

## Nigeria Cashless Economic Policy: Implications for Economic Development and Efficient Allocation of Government Resources

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### Abstract

This paper investigates Nigeria Cashless Economic Policy: Implications for Economic Development and Efficient Allocation of Government Resources. The correlation research method was adopted for the study to ascertain the relationship between variables in the study. A correlation research design measures a relationship between two variables without the researcher controlling either of them. The study obtained data from both primary and secondary sources. The Pearson Product Moment Correlation (PPMC) analysis was used to answer the research questions, while the Pearson Test of Significance was used to test the hypotheses at 0.05 alpha level. The study findings revealed the followings there is a significant relationship between cashless policy and the development of the Nigerian economy. The study further shows that there is a significant relationship between relationship Cashless economy and reduction of corruption in the economy. Based on the findings the study concluded that The cashless policy initiative of the Central Bank of Nigeria is a move to improve the financial terrain of the economy .Therefore the CBN should always carry out stakeholder engagement sessions for key groups that will be most impacted by the cash policy as a first stage of its planned communication campaign, with the objective of creating awareness and providing an opportunity for stakeholders to raise issues and get on the spot clarifications. These stakeholders include markets, associations, professional bodies, religious bodies etc. These stakeholder sessions would strengthen the policy such that corrupt elements in the economy cannot leverage on poor sensitization to distort effective implementation of the development driven monetary policy. The needed financial infrastructures that drive cashless economy should be provided and regulated through effective legislations.

## **Background to the Study**

The success of any political system lies in the nature and manner of public policy making and execution process employed. Policy as an instrument of government affects the lives of each person in a state, as it occupies a key position in the success of every administration, whether public, private or not-for-profit making organization (Agbazuere, 2020). Public policy means actual resource allocation presented by projects and programmes designed to respond to perceived public problems and challenges requiring government action for their solution. That is, it should mean hard patterns of resource allocation presented by projects and programmes designed to respond to perceived public demands (Anyebe, 2018).

Public policy is mode setting action which showcases the direction and guides the way to the realization of certain goals and objectives desired by the government (Obona, 2016). Public policy is the instrument of the government and its agencies to decode goals and objectives to pragmatic actions that influence decode goals and objectives to pragmatic actions that influence positively the citizenry (Eregare, 2021). Public policy, therefore, is that policy developed and implemented by government agency and officials, though non-state actors and factors may influence its process (Anyebe, 2018). Policymaking is when a government decides whether to act on a particular problem (Ijie, 2018).

Public policy primarily centers on the distributing, regulating and redistributing of resources in the society (Dahida & Maidoki, 2013). Public policy formulation and execution are central to any country's rate of development. In Nigeria, the problem is essentially of execution and continuity. Successive governments abandon inherited public policies and initiate theirs that their own successors equally abandon, thus leaving a trail of abandoned policies and their relevant projects. There is a big disconnect between the policy makers and those for whom the policies are made, resulting in lack of ownership and acceptance of the policies by the people. The result is a near directionless growth (Agbazuere, 2020). Over the years in Nigeria, numerous brilliant policies have been formulated, but the paradox is that only a negligible part of these numerous policies are implemented (Nnajiolor, Ifeakor & Mgbemena, 2013).

The pronouncement of cashless economic policy by the Central Bank of the Nigeria (CBN) in 2006 has made academicians to keep up with the progress and the evolving nature of the cashless system in the country. It was observed that this transaction system has transformed the consumers' payment profile (Isah & Babalola, 2019). The cashless policy initiative of the Central Bank of Nigeria is a move to improve the financial terrain of the economy (Anyanwu & Anumaka, 2020).

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

1. To drive development and modernization of our payment system in line with goal of being amongst the top economies, an efficient and modern payment system is positively correlated with economic development, and is a key enabler for economic growth.

2. To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach.
3. To improve the effectiveness of monetary policy in managing inflation and driving economic growth.

In addition, the cash policy aims to curb some of the negative consequences associated with the high usage of physical cash in the economy, including:

1. High cost of cash: There is a high cost of cash along the value chain - from the CBN and the banks, to corporations and traders; everyone bears the high costs associated with volume cash handling.
2. 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 flooding incidents.
3. 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 costs that the tiny minority 10percent incur in terms of high cash usage.
4. 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.
5. Inefficiency and Corruption: High cash usage enables corruption, leakages and money laundering, amongst other cash-related fraudulent activities

Our economy uses too much cash for transactions for goods and services, especially for buying and selling. This is not how it is done in other progressive countries of the world where there are other payment options like; Debit and Credit Cards, Bank Transfers, Bank Direct Debits, Automated Teller Machines (ATMs), and even Mobile Phone Money. These achievements have been brought about by the changing needs of their people, competition among banks, and other companies, including changes in technology. Our major focus is to increase the volume of all available payment's instruments in Nigeria.

Furthermore, a cash-based economy also imposes some costs on the banking system, individuals, and the government. The higher the velocity of cash usage, the higher the processing cost borne by those in the value chain. There is, for instance, the cost of printing new notes to replace the ones that are torn or worn out due to frequent handling. Central Bank of Nigeria (2011) states that this cost is high and also on the increase hence the attempted redenomination of the currency. It puts the direct cost of cash to the Nigerian financial system as at 2009 at a colossal amount of N114.5 billion. The figure is based on actual data from the CBN and 17 banks in the FSI. It excludes bank cash infrastructure cost and employee costs attributable to cash logistics. This amount is broken down into: cash in transit cost N27.3 billion (24%), cash processing cost N89.1billion (67%), and vault management cost N18.1 billion (9%). The estimated cost of cash by the end of 2012 was put at N192billion. Clearly, this evidence provides a platform for migration to cash-less economy

### **Statement of the Problem**

The growing shift towards digital payments is strongly debated among governments, central banks and financial experts. Indeed, the proliferation of new electronic and mobile instruments has opened the door to a possible revolution of the payments landscape. Yet, various factors must be taken into account as a worldwide shift to cashless could prove more complex than believed.

To justify the policy governments, argue that a fully digitalized system would eradicate tax evasion, reduce transaction costs and enable financial authorities to stimulate economic growth. A cashless system would enable governments to track and record every transaction, leaving no loopholes for fraudsters to exploit. Moreover, central banks would be able to impose any desired monetary policy – including negative rates – as consumers would have no way to retrieve money from the banking system.

It is further argued that the policy would enable governments to exercise a full control over the banking system, including tracking and recording all transactions. If this might be useful in the fight against criminality, it will also impinge on consumer rights to privacy. On the contrary others argued that no one would be immune in case of a system failure, and a stolen or broken smartphone would immediately leave the victim without a payment tool and that the millions of unbanked would be left behind without any resource. Accordingly, a shift to cashless might even create a second-class citizenry and thus deepen the gap between rich and poor. They supported their position with example of India's demonetization that shows how laborious the shift to cashless can be. For instance India's demonetization of the Rs 500 and 1000, which accounted for 86% in circulation in the country, unsurprisingly resulted in chaos. Companies were unable to pay salaries and millions of unbanked citizens could not buy food and medicine. What's more, the economy slowed to a two-year low as the population spent days lining up at banks to open accounts and deposit their old notes. These are some of the factors still posing challenges in crossing into a cashless society. The transition to a cashless economy raises a lot of concerns as it seems there is yet no substantial evidence to justify its implementation in Nigeria.

A great challenge facing most parts of the world and, particularly, the developing countries like Nigeria is how to achieve efficient allocation of resources as well as stabilization of the business cycles. An important factor for efficient management and control of government's cash resources is a unified structure of government banking. Such unified banking arrangements should be designed to minimize the cost of government borrowing and maximize the opportunity cost of cash resources.

The specific objectives of the Study are:

1. Examine the relationship between cashless policy and the development of the Nigerian economy.
2. Assess the relationship between cashless policy and reduction in financial corruption in the Nigerian economy.

## Research Questions

This research study was guided by the following research questions:

1. Can the cashless policy enhance the development of the Nigerian economy?
2. To What extend can Cashless policy help to reduce corruption and ensure transparent allocation of government resources

## Research Hypothesis

This study was guided by the following hypotheses:

- 1  $H_{o1}$ : There is no significant relationship between cashless policy and the development of the Nigerian economy.
- 2  $H_{o1}$ : There is no significant relationship between cashless economy and efficient allocation of government resources

## Conceptual Review

### Public Policy

Policy is a course or principle of action proposed or adopted by individuals, groups, organizations or government. Public policy is what government intends to do to achieve certain goals (Anyebe, 2018). Policy is seen as being central to the operation and activities of both private and public organizations. However, a policy option made by groups or individual is referred to as private policy while the one made by the government is regarded as public policy (Obona, 2016). Policy actions can also originate from the citizenry even as they must have government backing to be appropriately called public policies (Agbazuere, 2020). Public policy especially in Nigeria focuses on the distribution, regulation and redistribution of resources to the society (Eregare, 2021). Public policies are policies and programmes meant to handle particular social problems emanating from the environment (political system) (Agbazuere, 2020).

Ugwuanyi and Chukwuemeka (2013), suggest that mere formulation of policies should become not the major issue in Nigeria but rather their effective implementation. Ebienfa and Paki (2013), observes that policies therefore play crucial role in the state and also instrumental to the development and underdevelopment of a given state. Whereas, there has been no lack of public policies in Nigeria since independence, the paradox of public policy implementation has continued to militate cum mar the realization of public objectives in the country (Nnajiolor et al., 2013). Ideally public policy process starts with policy formulation, implementation, feedback (evaluation), however, before policy-making process swings into action, a policy problem has to be identified by policy makers (Obona, 2016).

Public policy deals with present and future problems of a society and involves all legitimate means of achieving stated goals and objectives of government, rendering social services to the community by a governmental agency or ministerial department (Agbazuere, 2020). In a federal system, policies are developed through consultative, participatory and transparent processes, particularly those that engender ownership among both the implementers and intended beneficiaries of the policy; they are more



responsive and have greater chance for effective implementation than those that are not (Iyanda and Bello, 2016 cited in Ijie, 2018). The need to provide the citizens with socio-economic and infrastructural facilities has continued to be a serious concern to countries all over the world, especially the developing ones including Nigeria (Obona, 2016). Public policy has objectives which tell us what we want to achieve with policy and who will be affected by policy. Public policy plans or programs outline the process or the necessary steps to achieve the policy objectives. Public policy is aimed at solving a particular problem (Agbazure, 2020).

### **Cashless Policy**

Cashless policy is a system that allows individuals to purchase goods or services without the exchange of anything tangible or physical cash. A cashless economy is simply at its prime when all means of payments are carried out without the use of physical cash (Obasanmi & Imasuen, 2020). Payments will range from a list of options such as cheques, wire transfers, debit and credit cards, online transactions and mobile banking. The advantages of a cashless policy are enormous, from regulating and controlling to securing the financial system of any economy (Ngango, Mbabazize & Shukla, 2015). Cash-less policy in itself cannot be isolated from electronic banking products and services. Transactions hitherto carried out in cash are henceforth to be carried out using cheques and electronic devices, and in place of cash, bank customers are to carry electronic cards or carry their cash in mobile phones. The CBN believes that the introduction of the cash-less policy will stimulate economic growth (Yusuf, 2016).

According to Woleola (2017), the most outstanding cashless banking channels world over are mobile banking, internet banking, telephone banking, electronic card, implants, Point of Sale terminals (POS) and Automated Teller Machine (ATM). According to Tan, (2002), the automated teller machine (ATM) gives customers an easy access to his cash whenever he needs it (Ogbonna & Virtus, 2020). Cashless policy is one key reform introduced in Nigeria financial system. The policy is a new policy on cash-based payments which specifies a 'cash handling charge' on daily cash withdrawals or cash deposits that surpass N500, 000 for individuals and N3, 000,000 for corporate bodies. A cashless economy is a society where no one uses cash, all payment being made are by cheques, credit cards, charge cards, or movement of money from one bank account to another through mobile banking (Nwakoby, Chukwu and Oghenetega, 2020).

A cashless economy displays an economic situation whereby transactions are carried out without the need to move physical cash; and this is done with the use of credit card or debit card payments (Taiwo, Ayo, Afieroho & Agwu, 2016 cited in Nwani, Nwaimo, Kanu and Chinonso, 2020). Cashless policy is the regulation made by the central bank of Nigeria to simply move from a gradual physical movement of payment system with the use of a systematic adoption of other nonphysical cash mode of payments in settlement of all types of transactions including commercial, personal, local and international trade (Fatogun and Ajao, 2020). According to Adurayemi (2016), the cashless policy of the Central Bank of Nigeria is designed to provide mobile payment services, breakdown the

traditional barriers to financial inclusion of millions of Nigerians and reduce cost, and to provide convenient financial services for urban, semi-urban and rural services across the country.

A cashless economy displays an economic situation whereby transactions are carried out without the need to move physical cash; and this is done with the use of credit card or debit card payments (Taiwo et al., 2016 cited Nwani, Nwaimo, Kanu and Chinonso, 2020). The cashless policy was aimed at curbing some of the negative consequences associated with the usage of physical cash in the economy, including high cost of cash, high risk of using cash, high subsidy, armed robbery, inefficiency as well as corruption (CBN, 2011 cited in Ogbonna et al., 2020). Some analysts such as Austin (2016), Muhammed (2012), Swartz (2016), suggested that the increased use of cashless payment system has led to the predictions of a cashless society.

Cashless policy is a government policy aimed at restricting individuals and corporate organisations from moving excessive cash for transactions. Any nation that its government achieves this feat is termed a cashless economy. Cashless economy represents a system whereby goods and services are paid for without the actual exchange of physical cash (notes and coins). Payments are preferably through bank cards, money transfers over the internet or mobile phone (Chukwuma, Chris and Martins, 2020). A cashless economy is an environment in which money is spent without being physically carried from one place to another (Adurayemi, 2016). A cashless economy does not mean the absence of cash in the economy, it only describes an economic system in which transactions occur without the physical carrying of cash from one person to another. A cashless economy is a society whereby credit cards, debit cards, charge cards, and direct transfer are used for making purchases (Anyanwu et al., 2020).

Nigeria's cashless policy anchors on technology-based instruments in order to be effective (Chibueze, Maxwell and Osondu, 2013 cited in Agbaeze, 2020). These instruments include: Automated Teller Machine (ATM), Point of Sale (POS), internet (web), mobile phones etc. The use of these instruments facilitates convenience in handling financial transactions (Itah, 2014). It therefore not surprising that the usage of these instruments had been on the increase as evidenced by the value of transactions carried out using them. For instance, in 2009, the volume and value of ATM transactions stood at N548.6 billion and value of ATM transactions in Nigeria increased steadily reaching N6,512.61 billion in 2019 (Central Bank of Nigeria, 2019). In the case of Point of Sale, the value of POS transactions was put N11.03 billion in 2009 and steadily increased reaching N3, 204.75 billion in 2019. Value of web transactions stood at N84.15 billion in 2009 and fluctuated in the years that followed reaching N478.14 billion in 2019. Finally, the value of transactions carried out using mobile phones stood at N1.27 billion in 2009 and increased steadily reaching N5,080.96 billion in 2019 (CBN, 2019).

### **Empirical Review**

Agu and Agu (2020), explored the effect of cashless policy on economic growth in Nigeria, throughout Q12010 to Q42018. It employed quarterly time series data using the ordinary least squares regression (OLS) technique. The data was sourced from the World Bank Development indicator and Central Bank of Nigeria (CBN) Statistical Bulletin, Annual Report, and Statement of Account for the year 2019. The researchers subjected the data to unit root, cointegration, and granger causality tests. Findings from the research showed that cashless policy has been a veritable tool in influencing economic performance, especially as it relates to Automated Teller Machine (ATM) transactions and Point of Sale (POS) payment patterns.

Okafor (2020), did a study on the effect of cashless policy for business performance and purposes of deposit money banks in Nigeria (2009-2019). The explanatory variables were internet banking, automated teller machine, mobile banking and point of sale while the response variable was return on assets. We employed econometric techniques involving descriptive statistics, augmented dickey fuller tests for unit roots, and the regression analysis. The finding from the analysis shows that Internet Banking, Point of Sale (POS), Mobile Banking (MB), and Automated Teller Machine (ATM) have a significant but positive effect on return on asset (ROA). The research thus states that cashless policy has a positive effect on deposit money banks performance in Nigeria.

Muotolu and Nwadiolor (2019), explored the effect of cashless policy on deposit money banks financial performance in Nigeria. The study used a panel data collected from a sample of 14 banks covering 6 years for the period 2012 when the policy was initiated in country to 2017. Return on Asset was used in study as a proxy for deposit money banks performance while the transactions in value are done through the Internet Banking, POS, ATM, NIP and NEFT platforms (Computerized Products) were used to proxy cashless policy. Specifically, to guarantee the soundness and the dependability of our data, we, therefore, carry out adiaagnostic test using descriptive statistical analysis, multicollinearity test, correlation testing, and heteroskedasticity testing. Findings from the study showed that (ATM) value has a significant but positive effect on deposit money banks return on assets (ROA) in Nigeria while, POSV, WEBV, NIPV, and NEFV were establish to have insignificant and positive effect on quoted banks ROA in Nigeria.

Bashir (2016), examine the extent to which Treasury Single Account can block financial leakages, promotes transparency and accountability in the public financial management in his study "Effects of Treasury Single Account on Public Finance Management in Nigeria". The study population covers Ministries, Department and Agencies within Bauchi metropolis using a sample of 72 respondents through judgment sampling. A Pearson correlation technique was employed as the data analysis method. The study result shows that Treasury Single Account (TSA) is capable of plugging financial loopholes, promoting transparency and accountability in the public Financial System. Thus, the researchers recommend that for the success of this policy government should promulgate more legislation to make it mandatory for all the three tiers of government in Nigeria.



Udo and Esara (2016), jointly carried out an empirical study to evaluate the benefit of the adoption and full implementation of TSA by the state governments of Nigeria. Descriptive cross-sectional survey design was adopted for the study. The population for the study consisted of 200 Professional Accountants in Akwa-Ibom State. Taro Yamane's statistical formula was used to select sample size of 133. Purposive sampling technique was used to select the 133 respondents/samples. The data obtained from questionnaire administration were analysed using descriptive statistics and t-test statistics. The finding reveals that, TSA adoption and full implementation by the state governments will be of greatest benefit.

Oguntodu, Alalade, Adekunle and Adegbe (2016), in their study "Treasury Single Account and Nigeria's Economy Between 1999 and 2015: An Assessment" employed a longitudinal research design to examine the relationship between Treasury Single Account and economic performance in Nigeria. Their study made use of secondary data from CBN statistical bulletin from 1999 to 2015. The study used GDP which represents Nigeria economic performance as the dependent variable while TSA which was represented by Money Supply (MS), Credit with CBN (CR) and Deposit to CBN (DP) as the independent variables. OLS regression technique was employed to show the extent or degree of relationship between the independent and the dependent variables. The result shows that the Treasury Single Account has a positive significant impact on the country's economic gro

## **Theoretical Review**

### **Systems Theory**

The systems theory in political science owes its origin to David Easton who is reputed to be the scholar that attempted to analyse politics from the perspective of systems in his famous work "political system" which appeared in 1953. His work which was regarded as the foundation of the behaviourist revolution in political science outlined eight major characteristics. He described the characteristics as the intellectual foundation stone of behaviourism which are regularities, verification, techniques, quantification, values, systemization, pure science, and integration. According to Varma, Easton was able to distill these characteristics from a range of behavioural literature and while they are not unique to systems theory, they do form the basis for the natural linkage between systems thinking and behaviourism (Obi, Nwachukwu & Obiora, 2008).

In other words, a political system may be that system of interactions in any society through which authoritative allocations are made and implemented in the form of policies and decisions. Public policy may also be seen as a political system's response to demands arising from its environment. The political system, as Easton defines it, comprises those identifiable and interrelated institutions and activities (what we usually think of as government institutions and political processes) in a society that make authoritative allocations of values (decisions) that are binding on society (Anderson, 1997). This environment consists of all phenomena-the social system, the economic system, the biological setting - that are external to the boundaries of the political system.

Thus, at least analytically one can separate the political system from all the other components of a society (Easton, 1965).

If the open system model is applied in public policy analysis the issues to reflect on include the nature of the components of the system which constitute the sub-systems, and the outside components that impinge on the system directly, which is referred to as supra-system (Dlakwa, 2004). Inputs into the political system from the environment consist of demands and supports. Demands are usually the claims for action that individuals and groups make to satisfy their interest and values. Support is rendered when groups and individuals abide by election results, pay taxes, obey laws, and otherwise accept decisions and actions taken by the political system in response to demands. The amount of support for a political system indicates the extent to which it is regarded as legitimate, or as authoritative and binding on its citizens.

On the other hand, outputs of the political system include laws, rules, judicial decisions, and the like. Regarded as the authoritative allocations of values, they constitute public policy. The concept of feedback indicates that public policies (or outputs) made at a given time may subsequently alter the environment and the demands arising there from, as well as the character of the political system itself. Policy outputs may produce new demands, which lead to further outputs, and so on in a never-ending flow of public policy.

On the whole, this model applies systems theory to the policy-making process. In simple words, according to this model, the political system receives inputs from its environment and converts them into outputs. The inputs are in the form of demands from groups or individuals for specific policy outcomes. The policy outcomes take the form of determination of societal values and allocation of resources. A feedback loop exists by which the outputs alter the future inputs. This model thus relies on concepts of information theory.

In other words, systems theory conceives public policy as the response of the political system to demands from its environment. The political system consists of those institutions that make authoritative allocation of values binding on the society as a whole. The environment of the political system consists of those institutions found in the economic, social, cultural and international systems which shape political process and whose activities are influenced by the political system. Using systems approach, it is assumed that a state of mutual causation exists between public policy and environmental variables (Abdulsalami, 1987).

### **The Study Method**

The correlation research method was adopted for the study to ascertain the relationship between variables in the study. A correlation research method measures a relationship between two variables without the researcher controlling either of them.

The data used for the study was generated through questionnaire distributed to bank staff and financial experts in private organizations. The primary data is obtained through the use of questionnaire which was designed and distributed to respondents by the researcher. The population of this study consisted of one hundred and twenty-three respondents.

The instrument for data collection was a questionnaire developed by the researcher titled "The Role of Public Policy Making on the Development of the Nigerian Economy Questionnaire" (RPPMDNEQ). The instrument was made up of two sections. Section "A" elicited demographic information of respondents. Section "B" was made up of 12 items. Items 1-4 elicited information on cashless policy on development of the Nigerian economy; 5-8 elicited information on cashless policy and corruption reduction. The respondents were required to tick one of the 4 response options against an item to indicate the extent of their agreement or disagreement with the item.

**Method of Data Analysis**

The Pearson Product Moment Correlation (PPMC) analysis was used to answer the research questions, while the Pearson Test of Significance was used to test the hypotheses at 0.05 alpha level.

**Model Specification and Estimation**

A multivariate regression model was used to link the independent variables to the dependent variable as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu \text{-----(1)}$$

$$\text{This can be re-stated as } \beta_0 + \beta_1 CP + \beta_2 TSA + \beta_3 EN + \mu \text{-----(2)}$$

Where;

$\beta_0$  = Constant

$\beta_1 + \beta_3$  = Regression Coefficient

CP = Cashless Policy

**Data Analysis**

**Analysis of Research Questions**

The results of the research questions are presented below:

**Research Question 1**

What is the relationship between cashless policy and the development of the Nigerian economy?

**Table 1:** Pearson Correlation between cashless policy and the development of the Nigerian economy

Variables	N	R	Remark
Cashless Policy (X1) Development of the Nigerian Economy (Y)	384	0.52	Moderate Relationship

Results presented in table 1 indicate that the correlation index between cashless policy and the development of the Nigerian economy was 0.52. It therefore implies that there is a moderate relationship between cashless policy and the development of the Nigerian economy.

**Research Question 2**

To What extend can Cashless policy help to reduce corruption and ensure transparent allocation of government resources

**Table 2:** Pearson Correlation Analysis

Variables	N	R	Remark
Cashless economy (X1) Reduction of corruption in the Nigerian Economy (Y)	384	0.78	High Relationship

Results presented in table 2 indicate that the correlation index between Cashless economy and corruption reduction in the Nigerian economy was 0.78. It therefore implies that there exists a high relationship between the two variables,

**Test of Hypothesis**

**Hypothesis 1**

$H_{01}$ : There is no significant relationship between cashless policy and the development of the Nigerian economy.

**Table 3:** Pearson Test of Significance Between cashless economy and the development of the Nigerian economy

Variables	R	N	DF	P-value Decision
Cashless economy (X1) Development of the Nigerian Economy (Y)	0.52	384	382	0.000 *Significant

Results presented in table 3 indicate that the correlation between cashless policy and the development of the Nigerian economy was 0.52. The observed correlation has a probability level (p-value) or significance level (sig. two-tailed) of 0.000. The significance level of p-value of 0.000 was less than the chosen 0.05 alpha level. Therefore, it was concluded that there is a significant relationship between cashless policy and the development of the Nigerian economy.

### Hypothesis 2

**H<sub>02</sub>: H<sub>01</sub>:** There is no significant relationship between cashless economy and efficient allocation of government resources

**Table 4:** Pearson Test of Significance

Variables	R	N	DF	P-value	Decision P<0.05
Cashless economy (X2) Corruption reduction in the Nigerian Economy (Y)	0.78	384	382	0.000	*Significant

Results presented in table 4 indicate that the correlation between the variables was 0.78. The observed correlation has a probability level (p-value) or significance level (sig. two-tailed) of 0.000. The significance level of p-value of 0.000 was less than the chosen 0.05 alpha level. It was therefore concluded that there is a significant relationship between cashless economy and the reduction of corruption in the Nigerian economy.

### Discussion of Findings

It is revealed by the study that Cashless economy would stimulate economic growth in Nigeria. This is because the policy aimed at restricting individuals and corporate organizations from moving excessive cash for transactions. Cashless economy represents a system whereby goods and services are paid for without the actual exchange of physical cash (notes and coins). A cashless economy displays an economic situation whereby transactions are carried out without the need to move physical cash; and this is done with the use of credit card or debit card payments. This is in line with the findings of Chukwuma, Chris and Martins (2020), who emphasized that payments are preferably through bank cards, money transfers over the internet or mobile phone. The result further reaffirmed earlier finding of CBN (2017) rightly observed that an efficient payment system (that which depends less on cash) is a sinequa-non for national development and a significant national infrastructure for growth. All things being equal, it has been shown that 10% increase in the efficiency of the national payment system can cause the Gross Domestic Product to increase by 1%: "Transaction charges are seen to make significant contribution to the profits of the banks. The cash-less Nigeria programme has even brightened the horizon for the banks to make even higher income from transaction fees, reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach. Again, cashless economy improves the effectiveness of monetary policy in managing inflation and



driving economic growth. Increased convenience; more service options; reduced risk of cash-related crimes; cheaper access to (out-of-branch) banking services and access to credit. Increased tax collections, greater financial inclusion that increased economic development as the policy faster Corporation access to capital and reduced revenue leakage.

Cash-less economy will make every segment of the banking population to pay for its usage of cash. The situation in the cash-based system where the majority small cash users pay for the minority high cash users will stop. There will be no more subsidies on cash transaction costs. To recapitulate, a survey conducted by the CBN in 2009 revealed that 90% of bank customers' daily withdrawals are amounts below N150, 000, whereas, only 10% of the bank customers who withdraw over N150, 000 are responsible for the rise in cost of cash management incurred by all the customers. Implicitly, the entire banking population supports financially the costs that the minority (10%) incurs. A cashless economy will reduce this subsidy and makes the minority of the bank population account for the cost of cash movement they incur rather than the entire banking population. iv. Cash-less economy will arrest a situation where a lot of cash are outside the formal banking system. By encouraging formal financial arrangement, it will facilitate the effectiveness of monetary policy in checking inflation and pushing economic growth. v. Furthermore, cash-less economy is capable of reducing corrupt practices like money laundering which is common-place in cash-based economy. To the extent that cash is not easily pulled out of the system, it will discourage launders.

### **Concluding Remarks**

The cashless policy initiative of the Central Bank of Nigeria is a move to improve the financial terrain of the economy .Therefore the CBN should always carry out stakeholder engagement sessions for key groups that will be most impacted by the cash policy as a first stage of its planned communication campaign, with the objective of creating awareness and providing an opportunity for stakeholders to raise issues and get on the spot clarifications. These stakeholders includes markets, associations, professional bodies, religious bodies etc. These stakeholder sessions would strengthen the policy such that corrupt elements in the economy cannot leverage on poor sensitization to distort effective implementation of the development driven monetary policy. The needed financial infrastructures that drive cashless economy should be provided and regulated through effective legislations.

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