



Cashless Policy and the Nigeria's Rural Economy: A Systematic Review

Muktar Bala

(muktarbalal@yahoo.co.uk)

Department of Economics, IBB University, Lapai

Abstract

Cashless policy is a growing trend in the global financial system. The recent proposal by the Central Bank of Nigeria to fully implement cashless society within the short-run attracts reactions. Although the policy may have recorded successes in the pilot states, it is not clear how it would thrive in the country's rural environments where there is dearth of infrastructure, low level of literacy and awareness. This study systematically reviewed 10 papers from around the globe following the PRISMA methodology. The findings of the study show that cashless policy requires efficient basic infrastructure, literacy of participants and security of the system. It also requires that both buyers and sellers accept the policy. Such requirements are lacking in the Nigerian rural communities, therefore, the paper suggested that the policy be implemented gradually over time.

Keywords: Cashless, Policy, Digital

1. Introduction

The Central Bank of Nigeria (CBN) has recently announced its plan for the full implementation of cashless economy, where by cash, which comprise of paper and coins money, is not going to be in use for financial transactions. The policy is expected to kick-start by the end of 2022. CBN premised the planned policy on the success it recorded in the pilot areas, which have had over 700,000 transactions that worth over ₦8 billion in one year (Kenechukwu, 2022). The CBN governor further lamented that with more than 1.4 million super agents, the country is well prepared for the policy because having 1.4 million super agents implies having 1.4 million banking points where people can assess banking services (Ayodeji Adegboyega, 2022).

However, it is noted that certain basic requirements such as the possession of electronic devices like cell phones, efficient internet services and strong servers for payment providers as well as constant electricity supply are needed for the success of cashless policy (Pedro, Paulo and Pedro, 2018). Although the CBN has piloted the policy in some states by limiting cash withdrawals to ₦500,000 and ₦3million for individuals and corporate bodies, it is not clear whether the policy may succeed if it is fully implemented particularly in Nigerian rural communities where the basic requirements for the success of the policy are limited (Charles, 2022; Digital Life Quality Index —DLQI, 2021). This study reviews the existing literature to investigate the suitability of the proposed policy to the Nigeria's rural environments.



2. Characteristics of the Nigerian Rural Communities

The Nigerian rural centers are characterized by dearth of basic infrastructure, low literacy level and awareness about the digital world. It is approximated that 61% of Nigerians living in rural areas are not connected to internet as against 40% in the urban centers (Charles, 2022). There is also disparity in terms of access to mobile phones in a household between the rural and urban centers, with the urban centers having access to more mobile phones per household. The literacy levels and awareness about the mobile services is also poor in the rural areas than in the urban settlements (Charles, 2022). Moreover, Nigeria's internet service has been ranked among the slowest in the World with high inaccessible connectivity, and the situation is worst in the rural areas (DLQI, 2021).

Furthermore, the number of adult male and female who are not using mobile network because they cannot afford a phone or buy data are 43% in the urban centers but 48% in the rural areas (Charles, 2022). A World Bank report has also noted that the Nigerian digital ecosystem is characterized by illiteracy and skill gaps. It is reported that 52% of Nigerians do not use mobile network because they do not have the literacy to access internet on their mobile phones, use mobile devices or read and write and the people in this category are up to 33% in the villages as against 28% in the cities (Charles, 2022).

3. Methodology

This study conducted a systematic review of literature to investigate the suitability of the proposed cashless policy to the Nigeria's rural economy. A search was carried out in Scopus website. Scopus was chosen for its effectiveness as a search engine among other popular search engines (Tober, 2011). The procedure of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) was followed in carrying out the research (Liberati, Altman, Tetzlaff, Mulrow, Gøtzsche, Ioannidis, Moher, 2009).

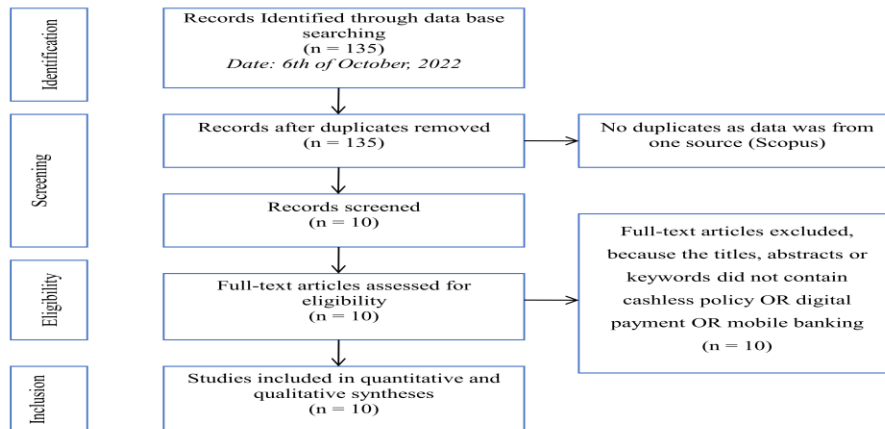


Figure 1: The PRISMA Flow diagram



A protocol was developed for the study and the search term was “cashless policy and rural economy”. The papers searched were empirical and were published between 1992 and 2022 (the years reported by the Scopus website). The search was conducted on 6th October, 2022.

The records identified after data base searching were 135 papers. There were no duplicates because the search was from one source (Scopus). The papers were then screened. Only papers with “cashless policy OR mobile banking OR digital payment” in their titles, abstracts or keywords were included. A total of 10 papers met the inclusion criteria while 125 papers were excluded. Figure 1 shows the PRISMA flow diagram, which indicates the screening process, inclusion and exclusion criteria.

4. Results and Interpretations

A total of 10 papers that met the inclusion criteria were reviewed. The result of the review is presented in Table 1. It is shown in Table 1 that most of the studies on cashless policy (8) were conducted in middle to upper income countries—Canada, Columbia, Australia, Europe, Portugal, Peru, Global and Poland, with few studies (2) being carried out in developing nations—Malaysia and Kenya.

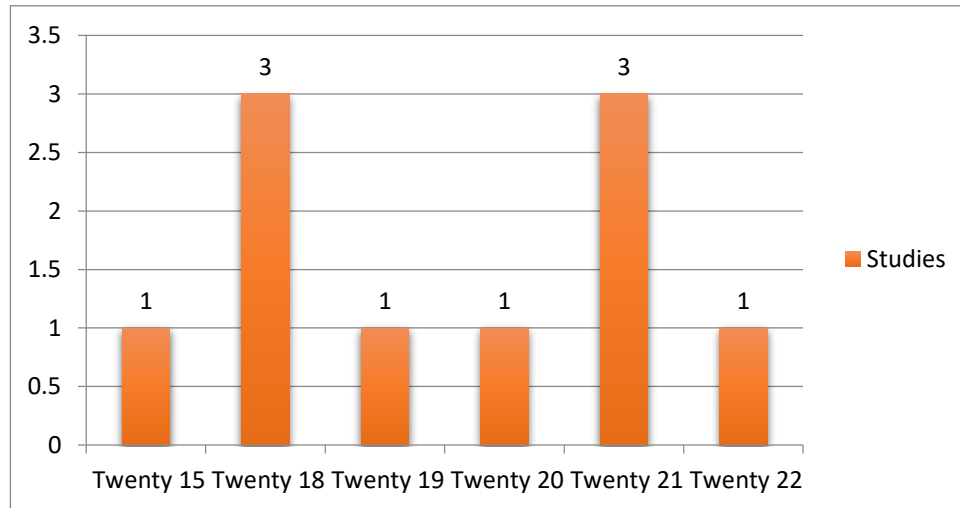


Figure 2: Distribution of the Reviewed Papers by Years of Publication

It is also shown in Figure 2 that studies on cashless policy started not quiet long (from 2015 based on this review). However, there is unequal spread of the studies across the years with 3 studies being conducted each in 2018 and 2021 respectively, while the remaining years under review had 1 study each.



Author	Year	Country	Topic	Findings
Carlos Arango, Kim P. Huynh, Leonard Sabetti	2015	Canada	Consumer payment choice: Merchant card acceptance versus pricing incentives	Cashless policy only succeeds when both buyers and sellers accept it
Green, L & Akbar, S	2019	Australia	The impact of payment method on shopping behavior among low income consumers	Cashless policy tends to make the rich more demand elastic, but the poor more demand inelastic.
Pedro, Paulo and Pedro, 2018	2018	Portugal	Societal risk of end of physical cash	The success of cashless policy depends on many risky factors—electricity, network, servers and devices
Aurazo, J., & Vega, M	2021	Peru	Why people use digital payments: Evidence from micro data in Peru	Cashless policy thrives better in societies that are young, educated, in formal employment and have access to internet services
Van Klyton, A., Tavera-Mesías, J. F., & Castaño-Muñoz, W	2021	Columbia	Innovation resistance and mobile banking in rural Colombia	Lack of trust is the major reason for resistance with the policy
Immordino, G., & Russo, F. F	2018	Europe	Cashless payments and tax evasion	Cashless policy reduces tax evasion
Kajol, K., Singh, R., & Paul, J.	2022	Global	Adoption of digital financial transactions: A review of literature and future research agenda	Cost, risk, complexity, and unwillingness to change hinders cashless payment adoption
Świecka, B., Terefenko, P., & Paprotny, D	2021	Poland	Transaction factors' influence on the choice of payment by Polish consumers	Cash payment is the dominant mode of payment and financial knowledge is the major determinant of digital payment method
Rahman, M., Ismail, I & Bahri, S.	2020	Malaysia	Analyzing consumer adoption of cashless payment in Malaysia	Usefulness, knowledge and availability of infrastructure, security and social influence determine the success of cashless policy
Gichuki, C. N., & Mulu-Mutuku, M.	2018	Kenya	Determinants of awareness and adoption of mobile money technologies: Evidence from women micro entrepreneurs in Kenya	Educational level, control of business finances and availability of service infrastructure enhance the success of cashless policy



The findings of the reviewed studies are presented in Figure 3. The findings of most of the studies show that availability of basic infrastructure (4 studies), literacy or educational level of the users (4 studies) and security of the cashless system (3 studies) determine the success of the cashless policy. Other studies reported that cashless policy succeeds only where the population is young (1 study), both buyers and sellers accept the policy (1 study), the users have no intention to evade tax (1 study) and transaction charges is low (1 study). There are yet a group of studies that noted willingness to accept changes (1 study), usefulness of the policy (1 study) and ownership of business enterprises (1 study) as the determinants of the success of cashless policy.

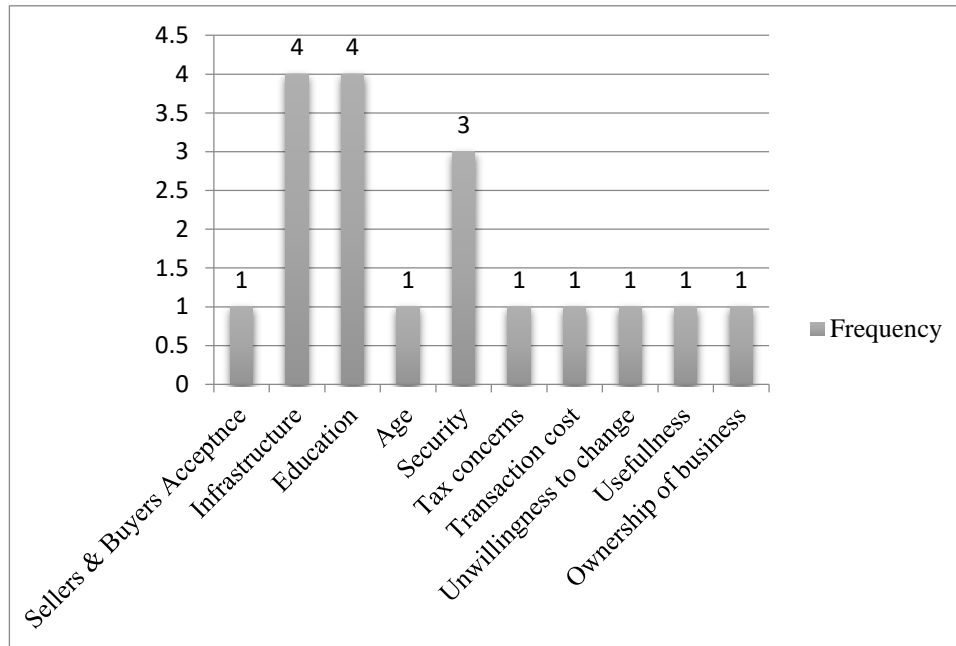


Figure 3: Summary of Findings of the Reviewed Papers

4. Discussion

Transition from cash to cashless society is an evolving trend in today's financial World. Developed nations with advanced technology, infrastructure and high literacy level have since keyed into cashless system. However, the recent proposal by the CBN to introduce cashless system in Nigeria is not out of place, but certain considerations need to be made for the success of the policy. Such considerations become more necessary in the rural areas looking at their digital position, literacy level and poverty status (Charles, 2022; DLQI, 2021).



This study has systematically reviewed ten papers on cashless policy around the globe. The findings of this review showed that most of the studies on cashless policy were conducted in developed and emerging nations. Advanced countries have highly developed internet systems and basic infrastructure required for cashless economy. This might be the reason why researches on cashless policy spur is such countries than in developing nations.

Moreover, most of the reviewed papers showed that cashless policy succeeds only when there is adequate infrastructure, such as constant electricity, efficient internet service and strong servers. Efficient electricity supply provides energy for charging mobile devices (such as phones and laptops), supporting the provision of internet services and servers for the payment providers (banks that process and complete financial transactions). Therefore, poor electricity architecture undermines the success of digital financial system (Pedro, Paulo and Pedro, 2018). Similarly, internet service connects users to server of their banks where the customers' bank records are kept. Poor internet service inhibits access to bank accounts and thus of digital financial transactions. Consequently, in rural Nigeria, where most people (61%) live without internet connectivity, electricity and access to mobile devices (Charles, 2022; DLQI, 2021), the success of cashless policy is doubtful.

Furthermore, literacy enables participants in cashless society to use mobile devices in digital financial transaction and also have control over their accounts. Inability to read, write or manipulate mobile gadgets diminishes the flavor of cashless system as users have to depend on third party with its attendant risk. The findings of this study show that education or literacy is one of the major determinants of the success of cashless policy. A World Bank investigation reported that 33% out of the 52% of Nigerians who do not use mobile network because they do not have the literacy to use mobile phones or read and write, are from rural areas (Charles, 2022). Therefore, implementing cashless policy in Nigeria might expose some of the citizens to risks and hardships.

Security concerns have also been reported in this review as a determinant of the success of cashless policy. Customers who are new to digital financial transactions may be exposed to the so called "yahoo boys" who may induce them to reveal their account information thereby draining their accounts (Pedro, Paulo and Pedro, 2018). This type of episode may be more prevalent in the villages with little literacy than in the cities, thereby discouraging the confidence of participants in the policy. Age has also been reported to have affected the success of cashless policy. These findings imply that in rural communities, cashless policy may be a thing of the younger generation thereby sidelining the old in the digital financial transaction. This might expose the old to a third party risk thereby discouraging them from accepting the policy.

Moreover, willingness to accept changes has been shown to impact the success of cashless policy. Rural communities are characterized by innovation resistance because of their preference for traditional practices inherited from the past (Cohen, 2011). Therefore, rural dwellers may resist the cashless policy. However, the findings show that ownership of businesses and usefulness of the cashless policy encourages its acceptance. It therefore



implies that even in villages, business men may welcome the policy because it may ease their transaction by relieving them of the risk of carrying money around. However, businessmen may not mind the concern about taxes when deciding to enroll in cashless policy or not because the tax burden and any other charges may be shifted to customers through increase in prices.

5. Conclusion and Future Agenda

This study has systematically reviewed papers on cashless policy and tried to seek for the suitability of the proposed cashless policy to the Nigerian rural communities. The paper has followed the PRISMA protocol (Liberati et al., 2009) and reviewed 10 articles on cashless policy. It was found that most of the studies reviewed were conducted in advanced nations perhaps because they have well developed infrastructure that support the digital financial system. The findings of most of the studies were anchored on the availability of basic infrastructure such as constant electricity, efficient internet service and literacy of the participants in the cashless financial ecosystem. However, looking at the poor status of infrastructure in the Nigerian rural communities, high level of illiteracy and low financial inclusion, it is doubtful if the proposed cashless policy may survive the Nigerian rural sphere. Consequently, this study suggests a gradual implementation of the policy.

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