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Bankers Cashless Policy and Economic Performance in Nigeria

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Abstract

Advancement in technology in the banking sector in Nigeria has made it possible for the implementation of cashless policy in Nigeria. Bank users are encouraged to use alternative banking services provided with the aid of technology instead of the traditional banking hall services. However, this policy has some implication for banks, bank customers and the economy. This study therefore explores the bank cashless policy and economic performance in Nigeria . The data for variables in this study covered 2009Q1 to 2020Q4 and was analyzed using the ARDL method of estimation. The study found that in the short term, ATM and POS transactions have a positive impact on bank performance, while IB and MB, MI, have a negative impact. In the long run, only ATM has a significant positive effect on economic performance, while IB and POS have significant negative effects. BMI, INT, and LR have significant positive effects on both bank performance and economic performance. It was concluded that the cashless policy has a significant impact on the performance of banks and economic growth in Nigeria. It was recommended that banks need to carefully manage their adoption of the cashless policy channels and consider the short-run impacts on their performance, since most of the impacts in the short run are not immediate.

Keywords: Cashless Policy, Electronic Banking, Economic Growth, Customers Satisfaction, Profitability and Bank Performance.

Introduction

The Central Bank of Nigeria (CBN) has in recent times engaged in series of reforms aimed at both making the Nigerian financial system formidable and enhancing the overall economic performance of Nigeria so as to place it on the right path in tune with global trends. Since Nigeria's independence in 1960, the successive reforms were channeled at enhancing social welfare and achieving developmental goals but there has been no substantial positive change in Nigeria's economic indicators.

Introduction of mobile banking, electronic banking and online transactions in Nigeria has paved way for a new era of development where the use and demand for physical cash is gradually declining. The increase in emerging Information Technology has made banking services become more and more automated and less paper work than in the past as averred in the Central Bank of Nigeria (CBN) reports and statistical bulletins, annual reports of most Nigerian banks. Banks in Nigeria have realized that they would soon go out of corporate existence unless they keep with the pace at which Information Technology (IT) has redefined the creation of value and worth for their customers[2].

Also, these recent evolution of information technology in the Nigerian financial institutions possess interesting questions for academician, economist, financial institutions, financial analyst and the regulatory agents of government such as Central Bank of Nigeria (CBN) regarding the current economic status, logistics, and availability of instruments to guarantee economic growth and stability, efficiency and effectiveness of the cashless policy. Some observers suggested that the increased use of cashless payment system; (i.e. money or scrip which is exchanged only electronically via computer networks) has led to the predictions of a cashless society[1,2]. In addition, the cashless policy aims to curb 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, informal economy and inefficiency and corruption[2].

Since the inception, various payment methods have been used to purchase goods and services starting with the trade by barter. The trade by barter method of transaction has been the foundation for the introduction of money and coins to solve the problem of double coincidence of wants and divisibility faced by trade by barter. The use of money/coins was introduced after the use of trade by barter method, and it has solved various challenges associated with trade by barter, but the use of money as an exchange medium has its own challenges and shortcomings and can still be replaced with a better payment system 'the cashless policy'.

Aim and Objective of the Study

The main objective of the study is to examine the bankers cashless policy and economic performance in Nigeria. The specific objectives of the study are to:

i. examine the effect of cashless policy on the performance of banks in Nigeria

ii. investigate the effect of cashless policy on the performance of Nigerian economy

1.4 Research Questions

This study seeks to provide answers to the following questions:

1. What has been the effect of cashless policy on the performance of banks in Nigeria?

2. What is the effect of cashless policy in the overall performance of the Nigerian economy?

Literature Review

This is a discussion of past literature on cashless policy and the performance on banks and the economy by discussing relevant concepts, theories and findings from past studies. A summary of gaps and the framework for the study was also presented.

Conceptual Review: Cashless Economy

The evolution of money and its role in economic activity have been significant over the centuries. From barter economies to the emergence of study money in the form of notes and coins, money has evolved to minimize the friction of transaction costs involved in mediating exchange. However, there has been a shift towards electronic money, which is difficult to define as it blends technological and economic characteristics. Electronic money is defined as an electronic store of monetary value on a technical device that may be widely used for making payments to undertakings other than the issuer without necessarily involving bank accounts in the transactions, but acting as a prepaid bearer instrument. This shift towards electronic money has led to the emergence of cashless economies, wherein there exist no notes and coins issued by central banks but by private financial institutions[1].

In Nigeria, as in many developing countries, cash is the main mode of payment and a large percentage of the population is unbanked, making the economy heavily cash-based. However, the cost of cash to the Nigerian financial system is high and increasing, with the cost very close to fifty million naira in 2008[2]. The cashless policy of the Central Bank of Nigeria is designed to provide mobile payment services, break down 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 services across the country. Nigeria has up to seven different electronic payment channels, including Automated Teller Machine (ATM), Point of Sales terminals, mobile voice, web, inter-bank, intra-bank, and kiosks. These e-payment initiatives in Nigeria have been stimulated by improvements in technology and infrastructure, and indigenous firms have undertaken them[3].

Electronic banking is a compound word that comprises two words "electronic" and "banking" were electronic is defined according to the Oxford university press dictionary as anything carried out through a computer especially over a network and banking is defined as a financial institution saddled with the responsibility of carrying out banking operations, and channeling of funds from surplus spending unit to the deficit spending units of an economy. Electronic banking (e-Banking) involves the use of the internet to perform various banking transactions[4].

E-Banking is also referred to as Electronic fund transfer and it is a process whereby information and other banking services can be carried out by a customer through the internet[5], electronic banking involves driving the banks immediate and future goals through the use of information technology. It involves carrying out banking business electronically. E-Banking involves delivering banks new and traditional products or services to bank customers automatically. It is a system which allows individuals, businesses and even financial institutions transact business or obtain information on products or services through the internet[6]. E-Banking involves providing services and information for customers electronically. Some of the services which are offered through E-Banking includes; balance inquiry, payment of bills, transfer of funds etc. these are the basic services that are offered by banks[5].

Automated Teller Machines (ATMs): ATMs have revolutionized banking operations in Nigeria, providing customers with convenient access to cash withdrawals, balance inquiries, fund/cash transfers, mobile phone credit recharge, and bill payment services. The popularity of ATMs in Nigeria is due to their ease of use, as they provide a convenient alternative to the traditional method of queuing for extended periods in banks to carry out banking transactions. ATMs have become a significant part of the Nigerian banking system, offering customers a convenient and fast method of accessing their funds. This technology has brought about a paradigm shift in the way Nigerians conduct banking transactions. Although ATMs have several advantages, their expected impact on transforming Nigeria into a cashless economy has not been fully realized[10]. ATMs have become a significant part of the Nigerian banking system, offering customers a convenient and fast method of accessing their funds. This technology has brought about a paradigm shift in the way Nigerians conduct banking transactions. Although ATMs have several advantages, their expected impact on transforming Nigeria into a cashless economy has not been fully realized[11].

However, despite their popularity, ATMs have not had the expected impact in reducing the amount of cash in circulation in the economy. Many Nigerians only use ATMs for cash withdrawals, and are not aware of the additional services available on the machines. As a result, depositors can easily withdraw cash from ATMs, leading to more cash in circulation in the economy[12]. This lack of knowledge on the part of customers could be attributed to a lack of education on the part of banks. It is important for banks to properly educate their customers on the full range of services that ATMs can offer. With proper education, customers can fully utilize the technology to conduct more transactions and reduce the amount of cash in circulation in the economy[12].Another factor that limits the impact of ATMs on transforming Nigeria into a cashless economy is the ease of cash withdrawal. The easy availability of cash from ATMs makes it easier for customers to withdraw and spend cash, thereby increasing the amount of cash in circulation. Banks must take steps to discourage cash withdrawals by promoting other services that can be performed at ATMs, such as cashless transactions[11].

Additionally, electronic fraud has become a major issue in Nigeria, affecting the performance of deposit money banks. ATMs have been targeted by fraudsters, who use skimming devices and other techniques to steal customers' bank account information. This has eroded customers' trust in the banking system and deterred them from using electronic banking services such as ATMs[12]. The implementation of security measures, such as the use of biometric authentication, has helped to mitigate this issue, but more needs to be done to ensure the security of electronic transactions.Customer satisfaction with ATM services is also a concern in Nigeria. While the convenience of ATMs is appreciated, customers have reported issues such as long queues at ATM locations, frequent breakdowns of machines, and insufficient cash availability. Banks need to address these issues to improve the overall experience for customers and promote the wider adoption of electronic banking services[13].

Overall, the impact of ATMs on the performance of deposit money banks in Nigeria is a topic of ongoing research and debate. While some studies suggest that electronic banking services, including ATMs, have a positive impact on bank performance, others indicate that the impact is mixed or even negative. This may reflect the challenges facing the Nigerian banking system, including high levels of non-performing loans, limited access to credit, and regulatory challenges[14].

Bank Performance

In recent years, there has been a growing trend towards cashless transactions in Nigeria, driven by the government's cashless policy aimed at reducing the use of cash and promoting electronic payment systems. The policy has had a significant impact on the banking sector, which has been at the forefront of implementing electronic payment systems to meet the demands of customers[32]. This calls for a review of the performance of the banks in Nigeria.

Bank performance refers to the ability of a bank to achieve its objectives, deliver satisfactory services to customers, and generate returns for shareholders. It is a multidimensional concept that reflects the financial health and overall management of a bank. Several factors affect bank performance, including internal factors such as management quality, governance, and risk management practices, as well as external factors such as economic conditions, regulatory environment, and competition. For instance, an efficient management team, effective risk management practices, and a sound corporate governance structure can positively impact bank performance. Similarly, changes in interest rates, inflation, and the overall economic growth can also affect bank performance[33].

The measurement of bank performance is crucial for various stakeholders, including investors, regulators, and customers. Investors use bank performance indicators to evaluate the bank's financial health and potential for growth, while regulators use these indicators to assess the bank's compliance with regulatory requirements. Customers, on the other hand, use bank performance indicators to evaluate the bank's reliability and trustworthiness.

Economic Performance

Economic performance is a crucial indicator of a country's overall economic health, and economic growth is one of the most commonly used measures to evaluate it. In the case of Nigeria, the country has experienced fluctuations in economic growth over the years due to various factors, including its reliance on oil exports and domestic political instability[54]. The cashless policy was introduced in Nigeria in 2012 as a means of reducing the amount of physical cash in circulation and promoting electronic payment systems. The policy aims to increase the efficiency of payment transactions and reduce the costs associated with cash handling, such as security and transportation costs[53]. This policy was expected to increase the efficiency of the payment system, reduce the cost of transactions, and promote financial inclusion and contribute to economic growth by increasing financial inclusion, improving transparency, and boosting tax revenue.

Cashless Policy and the Nigeria Economy

The Nigerian economy has experienced significant changes with the introduction of the cashless policy. The policy was introduced in the early 2000s to encourage the use of electronic payment systems in the country, reduce the amount of physical cash in circulation, and improve financial inclusion. Although the policy has been met with some challenges, it has also had some meaningful impacts on the Nigerian economy[56].

Among the many benefits of cashless policy to the Nigerian economy is that it has reduced the cost of cash handling for banks, businesses, and the government. Cash handling costs include expenses associated with printing, transporting, storing, and securing physical cash. By reducing the amount of physical cash in circulation, the cashless policy has helped to reduce these costs. The policy has led to an increase in the adoption of electronic payment channels, such as mobile money, internet banking, and POS terminals[57]. This has made it easier for individuals and businesses to make payments and carry out transactions without the need for physical cash. It has also helped to improve financial inclusion in Nigeria. With more electronic payment channels available, individuals who were previously excluded from the banking system due to lack of access to physical bank branches now have the opportunity to open and operate bank accounts. This has helped to promote financial inclusion and improve access to credit and other financial services[58].

Theoretical Framework

Based on the empirical literature, this study identified three theoretical framework; Technology Acceptance Model and Diffusion of Innovation (DOI) Theory, The Theory of the monetary stages of development, The Theory of Payment System Efficiency and Central Bank Monopoly. This research adopts the Theory of Monetary stages of development. This theory was adopted because it emphasizes economic growth which is a major variable of this research.

Technology Acceptance Model

Technology Acceptance Model (TAM) explains how people come to accept and use technology. TAM was first proposed by Fred Davis in 1986 to understand user acceptance of computer technology in the workplace. Since then, it has been widely applied in various fields, including healthcare, education, e-commerce, and online services[59].TAM is based on the Theory of Reasoned Action (TRA) developed by Martin Fishbein and Icek Ajzen in 1975. TRA emphasize that individuals' behavior is determined by their attitudes and subjective norms. TAM extends TRA by adding perceived usefulness and ease of use as determinants of behavior intention and actual use of technology[60].

The theory proposed that perceived usefulness is the degree to which a person believes that using a technology will improve their performance or productivity. Perceived ease of use is the degree to which a person believes that using a technology will be free of effort. These two factors determine the person's attitude towards the technology and their intention to use it. Actual usage behavior is influenced by the individual's perceived usefulness and ease of use[33].TAM has been widely applied in various fields to study user acceptance of technology. For example, in healthcare, TAM has been used to investigate patients' acceptance of telemedicine technologies. In education, TAM has been used to study students' acceptance of e-learning platforms. In e-commerce, TAM has been used to examine consumers' acceptance of online shopping[61].

Diffusion of Innovation (DOI) Theory

The Diffusion of Innovation (DOI) theory explains how new ideas, technologies, or products are adopted and spread throughout a society or organization. The theory was first introduced by Everett Rogers in his book "Diffusion of Innovations" in 1962[64].The DOI theory proposes that the adoption and diffusion of innovation follow a five-stage process: knowledge, persuasion, decision, implementation, and confirmation. The theory suggests that innovation is communicated through certain channels over time, and the rate of adoption is influenced by various factors, including the innovation's perceived attributes, the characteristics of the adopters, and the social and cultural context in which the innovation is introduced[65].

According to the DOI theory, there are five categories of adopters: innovators, early adopters, early majority, late majority, and laggards. Innovators are the first to adopt new ideas, technologies, or products, while laggards are the last to do so. The theory suggests that the rate of adoption increases as the innovation is accepted by more people within a social system.The DOI theory has been applied in various fields, including marketing, healthcare, agriculture, and education. In marketing, the DOI theory is used to predict consumer adoption of new products, while in healthcare, it is used to promote the adoption of new medical technologies. The DOI theory has also been used in agricultural development to promote the adoption of new farming techniques, and in education to promote the adoption of new teaching methods and technologies[66].

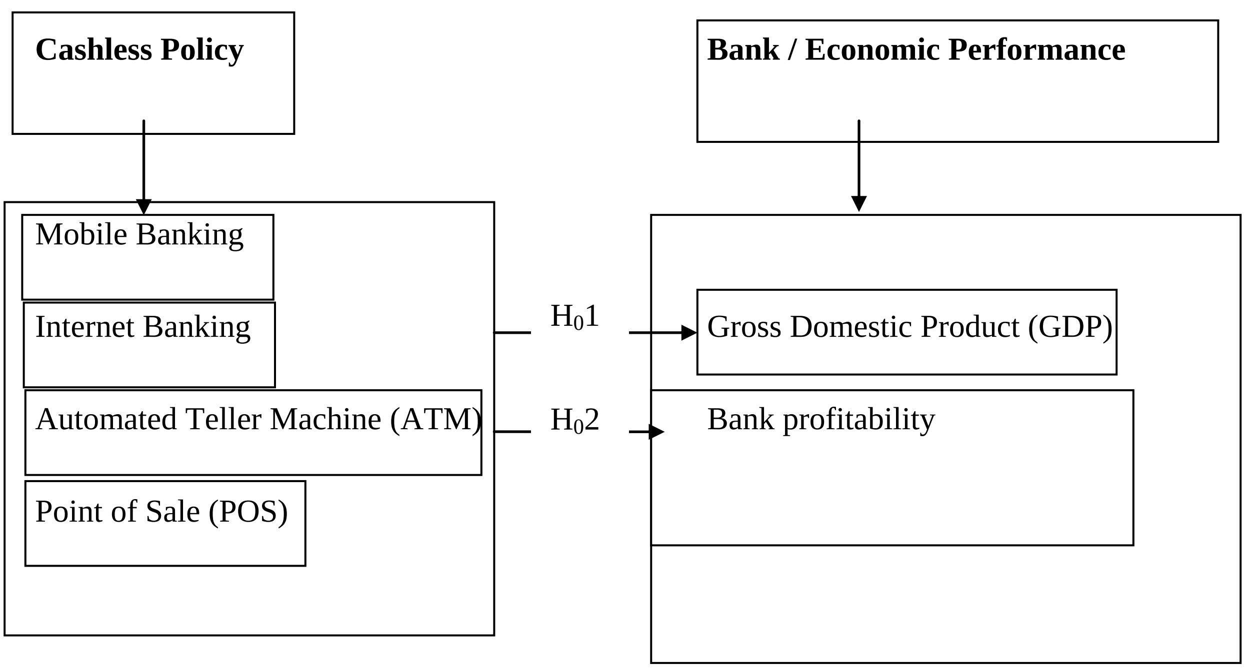
The Theory of the Monetary Stages of Development

The Theory of the Monetary Stages of Development (TMSD) was proposed by the economist Milton Friedman. It suggests that there are distinct stages of development through which a country's monetary system passes. According to the theory, these stages include commodity money, metallic money, paper money, and electronic money[68].Commodity money refers to the use of physical objects with inherent value, such as gold or silver, as a medium of exchange. Metallic money involves the use of coins made from precious metals as a medium of exchange.

Paper money refers to the use of banknotes as a medium of exchange, and electronic money involves the use of electronic payment systems for transactions[69].

The proponents of TMSD argue that the use of electronic money represents the final stage of monetary development, as it offers a more efficient and secure means of payment. They suggest that the adoption of electronic money can lead to increased economic growth and improved financial stability, as it reduces the need for physical currency and lowers transaction costs.The application of TMSD can be seen in the promotion of cashless policies by governments and financial institutions. These policies aim to encourage the use of electronic payment systems such as ATM, POS, Internet Banking, and Mobile Banking. The goal is to increase financial inclusion, reduce transaction costs, and promote economic growth[70].

Conceptual Framework



Source: Researcher's Conceptual Model, 2023

The conceptual framework relating the objectives of the study with the study hypotheses is presentedinthissection.Thismodelshowstherelationshipbetweenthedependentandtheindependentv ariables.Cashless Policy is the independent variable while Economic Performance is the dependent variable.Mobile banking, internet banking, ATM, POS are the sub variables/measures of cashless policy,while gross domestic product (GDP), and consumption are the sub variables/measures of economic performance.

Methodology

This presents the methodology that was used to achieve the research objectives. It presents the model specification, estimation techniques, description, sources of data and variable measurement.

Model Specification

The objective of this study wasto examine Banks cashless policy and economic performance in Nigeria. To achieve this objective, an estimation model was adapted from the study of a scholar who examined similar topic[1]. The model express bank performance as a function of cashless policy (electronic banking technologies). Incorporating the variables of this study, the model can be expressed as:

$$BMI = f(ATM, POS, MB, IB) \qquad (3.1)$$

Integrating other macroeconomic variables in to the model which included monetary policy variables as identified by some studies; INT and LR as well as YG which measures economic performance as depicted in the framework of this study having a bi-directional link with performance of banks[2,3]. Thus, equation 3.1 can be re-expressed mathematically as;

$$BMI = ATM + POS + MB + IB + LR + INT + YG \qquad (3.2)$$

In order present these variables in estimable form, the natural log of the variables BMI, ATM, POS, MB, and IB were taken. Hence, the equation 3.2 can be expressed statistically;

$$LBMI_t = \alpha_0 + \alpha_1 LATM_t + \alpha_2\, LPOS_t + \alpha_3\, LMB_t + \alpha_4\, LIB_t + \alpha_5\, LR_t + \alpha_6\, INT_t + \alpha_7\, YG_t\, + \varepsilon_t \quad (3.3)$$

Where,

LMBI = log of bank market index

LATM = log of the values of ATM transactions

LPOS = log of the values of POS transactions

LMB = log of the values of Mobile Banking transactions

LIB = log of the values of Internet Banking transactions

LR = Liquidity Ratio

INT = Interest Rate

YG = GDP Growth Rate

t = Time Dimension

ε = Error term

α_0= Intercept

$\alpha_{1\text{-}7}$ = Coefficient of the independent variables

In order to achieve the first objective of this study which seek to examine the effect of cashless policy on the performance of banks in Nigeria, the equation 3.3 was estimated.

For the second objective which is to investigate the effect of cashless policy on economic performance in Nigeria. Equation 3.3 was modified and re-expressed as follows:

$$YG_t = \alpha_0 + \alpha_1 LATM_t + \alpha_2\, LPOS_t + \alpha_3\, LMB_t + \alpha_4\, LIB_t + \alpha_5\, LR_t + \alpha_6\, INT_t + \alpha_7 LBMI_t + \varepsilon_t \quad (3.3)$$

Where YG is GDP growth rate, a measure of economic performance

Estimation Procedure

To attain the study's objectives using the designated model, the variables undergo a stationary test using the Augmented Dickey-Fuller test. This test employs non-parametric statistical techniques to address the serial correlation in the error terms, without the need for lagged difference terms.

The study adopts the Autoregressive Distributed Lagged (ARDL) model to accomplish its objectives. The ARDL bound test is used to examine the cointegration relationship between the study's variables. The ARDL estimation method is preferred because it can be applied when the model's variables are integrated at order one [I(1)] or a combination of one [I(1)] and order zero [I(0)]. Additionally, it can be employed even with a small sample size and irrespective of whether some of the regressors are endogenous.

Description and Measurement of Data

This study seeks to examine the Banks cashless policy and economic performance in Nigeria. There are two dependent variables in this study which are bank performance and economic performance. Bank performance is measure by the bank performance index (BMI). This index is based on the market capitalization methodology. It measures the overall performance of the banking sector, it provides a quantitative measure of the performance of the banking industry, and are therefore considered a financial performance measure. Economic performance on the other hand is measured by the growth of GDP in the economy which is the percentage increase in the value of goods and services produced by a country's economy over a certain period of time. Cashless policy which is the independent variable is measured by the values of transaction performed using each of ATMs, POS, Internet Banking and Mobile Banking. Other macroeconomic variables include Liquidity ratio and interest rate which were used to factor in policy regulation of money flow in the economy.

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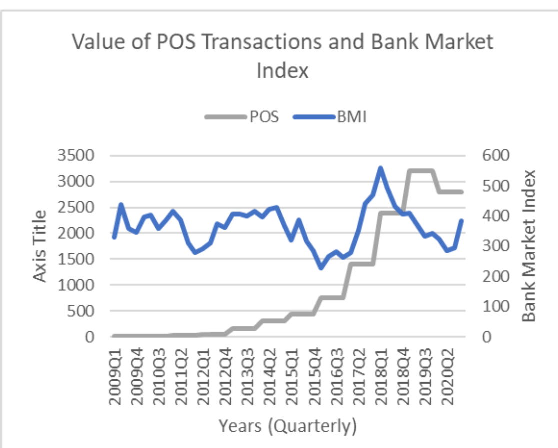
Results and Discussion of Findings

This chapter presents the empirical results and discussion of findings with respect to the objectives of the study. The discussion in this chapter starts with the preliminary analysis consisting of descriptive statistics, trend and correlation analysis followed by the pre-estimation tests, where the unit root and co-integration tests were carried out. Some diagnostic tests were also provided using some test statistics in order to ensure that the estimated results are reliable for meaningful inferences.

4.1.1 Graphical Trend Analysis of Variables

The trends and pattern of cashless policy variables, bank performance and economic performance in Nigeria are discussed with the figures 1 to 4. In exploring the trends, in order to show the behaviour of the variables over the period under investigation each of the four indicators of the cashless policy are presented with the performance of banks in Nigeria on one chart and with economic performance on another chart.



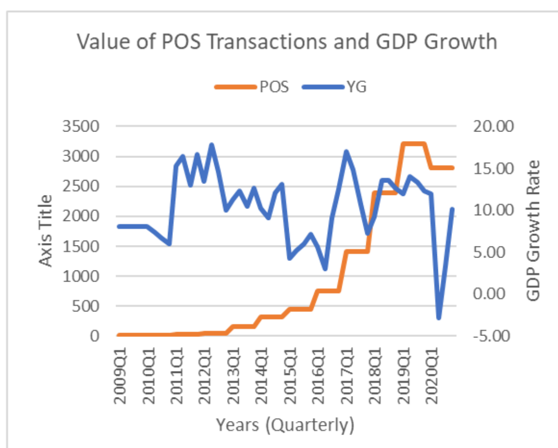


Figure 4.1a: Trend Analysis of the Value of POS Transaction and Bank Performance in Nigeria.
Figure 4.1b: Trend Analysis of the Value of POS Transaction and Economic Performance in Nigeria.
Source: Authors Computation

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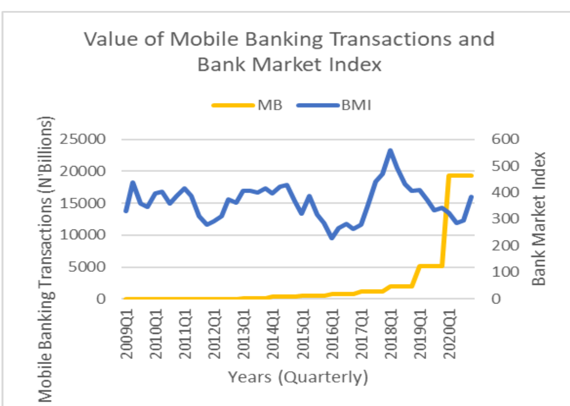
From figure 4.1a, the BMI (Bank Market Index) which measures the performance of the Nigerian banking sector. From 2009 to 2013, the BMI was relatively stable, but it started to decline in 2014 and continued to decline until 2017. The decline in the BMI may be due to the decrease in oil prices during this period, which affected the overall economy. However, from 2018, the BMI started to recover and has been increasing steadily, which may be due to the increase in foreign reserves and the implementation of economic reforms. Meanwhile, the recovery from 2017 may be due to the sharp rise in the value of POS transaction which continued since then, except for a slight decrease in 2020 Q2. The increase in POSVA can be attributed to the growth in e-commerce and the adoption of digital payment systems in Nigeria.

Meanwhile for figure 4.1b, the YG (GDP growth rate) which measures the increase or decrease in the value of goods and services produced in Nigeria. YG was relatively stable from 2009 to 2011, but it started to decline in 2012 and continued to decline until 2017. The decline in YG can be attributed to the decrease in oil prices, which is Nigeria's main source of revenue. However, from 2018, YG started to recover and has been increasing steadily, which may be due to the implementation of economic reforms. In addition to this is the sharp rise in the value of POS transactions which implies increase in economic activities.



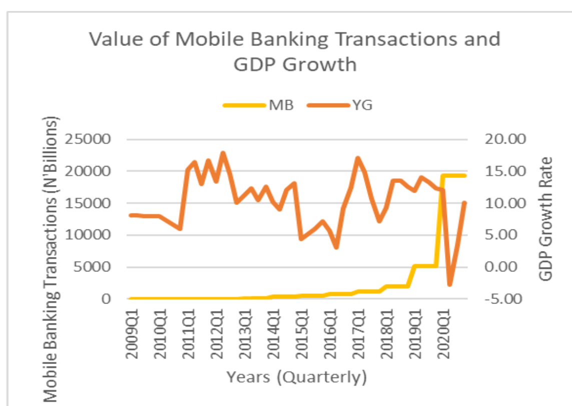


Figure 4.2a: Trend Analysis of the Value of Mobile Banking Transaction and Bank Performance in Nigeria.
Figure 4.2b: Trend Analysis of the Value of Mobile Banking Transaction and Economic Performance in Nigeria.
Source: Authors Computation

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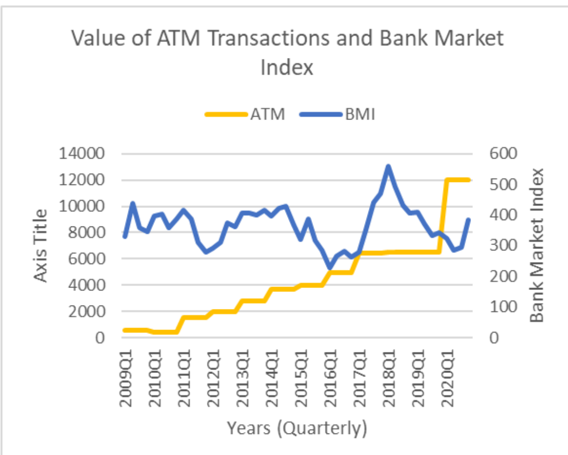
Similar to the trend in figures 4.1a and 4.1b, the figures 4.2a and 4.2b show BMI and YG having the same trend. However, the value of mobile banking having increased from 2009 at a steady rate continued till 2020 Q1 when there is a sharp rise which may be as a result of the outbreak of COVID-19 which caused banks to close and transactions done via mobile banking. The result of this heavy dependence on mobile banking is seen in the rise in BMI and YG following the rise in the value of mobile banking. Meanwhile it is also important to note that the effect of the change in MB is not immediate.



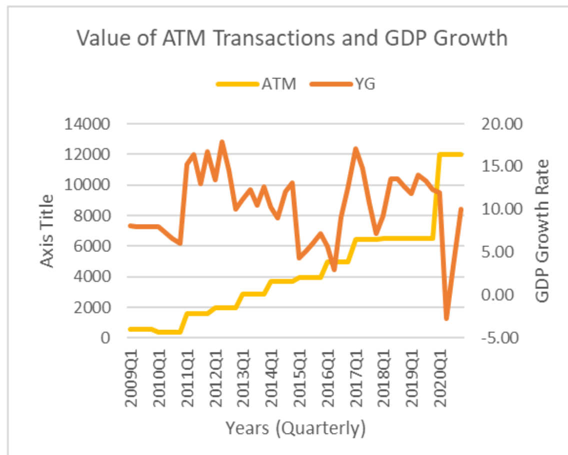


Figure 4.3a: Trend Analysis of the Value of ATM Transaction and Bank Performance in Nigeria.

Figure 4.3b: Trend Analysis of the Value of ATM Transaction and Economic Performance in Nigeria.

Source: Authors Computation

With regards to the trends and pattern of the value of ATM transactions, there appears to be a general upward trend in ATM transactions, with some occasional fluctuations. The initial values of N548.6 billions suggest a stable baseline, followed by a drop to N399.71 billions, which may have been due to external factors such as a decrease in consumer spending or an increase in the availability of other payment methods. From there, the values steadily increase, with some

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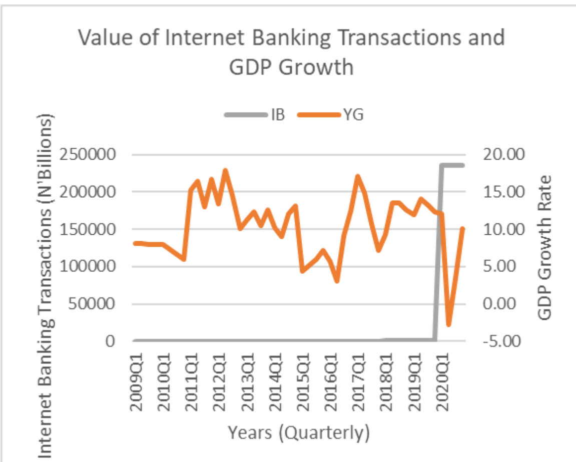
occasional spikes, notable jumps in 2019Q4 which may be due to the outbreak of COVID-19 which encouraged the use of electronic banking as a means of completing monetary transactions. Meanwhile, it could be observed that this sharp rise may also account for the recovery of YG and BMI in 2020 as shown in figures 4.3a and 4.3b.



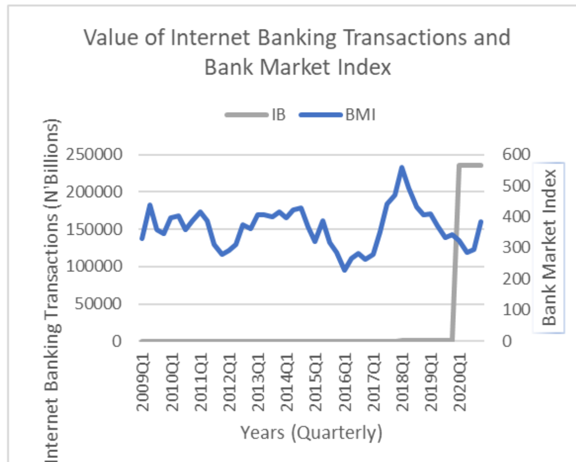


Figure 4.4a: Trend Analysis of the Value of Internet Banking Transaction and Economic Performance in Nigeria
Figure 4.4b: Trend Analysis of the Value of Internet Banking Transaction and Bank Performance in Nigeria
Source: Authors Computation

Observing the trends of internet banking from 2009 to 2020 as shown in figure 4.4a and 4.4b it is difficult to determine the fluctuation in the trends from 2009 to 2019, however, the overall view shows an upward trend, this may be due to the low adoption of internet banking during that period, lack of awareness or trust in online banking services, and a preference for traditional banking methods. Meanwhile, from 2020 Q1, there is a sharp rise in the value of internet banking transactions, this may be due to increased internet penetration, the convenience of online banking, the growth of e-commerce, and the need for contactless transactions due to the COVID-19 pandemic. In comparison with BMI and YG, it could be seen that the increase in the values of internet banking may also account of recovery of BMI and YG in 2020 by providing seamless transactions and stimulating economic transactions.

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Conclusion and Recommendations

This study examined the banks cashless policy and economic performance. Descriptive statistics showed weak correlations between economic growth and the other variables, but positive correlations between LBMI, LATMVA, and LR suggest a slightly positive impact on economic growth. Negative correlations were found between LIBVA, LMBVA, and LPOSVA, suggesting a slightly negative impact. The study found that in the short term, ATM and POS transactions have a positive impact on bank performance, while LIB and LMB have a negative impact. In the long run, only LATM has a significant positive effect on economic performance, while LIB and LPOS have significant negative effects. LBMI, INT, and LR have significant positive effects on both bank performance and economic performance. The study suggests that banks that adopt more mobile and internet banking transactions perform better, while those that rely more on point of sale transactions may perform poorly. The study concludes that the cashless policy has a significant impact on the performance of banks and economic growth in Nigeria

5.3 Recommendations

Based on the findings of this study, the following are recommended

1. Policymakers should continue to promote the use of electronic payment methods, such as ATM and POS transactions, as they can have a positive impact on economic growth. However, measures should be put in place to regulate the use of mobile banking and internet banking transactions to prevent any negative impact on economic performance.
2. Banks need to carefully manage their adoption of the cashless policy channels and consider the short-run impacts on their performance. Since most of the impacts in the short run are not immediate.
3. The central bank of Nigeria should consider adjusting interest rates to promote better bank performance.

4. The positive impact of the bank market index on economic performance highlights the importance of a stable and well-functioning banking sector in promoting economic growth. Policymakers should therefore consider implementing policies that promote the growth of the banking sector and increase liquidity in the economy to boost economic performance in the short run.

End notes

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