360million transactions per annum (Uzor, 2011). So then for a population of about 150million people in Nigeria, 3000 active POS terminals are grossly inadequate for a take-off of the project.

Methodology

The researcher has chosen the following categories of people as the proposed population for this study:

1. Civil servants
2. Businessmen
3. Students.

The sample size was determined using Cochran's equation of infinite population developed to yield a representative sample for proportions:
Formula;

$$n_0 = \frac{z^2pq}{e^2}$$

Where ; n – sample size

Z – abscissa of the normal curve that cuts off an area α at the tail (found in statistical tables which contain area under normal curve)

P – estimated proportion of an attribute present in the population

q – 1-p

e – Desired level of precision expressed in decimal.

Using a 90% confidence interval; Z = 1.645

e = ± 10% = 0.1

p = 0.5 (maximum variable)

q = 1- 0.5 = 0.5.

$$n_0 = \frac{(1.645)^2(0.5)(0.5)}{(0.10)^2}$$

$$n_0 = 135.30 \cong 135$$

To ensure a comprehensive data collection and analysis, the sample size of 135 respondents as calculated above were selected from the following:

1. Civil servants; consists of members of staff of the state ministry of finance in Enugu state.=45

2. Businessmen in Awka, Anambra state. - - - - - - =45

3. Students of Nnamdi Azikiwe University Awka, Anambra state. - - - =45

135

Methods of Data Analysis

A total of 135 copies of the research instrument (questionnaire) where personally administered to the sample population of respondents. The researcher retrieved 112 questionnaires in usable form for analysis of the result. An effective response rate of 83% was achieved which is reasonably good. The questionnaire was distributed to members of staffs of the CBN and state ministry of finance in Enugu state, and businessmen and students within Anambra state.

Data collected is meaningless to a researcher unless it is properly analyzed and given the acceptable statistical treatment. The responses from the respondents were compiled and analyzed using five point likert's scale, while the hypotheses 1 and 2 were tested using the ANOVA and chi-square (x^2) statistical tools respectively.

Data Analysis and test of Hypotheses

1. H_0: Cashless economy initiative will not be of significant benefits to Nigerians.

H_i: Cashless economy initiative will be of significant benefits to Nigerians.

Table 1: Analysis of data

S/N	Categories	Agree	Disagree	Indifferent	Total
1	Civil Servants	25	11	5	41
2	Businessmen	21	10	7	39
3	Students	24	8	0	32
Total		70	29	12	112

Source: Field Survey, 2013

To test the hypothesis using ANOVA at 5% significance level

Let x_1 = sub total for the adoption of the cashless economy policy cannot enhance the growth of financial stability in the country.

Then $x_1 = 70$; $x2= 29$; $x3=12$

$x1 +x2+x3 = 112$

$n1=3;n2=3;n3=3$

K= number of sample =3

n=number of repetition in each sample =3

Correction factor= $\frac{x^2}{kn} = \frac{(112)^2}{9} = \frac{12544}{9} =1394$

Crude sum of square(s) = $(25)^2 = (24)^2= (21)^2 \ldots\ldots+ (5)^2 = 2001$

Corrected total sum of square (SST) = S-CF =2001- 1394= 607

SSB= Between K sample sum of squares= $\frac{(70)^2+(29)^2+(12)^2}{3} – CF$

$= \frac{5885}{3} -1394 =568$

SSE= Error Sum of squares = SST- SSB = 607-568 = 39

Table 2: ANOVA Table for testing hypothesis one

Source of Variance	DF	Sum of square(SS)	Mean squares(MS)	F-Ratio
Between Sample (treatment)	K-1 3-1=2	SSB=568	284	MSB MSE
Within sample	N-K 9-3=6	SSE=39	6.5	43.7
T otal		607		

Source: Field Survey, 2013

With the 2 and 6 degree of freedom at 0.05 level of significant, the critical F-ratio is 4.26.

Decision: since the F-ratio of 43.7 is greater than the table value of 4.26, the test is significant and the Ho is rejected at this level and the paper uphold that cashless economy initiative will be of significant benefits to Nigerians.

Hypothesis two

H_0: The adoption of the cashless economy policy cannot enhance the growth of financial stability in the country.

H_i: The adoption of the cashless economy policy can enhance the growth of financial stability in the country.

Table 3: Contingency table

S/N	Categories	Agree	Disagree	Indifferent	Total
1	Civil Servants	29 (25)	11 (12)	1 (4)	41
2	Businessmen	20 (24)	16 (12)	3 (4)	39
3	Students	19 (19)	6 (9)	7 (3)	32
Total		68	33	11	112

Source: Field Survey, 2012

Table 4: Chi-Square (X^2) Computation

Of	Ef	Of-Ef	$(Of-Ef)^2$	$(Of-ef)^2/Ef$
29	25	4	16	0.64
11	12	-1	1	0.08
1	4	-3	9	2.25
20	24	4	16	0.67
16	12	4	16	1.33
3	4	1	1	0.25
19	19	0	0	0
6	9	-3	9	1
7	3	4	16	5.33
112	**112**	**-**	**-**	**11.55**

Source: Field Survey, 2013

Decision: Since the X^2 table value is less than the estimated value (5.921<11.55), we reject null hypothesis (H_o) and uphold alternative hypothesis (H_i) which states that the adoption of the cashless economy policy can enhance the growth of financial stability in the country.

Summary of Findings

From the analysis above, the paper discovered the followings:

1. The adoption of the cashless economy policy can enhance the growth of financial stability in the country.
2. It appears that much has already been done in making the people aware of the cashless economy and that a sizeable proportion of the people are actually awaiting the introduction of the cashless economy.
3. Cashless economy initiative will be of significant benefits to Nigerians; hence the cashless system will be helpful in the fight against corruption and money laundering. One most significant contribution of the cashless economy is that it is expected to reduce the risk associated with carrying cash. Since most transactions will now be settled electronically, people will have less need to move around with cash and therefore, loss of cash, theft and armed robbery will drastically reduce.
4. It was also discovered that majority of Nigerians agreed that the adoption of the cashless economy policy will enhance the growth of financial stability in the country, thereby bringing about business, price and economic stabilization. It will also be effective in solving the problems faced in the Nigerian financial sector.

5. The essential elements needed for the adoption and implementation of the cashless economy is not yet available in the adequate quantity. Nigeria has low POS density, and poor last mile connectivity constitutes significant drawbacks to the success of the policy.
6. It was also discovered that the adoption of the cashless economy will make CBN's policy tools more effective for achieving economic development and stability goals, operating it is a wise strategy for fast-tracking growth in the nations' financial sector.

Conclusion

One major problem in the working of the cashless economy is internet related fraud. Nigeria is a major hub of electronic fraud and this can only be expected to increase as we march into the cashless economy. Illiteracy is also a major factor. The level of illiteracy in Nigeria is still very high. The cashless economy is effectively an e-economy and in any e-system, there is almost no place for the non-literate.

The Nigerian economy is in exciting but challenging times, The proper foundations have to be established as the CBN courageously transform the modes of operation of the Nigeria economy. The road to the stars is rough.

Recommendations

To make for the smooth implementation of the cashless system in Nigeria, the following measures are recommended;

1. There is the need to intensify the public enlightenment programme about the cashless system so that everybody will be acquainted with the system before its introduction since it will affect everybody.
2. Since there is a high rate of illiteracy, and all people must be brought into the system, the government should design special enlightenment programmes for non-literates, using probably signs and symbols to educate this segment on how to operate the cashless system.
3. Nigeria should make concerted efforts to design an internet security framework to check online fraud so that the public can be assured and protected against cyber attack and fraud.
4. There should be a careful study of the system to determine the number of POS terminals that will ensure its smooth running in Nigeria so as to prevent unnecessary friction in the system.
5. There should be adequate legislation on all aspects of the operations of the cashless system so that both the operators of the system and the public can be adequately protected.

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Questionnaires

S/N	Questions	SA	A	U	D	SD
1.	Majority of Nigerians can operate basic technological appliances with regards to e-payment services.					
2.	Cashless economy will prevent money laundering and corruption.					
3.	Cashless economy will reduce cost of banking services and drives financial inclusion by providing more efficient transaction options and greater reach for Nigerians.					
4.	E-payments tends to maximize business profitability by extending customers base, boosting cash flow, reducing costs, enhancing customer service and improving competitive advantage.					
5.	This era of the cashless economy will be advantageous to all sectors of the economy.					
6.	Electronic developments are emerging and advancing rapidly in all areas of financial intermediation and markets.					
7.	Communication issues like power, ICT and uptime payment platform, interoperability of networks as well as cheque clearing period are important issues to be considered for the smooth operation of the cashless economy.					
8.	Nigerians are well aware and sensitized of the adoption of the cashless economy policy.					
9.	. The adoption of a cashless economy policy will enable Nigeria achieve its vision 2020.					
10.	Financial infrastructures available in Nigeria are adequate to ensure a smooth running of the cashless economy policy.					
11.	The level of literacy and acquaintance with ICT among Nigerians is adequate to enable the implementation of the cashless policy.					
12.	The cashless economy policy will be very effective in solving the problems faced in the Nigerian financial sector.					
13.	The cashless economy policy will help in breaking down the traditional barriers hindering the financial inclusion of millions of Nigerians.					
14.	The adoption of the cashless policy in Nigeria will bring about business, price and economic stabilization.					
15.	Operating a cashless society in Nigeria is a wise strategy for fast-tracking growth in the nations' financial sector.					
16.	The adoption of the cashless economy will make CBN's policy tools more effective for achieving economic development and stability goals.					