The Effects of Cashless Policy on Nigeria Economy

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Abstract

The paper examined the effect of CBN'S cashless policy on Nigeria economy. Given the policy's objectives, the paper x-rayed the associated benefits of the policy; discussed the various aspects of cashless banking channels; and dissected the attendant challenges that may encumber its successful implementation. We adopted a descriptive research design; and the collected data were analyzed using content analysis. Four hypotheses were formulated to guide the study whereas our theoretical framework of analysis is Weingather's capital rationing theory. The study discovered that when fully implemented; the policy will help in reduction of money laundering; act as a check on terrorist financing; ensure effectiveness of monetary policy; create more employment opportunities in the financial sector; provide evidence against bribe givers and takers especially among the civil servants and politicians; lead to growth in the real sector of the economy and impact positively on Nigeria economy. The paper made some suggestions that will make the policy to succeed. They include periodic review of the policy by the CBN to iron out grey areas; embarking on intensive awareness campaign and sensitization of the citizenry by the CBN; putting adequate security mechanisms in place to forestall Fraudulent practices; making power supply work efficiently and exempting cash lodgements on public holidays from cash management charges.

Keywords: Cashless policy; CBN, Effects, Nigeria economy, benefits, Challenges, Cashless banking channels

Introduction

As at today, Nigeria occupies the unenviable position of number one country in Africa with largest number of people with no access to financial services. According to data compiled by Micro Finance Information Exchange (MIX) last year, Nigeria and the Democratic Republic of Congo were found to have the largest gaps between populations living in poverty and those with no access to financial services-80 million in Nigeria and 48 million in the Congo. Besides, managing the few that have access to the banks is said to cost banks a huge amount of money with cash management taken a large chunk of the expenses. Also, the cost of printing new bank notes as a result of frequent handling is said to cost the Central Bank of Nigeria (CBN) terrifying amount annually. To address this and many other issues facing the banks and the nation's economy the CBN, introduced the cashless economic policy.

The initiative is to expand the horizon of banking and make financial services reachable to "Banking adults" at an affordable cost. According to CBN, (2011)a large number of Nigeria adults do not enjoy bank services, and this has serious economic and developmental implications. The overall goal of the cashless policy is to reduce adult exclusion rate from 46.3% in 2012 to 20% in 2020. According to CBN, (2012) Financial inclusion is a development when adults have easy access to a broad range of formal financial services that meet their needs and are provided at affordable cost. Financial inclusion implies not only access but usage of a full spectrum of financial services including but not limited to payments, savings, credit, insurance and pension product.

According to Omotunde et al (2013), Cashless economy is an economy where transaction can be done without necessarily carrying physical cash as a mean of exchange of transaction but rather with the use of credit or debit card payment for goods and services. Ejiro (2012) in Omotunde et al (2013) posits that cashless economy policy initiative of the Central Bank of Nigeria (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. According to Tunde Lemon, the Deputy Governor of CBN, the CBN cash 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 in the Lagos state with effect from March 30, 2012. Individuals and corporate organizations that make cash transactions above the limits will be charged a service fee for amounts above the cumulative limits. Furthermore, 3rd party cheques above N150, 000 shall not be eligible for encashment 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 lodgment services rendered to merchants and customers from January 1, 2012.

Omotunde et al (2013) further clarified that the policy through the advanced use of information technology facilitates fund transfer, thereby reducing time wasted in Bank(s). Wizzit, a fast growing mobile banking company in South Africa has over three hundred thousand customers across South Africa. Likewise, M-PESA was introduced in Kenya as a small value electronic system that is accessible from ordinary mobile phones. According to them, it has experienced exceptional growth since its introduction by mobile phone operator (Safaricam) in Kenya in March, 2007 and has already been adopted by nine million customers, which is about 40% of Kenya’s adult population. Wizzit and other mobile financial services including M-PESA in Kenya are helping low income Africans make financial transaction across long distance with their cell-phones, thereby reducing their travel cost and eliminating the risks of carrying cash and also avoiding most banking charges (Akintaro, 2012). It is assumed that the proper implementation of mobile phones and other technologies can aid the implementation of cashless policy and hence, the growth of cashless economy in Nigeria.

According to these scholars the introduction of the implementation of cashless policy began in Lagos State, Nigeria. Why Lagos? According to Central Bank of Nigeria (2011) Lagos state accounted for 85% of POS and 66% of cheques transaction in Nigeria. Cashless economy aims at reducing the amount of physical cash circulating in the Nigeria economy and thereby encouraging more electronic-based transaction. According to (CBN, (2012) the policy is expected to reduce cost incurred in maintaining cash-based economy by 90% upon its full implementation in Nigeria. This study aims to look at the effects of cashless economy in Nigeria.

Statement of Problem

Monetary policy as a technique of economic management to bring about sustainable economic growth and development through cashless policy and banking introduced by the Central Bank of Nigeria (CBN) is not fully operational due to high rate of illiteracy, inadequate sensitization/education of citizens on the benefits of the cashless policy, and inadequate logistics (such as the provision of internet connections in commercial areas, computers and Point on Sale (POS) machines). Apart from the physical challenges, economic data and indicators are not fully available and reliable. There is a great challenge in attempting to analyze the true impact of the cashless policy on the economy of Nigeria as only few monetary and macroeconomic indicators can be traced with relation to the subject matter. Several scholars have attempted to analyze the cashless system or e-banking. However, it becomes clear that few studies present a comprehensive evaluation of cashless banking implications in developing countries. Most ignore the economic benefits of the equation while some do incomplete examination of its negative implications. This is often due to unreliable panel data for monetary and macroeconomic indicators. Although, this study focuses on Nigeria, it is difficult to translate cashless studies from one country to another. Even payments instruments that look similar across countries on the surface may be different due to historical and legal variations (Daniel et al, 2004). Based on the foregoing, the questions the paper tends to raise are:

1. What is this cashless policy all about?
2. Why was it introduced in the first instance?
3. What are the effects of cashless policy on Nigeria economy?
4. What are the cashless banking channels?
5. What are the challenges of cashless policy?
6. What should be done to make cashless policy a worthy policy in Nigeria?

These and more constitutes the main thrust of this paper.

Objectives of the Study

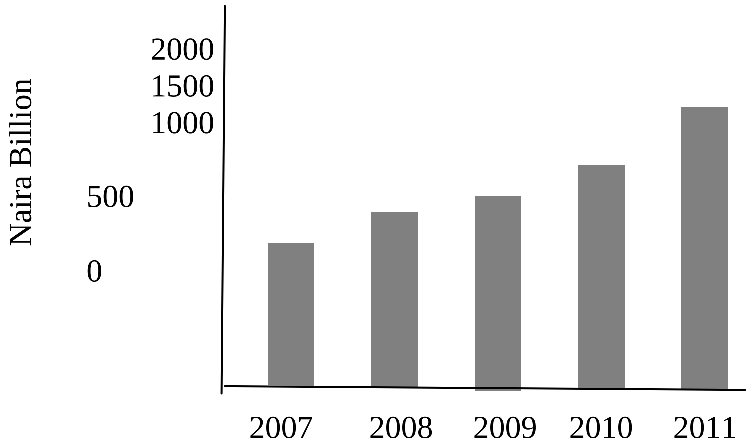
1. To examine what cashless policy is all about
2. To ascertain why the policy was introduced in the first instance
3. To verify the impact of the cashless policy on Nigeria economy.
4. To identify the cashless banking channels
5. To find out the challenges confronting cashless policy in Nigeria
6. To suggest what should be done to make cashless policy a worthy policy in Nigeria?

Why the Cash Policy?

The demerits of a cash based economy are enormous as it is not without cost to the banking system, government and individuals. The Nigerian Security and Minting, plc (NSPM) spends colossal amount annually to print new bank notes as a result of frequent handling of cash even as the high cash usage results in high cut of processing borne by every entity across the value chain. For example, in order to meet the currency needs of the economy in 2011, the bank projected an indent of 3, 549.52 million pieces of banknotes of various denominations. A total of 2, 649.52 million pieces or 74.6 percent was ordered to be printed by the Nigeria security and Minting (NSPM) Plc. Out of this order, the company delivered 2226.02 million pieces or 84.0 percent by end of December, 2011. The balance of 900 million pieces of N500 and N1000 were delivered during the year by foreign printers. The CBN's clean notes policy was sustained in 2011 through the processing of banknotes into clean and unfit notes, the withdrawal of unfit/soiled banknotes, and the re-issuance of the clean and fit banknotes into circulation. A total of 113, 982 boxes valued at 793, 526 billion were processed and 122,642 boxes valued at 828, 398 billion audited. The total boxes audited included a closing balance of 8660 boxes in 2010 brought forward in 2011. Furthermore, a total of 6522.60 million pieces of mint notes were issued in 2011, compared to 6, 677.9 million pieces issued in the corresponding period of 2010(CBN Annual Report, 2011).

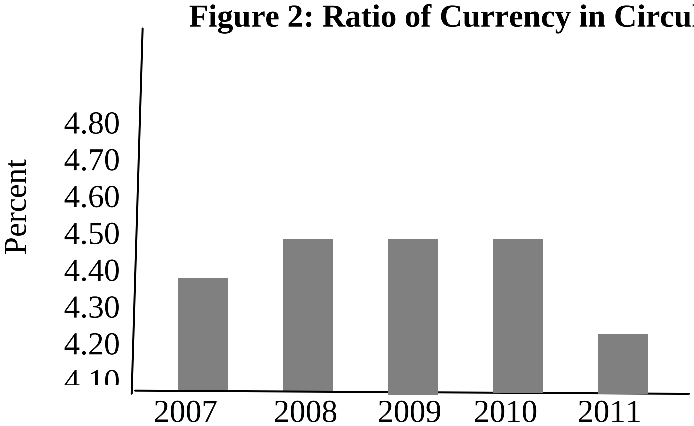
Furthermore the currency in circulation (CIC) at the end of December 2011 for example stood at N1, 565.76 billion representing an increase of 13.6 percent over the level in 2010. The growth in CIC reflected the high dominance of cash in the economy as well as an in economic activities.

Figure Currency in Circulation, 2007-2011



Source: CBN 2011

Figure 2: Ratio of Currency in Circulation to GDP 2007-2011



Source: CBN 2011

The Denominational breakdown of the currency in circulation in 2011 is as shown below:

Coins	2007		2008		2009		2010		2011	
	Volume (Million)	Value (N Billion)	Volume (Million)	Value (N Billion)	Volume (Million)	Value (N Billion)	Volume (Million)	Value (N Billion)	Volume (Million)	Value (N Billion)
N2	81.9	0.16	104.5	0.21	114.5	228.9	107.83	0.22	107.87	0.22
N1	615.4	0.62	532.2	0.53	490.6	490.65	530.11	0.53	581.23	0.58
50k	738.3	0.37	463	0.23	454.5	227.26	434.48	0.22	529.72	0.26
25k	19	0.01	240.6	0.06	212	53	196.53	0.049	339.12	0.08
10k	2.2	0.0002	235.1	0.02	228.3	228.82	212.82	0.021	302.89	0.03
1k	0	0	51.2	0.005	57.4	0.57	48.74	0.0048	12.75	0.08
Sub Total	1,456.80	1.15	1,629.7	1.06	1,557.30	1.023.20	1,530.51	1.04	1,873.58	1.26
Notes										
N1000	264.4	264.4	572.9	572.91	584.4	584.39	663.76	663.7	959.45	959.45
N5000	707.2	353.6	801.9	400.93	852.8	426.4	1.027.78	513.89	726.22	363.10
N2000	1,256.07	251.3	571.6	114.32	491.9	98.38	501.27	100.25	621.75	124.31
N100	494.9	49.5	323.6	32.36	350	35	341.12	34.11	507.90	50.77
N50	351.3	17.6	228	11.4	344.9	17.25	782.27	39.11	777.94	38.89
N20	823	16.5	827.3	1655	769.5	15.39	752.65	15.1	788.67	15.77
N10	355.9	3.6	283.2	2.83	285.5	2.85	680.61	6.81	789.13	7.89
N5	579	2.9	533.1	2.67	720.5	3.6	837.97	4.19	865.38	4.33
Sub Total	4,831.7	959.4	4,141.60	1.153.97	4,399.50	1,183.27	5,587.39	12,377.16	6,036.43	1,564.50
Total	6,288.50	960.55	5,768.30	1,155.03	5,956.80	1,184.30	7,117.90	1,378.20	7,910.01	1,565.76

Source: CBN 2011

Based on the above, the CBN gave three key objectives of cashless policy as:

i. To drive the development and modernization of the payment system in line with vision 2020

ii. To reduce the cost of banking services and drive financial inclusion by providing more efficient transaction option and greater reach.

iii. To improve the effectiveness of monetary policy in managing inflation and drawing economic growth.

Consequently the new cash policy was introduced for a number of key reasons, including:

- **High Cost of Cash:** There is a high cost of cash along the value chain-from the CBN & the banks, to corporations and traders; everyone bears the high cost associated with volume cash handling.
- **High Risk of using Cash:** Cash encourages robberies and other cash-related crimes. It also can lead to financial loss in the case of fire and other incidents.
- **High Subsidy:** CBN analysis showed that only 10percent of daily banking transactions are above 150k, but the 10percent account for majority of the high value transactions. This suggests that the entire banking population subsidizes the cost that the tiny minorities 10percent 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 & Corruption:** High cash usage enables corruption, leakages and money laundering, amongst other cash-related fraudulent activities.

Brief Literature Review

The central Bank of Nigeria (CBN) introduced the policy on cash based transactions which stipulates a "cash handling charge' on daily withdrawals or cash deposits. It aims at reducing (not eliminating) the amount of physical cash (Coins and notes) circulating in the economy and encouraging more electronic based transactions. The pilot phase of the cashless policy commenced in Lagos on April 1st 2012 and was scheduled to be extended to 5 states and the federal capital territory (FCT) Abuja on January 1st 2013. However, the CBN issued a statement on February 26th in Abuja that the policy would now commence on July 1st in the 5 states and the FCT. The states are Ogun, Rivers, Kano, Abia and Anambra.

The highpoints of the policy was decision to peg customer's daily withdrawal or deposits to a maximum of N150, 000 per individual customer and N1 million for corporate clients. However, after series of outcry, the CBN in response to the public outcry over the daily ceiling on cash transactions and deposits raised the limits to 500, 5000, for individuals and N3 million for corporate clients. It is however quick to note that the policy does not prohibit withdrawals or deposits above the stipulated amounts, but that any over the counter cash transaction will be subjected to cash handling charges. Thus, withdrawals for individuals will be 3% above the N500, 000 thresholds and for corporate clients; it will be 5% above the N3million threshold. For cash deposits however, it would be 2% if an individual is depositing above 500,000 and 3% if corporate clients are depositing above N3million.

The CBN in this policy granted partial exemption to revenue collection Ministries, Departments and Agencies (MDAS) of the federal and state governments on lodgments for account operated by them for the purpose of revenue collection only. Similarly, exemption was given to all Diplomatic Missions, Multilateral and Aid Donor Agencies and Embassies in the country from penalties and charges on cash withdrawals and deposits with regards to the cashless policy, because Nigeria is a signatory to several treaties which exempts such specialized international institutions from all fees and charges in the host country. Microfinance banks and mortage institutions penalties on cash limit was also waived.

According to Omotunde et al (2013), cashless economy is not the complete absence of cash, it is an economic setting in which goods and services are bought and paid for through electronic media. According to Woodford (2003), in Omotunde et al (2013), cashless economy is defined as one in which there are assumed to be no transactions frictions that can be reduced through the use of money balances even when they earn rate of return. In a cashless economy, how much cash in your wallet is practically irrelevant. You can pay for your purchases by any one of a plethora of credit cards or bank transfer (Roth, 2010).

Similarly, Humphrey (2004) in Omotunde et al (2013) observed that developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards. Some aspects of the functioning of the cashless economy are enhanced by e-finance, e-money, e-brokering and e-exchanges. All these, according to Moses-Ashike (2011) refer to how transactions and payments are effected in a cashless economy. Marco and Bandiera (2004) argue that increased usage of cashless banking instruments strengthens monetary policy effectiveness and that the current level of e-money usage does not pose a threat to the stability of the financial system. However, it can lose control over monetary policy if the government does not run a responsible fiscal policy.

Omotunde et al (2013) in their study reported how Echekoba and Ezu (2012), in a research carried out in Nigeria, observed that 68.2% of the respondent complained about long queues in the bank, 28.9% complained of bad attitude of teller officers (cashiers) while 2.89% complained of long distance of bank locations to their home or work places. Likewise, in her 24th national conference in December 2011, CBN data shows that 51% of withdrawal done in Nigeria was through automated teller machine (ATM), while 33.6% was through over the counter (OTC) cash withdrawals and 13.6% through Cheques. Payment was also done through point of sales machine (POS) which accounted for 0.5% and web 1.3% Therefore, if the introduction of ATM in Nigeria cash withdrawals system reduced OTC withdrawal; then it implies that introduction of cashless policy supported by application of information technology can achieve more to reduce over dependent on cash payment in Nigeria economy system.

Omotunde et al (2013), further noted that Akhalumeh and Ohioka (2011) observed some challenges with the introduction of cashless policy. Their findings show that 34.0% of the respondents cited problem of internet fraud, 15.5% cited problem of limited POS/ATM, 19.6% cited problem of illiteracy and 30.9% stayed neutral-the respondent not being sure of problem being expected or experienced. While in some quarters there was fear of unemployment, some believe it will create more jobs especially when companies manufacturing POS machine are cited in Nigeria.

According to them, data sourced from Central Bank of Nigeria portal shows that Lagos state, with a population of 17 million people, only has sixty one Point of Sales, twenty bank branches and twenty four ATMs per 100,000 people which are far less to satisfy the needs of the population. These data tends to prove the claim of Echekoba and Ezu (2012) on the problem of cash based economy and cashless policy in Nigeria. For effective cashless implementation in Nigeria availability of sufficient and well-functioning infrastructure (notably electricity), harmonization of fiscal and monetary policy, regular assessment of the performance of cashless banking channels, consideration of the present state and structure of the economy, redesign of monetary policy framework and greater efforts towards economic growth whilst managing inflation should be considered (Odior and Banuso, 2012).

Hypotheses

Ho: Cashless policy has significant impact on the reduction of inflation in Nigeria.

H_1: Cashless policy has no significant impact on the reduction of inflation in Nigeria.

Ho: Cashless policy has significant impact on economic growth in Nigeria.

H_1: Cashless policy has no significant impact on economic growth in Nigeria.

2.2 Theoretical Framework for the Study

In providing a theoretical framework for this study, the research adopts the Weingartners's capital rationing theory for the management of financial enterprises finance (Weingartner, 1977). Capital rationing attempts to allocate funds to investment projects according to the ranking of net present value or ranking of the internal rate of return ranking of profitability index, or ranking of the payback period and/or ranking of the average rate of return. In whichever case the ranking is from first rank till the fund is consumed. Capital rationing is a business decision to limit the amount available to spend on a new investment. The theory behind capital rationing practices is that when fewer new projects are undertaken, the company is better able to manage them through more time and resource dedication to existing projects and each new project (Weingartner). Thus, according to Weingartner's (1977) in capital rationing theory, "There should be restrictions on channels of outflow of funds by placing a cap on the number of new projects'. Thus, capital rationing occurs when an enterprise's management places a maximum amount on new investment it can make over a given period of time (Shoaibk, 2010). In this case, an enterprise may be confronted with more desirable projects than it is willing to finance but the enterprise will have no alternative other than to select the investments according to the ranking of the investment and also within the limit of the available funds.

Capital rationing can be classified into hard and soft, based on whether the factors are external or internal (Shoaibk, 2010). Hard capital rationing is when constraints that may affect business decisions are externally determined. When a business enterprise is unable to borrow funds from outside sources, it is an external reason for capital rationing. An enterprise may be unable to borrow funds because of internal financial shortages, substandard operating performance; unfavourable credit conditions are when it introduces a new untested product. Banks are particularly reluctant to lend to small businesses and individuals with a less-than-satisfactory performance.

Soft capital rationing occurs when investment expenditure is controlled and limited internally by restrictions imposed by management. In public enterprises, constitutional provisions may specify spending limits for each department for project. Internal reasons also include human resource constraints in which the enterprise may not have adequate middle management personnel to cover expansion. Debt constraints also constitute another internal reason for capital rationing; it might be that debts issued earlier prohibit the enterprise from pursing more debt because of impositions placed by the debt.

A plethora of reasons explain why capital rationing should be adopted as a theoretical framework for this study. First, enterprises may wish to limit capital spending when the investment appraisal technique used has a pronounced effect on the overall budget amount; or when potential investment opportunities are unfeasible; if current commitments are intensively pursued. There are other reasons in this category that influence capital rationing decisions. These reasons include the amount of funds that come from current operations and the feasibility of acquiring capital, either by borrowing or by issuing additional stocks such as shares. This acquisition of capital would impact on project size. Second, there are other scenarios under which capital rationing decisions are implemented. Such scenarios include when an enterprise does not have enough funds to invest in projects that are promising. When there are more projects than funds available, only the most lucrative ones are considered and other projects even if they are profitable are excluded. This is referred to as artificial constraints because the amount to be spent on projects is specified by management.

Cashless Banking Channels

The most outstanding cashless banking channels the world over are Mobile banking; Internet banking; Telephone banking; Electronic card; Implants; POS terminals and ATMs. They are all explained below:

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. It uses card infrastructure for movement of payment instructions as well as secure SMS messaging for confirmation of receipts to the beneficiary. It is very popular and exciting to the customers given the low infrastructure requirements and a rapidly increasing mobile phone penetration in the country. Services covered by this product include account enquiry; funds transfer; recharge phones; changing password and bill payments. Even though the product is exciting most customers are yet to fully buy into it in Nigeria hence both the apex bank and other banks still have a lot to do in terms of increasing awareness of the product to the saving populace in the country.

Internet Banking

This involves conducting banking transactions on the internet (www) using electronic tools such as the computer without visiting the banking hall. E-commerce is greatly facilitated by internet banking and is mostly used to effect payment. Internet banking, like mobile banking, also uses the electronic card infrastructure for executing payment instructions and final settlement of goods and services over the internet between the merchants and the customers. Commonly used internet banking transactions in Nigeria are settlement of commercial bills and purchase of air tickets through the websites of the merchants. Level of awareness of the advantages of this product to the saving populace is still very low, hence there is every room for improvement if cashless banking would be effective as expected.

Telephone Banking

Here the customers can assess their accounts using telephone lines as a link to the financial institution's computer centre. Services rendered here include account balance transfer; change of pin etc. This product has also experienced low patronage due to inadequate awareness and education of the customer on how to maximally use their phone to transact simple banking operations.

Electronic Card

This is a physical plastic card that uniquely indentifies the holder used in transacting business on the internet, automated teller machine (ATM) and Point of Sales (POS) terminals. Carow, K.A. and Staten, M.E. (2000). This includes debit and credit cards, debit cards are linked to local bank accounts and offer immediate confirmation of payment while credit card can be used for assessing local and international networks. As credit cards are widely accepted in most countries, the underlying infrastructures and operational rules are often provided by global trust scheme (such as visa and master card) in addition to local lines. Debit cards are the dominant cards in Nigeria, they are also known as ATM cards and their usage is wider than POS transactions given the current limited deployment of POS terminals.

Implants

This is yet to be introduced in Nigeria but America hopes to start using it from 2013. It is a technology that would allow a microchip to be placed in the human hand that would identify every human being on the planet and allow them to buy and sell without coins, paper or card. Already a number of biochip programs have been instituted on animals. The program is called infopet in Los Angeles. In the program an I.D. chip is injected into animals in order to identify them. The chip is made by a Destron company based in Boulder, Colorado. When this is eventually implemented, in human hand that would make cashless policy to be real as there would not be any hiding place again.

Point of Sale (POS) Point of Purchas (POP) Terminals

POS or POP is the location where a transaction occurs. A terminal or POS or POP 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.

Automated Teller Machines

This is computerized device that provide 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 the commonest form of electronic banking which has gained popularity among the people including unlettered customers.

Expected Benefits of the New Cash Policy

A variety of benefits are expected to be derived by various stakeholders from an increased utilization of the cashless policy. These include:

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

For Corporations: faster access to capital; reduced revenue leakage; and reduced cash handling costs.

For Government: Increased tax collections, greater financial inclusion and increased economic development;

For Banks: The efficiency through electronic payment process reduces cost of operation (Cash handling) and increases banks penetration.

Other Benefits

It will reduce the cost of minting and transporting cash around the country and will help forestall the inherent risk in dealing with cash such as armed robbery, theft, bribery and corruption.

It will equally reduce money laundering and theorist financing. All these will make monetary policy to be effective.

It would create more employment opportunity for financial sectors and ensure that credit is not only available to investors but also provide banks with more liquidity for lending to the needy sectors of the economy at attractive rates.

The policy will reduce pressure on the Naira, and improve hygiene on site as bacterial spread through handing notes and coins is eliminated.

Under the policy cash collection is made simple as time spent on collecting; counting and sorting cash is eliminated.

It reduces transfer /processing fees, and increases processing/transaction time, offers multiple payment options and, gives immediate notification on all transactions on customers account.

Finally, it ensures large customer coverage; international products and services; promotion and branding; increase in customer satisfaction and easier documentation and transaction tracking.

Tabular Presentation of the Benefits of Cashless Economy in Nigeria

Benefits of cashless economy	**Percentage (%)**
Increase employment	11.1%
Reduce cash related robbery	22.2%
Reduce cash related corruption	33.3%
Attract more foreign investment	33.3%
Total	100%

Source: Omotunde et al (2013)

Challenges of Cashless Economy

Below are some of the challenges facing the policy at the moment:

- **Infrastructure Deficit:** The financial infrastructure in Nigeria is not adequate to carry the load of a cashless society. ATMs, POS systems and other mediums have to be expanded to touch at least 40% of the whole economy before any meaningful effect can be achieved;
- **Power Supply:** Erratic power supply has been a major challenge facing every industry in Nigeria.
- **Prevalence of e-Fraud:** High level of fraudulent activities through e-banking is a challenge, which the entire banking industry must resolve before cashless policy can be effective;
- **Literacy Level:** Literacy rate in the country is very low in some part of the country especially in the North. Business men in this region prefer to keeps their money in their private vault rather than patronizing banks
- **Religious Beliefs:** There is presently a psychological war going on in Nigeria over the proposed Islamic banking by CBN, as Muslims believe that conventional banks often is against God by their interest charges. This will greatly affect the achievement of the cashless Nigerian society;

- **Availability of Data:** Proper and accurate identification of account holders has posed considerable challenge. This must be maintained and shared when necessary by all financial institutions; also CBN must collaborate with all other government or agencies responsible for identification of individuals in Nigeria for reconciliation of any identification;
- **Non Existence of Computer Back-Up:** There is bound to be total loss of data on customers' account if there is no back up and the entire file is damaged. This may lead to misappropriation of customers' account, hence bank should maintain back up of all its information outside the bank's premises.
- **Inadequacy of fund to Invest in Information Technology:** Most banks find it difficult to fund procurement of modern equipments needed for e-banking. Nevertheless, there has been tremendous improvement in automation of bank operation in the country in the last 5 years but there are still rooms for further expansion so as to catch up with hitech, which is in vogue in developed countries;
- **Replacement of Workforce by Machine:** Electronic banking has somehow reduced the number of employees needed to handle most transactions in the bank as most work done by workers are now being handled by machines thereby translating to increase in the rate of unemployment in the country;
- **High Bank Charges for the Use of e-Banking Machines:** Commission charged by bank on ATM transactions, for an example, is too high, thereby discouraging customers from using it. CBN is working out a modality to stop forthwith charges for usage of ATM. This will be a sort of relief and stimulates the effectiveness of the policy in Nigeria, if fully implemented as promised;
- **Low Public Acceptance:** Many people have burnt their fingers as a result of fraudulent withdrawals from their accounts through the use of ATM by unscrupulous individuals who believe in using master cards to withdraw money from unsuspecting individuals. Not to mention situations whereby customers are debited by the ATM with withdrawals not supported by cash that fail to drop down from the machine as expected. Customers are discouraged to use the machine as it takes longer time before the wrong debit is reversed if it does not end up unsolved;
- **Inadequate Securities around the ATM Location:** Most ATM locations are not secured thereby making it easier for fraudulent persons to carry out their fraudulent activities without any arrest. computer hackers also use the porous security system to steal data by breaking the codes or passwords;
- **Encouragement of Excessive Withdrawals:** Customers can use their cards to effect withdrawals as many times as possible, even on weekend and during public holidays. They can even make impulse withdrawals while attending a ceremony with the use of their credit cards.

Conclusion

The cashless economy policy of the CBN was designed to provide mobile payment services; breakdown the traditional barriers hindering financial inclusion of millions of Nigerians and bring low cost, secure and convenient financial services to urban, semi urban and rural areas across the country. It is the contention of this paper, that much as the intention of the policy is highly noble and commendable, however, the essential factors in terms of infrastructures, enlightenment and literacy levels of the populace amongst others needed for its separations and successful take off nation wide are not yet in place. Consequently, it has become an albatross to some elities, the poor, uneducated and traders. But the policy is important because as at today, Nigeria occupies an unenviable position of number one country in Africa with the largest number of people with no access to financial services Nigeria have the largest gaps between people living in poverty and those with no access to financial service. It is based on the above findings that the paper recommended among other things, that CBN should embark on intensive awareness campaign to educate Nigerians about the policy. The campaign should involve the religious leaders since lack of banking culture especially in the Northern part of the country has been largely due to their religious belief.

Finally, it is the strong contention of this paper that the many challenges facing the effective implementation of the cashless economy policy are clearly surmountable and regardless of the challenges the policy is a welcome development that needs to be sustained at all cost for it is already impacting positively on Nigeria economy.

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