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NIGERIA'S CASHLESS POLICY AND IMPACT ON HIGHER EDUCATION: A PRELIMINARY SURVEY

Dr. Alexander Chukwudi Onyeme
Department of Curriculum and Instruction
Federal College of Education (Technical), Umunze Anambra State
Phone: 07037034611; email: onyemerusiugwu@gmail.com

Abstract

Nigeria recently embarked on implementation of a cashless policy with its attendant controversies. A lot though have been said about the gain of a cashless economy. The initial impact of the policy on the citizenry however, has not been palatable. This study was carried out to assess the impact of the cashless economy on grassroots stakeholders in higher education. The study adopted a qualitative design of an in-depth interview type. Interview was conducted on 18 critical stakeholders in the higher education sector, namely students, parents/guardians and school administrators to determine how the policy had impacted on them. Data obtained were analysed qualitatively. The findings were that the cashless policy has had negative impact on each of the three groups studied. The impacts were mainly on withdrawing cash from the banks, ineffective electronic transfer, and cash-buying from PoS operators. Based on these preliminary findings, it was recommended among others, that the Central Bank of Nigeria (CBN) should reconsider the cashless policy pending availability of enabling infrastructures that could make the policy to work; government should consider palliatives for the critical stakeholders in higher education; and step up effort at implementing the Nigeria's National Broadband Plan (2020-2025) in order to entrench a strong broadband base for the cashless policy.

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Introduction

Since the introduction of money as means of exchange, cash has remained a conventional means of payment. Cash accounts for about 85% of global consumer transactions (MasterCards Advisors Analysts, 2013). Even though the world's population has access to multiple payment options, cash still ranks very high in all consumer transactions throughout the world.

One of the implications of globalization however, is the tendency to induce bandwagon effect on countries at times with little or no consideration for the peculiarities of the local environments. The cashless economy is one of those policies arising from globalization and driving countries to fit in. Cashless economy refers to the economy in which transactions are conducted with digital payment methods instead of the use of cash. In other words, in a cashless society, financial transactions are not conducted with physical banknotes or coins, but instead with digital information.

At the annual general meeting of the World Economic Forum, Desai (2020) hyped the potential and enormous socio-economic benefits of a cashless economy for both developed and developing countries. According to him, cashless economy will eliminate middlemen, close the financial inclusion gap, and fight corruption. There are 1.4 billion people in the world who live on less than $1.25 a day. At the same time, around $1.26 trillion is effectively stolen from developing countries, due to corruption, bribery, theft and tax evasion (Desai, 2020). It is his argument that if countries could reclaim that money, they could lift those 1.4 billion people above the poverty threshold and keep them there for at least six years.

Most Nigerians are unbanked and as such about 85% of money in circulation is outside the banks thereby creating heavy burden on the capacity of the apex bank, the Central Bank of Nigeria (CBN) to effectively carry out its regulatory functions (Vanguard, 2023, January, 30). It is against this backdrop that Nigeria decided to join the league of countries transiting to a cashless society. Although the policy was first made in 2012 (Ndeche, 2022), lack of political will and poor infrastructure on ground could not support effective implementation resulting to prolong transition. It was ten years after on December 6, 2022, that the CBN announced a cap on cash withdrawals, either over the counter or via Automated Teller Machines (ATMs). In her memo to deposit money banks (DMBs), the CBN directed that withdrawals should not

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exceed ₦100,000 ($225) per week for individuals and ₦500,000 ($1,123) for businesses. ATM withdrawals will be capped at ₦20,000 ($45) per day, with cash machines only issuing ₦200 ($0.45) notes and smaller denominations. Withdrawals above these limits would attract processing fees of five percent and 10 percent, respectively. The new policy took effect from January 9, 2023, about three weeks before the country phased out all old ₦200, ₦500 and ₦1000 notes. The gradual phasing out of the physical cash goes hand-in-hand with the CBN's push to encourage adoption of its Central Bank Digital Currency (CBDC), the eNaira launched in October 2021.

The CBN proffered reasons for listing Nigeria on the league of cashless economies. The CBN governor, Godwin Emefiele said that as at October, 2022, more than 85% of the 3.2 trillion naira ($7.2 billion) in circulation in Nigeria was in private hands (Alamba, 2023). For CBN to carry out effective regulation of the monetary policy, it should be able to exert adequate control over money in circulation. He argued that this policy would curb money laundering as it would be easier to trace transactions (Alamba, 2023). It would curb the spate of kidnappings that has become a thriving 'business' across Nigeria where citizens are kidnapped for huge ransoms that are usually paid in cash. Russell and Bernajee (2020) state that the acceleration towards digital payments creates new opportunities for the entire payment ecosystem, including banks. The novel cashless policy in Nigeria is facilitated by 900,000 POS terminals, 14,000 ATMs across the country and 1.4 million agents nationwide (Vanguard, January 30, 2023).

Available data however, indicate that transition to a cashless economy is a slow journey all over the world and not one to be taken on a flight. For instance, as at 2013, only seven countries (Singapore, Netherland, France, Sweden, Canada, Belgium and the United Kingdom in that order) were advanced in their cashless transaction process. Remarkably, advanced countries like USA, Australia, Germany, Korea, and Spain were just on the tipping point. Interestingly, all these countries not yet advanced already have enabling infrastructure on ground to support the transition to a seamless cashless economy. It appears therefore that, Nigeria hurriedly joined the league of cashless economies as 'Africa's biggest economy' without adequate infrastructure to support the policy. There is an indication that Nigeria is putting the cart before the horse.

There are four prerequisites for a cashless transition (MasterCard Advisors Analysts, 2013): Access to financial services; Macroeconomic and cultural factors; Merchant scale and competition; and Technology and infrastructure. The first prerequisite indicates measures of the availability and affordability of financial services and whether people use bank accounts and electronic payment products. The Nigeria Communication Commission (NCC) admits that many Nigerians are unbanked (Nigerian National Broadband Plan (2020-2025).

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Significant proportion of the population transact only with cash. The second measures the factors impacting preference for cash, such as ease of doing business and size of informal economy. With poor broadband and subsequent slow internet speed, most people prefer cash transactions. The third is a measure of the potential for uptake of new payment solutions by large scale merchants. It also measures the intensity of local competition. The fourth, and lastly are measures of access to and uptake of new technology as well as innovation. It also measures the quality of infrastructure available.

Without these prerequisites, a cashless policy may lead to economic crisis. Nigeria admits that the unique mobile Internet penetration (3G and above) stands at 32% or 65 Million individual users against a total mobile internet subscription base of 125 Million (Nigerian National Broadband Plan, 2020-2025). Nigeria lags behind Ghana, Egypt and South Africa within the African region. While broadband penetration has increased in Nigeria with the deployment of 3G and 4G coverage, the results achieved in terms of end user adoption has not matched expectations due to a variety of reasons, including access to and affordability of smartphone devices, quality of service and speed, access to such services beyond major urban areas, access available via public institutions i.e. schools, hospitals and MDAs, limited availability or relevant content and E-government services online, among others (Nigerian National Broadband Plan, 2020-2025).

Nigeria also acknowledges that "download speeds in the country are … generally uncompetitive with other countries in the same income bracket". Download speeds for Nigeria rank behind other countries in Africa with average mobile download speeds of 2.7Mbps as measured by Measurement-Lab (M-Lab) versus Kenya at 5 Mbps and South Africa at 4.1 Mbps respectively (Nigerian National Broadband Plan (2020-2025). The low penetration achievement lags the aspiration of the country as the developed world marches towards widespread deployment of 5G technologies, while the country is yet to achieve significant 4G coverage and adoption".

In spite of this unpalatable socio-economic condition, the country plunges itself into a cashless economy without adequate preparation. The crisis arising from this unpreparedness has heightened the precarious socio-economic situation in Nigeria. Although, there are many electronic platforms available to make cashless economy work, such as mobile banking, digital wallets, debit cards, point of sales (PoS), Automated Teller Machine (ATM), and so on, common challenges faced by the banking public include electronic transfer that takes longer than necessary to effect, poor delivery as a result of poor network, transfers that fail to reach receipt points, and so on. Coupled with this, is the politics of withdrawal and reissuance of old notes, inability to release enough money into circulation, return of long queues in the banking halls and premises, buying of money from PoS operators at the rate of up to 40% and

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other sharp practices. While noting the role of the PoS in the financial sector, Ndeche (2022) has reported that "POS kiosk operators, who act as foot soldiers for many banks in inner streets of major cities and hard-to-reach areas, have become an integral part of the banking system in the past few years, helping to bridge the financial inclusion gap. While acting as the endpoint for the formal banking sector, they largely feed off the informal economy". What is left unreported is that the banks deliberately allowed the PoS to replace the ATM at the expense of the banking public due to some pecuniary gains. ATMs have stopped dispensing cash while banks provide the supposedly scarce cash to PoS operators to sell to customers at outrageously exorbitant rate.

It is apparent that Nigerians do not have confidence in the institutions of government let alone the cashless policy due to corruption and sharp practices experienced at the point of implementations. In an interview conducted by the British Broadcasting Corporation (BBC) in the middle of February 2023, residents gave pathetic accounts of their inability to purchase food or take the bus because they could not access their old bank notes, and the new bank notes were not made available (Networld Media Group, 2023). Citizens also were unable to make online payments and transfers for the reason of insufficient infrastructure to sustain it.

Although the cashless policy has been impacting negatively on average Nigerians, its impact on the higher educational space is yet to be ascertained. Education is an important social institution that require finance to run smoothly and efficiently (Ajayi & Ayodele, 2001). Students need to pay their school fees and receive stipends from their sponsors to stay in school. Students pay through the banks where hundreds of Nigerians converge hopelessly on daily basis with attendant man-hour lost. The students' sustenance predicates on the capacity of their sponsors to make money available to them as and at when due. Teachers, on the other hand are likely to miss classes while on long queues waiting for services. Those teachers who are hitherto reluctant to work, have found a veritable route of escape: they are accessing money from the bank; and this can be a full-day work. In addition, running the schools is likely to be so difficult for school administrators in the midst of this cash crunch. Recurring expenditure is likely to suffer tremendously as this lasted. It is based on these and other likely challenges that this study sought to find out the educational impact of the Nigeria's transition to a cashless economy.

Purpose of the Study

The main purpose of the study was to find out the educational impact of Nigeria's cashless economy policy. Specifically, the study sought to:

1. Determine the impact of the cashless policy on students;
2. Find out the impact of the cashless policy on parents/guardians of students;
3. Ascertain the impact of the cashless policy on running of the schools.

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Research Questions

Based on the specific purposes of the study, the following research questions were posed:

1. What is the impact of the cashless policy on students?
2. What is the impact of the cashless policy on parents/guardians of students?
3. What is the impact of the cashless policy on running of the schools?

Methods

The study adopted a qualitative design using in-depth interview of three respondent groups (undergraduate students, parents/sponsors of students' education and school administrators). The justification for selecting respondents was based on their role in education at higher level. Additionally, respondents' identities were protected with pseudonyms in data-reporting to retain anonymity and privacy. A total of 18 stakeholders drawn from selected tertiary institutions in Anambra State participated in the study. Appointments were made with each respondent prior to interview. Data obtained were transcribed, and analysed qualitatively.

Findings/Discussion

Students felt that the cashless policy has had negative impact on them. They alluded to the confusion in naira swap that has witnessed series of policy somersault. One student noted, 'today, they will tell us, don't use old naira note, tomorrow, they will say you can use'. Students actually alluded to postponement of deadlines for the use of old naira note through executive pronouncements and court interventions. While students are not much concerned about naira swap, they are worried about the availability of either the old or the new naira notes for use. Some students said they purchase whatever amount transferred to them through electronic means by their sponsors. For every five thousand naira withdrawn, students pay as much as two thousand naira (40%) to PoS operators. This outrageous charge soon reduces the amount at students' disposal thus bringing untold hardship to them.

An alternative could have been to carry out transactions through electronic transfers as most students have smartphones that could assist them in this mode. But, the quality of network that could power this mode is quite unbearable. Students expressed their disappointment that most times, they had to try over and over again to make a successful transfer from their phone, and sometimes they never succeeded and had to leave the shops disappointed. The findings agreed with the NCC (2020) report of inadequate broadband in Nigeria that could have effected seamless electronic transactions.

Parents/guardians of students agreed with most of the positions of the students on the adverse impact of the new cashless policy. Parents spend more to keep children and wards in school following series of charges emanating from banks, and PoS operators. They also raised concern over inability to access their money from the banks and the man-hour lost in trying to do same. So all the promises of a cashless society that will deliver transactions that are seamless, frictionless and at low-cost is yet to be seen. A respondent from parent/guardian group stated: "They made us put all our money into our accounts, and now we can't access it. It's unbearable". The experiences of the banking public with the cashless policy have put in the front burner, the vulnerability of the society to a technology embraced without readiness. It is no wonder that even some advanced countries like the USA are still transiting.

The school administrators also are not left out of the challenges as they find it difficult to run their institutions on daily basis. Schools make daily purchases like gas for the generating sets as power from the national grid is not reliable. They need to pay casual workers who carryout routine duties like clearing the environment and sweeping the offices since government has in the past outsourced some cadres of staff like cleaners and security staff. An administrator wondered how these casual workers most of who are unbanked could accept electronic transfer. According to another administrator, "an administrator might want to transfer funds, but it can't be processed and they don't have cash because of this issue of cash swap that has made cash very scarce".

Conclusion

It may be concluded that the cashless policy embarked by the CBN has generated a lot of tensions and economic difficulties in the country. In education, the cashless policy has had negative impact. This impact is felt by students, parents/guardians and school administrators. The limitation of the study however could be found in the size of the sample employed in the study which may affect generalization of the research findings. It is therefore important that the study be replicated using a larger sample size.

Recommendations

In view of the findings and conclusion of the study, the following recommendations are made:

1. The Central Bank of Nigeria (CBN) should reconsider the cashless policy pending availability of enabling infrastructure that could make the policy to work;
2. Government should step up effort at implementing the Nigeria's National Broadband Plan (2020-2025) in order to entrench a strong broadband base for the cashless policy;
3. There is the need for government to consider provision of palliative measures for the critical stakeholders in higher education in order to cushion the unpalatable impacts of the cashless policy;

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4. The Central Bank of Nigeria should apply simple logic of introducing new redesigned currency while removing the old ones in a seamless way that would not impose undue hardship on the citizens.

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