CASHLESS POLICY AND THE PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

The cashless economy policy initiative of the Central Bank of Nigeria (CBN) is a move to improve the financial terrain which will in turn support administration of financial activities. The aim of the study is to ascertain the Central Bank of Nigeria Cashless Policy on the Performance of Deposit Money Banks in Nigeria. In order to investigate the impact of Central Bank of Nigeria Cashless Policy on the Performance of Deposit Money Banks in Nigeria, ex-post facto research design was employed because the variables considered cannot be manipulated by the researcher. Basically, data used for this study are secondary data obtained from Central Bank of Nigeria (CBN) Statistical Bulletin that covers the period of ten year's i.e. (2011 to 2020). Based on the result, it was discovered that automatic teller machine, point of sale have significant impact on total deposit mobilization while mobile banking have a positive but insignificant effect on total deposit mobilization. The f-statistical result also shows that the joint determinates of automatic teller machine have significant effect on total deposit mobilization. The result has important implication for both policy maker and the concerned authorities, implying that controlling deposit money is necessary in Nigeria for promoting performance of banks. It is recommended that with the creation of numerous payment options, the process of cash collection will be made simple and the cost and risk associated with cash transfer and processing reduced. This will have a strong implication of the management of tertiary institutions across the country.

Keywords: Automated Teller Machine, Cashless policy, CBN, Economy, Technology, Total Deposit Mobilization

Introduction

Cashless implies an economy policy in which banking including all administrative transaction can effectively be carried out 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 economy policy initiative of the Central Bank of Nigeria (CBN) is a move to improve the financial terrain which will in turn support administration of educational activities (Ejiro, 2012). The cashless policy introduced by the CBN is aimed at achieving a cashless economy. One of the prerequisite for the development of national economy according to Ajayi and Ojo (2006) is to encourage a payment system that is secure, convenient and affordable.

The introduction of the cashless policy in Nigeria by the Central Bank of Nigeria was geared towards ensuring that banking services get to the reach of everybody and create a platform for everyone for the purpose of empowerment with a view to influence the way and manner businesses are transacted in a general broad form. Cashless policy was initiated in 2011 by the former Central Bank of Nigeria Governor, Lamido Sanusi with the aim to establish an environment where an increasing proportion of transactions are carried out through electronic platforms. The cashless policy is projected to provide mobile payments services, breakdown the traditional barriers holding the financial inclusion of most Nigerians, and bring low cost, secure and convenient financial practices to urban and rural areas across the country (Taiwo, Ayo, Afieroho & Agwu, 2016).

The informal subsectors hardly have access to financial services from the commercial banks. The case is even very worst to mention concerning the rural dwellers. We may hardly find commercial banks in every rural area in Nigeria perhaps due to insecurity, low patronage, amongst other factors. Grass root banking services are not extended to the informal units in the rural areas. One tends to wonder how the cashless policy is favorable to them by way of financially including these sets of issues. This obviously serves as a gap in literature on the empirical front for investigation. Similarly, attempts in Nigeria to promote the cashless policy have remained unsuccessful due to functionality problem. For example, many Automated Teller Machines are not working properly and expectedly always perhaps due to network problems, epileptic power supply and inadequate fund in the machine, thus short circuiting customers' intention to benefit from the cashless policy in Nigeria. Moreover, the numbers of ATMs centers in Nigeria has not increased to serve the rural dwellers perhaps because the numbers of rural branches of commercial banks are fewer. These pockets of challenges have the propensity to affect people to access financial services, thereby adversely affecting financial inclusion drive. Similarly, in the first quarter of 2017 the Central Bank

of Nigeria mandating banks to charge 1.5% on cash withdrawals and deposits above five hundred thousand naira (N500, 000). A lot of people have begun to nurse uncertainty as regard the workability of the cashless policy and its effect on financial inclusion occasioned by this harsh policy development by the apex bank in Nigeria. Against the back drop of the above existing gaps and particularly the dearth of empirical researches in Nigeria, this research is undertaken with a view to contribute to the existing knowledge.

The main objective of this study is to ascertain the impact of Central Bank of Nigeria Cashless Policy and Performance of Deposit Money Banks in Nigeria. The question formulated are as follows: What is the effect of Automated Teller Machines (ATM) on total deposit mobilization in Nigeria? What is the effect of Point of Sales (POS) on the return on total deposit mobilization in Nigeria? What is the impact of mobile banking on the return on total deposit mobilization in Nigeria?

Literature Review

Ejiofor and Rasaki (2012) considers a cashless system to be one in which money is stored in an electronic purse or a card and then used to buy goods at a vending machine or at any point of sale terminal within a business's premises. 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 a type of economic system in which transactions are not primarily made in exchange for currency. (Ezeamama, Ndubuisi, Marire & Mgbodile 2014). A cashless society possesses the following characteristics. All the money used is issued by private financial institutions (banks, and possibly other firms). It is conceivable that the central bank continues to operate like other banks, issuing its own deposits that could be used as money in the same way as other bank deposits are. Furthermore, are the fundamental policies which constitute cashless system in the economy of which they are;

Automated Teller Machine (ATM)

This is a computerized device that provides the customers of a financial institution with access to financial transactions in a public place without a need for assistance from bank teller or any official. It is commonest form of electronic banking which has gain popularity among the people including unlettered customers. An automated teller machine that dispenses cash and basically performs all other functions done by a teller in a banking hall like balance inquiry, give mini statements and bills payment, recharge functions etc. A personal identification number (PIN) has to be entered along with credit or debit card to access cash, the physical posture of cash as well as frequent visit to the banks is being reduced. (Okoye and Ezejiofor, 2011)

Point of Sale (POS)

POS is the location where a transaction occurs. A terminal or POS is generally referred to the hardware and software used for check out, the equivalent of an electronic cash register. A POS manages the selling process by a salesperson accessible interface. The system allows the creation and printing of receipts. Point of Sales (POS) machine or terminal is an electronic device used in payment for goods and services. (Alilonu, 2012)

Mobile Banking

This involves the use of mobile phone for settlement of financial transactions. This is more or less fund transfer process between customers with immediate availability of funds for the beneficiary. The term Mobile banking denotes to the provision of banking and financial facilities with the help of mobile telecommunication plans. It is a system that permits customers of a financial institution to behavior a number of financial transactions completes a mobile device such a mobile phone.

Theoretically, the study is props by the theory of technology acceptance and Non-bank led theory. The technology acceptance theory postulate the adoption of Technology Acceptance Model (TAM) in businesses that have been developed to provide a better understanding of the usage and adoption of information technology to increase economic growth. And the Non-bank led theory which explains that customers exclusively transact with a non-bank entity, such as a mobile network operator or a prepaid card issuer, to exchange cash for an e-money account. The e-money account is then stored on the non-bank agent's server. Because there is no existing regulatory framework on which these agents operate, this is the riskiest platform among the electronic payment systems. (Ajayi, 2014).

Empirically, Nabila, Shafiu and Muhammad, (2021). The impact of electronic banking on the financial performance of Nigerian deposits money banks. The study aims at discerning impact of electronic banking on the financial performance of Deposits Money Banks in the Nigerian banking industry. The study relied on descriptive study. The study was centered on all the 21 Deposits Money Banks governed and licensed in Nigeria. The study made use of secondary data for the period 2013 to 2017 obtained from reports and publications. Statistical package for the social sciences (SPSS) used to analyses the data's descriptive statistics.

Ighoroje and Okoroyibo (2020). Study Cashless Policy and the Performance of Deposit Money Bank in Nigeria. The study employed Econometric techniques involving descriptive Statistics, Augmented Dicker Fuller and Philip Perron Tests for Unit Roots and the Autoregressive Distributed Lags (ARDL) for co-integration and coefficient analysis. The result of the study indicates that Automated Teller Machine (ATM) and Internet Banking each has a positive and significant effect on Total Deposit Mobilization (TDM). Point of Sale (POS) has a positive but insignificant effect on return on equity, while Mobile Banking (MB has a negative and statistically significant effect on TDM, The study thus concludes that cashless policy has positively affected the performance of money deposit banks in Nigeria.

Methodology

In order to investigate the impact of Central Bank of Nigeria Cashless Policy and Performance of Deposit Money Banks in Nigeria, ex-post facto research design was employed because the variables considered cannot be manipulated by the researcher (Saka&Fatogun, 2021:Saka, 2021: Saka&Aladelusi, 2022). Basically, data used for this study are secondary data obtained from Central Bank of Nigeria (CBN) Statistical Bulletin that covers the period of ten year's i.e. (2011 to 2020). The variables considered are total deposit mobilization for deposit money bank (dependent) and the independent variables comprises of automatic teller machine, point of sales and mobile banking.
To test the stated hypothesis, the following model was adopted:

$Y = f(X_1, X_2, X_3, X_n)$
$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_n X_n + \mu$
The econometric model is given as:
$TDM = \beta_0 + \beta_1 ATM + \beta_2 POS + \beta_3 MOB + \mu$
Where,
TDM = Total deposit mobilization
ATM= Automated teller machine
POS = Point of sale
MOB = Mobile Banking
$\beta_1 - \beta_3$ = coefficient of independent variables
μ = error term
A priori expectation.
$\beta_1 > 0$
$\beta_2 > 0$
$\beta_3 > 0$

Result

The main result of the study which was obtained via regression analysis is presented in Table 1 below as:

Table 1: Regression Estimation Results

Dependent Variable: TDM				
Method: Least Squares				
Date: 04/22/22 Time: 21:05				
Sample: 2011 2020				
Included observations: 10				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1400.398	999.2835	1.401402	0.2106
MOB	1.546005	0.701082	2.205170	0.0696
POS	-14.02907	1.193739	-11.75221	0.0000
ATM	5.468357	0.360723	15.15945	0.0000
R-squared	0.981702	Mean dependent var		11028.85
Adjusted R-squared	0.972553	S.D. dependent var		7979.952
S.E. of regression	1322.043	Akaike info criterion		17.50092
Sum squared resid	10486787	Schwarz criterion		17.62195
Log likelihood	-83.50459	Hannan-Quinn criter.		17.36814
F-statistic	107.3026	Durbin-Watson stat		1.194689
Prob(F-statistic)	0.000013			

Source: Author's Computation from E-view Output, 2022

Discussion of Results

Data must be fitted reasonable well. That is value of R-square should be reasonable high at least more than 60 percent. The higher the R-square, the better the data. In this model we observed that R-square is 98% which is good because 98% is greater than 60%, which means that the model is fit. The remaining 2% are factors or variables that were not included in the model but been captured by error term which is capable of influencing the dependent variable. The adjusted R-square which is 97% could be further explained that the adjusting for the degree of freedom, the predictors can only explain 98% variation of all-share index.

The independent variables should be individually significant. This could be checked by using probability value of t-test. If the p-value of t statistics is less than 5% (0.05) we can reject the null and accept alternative hypothesis. If otherwise, we do the inverse. The result shows that POS and ATM are statistically significant with the p value of 0.0000 respectively while MOB is statistically insignificant with p value of 0.0696.

The value of constant which is 1400.398 implies that holding the independent variable constant, total deposit mobilization will increase by 1400.398. Also, a unit increase in mobile banking will cause 1.546005 unit increase in total deposit mobilization. However, the coefficient of point of sale which stands at -14.02907 indicates that for every unit increase in point of sale, there will be a decrease in total deposit mobilization. Lastly, a unit increase in automated teller machine will cause 5.468357 increase in total deposit mobilization. The overall performance of the model is quite good because the p-value 0.000000 which indicates that the model is significant. This signifies that the model is adequate in relation to total deposit mobilization, mobile banking, point of sales, and automated teller machine. Hence, it provides greater reliability for information contained in the Table above.

The overall performance of the model is quite good because the p-value is 0.000000 which indicates that the model is significant. According to the result of findings, all independent variable (ATM, POS, MOB) are in line with the A priori expectation.

Conclusion

The study examined the impact of cashless policy and the performance deposit money bank for the period of 11years (2011-2020) using ordinary least square regression method. From the statistical analysis of this study, the study reveals that mobile banking and automated teller machine has a positive relationship with total deposit mobilization while point of sales have negative relationship with total deposit mobilization. The study further reveals that point of sales and automated teller machine with p value of 0.0000 is statistically significant and thus has a significant impact

on total deposit mobilization. Mobile banking does not have any significant effect on total deposit mobilization with p value 0.0696 which are greater than 0.05 level of significance.

The study conclude that Central bank of Nigeria Cashless policy has a significant impact on the Performance of Deposit Money Banks. Based on the study of the findings, the researchers recommends that education and awareness on the benefits of automated teller machine, point of sales, and internet banking as enhancers of cashless policy in Nigeria, Government should intensify efforts and be more pragmatic in its electricity reform agenda to making power supply more efficient and reliable to drive the electronic-based system properly and lastly, there is also the need for the CBN to provide adequate ATM 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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