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NIGERIAN CASHLESS POLICY: IMPACT ON CASH MANAGEMENT PRACTICE

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ABSTRACT

The introduction of the cashless policy by the Central Bank of Nigeria (CBN) attractedreactions from different quarters due to what some scholarscalled "hasty implementation". However, the CBN launched the cashless policy to save banking time, reduce the high cost of cash management, safeguard public funds against looters, reduce exposure to robbery incidents and protect the citizenry from other financial risks. Survey method was used to obtain primary data, through questionnaires. Purposive sampling technique was used. 120questionnaires were administered to respondents. Data generated were presented in frequency tables and analyzed using chi-square statistical model. The result obtained showed that people were apprehensive initially but are now getting acquainted to the policy.The study recommended that more awareness should be created while more Automated Teller Machines (ATMs) and Point of Sales (POSs) should be installed inevery nook and crony of the country to ensure successful implementation of the policy.

Keywords: *Cashless Policy, Automated Teller Machines (ATMs), Point of Sales (POSs), Electronic Banking, Cash management.*

INTRODUCTION

The world is rapidly changing, particularly in the area of communication. Today, communication can take place between two or more people from any distance in the world through telephone or internet or other technological means. Beyond these, the technological world is not stopping. Rather, new innovations are coming out daily making life easier and of course, more and more sophisticated. These technological innovations as they come, impact seriously on the ways things are being done all over the world and whatever is dictated as new trend by the technology power-house becomes the target of every nation. Thus, the trend of e-payment that started in the United States of America has extended to other parts of the world (Akintaro, 2011).

With the advent of sophisticated technology, the rate and magnitude of changes that affect organizations and people are drasticallyincreasingalmost on a daily basis. To survive, therefore, all organizations and people must be able toidentify and adapt to the changesin their environment. In today's business environment, more than ever before, the only constant phenomenon is change. Therefore, successful organizations and people in this era are those that effectively manage change, continuously adapting their bureaucracies, strategies, systems, products and cultures to survive the shocks brought about by changes and prosper from the forces that decimate competition

(Fred, 2008).

Meanwhile, today's technologies have opened windows of opportunities to all and sundry, including banks. In the banking industry, technology is responsible for electronic banking (popularly known as e-banking) whereby people now conduct banking transactions with the aid of technology. Electronic banking has gained increasing popularity and attracted the attention of both academics and practitioners. Nigerians perceive electronic banking as a toolfor minimizing inconveniences, reducing transaction costs, reducing customers' queuing time and saving banking time (Oladejo and Akanbi, 2012). According to Oketola (2012), the Central Bank of Nigeria launched the cash less policy to save customers' banking time, reduce the high cost of cash management, secure public funds better from misappropriation and management, reduce exposure to robbery and protect the citizens from other relatedrisks (Oketola, 2012).

As stated in Oketola (2012), cashless policy was introduced for a number of reasons, including driving development and modernization of the payment system in line with Nigeria's Vision 2020 goal which is aimed at making Nigeria one of the top 20 economies of the world by the year 2020. The policy is also aimed at improving the effectiveness of monetary policy through managing inflation and driving economic growth. As noted by Sanusi (2012), the direct cost of cash management to the banking industry would be reduced through the policy. The risks involved in keeping or moving large amounts of cash which usually attracts high incidences of robberies, encourages corrupt practices and increases the public's propensity to abuse and mishandle the currency notes would be greatly minimized. Thus, this study investigates the effectiveness of cashless policy oncash management practicesin Nigeria.

PROBLEM STATEMENT

The cashless policy introduced by the Central Bank of Nigeria has continued to enjoy acceptance across the country. However, lack of awareness, poor infrastructure and inadequate Point of Sales (POSs) are some of the problems facing the scheme. While it gathers steam, however, experts believe the cashless policy initiative offers a great opportunity for indigenous information technology (IT) companies to develop local content capacity and benefit from the initiative.

For the cashless policy to work, certain factors such as acceptability and provision of infrastructure must be present in the right quantity and quality. It is for this reason that many analysts question the readiness of the citizens to embrace cashless system. In the first instance, people question the foundations that exist in Nigeria for the take-off of a cashless economy. Besides, the level of literacy and acquaintance of most Nigerians with Information and Communication Technology (ICT) is a concern to stakeholders, especially when only very few Nigerians can use electronic banking services effectively. Even if Nigerians can use e-banking, what infrastructures are there to support e-banking, assuming most Nigerians are educated and ICT-compliant. Is it enough to flood the nooks and cronies of the country with ATMs without considering their vulnerability to frauds? Other problems associated with the cashless scheme include inadequate power supply, ICT and uptime payment platforms, interruption of networks as well as etc. In other words, for an effective running of a cashless economy, the issue of infrastructure must be seriously addressed.

Another very vital factor in the successful implementation of a cashless economy is the level of awareness and literacy of the populace. It is noted that high level of illiteracy in the country, low level of banking awareness and the porous banking system are factors that would work against the success of the policy (Oketola and Dayo, 2012). People need to know how one can pay illiterates who do not have bank accounts through scheme. The high level of illiteracy among Nigerians makes the use of cheques and e-payments unsuitable in some cases not to talk about a cashless system. The problem with illiteracy is that a very large proportion of the populace will come to depend on the literate few, and this will leave them at the mercy of the scruples of the "literate few". The "illiterates" will be vulnerable and may constitute a cog in the wheel of the cashless economy.

Also essential is the fact that adequate terminals and ATMs must be provided for the system to operate successfully. Unless about 26,000 additional POS terminals are provided by various merchants across the country, a proper operation of a cashless economy in Nigeria may be a mirage. Investigations revealed that only about 13,000 POS currently exist in the country. Unless the song coming from the Central Bank of Nigeria (CBN) is not true, the road to a cashless economy is like the Lagos-Ibadan Expressway full of many detours, pot holes and gullies. On the need for there to be adequate POS terminals, it is noted that Nigeria's low POS density and poor last minute connectivity constitute significant draw backs to the success of the Central Bank of Nigeria (CBN's) cashless policy. Investigations revealed that there are only about 3,000 functioning POS terminals in the country out of the existing 13,000. So then for a population of about 150 million people, 3,000 active POS terminals are grossly inadequate for a take-off of the project (Akhahumeh and Ohiokha, 2012).

It is succinctly an immutable fact that the Nigerian society is characterized with high level of cash-based economy which makes cashless policy difficult among the populace to be accepted considering the associated costs such as increasing various charges by banks, ATM dysfunctions, high level of illiteracy and loss of confidence by majority of bank customers.

RESEARCH QUESTIONS

The questions to which this study intends to find answers are as below:

(i) To what extent isthe populace aware of the cashless policy and its operations?

(ii) Are adequate ICT facilities needed for a successful cashless policy implementation in place?

(iii) Are there adequate and effective Points of Sales (POSs) machine?

(iv) How secured are funds transferred through cashless policy medium?

(v) Are the available ATMs in the country reliable for smooth cashless policy operation?

(vi) To what extent has cashless policy affected cash management amongst the populace?

HYPOTHESES

This study is anchored on the following hypotheses:

i H_0: Cashless policy does not affect cash management practice among the populace.

H_1: Cashless policy affects cash management practice among the populace.

ii H_0: Cashless policy does not guarantee funds transfer security.

H_1: Cashless policy guarantees funds transfer security.

REVIEW OF LITERATURE

Conceptual Review

The world of banking and finance has been one of the greatest beneficiaries of technological innovations and advancement in global payment systems. Technology has changed so much in our lives; the greatest impact has been felt in the actual way transactions take place. That is the use of physical cash (money) itself. In some developed countries, one can do almost entirely without the use of physical cash. Electronic means of payments hasoutstrippedphysical cash transactions inmuch of the industrialized world today. Indeed, one is regarded with consternation should one wish to make a purchase with large amount of cash.

Financial institutions are implementing electronic payments through internet-banking and plastic cards; credit cards, debit cards and Automated Teller Machine (ATM) cards, instead of physical cash. The internet has revolutionized banking and personal finance in many ways (Akinkugbe, 2013).

All over the world, the trend is for governments and financial institutions to pursue policies to reduce the volume of cash in the system. Nigeria is no exception and indeed cannot afford to be left behind in this initiative. There are many benefits from doing away with "old fashioned cash". So, cashless policy is a means of curbing money laundering and other financial crimes, security challenges and the exorbitant cost of cash management to the banking industry. Businesses embrace it as a means of receiving instant payments, reducing their expenses and thereby increasing their revenues. Therefore, cashless policy is good for us in Nigeria because of its speed, convenience, security and the efficiency that it provides.

Early in 2013, the Central Bank of Nigeria (CBN) announced a new cash policy with the objective of reducing cash payments and encouraging electronic payments. A cashless economy (policy) or an e-payment system is a situation where there is little or very low cash flow in a given society, thus every other purchases and transactions will be made by electronic channels such as direct debit, electronic funds transfer, mobile payments, multi-functional ATMs, internet banking and a significant increase in Point of Sale (POS) penetration and usage. In other words, it simply refers to the widespread application of computer technology in the financial system. Payments under this system will range from a list of options such as cheques, wire transfers, debit and credit cards, online transactions, and mobile banking. The advantage of a cashless society are enormous including regulating, controlling and securing the financial system of any economy (Akintaro, 2011).

The Central Bank of Nigeria (CBN) is traditionally the apex bank of any nation. As the apex bank, it plays a major role in the economic development process of the nation. In Nigeria as in most developing countries the Central Bank has a mandate to perform the following key functions: management and promotion of a sound financial system; serving as a banker to commercial banks and acting as financial agent to the Central (Federal) government; ensuring monetary and price stability; issuing legal tender (currency) in the country and maintenance of external reserves to safeguard the international value of the legal currency (Ovat, 2012).

In line with the aforementioned mandate, the CBN's mission statement is to be proactive in providing a stable framework for economic development through the effective, efficient and transparent implementation of monetary and exchange rate policy and management of the financial system (CBN, 2011). To this end, the CBN has recently introduced a new policy tagged the "Cashless Policy".

As the financial agent of the Federal government, the CBN introduces the policy to minimize money laundering, terrorism financing and other economic and financial crimes in Nigeria (CBN, 2012). More importantly, the policy aims at reducing the amount of physical cash in circulation and encouraging more electronic-based transactions with a view to meeting the requirements of Nigeria's Vision 20:2020 transformation agenda (BusinessDay, 14 September, 2012). The point departure of the paper, therefore, is to analyze the policy's objectives and its attendant benefits as well as its envisaged challenges (Ovat 2012).

According to CBN, the new cash policy was introduced for a number of key reasons, includingto drive development and modernization of our payment system in line with Nigeria's Vision 2020 goals 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 for economic growth. To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach and to improve the effectiveness of monetary policy in managing inflation and driving economic growth. In addition, the cashless policy aims to curb some of the negative consequences associated with the high usage of physical cash in the economy such as high cost of cash, high risk of using cash, high subsidy, informal economy and inefficiency and corruption (CBN Website, 2011 in Odior and Fadiya, 2013).

DEMERITS OF A CASHLESS ECONOMY

Okogun, et al (2013), offer the following disadvantages of the cashless policy of the CBN:

FAILURE OF TECHNOLOGY: The concept of e-money as a whole is powered by technology and every piece of technology that is involved in the cashless economic system is prone to failures.

LOSS OF HUMAN INTERACTION: The e-money system would gradually replace the role of humans with fully automated processes when it is fully in place.

FRAUD: Any system involving the internet would have to overcome the inherent problem of fraud that has plagued e-banking since its inception.

DOUBLE SPENDING: This could come as a problem in the use of forms of e-money that are not online. It would be a problem when the same quantity of offline e-money is used to make multiple simultaneous purchases.

TRACKING OF INDIVIDUALS: The use of e-money would make it easier for the cyber-spending profile of individuals to be monitored anonymously. This is so because a trail of an individual's expenditure is left online in the payment system, such as banks and financial institutions, telecommunications operators, insurance companies, airlines, and POS/ATM manufacturers, as well as media partners. The coalition's aim includes educating professionals and trade associations on the advantages of the policy; promoting consumer education and awareness for e-payment and its benefits. The group's claim was that there is no point investing on these platforms if the people are not using them. They, therefore, mount pressure on the CBN to provide the right policy and operating environment for the initiative to succeed. According to the group, the coalition will act as a catalyst for the propagation and promotion of e-payment across e-commerce channels, particularly through consumer education on a sustainable basis. The primary objectives of the coalition include educating professional and trade associations in Nigeria on the advantages of government's cashless policy, promoting consumer education and awareness for e-payment and its benefits; including and promoting the use of e-payment in the various market segments. Others include: conducting regular interactionto enlighten the public on the new policy and educating consumers generally on the transition to a cashless economy. According to the coalition, the industry has grown in terms of infrastructure, which have made the economy more appropriate for cashless transactions (Nweze, 2012)

Empirical Review

Most developed countries of the world are moving towards cashless economy. Sweden is leading the pace, only 3 percent of transactions in Sweden are made using cash; the rest is credit cards or mobile phone payments. This compares with 7 percent in the USA and 9 percent in other Eurozone countries. In most Swedish cities, public buses do not accept cash because tickets are prepaid or purchased with phone text messages. A small but growing number of businesses only take cards. In addition, data has shown that bank robberies have gone down from 110 in 2008 to just 16 in 2011. Political corruption has also decreased because of the digital trial generated by electronic transactions. Not everyone supports getting rid of cash. Small business owners see it as another way for banks to make bigger profits. Banks charge from 5 Swedish konor ($0.80) for every payment made through credit cards. The prevalence of electronic transactions also help explain why Sweden has less problem with graft than countries with a stronger cash culture, such as Italy or Greece. However, the other side of online transaction is the risk of cybercrimes. In Sweden, the number of computerized fraud cases, including skimming, surged to nearly 20,000 in 2011 from 3,304 in 2000(CBS News, 2012).

The CBN new cashless policy effective from June 1, 2012 stipulates a daily withdrawal or deposit limits of up to N500,000 for individuals and N3million for corporate bodies. Transactions above the fixed amount would attract special charges. According to the CBN, the policy is to reduce the dominance of cash in the economy with the attendant cost implications for cash management in the banking industry; enhance security and stem money laundering, among others. The policy will mean an increase in the use of technology in financial transactions. However, considering the dangers associated with internet-based technologies, there are fears that the security framework needs to be strengthened to protect consumers against fraud, losses and undue charges. This policy was introduced for a number of reasons, viz: to drive development and modernization of Nigeria's payment system in line with Vision 2020 goals 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 more efficient transaction options and greater reach, to improve the effectiveness of monetary policy in managing inflation and driving economic growth, etc. In addition, the policy aims at curbing some of the negative consequences of high usage of cash, including high cost of handling (estimated to be about N192 billion in 2011), high risk of usage and high subsidy (CBN, 2011).

However, as full implementation started in June 2012, the various e-channels and applications such as the ATM, POS terminals and mobile banking platforms that are supposed to facilitate electronic transactions have remained largely deficient. There are still fears that ATMs and POSs are yet to attain the desired efficiency to drive a cashless economy, maintain a working network and constant connectivity. There have been complaints that sufficient facilities have not been provided to make the system smooth. The e-payment system is said, by many who have tried to use it, to be filled with hitches. Sometimes, one is charged for service not successfully rendered. Another issue is how the market woman and other small business owners who are long-accustomed to cash transactions would smoothly transit to the new policy.

For now, information security experts have said that the infrastructure supporting the cashless system may be 60% vulnerable to fraud. This, according to the experts, is because the system is only 40% protected as only 1% of the operators involved have attained the Payment CardIndustry Date Security Standard Certification (PCIDSS). PCIDSS is an information security standard for organizations that handle card holders' information for major debit, credit, prepaid, e-purse, Pos cards and ATM. In addition, an economy where almost every financial business transaction is without cash, there is a high tendency for such economy to rely on information technology. Turning Nigeria into a cashless economy has its advantages and disadvantages for the economy. Many Nigerians are still afraid to use, for example, the ATM because the security features are not enough, as yet, to prevent theft. Therefore, security is one very important issue to deal with.

The policy through the advanced use of information technology facilitates fund transfer, thereby reducing time wasted in banks. AlhajiSanusiLamidoSanusi, then governor of the CBN, has made the reinvigoration of Nigeria's payment system, and the reduction of its reliance on cash, a priority of his governorship. The policy is intended to increase the country's economic sophistication; closing the gap on/and ultimately overtaking the west in payments convenience and security. In the short term, the cashless policy is designed to improve Nigeria's tax collection and enhance control over foreign exchange flows. By making payments more traceable, it should also help to reduce corruption - one of the primary reasons Sanusipushed those changes. The scheme imposes caps and penalties for transactions involving more than N500,000 (€2,00) daily or N3million for corporate organizations. Exceeding this limit draws a 3% penalty fee – or 5% for corporate bodies (charged by the bank). Introduced as a pilot scheme in Lagos on July 1, 2012 it was extended to Ogun, Rivers, Anambra, Abia, Kano and Abuja subsequently. The policy has begun for more transactions on to electronic payments, from a very low base.

Ultimately, it should lead to increased choice and sophistication in the Nigerian banking system, bring many of the country's unbanked funds into the system and improve services for all. There are also other initiativesbeing piloted too. One, pioneered by MasterCard and the government, provides Nigerians with a National Identity Smart Card (simultaneously with an ID and electronic payment card). Announced in May 2013, this represents the largest roll-out of a formal electronic payment system in Nigeria and the broadest financial inclusion initiative of its kind in Africa, according to MasterCard. The card is being given to Nigerians aged 16 and above and also foreign residents in the country for more than two years. It is accepted in about 210 countries and territories, at more than 35 million locations around the world. Again, in July 2013, the CBN commenced with image-based clearing to reduce the clearing cycle for cheques (a payment system most Nigerians are comfortable with) to one day. In the same month the United Bank for Africa (UBA) introduced personalized debit card '*All About it*', allowing customers to personalize their payment card with a photograph of their choice, a service that has often been with some success in Europeand elsewhere. Ultimately, monetary authorities in Nigeria will continue to drive electronic payment systems to reduce banks' and customers' transaction costs, boost transparency and sharpen policy tools to control domestic credit conditions. Nonetheless, Nigeria's payment culture is at a nascent stage, with few customers tied to existing systems, which means there is a healthy battle between cards and mobile money. Though card use is growing and making headway into the rural areas, mobile money has much greater potential in Nigeria; says Sachin Shah, Head of Cash Management at Standard Bank Group (Teagou, 2013).

Cashless economy does not mean a complete elimination of cashsince money will continue to be a means of exchange for goods and services in the foreseeable future of the country. It is a financial environment for making payments (Alilonou, 2012 in P.V.C Okoye, 2013). 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 down costs, 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 educated and traders (Eromosele and Obinna, 2012 in P.V.C Okoye, 2013). Valentine Obi, Managing Director/CEO of e-Tranzact International Plc, a leading provider of mobile transaction services defines cashless society as one where no one use 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 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 in P.V.C Okoye, 2013). Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-economy, e-brokering and e-exchange. All these refer to how transactions and payments are effected in a cashless state (Ashike, 2011 in PVC Okoye, 2013). In Nigeria, under the cashless economic policy, the goal is to reduce cash transactions to the barest minimum.

The reasons for the introduction of the cashless policy have been articulated by the masterminds as: "getting costs reduced by 30% in three years through enforcement of four-pronged initiatives: reduction in cash management cost, enhancement of electronic payment systems, Information Technology (IT) and centralized back-office system": reduce service time 30%, increase access, convenience and service level across the industry, modernize the industry, enable greater financial inclusion and integration of financial services into the economy with its attendant positive impacts on economic development (Sanusi, 2011). Sanusi further averred that only a few customers would be affected since cash transactions represent 99% of customer authority in banks, about 86% of in-branch withdrawal are less than N100,000 in value while less than 10% are more than N100,000. Other factors that propelled the policy included the increment in currency circulation (20.36% in 2009 and 16% in 2010), increased cost of cash management by the banking sector, improvement by the Federal government in electronic payments, growing acceptance of ATM, increasing GSM penetration, and commitment by the banking community to support seamless electronic payment. He further averred that the policy will reduce cost of accessing banking services, enhance quality of banking services, stem cash related crimes whereas those who wanted extraordinary cash services should pay for them (Oghojafor, Muo and Aalaneme, 2013).

EFFECT OF CASH-LESS POLICY ON CASH MANAGEMENT AMONG THE NIGERIAN POPULACE

Adeoti and Oshotimehin (2012) opined that reliance on cash based economy has been found to be risky and cumbersome because money outside the banks cannot be subjected to regulatory and operational procedures, and the ability of the monetary policy to achieve set objectives in the presence of sizeable Currency Out of Banks (COB) is limited. Ayo (2009) stated that a greater percentage of problems within the economies of most developing countries are attributable to the cash carrying nature of the economy. This cash carrying nature of the economy is also responsible for the large pool of money in the hands of the unbanked citizens. In order to reduce the volume of cash in circulation and reduce the risk of going about with cash, several electronic payment systems such as payment cards (smart card) and paper-based instrument were introduced by financial regulatory body in Nigeria. This has encouraged e-payment initiatives such as the establishment of switching companies that facilitate interconnectivity, introduction of payment instruments such as ATM, web transactions, e-money products such as credit and debit cards and POS which gave rise to significant growth in the use of electronic payment systems (Salimon, 2006 in Adeoti and Oshotimehin, 2012).

Adepetun (2013) observed that although the quantum of facilities for cash-less policy remains few and currently rattled by poor service challenges in the country, Nigerians were still able to record about N89.2 billion transactions on the POS terminals within the last sixteen months (January 2012 to April 2013). According to volume and transactions value statistics obtained from December, 2012 to May 2013 from about 2.94 million volumes, Nigerians transacted aboutN45.6billion on POS terminals, thereby underscoring growth in the CBN's cash-less economic initiative. Moreover, between November 2011 and November 2012, after the CBN mandated the Nigerian Interbank Settlement System (NIBSS) to serve as the Payment Terminal Service Aggregator (PTSA) for the financial industry as part of the cash-less initiative, POS activities on NIBSS Central Terminal Management System (CTMS) recorded over two million successful transactions valued at N38.6 billion. This makes the POS transaction in Nigeria within the last sixteen months to amount to N89.2 billion from over two million volumes.

According to Alawiye-Adams (2013), the cash-less policy would have the following effects on cash management among the populace:

- Apart from the little savings expected on cash management, significant loss of profit will ensue on the operations of the banking system as a result of the implementation of the cashless policy.
- Banks will lose a lot of accounts of people who are opposed to the cashless policy as a result of the high handedness and lack of consideration of the CBN, which translates to loss of profitable businesses for the banking community.
- The Nigeria business environment particularly the high value commercial traders, do not trust the epileptic operations of the Nigeria banking system, so a large proportion of such customers have lost confidence in the banking system and will prefer to move their funds out of the formal banking system to some sort of informal system where they can have more control in their funds without withdrawals or deposit penalties. The consequences of these are the loss of significant value deposits of dissenting customers.
- A sizeable proportion of bank customers are illiterates and another proportion has a relatively low level of education and therefore lack the knowledge of ICT required to access or operate cashless technology including access to and knowledge of computer systems. This group obviously cannot participate or benefit from the cashless policy until the knowledge and technological inadequacies are removed. The only option for such people is to keep their money where they would access them without the technological sophistication required to participate in e-banking operations. Banks will also lose this category of customers to the informal banking market where there are less punitive rules and regulations.
- The consequence of a significant proportion of bank customers being illiterates is that quite a lot of good accounts will fly away from the formal banking system and their volume of money will follow them to the ever growing informal financial environment.
- Besides, the cash-less policy has reduced high cash movements. People and organizations hitherto moved from one bank to a customer or another bank for settlement of debt and transactions as they can now pay and receive money without necessarily moving physical cash around. Thus, this leads to reduction in exposure to risk associated with cash movement and the rough way people handle cash while in transit. Also, due to the increase in acceptance of the cashless policy by Nigerians, there is reduction in the amount of money the CBN releases to the economy for usage. On the other hand, people who are not in tandem with the policy have devised other ways of keeping their monies at home or other places, even though at very great risks. As at March 2011, currency in circulation stood at N1.42 trillion, while those outside banks' vaults stood at N1.025 trillion as at February 2011. Therefore, cash banking is the path to financial inclusiveness and inclusive development.

Theoretical Framework

In recent years, Nigeria has been experiencing a growth turn around and conditions seem right for launching onto a path of sustained and rapid growth, justifying its ranking amongst the eleven 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 amongst the top 20 economies of the world by the 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. In its efforts to rescue the Nigerian economy from the brinks of total collapse, the CBN in collaboration with the Bankers' Committee, introduced the cashless economy policy designed to provide mobile payment services, breakdown the traditional barriers hindering the financial growth of millions of Nigerians and bring low-cost, secure and convenient financial services to urban, semi-urban and rural areas across the country. The cashless economic policy initiative by the CBN led by its Governor, AlhajiSanusiLamidoSanusi (now the Emir of Kano) was introduced first in Lagos State, Nigeria'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 in PVC Okoye, 2013).

However, 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 are kept to the barest minimum. It is an economic system in which transactions are not done predominantly in exchange for real cash. It is not also an economic system where goods and services are exchanged for goods and services but are bought and paid for through electronic media. It is defined as one in which there are assumed to be no transaction 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 in PVC Okoye, 2013). Cashless banking is unequivocally the most recurrent phrase in the Nigerian banking and socio-economic lexicon in the past few years and even more popular in media attention (Oghojafor, Muo and Aaloneme, 2013).

The cashless economy is one where transaction can be done without necessarily carrying physical cash as a means of exchange of transaction but rather with the use of credit or debit card payment for goods and services. The cashless economic policy initiative of the CBN is a move to improve the financial terrain but in the long run sustainability of the policy will be a function of endorsement and compliance by end-users(Ejiro, 2012 in Omotunde, et al, 2013). The CBN cashless policy stipulates a daily cumulative limit of N150,000 and N1,000,000 on free cash withdrawals and lodgments by individual and corporate customers respectively initially in Lagos State with effect from March 30, 2012. Individuals and corporate organizations that make cash transactions above the stated limits will be charged a service fee of amounts above the cumulative limits. Furthermore, third party cheques above N150,000 shall not be eligible for cashment over the counter with effect from January 1, 2012. Value for such cheques shall be received through the clearing house. All Nigerian banks were expected to cease cash in transit lodgement services rendered to merchant-customers from January 1, 2012 (Omotunde, et al, 2013).

There are about 120,000 POS electronic payment machines in Nigeria. Sanusi has said a biometric authentication of POS terminals and ATMs was to be introduced in 2015. The value of POS transactions grew from N100 million in May 2011 to N3.34 billion in May 2013, according to Globalsure, a Nigerian payment systems vendor. However, this is still a small number of machines for such a vast and populous country as Nigeria with about 180 million people. Even ATM machines are difficult to come by for those willing to use them. There are currently about 12 ATMs per 100,000 Nigerians in the country, says Globasure, compared to 169 per 100,000 Americans. Nevertheless, whether intentionally or not the policy is contributory to the shortage of smaller currency denominations. With reports on the ground suggesting that local merchants are struggling to provide change for cash transaction throughout the country. The changing face of Nigerian cards is also helping to bring corruption and fraud under control. According to Bola Adesola, "the change from magnetic stripe-based cards to chip-and-pin-compliant channel and tokens in 2010 has resulted in over 90% reduction in card-related fraud incidences". Another flagship policy is the phasing out of commission on turnover, a charge of N5 on everyN1000 credited or debited to a retail Nigerian current account. This is to be reduced to three per mile in 2013 and two per mile in 2014, one per mile in 2015 and then abolished in 2016. In the words of Charles Weller, Nigeria country head at Deutsche Bank, "this is forcing Nigerian banks to think and be more creative. It will make them more delivery oriented by taking away their easy income". The CBN restates the justification for it as follows:

(a) To drive development and modernization of the Nigerian payment system in line with Vision 2020. An efficient and modern payment system is positively correlated with economic development and is an enabling factor for economic growth.

(b) To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach.

(c) To improve the effectiveness of monetary policy in managing inflation and driving economic growth.

(d) 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:** Raw cash encourages robberies and other cash related crimes. It can also lead to financial loss in cases of fire and flooding.
- **HIGH SUBSIDY:** CBN analysis showed that only 10% of daily banking transactions are above N150,000 but the 10% account for majority of the high value transactions. This suggests that the entire banking population subsidizes the costs that the ting minority of 10% incur-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.

(e) To harness the various benefits from an increased utilization of e-payment systems. These include:

FOR CONSUMERS: Increased convenience; more service options; reduced risk to cash-related crimes; cheaper access to (out-of-branch) banking services and access to credit.

FOR CORRORATIONS: Faster access to capital; reduced revenue leakage; and reduced cash handling costs.

FOR GOVERNMENT: Increased tax collections; greater financial inclusion;

increased economic development.

METHODOLOGY

Themethod adopted in this study is mainly exploratory and descriptive in nature. Relevant data were collected through questionnairesdesigned for the purpose and analyzedusing regression analysis.

PRESENATION AND ANALYSIS OF DATA

The data for this study were collected based on the objective of the study which, among other things, sought to evaluate how the cashless policy has affected cash management practices among the Nigerian populace. The questionnaires were distributed randomly to selected respondents in Lagos State, Nigeria. The result of the data collected were presented and analysed using simple frequency tables.

TABLE 1: To what extent is the populace aware of the cashless policy and its operations?

VARIABLES	FREQUENCY	PERCENTAGE(%)
Strongly Agree	23	41
Agree	14	25
Undecided	5	9
Disagree	4	7
Strongly disagree	10	18
TOTAL	56	100

The above table shows that 41% of respondents strongly agreed while 25% agreed that they are aware of cashless policy but 9% and 7% and18% of the respondents disagreed and strongly disagreed respectively that they are aware of cashless policy even though 9% of the respondents were undecided.

TABLE 2: Are adequate ICT facilities needed for a successful cashless policy implementation in place?

VARIABLES	FREQUENCY	PERCENTAGE(%)
Strongly Agree	9	16
Agree	14	25
Undecided	7	12
Disagree	10	18
Strongly disagree	16	29
TOTAL	56	100

Table 2 above shows that 16% and 25% of the respondents strongly agreed and agreed respectively that there are adequate facilities for the implementation of the cashless policy. However, 18% and 29% of respondents disagreed and strongly disagreed while the remaining 12% were undecided.

TABLE 3: Are there adequate and effective POS machines?

VARIABLES	FREQUENCY	PERCENTAGE(%)
Strongly Agree	1	21
Agree	7	13
Undecided	3	5
Disagree	11	20
Strongly disagree	23	41
TOTAL	56	100

Table 3 shows that 21% and 13% of the respondents strongly agreed and agreed respectively that there are adequate and effective POS machines for customers' use. 5% of the respondents are undecided while 20% and 41% of respondents disagreed and strongly disagreed respectively with the view.

TABLE 4: How secured are funds transferred through cashless policy?

VARIABLES	FREQUENCY	PERCENTAGE(%)
Strongly Agree	6	11
Agree	23	41
Undecided	11	20
Disagree	4	7
Strongly disagree	12	21
TOTAL	56	100

Table 4 above shows that 11% and 41% of the respondents strongly agreed and agreed respectively that funds transferred through cashless medium is secured but 7% and 21% of the respondents disagreed and strongly disagreed respectively with that view while 20% of the respondents were undecided.

TABLE 5: Are the available ATMs in the country reliable for smooth operation of the cashless policy?

VARIABLES	FREQUENCY	PERCENTAGE(%)
Strongly Agree	5	9
Agree	9	16
Undecided	15	27
Disagree	11	20
Strongly disagree	16	28
TOTAL	56	100

The above table shows that only 9% and 16% of the respondents strongly agreed and agreed respectively that the available ATMs are reliable for smooth operation of the cashless policy.20% and 28% of respondents disagreed and strongly disagreed with that position but 27% of respondents were undecided on the issue.

TABLE 6: The policy has affected cash management among the Nigerian populace positively?

VARIABLES	FREQUENCY	PERCENTAGE(%)
Strongly Agree	19	34
Agree	10	18
Undecided	3	5
Disagree	9	16
Strongly disagree	15	27
TOTAL	**56**	**100**

From table 6 above, it is clear that 34% and 18% of the respondents strongly agreed and agreed respectively that cashless policy affects cash management among the populace while 16% and 27% of respondents disagreed and strongly disagreed that cashless policy affects cash management practice among Nigerians and 5% of respondents were undecided on the issue.

TABLE 7: Should the cashless policy be sustained?

VARIABLES	FREQUENCY	PERCENTAGE(%)
Strongly Agree	24	43
Agree	10	18
Undecided	2	3
Disagree	16	29
Strongly disagree	4	7
TOTAL	**56**	**100**

Table 7 above shows that 43% and 18% of respondents strongly agreed and agreed that the system of cashless economy should be sustained but 29% and 7% of respondents disagreedand strongly disagreed respectively that the system of cashless economy should be sustained. Only 3% of the respondents were undecided on the issue.

TEST OF HYPOTHESES

HYPOTHESIS ONE:

H_0 – Cashless policy does not affect cash management practice among thepopulace.

H_1 Cashless policy affects cash management practice among the populace.

VARIABLE	O	E	(O – E)	$(O – E)^2$	$\frac{(-E)^2}{E}$
Strongly Agree	19	11.2	7.8	60.84	5.43
Agree	10	11.2	-1.2	1.44	0.13
Undecided	3	11.2	-8.2	67.24	6.00
Disagree	9	11.2	- 2.2	4.84	0.43
Strongly Disagree	15	11.2	3.8	14.44	1.29
TOTAL	**56**	**56**			**X^2 = 13.28**

V = (r – 1)(c – 1) at 5% level of significance

O = (5 – 1)(2 – 1) = (4) (1) = 4

Therefore, X0.05,4 = 9.488

(Refer to Mathematical table)

INTERPRETATION/DECISION

Since the chi-square calculated value of 13.28 is greater than the critical value (tabulated valued) of 9.488, then thealternative hypothesis is accepted that there is effect of cashless policy on cash management practice among populace while the null hypothesis is rejected.

HYPOTHESIS TWO:

H_0 – Cashless policy does not guarantee the security of funds transfer.

H_1 Cashless policy guarantees the security of funds transfer.

VARIABLE	O	E	(O – E)	$(O – E)^2$	$\frac{(- E)^2}{E}$
Strongly Agree	6	11.2	7.8	60.84	2.41
Agree	23	11.2	-1.2	1.44	12.43
Undecided	11	11.2	-8.2	67.24	0.00
Disagree	4	11.2	- 2.2	4.84	4.63
Strongly Disagree	12	11.2	3.8	14.44	0.06
TOTAL	**56**	**11.2**			**X^2 = 19.53**

Degree of freedom V = (r – 1)(c – 1) at 5% level of significance

Thus V = (5 – 1)(2 – 1) = (4) (1) = 4

Therefore, X0.05,4 = 9.488

(See Mathematical table, please)

INTERPRETATION/DECISION

Since the chi-square calculated value of 19.53 is greater than the critical value (tabulated valued) of 9.488, then the alternative hypothesis is accepted. This means that thecashless policy guarantees funds transfer security while the null hypothesis is rejected.

SUMMARY OF FINDINGS

This study reveals that the cashless policy of the CBN is very new to Nigeria and this

makes it rather strange to most people especially the non-banking sector of the Nigerian economy and the illiterates who constitute the larger proportion of the society. Similarly, the study shows that the number of AT and POS machines in Nigeria is grossly in adequate to cater for the needs of the people in the country.
Arising from this, only few people know how to operate the machines as most of them complained that the government was too much in a hurry in the implementation of the policy.

However, despite the fact that the people are not conversant with the operations of the cashless policy they still hope that they will catch up with the system as time progresses.They expect to handle the cashless operations with the required ease especially when there is a limit on the highest amount of deposits or withdrawals that could be made in a day. With the gradual adoption of e-payment system in Nigeria, the country is moving towards economic and financial development. Similarly, the level of security for payment and deposit made through e-payment media in the country is rather weak due to the fact that the system is still in its infancy.

CONCLUSION

The findings of the study show the new challenges the new cashless policy of the CBN has brought to the economy of Nigeria. Therefore, these challenges call for greater awareness in policy implementation in order to make it acceptable to the people and make its operations much easier. The findings are consistent with the other findings that the system is rather new to the people hence the lower rate of acceptability that welcomed the policy. This was due to the people's poor understanding of the details of the operations of the policy. The findings also show that for the economy to reduce robbery incidences and the cost of managing the cash needs of the citizenry, the adoption and acceptance of the cashless policy to save time, energy and resources must be intensified. The practical implication of the policy is that once the people accept it, the costs of managing cash (cost of safeguard, transportation and management) by and the people would be drastically reduced.

RECOMMENDATIONS

From the findings of this study, the following are recommended for the policy to succeed in Nigeria:

(i) The CBN should embark on massive campaign in order to create awareness of the policy. It should sensitize the Nigerian populace, both the educated and uneducated, the urban and rural population about the operation of the cashless policy.

(ii) Adequate security mechanisms should be put in place to safeguard the interest of consumers against dubious and fraudulent practices of fraudsters.

(iii) There should be periodic review of the policy concerning the grey areas in the implementation of the policy.

(iv) Cash management charges should only be applicable to withdrawals exceeding the pegged limits and not cash lodgments. Public holidays should be exempted from cash management charges. This is because at the eve of public holidays there is always increase in the demand for goods and services, bearing in mind that most businesses will remain closed on public holidays. Payments arising from such transactions to suppliers (sellers) of goods and services by buyers may exceed the daily limits. If this happens the sellers or service providers' accounts are debited for cash management charges. This is rather unfair and should not continue.

(v) Government should intensify efforts and be more pragmatic in its electricity reform agenda with a view to making power supply more efficient and reliable to drive the electronic-based system properly. There is also the need for the CBN to provide adequate AT and POS machines in all parts of the country. If this is done, the present public complaints against the operations of the cashless policy would be drastically reduced.

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