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Critical Review of Cashless Policy Implementation in Nigeria

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Abstract

The cashless policy initiative was to accomplish two main macro-socio-economic policy objectives of increased convenience and greater financial inclusion in Nigeria. The study which carried out a critical review of the Cashless policy implementation in Nigeria arose as a result of the state of the economy, cash payment transactions, level of corruption and illegality in the Nigerian State. The conceptual review of the various studies on electronic banking covering ATM, mPoS, PoS, web-based banking was carried out alongside the primary objective of the CBN Cashless policy when it was inaugurated. The review found an increased demand and application of agency banking transactions (mPoS), rise in inflation which the scheme was to address, none significance of the scheme in driving economic growth, increase in corruption occasioned by unregulated manner PoS and mPoS transaction schemes. The study recommends a strict application of electronic banking transfer system, reduction in cash-based transaction per PoS agent and customer per day, vigorous investments on cyber security, a review of the fintech law, strengthening of internet protocol, technological infrastructure to facilitate easy electronic funds and controls in the financial institutions and enactment of relevant legislative laws to curb cybercrimes. and the improvement in the technological infrastructure to facilitate easy electronic funds transfer across the country.

Keywords: cashless policy, corruption, macroeconomic, transparency.

1. Introduction

Nigeria adopted the cashless policy system as one of its monetary policies instruments for business transactions across the sectors of the economy. The scheme as one of the country's monetary policy control drivers was geared towards controlling the flow of physical cash thereby checking inflation and currency stabilisation. The Central Bank of Nigeria (CBN) according to Ewa & Egu (2016), undertook the monetary policy so as to promote and maintain monetary stability as well as safeguard the international value of the nation's currency and manage the country's external reserves. Developed countries to a very large extent are migrating from paper payment instruments to electronic models that are cashless. At commencement, the policy scheme which began in Lagos in 2012 stipulated a cash handling charge on daily cash withdrawals or cash deposits that exceed five hundred thousand (=N=500,000) naira for individuals and three million (=N=3 million) naira for corporate bodies with the intention to reduction in amount of physical cash transactions in the economy but encourage electronic-based transactions. The policy according to the CBN was introduced to

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deepen growth and transformation of the country's payment system to align with the Nation's vision 2020 goal of being amongst the top 20 economies by the year 2020. It was envisioned that 'an efficient and modern payment system is positively correlated with economic development' and is a key enabler for economic growth (CBN, 2015). Also, the policy implementation will cause reduction in bank charges on individual bank transactions thereby driving financial inclusion by providing more and efficient transaction options and greater reach to cover the rural communities. The policy was to also facilitate improved effectiveness of monetary policy in managing inflation and drive economic growth. This monetary policy management was emphasised as major focus of payments system reforms is to increase the diversity and liquidity of payment instrument (EFLnA, 2013). The policy also was to address some of the negative consequences that are associated with the high usage of physical cash in the economy which include: high cost of cash handling occasioned by volume cash handling, high risk of using cash as a result of robberies and other related cash crimes, corruption, leakages and money laundering (Ewa & Egu, 2016).

After the introduction of the policy, there has been some modifications of the policy with the addition of Agency Banking Model (mPOS) which was introduced due to lack of spread or availability of traditional banks to provide needed cash or other financial services in the rural communities in Nigeria. This model was fashioned in delivering financial services to the least individuals in the society using human agent networks (third party) that operate on behalf of financial Institutions or mobile money operators.

The Agency Banking model is the application of PoS and mPoS business services in Nigeria. The system has greatly facilitated the use of debit card by card holders to withdraw cash and pay for goods and services without necessarily going to a bank or use of banks ATM facilities. It is postulated that driven by the high unemployment rate, low financial inclusion and inconveniences associated with traditional banking services, PoS businesses have become very popular among the mobile and lower-class sections of the economy. This agency banking policy (mPoS) has given rise to granting of licences to money market financial institutions like Opay and MoniePoint which even though they are not conventional banking institutions with branches across the country have rather intensified the use of physical cash as the medium of exchange for the daily business transactions across the whole Nigeria.

There are postulations that the present payment system plays an important role in the macroeconomic management of Nigeria as it is the channel through which financial resources are routed from one sector of the economy to another. There are thus various studies on the influence of cashless policy on economic growth that postulated policy implementation exhibited a substantial positive impact on Nigeria businesses and economic growth and development, (Gambo et al, 2024; Ogunlade and Amodu, 2024, Samuel & Emenyi, 2024). However, Okereke (2016) study on ATM, PoS, internet banking and mobile banking terminals on economic growth stated that while only PoS terminal have significant impact on economic growth, ATM, mobile banking and internet banking terminals are insignificant to economic growth.

The conundrum in the debate and controversies over the intention of cashless policy implementation and the current electronic banking operation calls for policy interpretation of present agency banking services were PoS agents are spread across the country with sole responsibility of disbursing and receiving cash without limit. This review seeks to critically

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analyse whether the CBN objective or initial policy thrust of the CBN for cashless policy implementation of physical cash reduction in circulation considering the rise of agency banking, cost reduction in cash management by individuals, banks and the CBN and risks of ease on funds diversion, audit trial is accomplished.

2. Conceptual literature review

A. The Nigeria Cashless policy

The Central Bank of Nigeria (CBN) introduced the cashless policy which stipulates a cash handling charge on daily cash withdrawals. The policy on cash transactions (withdrawals) is aimed at but not eliminating entirely the amount of physical cash in circulation in the economy and encouraging more electronic based transactions for settlement for goods, services, transfers etc. The policy was introduced to drive development and modernization of Nigeria's payment system in line with the vision 2020 goal of being amongst the top 20 economies by the year 2020. It is envisaged that efficient and modern payment system is positively correlated with economic development and a driver for economic growth. The policy was also to reduce the cost of banking services, drive financial inclusion, manage inflation, curb negative consequences associated with high usage of physical cash in the economy, money laundering, reduce leakages and corruption. (CBN, 2015)

B. The Nigerian Central Bank of Nigeria (CBN) Payment Policy

Payment pattern of any organization or nation is essential in cash management, control and planning as it is the medium through which financial transactions are channelled from one segment of the entity or economy to the other. It is the basis of transfer of consideration in any business contractual agreement in the modern market economy as it has important role in monetary policy, financial stability and overall economic activity of the system. Given the important role that a well-functioning payment system has on monetary policy, financial stability and overall economic activity, the CBN bank formulated a set of national payment systems policy objectives as a broad guideline and framework for all payment systems initiatives.

Nigeria Payment Policy Objective clearly spelt out the following sub-objectives:

- Promotion of efficiency and effectiveness of Nigeria payment system by demonstrating transparency, flexibility and reliability by ensuring integration of payment channels, interoperability of the sub-systems and speeding up exchange and settlement of funds and securities
- Safety of business operations and personalities by protecting systematic risks through containing credit, legal, liquidity and operational risks, complying with international standards and recommendations and complying with national standards and recommendations (E.g. cheque and electronic banking standards)
- Migration of Nigeria payment system to cash-less modes of payment, such as electronic debit/credit instruments, credit/debit cards, ATM-sharing and electronic fund transfer at point of sales (PoS) and real time gross settlement system(RTGS)
- Transparency in the payment system in Nigeria. One of the factors militating against widespread usage of the formal payment systems is the concern of market participants

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about transparency as illegal transaction dealings are easily executed through physical cash transactions with no traceable audit trial.

The goal thus of the national payment systems (NPS) is to ensure that the system is available without interruption, meet as far as possible all users' needs, and operate at minimum risk and reasonable cost.

The significant points of the policy were the decision to peg customer's daily withdrawal or deposits to a maximum of =N=150,000 per individual customer and =N=1 million naira for corporate clients. This was reviewed to =N=500,000 for individuals and =N=3,000,000 for corporate in 2012 and again reviewed downwards to =N=60,000 for individuals in 2015.

The policy has other financial services ranging from customer accounts information and updates and transactions alerts which have been in existence but not widely subscribed to by account holders to payment of bills, person to person transaction and remittances in different forms through the use of PoS, ATMs, internet banking and mobile banking.

The application of these products in the financial architecture of Nigeria requires enormous investments in power, telecommunication, financial infrastructures and security. The functionality and adequacy of these infrastructures is critical to the success of this policy.

According to Emecheta (2012), the implementation of the new procedures and rules based on MICR technology revolutionized the cheque clearing system thus, a centralized Automated Clearing process was established whereby with MICR Reader Sorters, necessary information on cheques are captured, built into clearing files and electronically transmitted to the clearing house, from where the net settlement position of participating banks are automatically computed and also electronically transmitted to the apex bank for final settlement. This initiative reduced clearing cycle from 5days to 3days for local instrument and from 9days to 6 days in respect of up-country instrument.

C. Impact of Cashless Policy on Financial Inclusion

Globally the financial services industry is under intense competition from the fintech firms that are very active and innovative entities leveraging technology to deliver personalized financial services to corporations and customers. Investors are attracted to Nigeria, the second largest technology hub according to Nevin (2020) because of its technology ecosystem which is driven by attractive youthful and technology savvy population, increased smartphone usage, availability of enhanced internet penetration and large unbanked population.

In view of the above and the COVID-19 pandemic that led to increase usage of digital banking services and online payment platforms for financial transactions to avoid physical body contacts ignited the push for electronic banking in Nigeria.

i. Emergence of nimble, efficient financial enterprises to ensure inclusivity in financial products and or service offerings as well as in credit disbursement to the real sector. According to Nevin et al (2020), more than one-third (36.8%) of the over 99 million adults' population in Nigeria were excluded financially as at 2018 and that the CBN's National Financial Inclusion Strategy (NFIS) was designed to ensure a financial inclusion rate of 95% by 2024 as the process to achieving this objective require collaborative effort between industry stakeholders which include the fintech firms.

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ii. Actualization of a financially inclusive society. According to Nevin et al (2020), more than 36.8% of the over 99 million adult populations in Nigeria were excluded financially as at 2018 translated as over 30 million adults. PoS and mPoS Agents are key to driving the actualization of a financially inclusive society, (Nevin et al, 2020).

iii. On the policy driving economic growth, boost tax revenue and prevent money laundering and terrorism financing, it is envisaged that fintech firms are better positioned to drive a digitalized economy since they provide customers with easy, swift and user-friendly banking transactions without the physical involvement of cash. The question for critical assessment is whether this is the position of present operations via mPoS Agents and PoS operators.

iv. Regulatory structure: The regulation of fintech operations in Nigeria does not have a unique regulator that is statutorily empowered to coordinate activities of the stakeholders. Presently, the CBN, NCC and NITDA through their various guidelines and circulars attempt to direct fintech firms' activities in Nigeria.

There are thus enormous socio-financial benefits for the adoption of a cashless system. These include the reduction of the Banks' operating cost of cash management which include cost of credit and cost of printing fresh bank notes which will greatly reduce as most transactions will not be carried out with physical transfer of cash. The policy also is geared towards providing more efficient transaction options and greater reach. The policy evaluated from government macro management of the economy is geared towards managing inflation and thus drive economic growth. Also increase in tax collection through utilization of customers' bank database information, greater financial inclusion and increased economic development.

In appraising the policy from bank customers' perspective, the policy was geared towards increased convenience in cash transactions, availability of more banking services, cheaper access to banking services, greater access to banking credit and financial inclusion.

Also, appraising the policy based on curtailment of corruption for fear of being caught through audit trail when the transaction is investigated. Cash which is anonymous by its very nature and is not traceable to a single individual is highly attractive for illicit activities since it creates room for significant movement of illicit transactions to be executed around freely without detection. Under cash-based system, corrupt funds can easily be moved from one person to the other without traces.

On reduction of risk of cash-related crimes like in burglary. The temptation by robbers to steal physical cash at homes or offices will greatly reduce as the thieves will hardly see physical cash to steal. In the circumstances where individuals are forced to transfer funds from their accounts, the account(s) where the funds are moved can easily be detected.

On minimising operational cost of the financial institutions by the reduction in insurance cost for cash deposits, the emergence of cashless policy that limits the cash in circulation implies commercial banks reducing the cash in their vaults and thus the insurance cost for cash deposits in bank vaults and thus reduction in operating cost and enhance profitability of banks.

On the reduction of fake currency in circulation, the cashless policy is intended to reduce fake currency in circulation as many transactions will no longer be made in cash hence the demand for cash will drop and fake currencies can easily be traced and detected.

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Rising from the benefits enumerated, there will be improvement of the effectiveness of monetary policy in managing inflation and driving economic growth.

D. Electronic Banking System (PoS. ATM, mPoS, Web-based). Electronic banking system is the application of electronic system in banking operations. There are many electronic systems deployed in banking operations around the world. The systems include:

i. **PoS terminal:**
The Point-of-Sale system is the process of effecting financial transactions through the use of point-of-sale terminal device. It is a portable device or machine that facilitates payment for goods and services. This is through the use of debit or credit cards. The ease, convenience, speed and security in its application by individuals has popularized its application in business transaction in Nigeria.
The PoS terminal machines are in service widely in Nigeria today by various businesses especially retail stores, restaurants and service industries as they allow customers to make payments for services rendered by mere swiping or inserting of their debit or credit cards in the PoS terminal machines and with the verification of the transaction through a password, funds are instantly transferred from the customer's account to the beneficiary of the PoS machines as may have been configured by the beneficiary.

ii. **ATM transaction:**
The Automatic Teller Machine transaction system refers to the process of carrying out financial transactions using ATM machines. This is a computerized telecommunication equipment deployed by -banks to carry out some basic Teller (Cashier) services. The machines allow individuals to withdraw cash, deposit cash, check account balances, transfer funds between accounts and perform other banking activities without recourse to visiting a physical bank branch. Since the introduction of ATM channel of payment service in the Nigerian banking sector by the CBN, it has enhanced customers' accessibility to their account details without necessarily going to bank officials for inquires.

iii. **Agency banking service (mPoS)**
The Agency banking service, Mobile Point-of-Sale (mPOS) is a transaction system whereby operators of the PoS function as mini-banks without acquisition of the banking licence. This mini-banking service of conducting financial transactions through mobile point-of-sale operators (agents) across the country involves physical cash receipt and disbursement to customers. The agents are not the financial institutions' personnel neither do the eligibility as agents require acquisition of any professional qualification for the service being rendered. The CBN policy shift to accommodate fintech firms in financial monetary transactions and not just electronic transfers and drive for inclusivity in the rural communities where there are no banks ignited the unregulated physical cash transaction in the country.

iv. **Internet-based (Web-based) banking**
This refers to the process of conducting financial transactions through the internet-based platforms. There is a growing trend in e-commerce and the internet-based transactions are facilitated by various online payment platforms like Paystack, Interswitch, Quickteller and Flutterwave. The platforms provide users with the ability to carry financial settlement transaction for goods and services, inter-bank funds transfers, bills settlement and international transactions from the comfort of their homes.

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2.2 Theoretical Review

2.2.1 Diffusion of Innovation Theory

According to Garcia-Aviles (2023) the Diffusion of Innovation (DOI) theory was developed by communication scholar and sociologist Everette Roger (1931-2004). The theory which focused on the perceived structures of technologies and the innovativeness of the entities applying the technologies and innovations. The theory explains the channel of a new idea through stages of adoption by different individuals or personalities who are involved in applying the new idea. The theory gives explanation as to how, why and what rate new ideas, technologies or innovations spread through a population. The theory describes the form and urgency at which new ideas, practices or products circulate through the environment. This theory is an appropriate theory for investigating the adoption of the cashless policy technologies in enhancing economic growth, curbing corruption, insecurity and improving transparency in Nigeria

2.3 Literature Review

Adewoye (2013) study reported electronic-banking introduction has improved banking efficiency in Nigeria as bank customers are benefiting from transactional conveniences, time saving, quick transactions notifications and service cost savings. However, the inadequate and poorly maintained public network systems among other shortcomings in the operation of the scheme or policy.

According to Agu & Agu (2020), cashless policy is aimed at promoting economic growth, lower banking service cost, modernization and development of the nation's payment infrastructure, offer more practical and accessible transaction options to increase financial inclusion for the unbanked public and enhance efficiency of monetary policy in fostering economic growth. Has the policy implementation being achieved in Nigeria?

Andrea et al (2022) study explored the impact of electronic payment system (e-payment) on Nigeria's gross domestic product (GDP). The study investigated the effect of ATM, PoS and mobile banking channels on GDP and adopted ex-post facto research design on quoted telecommunication companies listed in the Nigeria Exchange Group as at 2020. The study reported significant effect of ATM, PoS and mobile banking applications payment channels on Nigeria economic growth.

Egwuatu et al (2023) study on assessment of cashless policy implementation in Nigeria: prospects and challenges examined the benefits and drawbacks of a cashless policy adoption on the Nigerian economy using archival, documentary evidence and a review of significant publications from the CBN and other financial regulatory authorities. The study reported decreased risk of cash-related crimes, lower cash handling costs, less revenue leakages, wider selection of convenient service options and better monetary policy management. The study reported the lack of suitable electricity and telecommunication infrastructure, insufficient regulatory framework, security issues and societal factors continue to be major obstacles to the policy. This paper submission as evidenced in Table 1 of reduced risk of cash related crimes, lower cash handling costs, less revenue leakages completely run contrary to the reality in present Nigeria cashless system. There is increase in yearly average inflation rate from 2012 to 2024, increased yearly Transparency International corruption perception rate from 2012 to 2024, presence of payment to kidnappers and law enforcement personnel through e-payment,

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increased cash handling cost by PoS agents and unregulated charges by mPoS agents for cash withdrawals in addition to other bank charges.

Emecheta (2012) opined that the introduction of cashless policy was geared toward providing mobile payment services that breaks the protocol in traditional banking practice. However, the policy has become an albatross to some elites, the poor, uneducated and traders due to their inability to transact electronically and without exposing their personal data in funds transfer.

Gambo et al (2024) study adopted correlational research design applying secondary data for the period of 8 years (2011 to 2018) with ATM, PoS, and web-based (WEB) channels as the independent variables and with GDP as the dependent variable. The study showed ATM negatively correlated to GDP with a statistical value of -0.9178. Also negative significant relationship between PoS and WEB with GDP was reported. The study further reported PoS having a negative effect on Nigeria GDP. The study thus showed ATM, PoS, WEB and GDP have strong negative association.

Also Gambo et al (2024) attest that cashless economy allows for electronic method of financial transactions rather than the use of cash thereby making it easier to fight excess cash carrying and other related challenges. This assertion runs contrary to widespread view regarding the recent development in the country where PoS usage is in the increase and money changers are utilizing its existence to hoard raw cash at homes.

Ibe and Odi (2018) study examining cashless policy models on economic growth in Nigeria for the period 2009 to 2016 reported existence of a long run significant relationship between cashless policy variables studied and economic growth in Nigeria. The study further reported ATM variable appeared the best cashless policy channel and the most common method of applying cashless policy.

According to Igbara et al (2015), cashless based economy is one in which both retail and commercial activities are carried out electronically without the use of cash. That the more cash is continually used, the more the government (CBN) spends money in replacing worn-out or torn currency but that an efficient payment system which is less on cash is a necessity for economic growth.

Igbara et al (2015) study that examined the effect of cashless policy approach for small scale organizations in Ogoni land of Rivers State, Nigeria found SMEs in the study area as predominantly burdened with ownership issues of little equity capital and most of the enterprises have extremely poor net worth. The study reported ATM and internet banking applications have less or no critical impact on the businesses because the enterprises have near zero reliance on Information Communication Technology (ICT) utilization in their financial transactions.

Igbekele & Ugo (2022) study on analysis of prospects and challenges of E-payment system in Nigeria defined cashless policy to consist of the infrastructures. The infrastructures include institutions, instruments, rules, procedures, standards and technical means established to provide exchange of monetary value between parties discharging mutual obligations. The context of 'rules' in the definition of cashless policy cannot be proven to be adhered to by mPoS system agents as they are allowed with no control mechanism to charge customers any rate as cost of cash disbursement at the agent's discretion.

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Gambo et al (2024) citing Isa & Abalis (2013) study that investigated the effect of cashless policy on commercial banks profitability in Nigeria from ATM, PoS and internet banking found reported positive impact of ATM and PoS on profitability measured by return on equity (ROE) but a negative impact on internet banking on ROE.

Ikpefan et al (2018) study on analysis of the effects of the cashless policy on the Nigerian economy reported no significant impact of e-banking instruments on the currency in circulation and therefore recommended a drastic reduction in transaction charges to encourage greater adoption of e-payment platform.

James (2012) study investigated the acceptability of e-banking services in Nigeria. The study reported the scheme to be significantly influenced among others by educational background of customers, the environmental risk factors and ease of transaction by the respondents' customers. The study collaborated with Igbara et al (2015) that reported enterprises have near zero reliance on Information Communication Technology (ICT) utilization in their financial transactions because of the location of the study location.

Madugba (2020) study on the impact of cashless policy measured by ATM, PoS, RET and WEB on economic growth in Nigeria proxied by real GDP for the period 2008 to 2018 showed ATM, RET and WEB do not have any significant impact on real GDP but PoS was shown to be a significant determinant of real GDP. The study opined cashless policy does not impact positively and significantly on economic growth in Nigeria.

In their study, Morufu and Taibat (2012) reported bankers in Nigeria view electronic banking as a system to minimise or reduce awkwardness, transaction service costs and customers waiting time in the daily operational service delivery.

Muyiwa et al (2013) study on impact of cashless economy in Nigeria which is a survey research adopted to evaluating the monetary policy suitability reported the policy will increase employment; reduce cash related robbery, cash related corruption and attract more foreign investment.

Njoku et al (2020) study on impact of electronic banking in Nigeria's economic growth covering the period 2009 to 2018 examined the relationship between electronic banking measured by PoS, internet banking, mobile banking and ATM on Nigeria economic growth. The study reported a significant relationship between electronic banking and economic growth. Also, while PoS, internet banking and mobile banking individually had no significant effect on economic growth, ATM had a significant impact on growth.

Obiegbu (2023) study on challenges and prospects of cashless policy and E-payment system on the Nigerian Economy: A study of Anambra State noted poor infrastructure and difficulty in imbibing the e-payment culture due to illiteracy as challenges associated with cashless policy. The study highlighted the challenges to include; quality and quantity of social infrastructure like telecommunication network and lack of adequate knowledge on usage of electronic payment system.

Ogbeide et al (2016) study examined the influence of electronic banking on Nigerian economic growth. The study employed Auto Regression Distribution Lag (ARDL) to examine impact of electronic banking measured by ATM, mobile banking, web-based banking and PoS and economic growth measured by real gross domestic product (RGDP). The study reported a

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significant impact of electronic banking on economic growth. ATM and mobile banking channels were found to positively influence growth while PoS and web based banking channels had negative impact on economic growth.

Ogunlade & Amodu (2024) study on the influence of the cashless policy on economic growth and development in Nigeria researched on the influence of electronic banking service (EBS), electronic transfer system (ETS) and peer to peer (P2) system on economic growth and development (EGD). The study asserts cashless policy implementation exhibits a substantial positive impact on economic growth and development in Nigeria and thus recommended implementation of initiatives geared at enhancing digital financial literacy, fostering effective utilization of electronic banking system, electronic transfer system and peer-to-peer payment platforms.

Okereke (2016) study on the impact of ATM transaction value, PoS, internet banking and mobile banking transactions values on economic value of Nigeria found while only PoS terminals was significant to economic growth, ATM, mobile banking and internet banking are insignificant to economic growth.

Samuel & Emenyi (2024) study on cashless policy and economic growth in Nigeria revealed POS transactions and ATM have an insignificant positive relationship with real GDP but Web-based transactions showed an insignificant inverse relationship. The study result further stated the joint effect of PoS, ATM and WEB is statistically significant implying that cashless policy play a critical role in improving the economic growth of Nigeria. This result stating the growth of PoS transactions did not significantly contribute to overall economic growth implies that increase use of PoS transactions may not be an effective driver for economic development. Also, ATM usage have an insignificant positive relationship with real GDP implying that increase in ATM transactions do not significantly contribute to the overall economic growth of Nigeria.

Yusuf (2016) study examined the relationship between cashless policy and economic growth in Nigeria. The study adopted longitudinal data for non-cash-based banking before the cashless policy and its impact on economic growth. The study reported that bank cheques, PoS, web-based banking and mobile payment channels as alternative to cash payment contributed significantly to economic growth. However, the contributions of these variables assessed are more evidenced before the introduction of CBN cashless policy than after the introduction.

3. Methodology in the Critical Evaluation of the Policy

The study employed a critical review of the CBN Cashless policy documents, circulars that highlighted the intention of the CBN for the policy and the potential effects on the macro-economic system in Nigeria and the generality of the people. Also, the study reviewed the various studies on the implementation of PoS and mPoS segments of the cashless electronic banking system in curtailing physical cash transactions, control and detect corruption, cash leakages, extortion by security agencies and ease of payment of ransom on terrorism incidents.

3.1 Journey so Far

The introduction of PoS universally is for cashless business transactions and is applied by marketers in selling their goods and services. Unfortunately, the CBN Policy review introducing agency banking service (mPoS) which made operators of the PoS to function as

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agency mini-banks without banking licences as enshrined in the Banking Act has completely eroded the anticipated reduction in cost of money, security, corruption, curtailment of inflation etc. Presently according to data from the Nigeria Inter-Bank Settlement System, there are over 1.9 million PoS terminals deployed by merchants and individuals nationwide.

From data released by Nigeria Inter-Bank Settlement System (NIBSS) electronic payment transactions soared to an all-time high as it rose in 2024 by 80 percent to =N=1.08 quadrillion as compared with the =N=600 trillion in 2023. PoS transactions increased from =N=10.73 trillion in 2023 to =N=19.4 trillion in 2024 representing 81 percent increase (Ekeghe, 2025).

Fuelled by a protracted scarcity of cash at ATMs and the aggressive push in PoS deployments by fintech companies like Opay, Kuda and Moniepoint, there was a 69% increase in PoS transactions in comparison with 2023 financial year (Akintaro, 2025). According to Akintaro (2025) while commercial banks had been the major drivers of PoS terminals availability in the past, the entrance of fintechs into the market has seen the number of PoS devices in the market grow astronomically.

NIBSS data shows PoS terminals deployed across Nigeria in 2024 doubled to 5.5 million as against 2.4 million in 2023 representing 129% increase. Thus the number of registered PoS terminals rose from 3.5 million in 2023 to 7.8 million in 2024 which indicate additional newly registered PoS machines of 4.3 million.

There are concerns as to what drives the PoS transaction growth in Nigeria. Industry analysts attributes the increased quest for PoS as a means of transaction by Nigerians because of the state of the present customers' service delivery in the traditional commercial banking halls which is characterized by difficulty in accessing cash through the usual banking channels, long queues and waiting time and intermittent unavailability of cash in the banks' ATM machines. Also the drive to bringing the banking service to the rural areas, (Nevin et al, 2020).

However, in spite of the convenience in PoS transaction service, it constitutes a huge cost to their business transaction clients who in turn pass the finance charges cost to the society by way of increased cost on services and goods. The scheme is also a security risk promoter as criminals easily retrieve funds illegally without trace. This is evidenced as there are various reported cases of even security personnel extorting money through people through PoS operators. (Kabir, 2020; Adejobi, 2024; Amida, 2024; Omojuyigbe, 2018; Ugwu, 2024; Majeed, 2025; Ubanagu, 2024). This is collaborated in the corruption perception index of Nigeria. See Table 1.

The Agency banking policy application of cash transactions in Nigeria has been greatly influenced by Nigeria various traditional cultures, rural settings and literacy. The level of literacy in Nigeria which by the latest data on Nigeria's literacy rate in 2024 standing of 59.57% following a steady but slowing increases for the period also influenced the application of physical cash as a medium of daily business transactions in the country. Many individuals cannot read or write and so prefer cash transactions. The banking infrastructures are also a positive negative impact in cashless business transaction as most of the banks lack facilities for effective banking transaction. Most of the banks average waiting time for single transaction is about 4 hours. Similarly, cultural influences of spraying cash on occasions as a way of celebration, recognition and importance propels the utilization of cash as against cashless banking. Even with the micro-finance banking sector which would have expanded cashless

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banking services to the rural areas of Nigeria, there is no appreciable difference in physical cash preferences.

Table 1: Performance Indicators in evaluating the cashless policy implementation

Year	GDP rate (a)	Inflation rate (b)	Corruption perception rate ©
2012	4.21	12.9	139
2013	5.49	12.21	144
2014	6.22	12.04	136
2015	2.15	11.91	136
2016	-1.58	15.7	136
2017	0.82	16.5	140
2018	1.91	12.1	144
2019	2.27	11.4	146
2020	-1.92	13.3	149
2021	3.4	17	154
2022	3.1	18.9	150
2023	2.74	22.79	145
2024	3.4	34.19	140

Sources: Nigeria Gross Domestic Product Report, 2020, 2024, NBS - yearly GDP Growth rate, nigerianstat.gov.ng, (a); focus-economics.com, (b); Statista: corruption perception index ranking in Nigeria from 2012 – 204, (c); Corruption Perception index., Transparency.org, http://www.transparency.org, (c)

3.2 The Paradox

The idea of cashless policy is a very noble policy as enumerated above but did the CBN implementation and further Agency banking services (mPoS) policy introduced guarantee the scheme to be tagged 'Cashless banking rather than Agency banking' policy?

To conceptually evaluate the paradox of the policy as stated various studies of the scheme implementation in Nigeria vis-à-vis the primary objective at the inception of the policy was carried out as itemized below:

i. Does the objective of curtailing physical cash transaction in the system with its attendant risk factors being achieved by the cashless policy?

The modification of the policy with the introduction of the agency banking operation of the scheme has significantly eroded the CBN initial objective to curtail physical cash transactions with its attendant consequences in Nigeria. As according to Akintaro (2025), the number of registered PoS devices in the market has grown astronomically from 3.5 million in 2023 to 7.8 million in 2024. PoS transactions has also increased from =N=10.73 trillion in 2023 to =N=19.4 trillion in 2024 representing 81 percent increase (Ekeghe, 2024).

ii. On deepening growth and transformation of the country's payment system to align with the Nation's Vision 2020 goal of being amongst the top 20 economies by the year 2020.

The policy that introduced enhanced electronic banking enhanced banking but has not achieved the vision of being among the 20 economies by year 2020. Also the envisioning that an efficient and modern payment system is positively correlated with economic development and is a key

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enabler for economic growth has not materialized as Nigeria GDP as presented in Table 1 showed a rather downward trend. According to Samuel & Emenyi (2024) POS transactions and ATM have an insignificant positive relationship with real GDP though web-based transactions showed an insignificant inverse relationship. The result stating the growth of PoS transactions did not significantly contribute to overall economic growth implies that increase use of PoS transactions may not be an effective driver for economic development. Similarly, the study reported that ATM usage have an insignificant positive relationship with real GDP implying that increase in ATM transactions do not significantly contribute to the overall economic growth of Nigeria rather enhances criminality and corruption, (Kabir, 2020; Adejobi, 2024; Amida, 2024; Omojuyigbe, 2018; Ugwu, 2024; Majeed, 2025; Ubanagu, 2024). Yusuf (2016) study posit that the contributions of bank cheques, PoS, web based banking and mobile payment channels are more evidenced before the introduction of CBN cashless policy implementation.

iii. On the reduction in bank charges on individual bank transactions thereby driving financial inclusion by providing more and efficient transaction options and greater reach to cover the rural communities.

The introduction of the policy has rather increased transaction charges as individuals pay un-regulated charges to PoS agents in addition to bank charges for both lodgement and withdrawals. On financial inclusion, the policy has increased financial inclusion through electronic banking services to the rural communities with the introduction of Mobile banking services. This is contrary to the study by Egwuatu et al (2023) who posit the policy has reduced bank charges.

iv. On facilitating effective monetary policy in managing inflation and driving economic growth.

The cost of cash transactions has risen and thus affected prices of goods and services. Inflation rate has continued to rise which stands as 27.5% as at February 2025. Table 1 showed an upward trend in Nigeria yearly inflation rate. The policy has thus not shown any benefit in managing inflation as physical cash is not restricted as expected to have been applied to manage inflation at the inception of the policy. This also is contrary to the study by Egwuatu et al (2023).

v. On the policy addressing some of the negative consequences that are associated with the high usage of physical cash in the economy.

There is rather high cost of cash handling occasioned by third party agency charges, in-operative and effective banks' ATMs and reduced customers' withdrawal limits imposed by traditional banks. This is evidenced in the Nigeria inflation pattern from 2012 to 2024.

vi. On the policy addressing high volume of cash handling due to high risk of using cash as a result of robberies, terrorism and kidnapping and other related cash crimes.

There is no appreciable improvement in cash crimes as terrorist and kidnapping for ransom of physical substantial cash is on the increase in Nigeria, (Kabir, 2020; Adejobi, 2024; Amida, 2024; Omojuyigbe, 2018; Ugwu, 2024; Majeed, 2025; Ubanagu, 2024).

vii. Also on the policy tackling corruption, leakages and money laundering through funds tracing, corruption is in the increase in Nigeria.

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According to Transparency Internal, Nigeria scored 26 points on a scale from 0 (highly corrupt) to 100 (very clean) in the 2024 Corruption Perception Index, (TI, 2024). The corruption ranking by country places Nigeria as stated in Table 1, 140 from previous 145 out of 180 countries in the world as at 2024 where the country ranked first is perceived to have the most honest public sector. The free movement of physical cash makes it very easy to move illegal funds around without traces thus avert sanction. Official government transactions carried out in cash are easily laundered with no audit trail for possible prosecution. A good source for money laundry by corrupt individuals by depositing illegal funds to the PoS operators who subsequently releases the funds to unsuspecting public. The PoS terminal is also used to launder fake currency as unsuspecting customers and Agent operators are easily deceived by fraudsters by circulating fake currencies in the system.

4. Conclusion/Recommendations

The primary objective of the monetary policy to control cash flow in the economy thereby curtailing corruption, insecurity, ease of doing business and promoting economic growth in Nigeria has not been accomplished as there are various lapses and reported cases of corruption, insecurity and rise in inflation in Nigeria.

We therefore recommend:

1. Strict application of electronic transfer system and de-emphases cash-based transactions to a maximum of =N=10,000 per day per customer and =N=100,000 per day per PoS agent.
2. Improvement in the technology infrastructures to facilitate easy electronic transfer across the country.
3. Review the fintech law and create a unified regulatory system for coordinating the activities of fintech firms. The CBN should be assigned the coordination, control and monitoring of the firms to avoid duplication and rivalry among the agencies.

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