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Central Bank of Nigeria's (CBN) Cashless Policies, E-Transactions and Economic Growth in Nigeria

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Abstract

For efficiency in financial transactions, the CBN introduced cashless policy in 2012 for reduction of physical cash transactions in Nigeria. Therefore, the study identified the CBN's developmental policy of cashless arrangement and interrogated same with economic development in the country. Ex-Post Facto research design was adopted, secondary data were collected and analyzed through documentary method and content analysis respectively. Theoretically, dependency theory was utilized, which maintained among others that the activities of the Western World was responsible for the underdevelopment of the Third World countries. The study found that the cashless policy has a minimal impact on the economic growth of Nigeria. therefore, the study suggested among other things that the provisions and knowledge of the intricacies surrounding the cashless policy and e-transaction will be made available to all Nigeria and the internet facilities will be made stable to facilitate reliability and confidence of the users. This the only way to enhance economic growth under the cashless policy.

Key words: Cashless Policy, Central Bank of Nigeria (CBN), Economic Growth, Development, E-Transaction,



1. Introduction

The inevitability of exchange of goods and services in human terrestrial existence has brought about the constant search for ideal and sustainable legal tender. This was largely necessitated by three fundamental factors: 1) the gregarious nature of man, 2) the insatiability of human wants and 3) the complex interdependency of human beings, which made it impossible for man to live in isolation of others (Okonkwo, 2024). This challenge was partially solved during the Nigerian pre-colonial era, when different people of cultural backgrounds utilized varied items as their accepted means of exchange of goods & services and financial transactions. The agreed items involved beads, cowries, manilas, salts etc. The temporary solution was short-lived and eventually discarded because of the deficiency of trade-by-batter system, which mostly hinged on the coincidence of wants. In order to remedy the situation, Pence and Shillings were introduced under the Colonial Ordinance of 1880 to serve as the legal tender in British West African countries. Subsequently, Central Bank of Nigeria was established on July 1st 1959 before the emergence of Nigerian independence in 1960 to issue currency notes. Essentially, Nigeria changed from the colonial currency (Pence and Shilling) to Naira and Kobo in January 1973.

At the inception of the CBN as the producer of legal tender for business transaction in Nigeria, they minted and printed the following denominations: coins (1/2k, 1k, 5k, 10k and 20k) and notes (50k, #1, #5, and #10) (CBN, 2024). Sequel to the introduction of the indigenous currency, (Naira and Kobo) and the increase in demand of same, socio-economic risks abound, which constantly attracted the attention of the CBN for reforms to ensure the security of the financial system (Onoh, 2020). Essentially, the need for more money in circulation necessitated the introduction of #20 naira notes in 1977. By 1984, the colours of bank notes were changed while 50k and #1 notes were re-designed to coins for the purpose of curbing currency trafficking that was prevalent at the time. In order to facilitate efficient payment system and enhance expansion of economic activities in the economy, higher notes such as #100, #200, #500 and #1000 were introduced in 1999, 2000, 2001 and 2005 respectively (CBN, 2024). Still in her bid to protect the financial system, some lower currencies were converted to polymer substrates in 2009. However, all the efforts of the CBN for sustenance of the financial system appears not to be risk-free.

Indeed, the risk of moving around with physical cash, incessant demands for same and the production cost of currency among others have made the Central Bank of Nigeria by 2012 to think a better way of reducing the quantity of cash transaction in Nigerian economy. This situation necessitated the introduction of cashless policy and E-transaction in the economy. The cashless policy initiated some ways of making business transactions with less involvement of the physical cash while the E-banking, works with the aid of internet to effect transactions without the traditional hassles of engaging the physical cash. Therefore, the cashless policy of the CBN is dependent on the availability of the electronic channels through the internet connectivity such as phone sets, POS and ATM machines. Economic growth on the other hand implies a sustainable increase in the Gross Domestic Product (GDP) of a country over a specific period of time. However, this paper is focused on explaining the impact of the CBN cashless policy and e-transaction on the economic growth in Nigeria.

2. Literature Review

According to Nnabugwu (2005) the review of literature therefore, links the work to be undertaken with existing body of knowledge. In the view of Olufemi (2013) literature review is a systematic examination or analysis of documents that contains the information about the problem being interrogated. In the words of Seltiz, et. al. (2019), one of the simplest ways of economizing effort in inquiry is to review and build upon the work already done by others. This statement, in a nutshell, underlines the entire logic behind the review of related materials on a particular topic. It serves as a stepping-stone, launcher, or an aid to mankind's bid to push toward the frontiers of knowledge; which itself constitutes the essence of research in the field of social sciences. With the brief illustration of what literature review is all about, we can review the extant literature on the concepts of economic growth, cashless policy and-transaction

2.1 The Concept of Economic Growth

In the view of Iwayemi, Folarin and Adewuyi (2018), economic growth refers to the sustained increase in the country's real Gross Domestic Product (GDP) within a designated time frame. It calculates the employment rate of the citizens, income distribution of wealth within the economy, the increase in output and the rise of all the gamut of economic activity in the country. By extension, economic growth is seen as an essential indicator of development and prosperity in any given country. Development on the other hand implies the trickling down of the products and resources for the improvement of the living standard of the citizen. As one of the largest economies in Africa, Nigeria has recorded different levels of economic growth in the years over. These improvements were facilitated by the following factors: 1) government policies and programmes, 2) the performance of key sectors such as agriculture, manufacturing, oil, services, and 3) the overall business environment (Anefiok & Emenyi, 2024).

For Olomola, Adeoti and Babatunde (2018), the discovery and the corresponding exploitation of crude oil in Nigeria in 1956 at Oloibiri in the present Bayelsa state have played a decisive role in the economic growth of the country. Indeed, the oil sector has been the major source of the export earnings and the GDP of the country for many years. Nevertheless, the dependence on oil revenues as the primary source of economic growth in Nigeria has made it to be vulnerable to fluctuating global oil prices.

In recent years, there has been an increased focus on diversifying the Nigerian economy to reduce dependence on oil and promote sustainable growth. The government has implemented various policies and programs to develop other sectors such as agriculture, manufacturing, solid minerals, and services. These efforts aim to create a more diversified and resilient economy (Iwayemi, Folarin & Adewuyi, 2018). Challenges exist that have hindered Nigeria's economic growth potential. Issues such as inadequate infrastructure, corruption, insecurity, policy inconsistency, and limited access to finance have impacted the overall economic performance of the country (Onoh, 2020). Addressing these challenges is crucial for sustained economic growth and development in Nigeria. Overall, achieving and sustaining economic growth in Nigeria requires a multifaceted approach that includes diversifying the economy, improving infrastructure, creating an enabling business environment, promoting good governance, and investing in human capital development. These efforts can drive inclusive growth, reduce poverty, and improve the overall standard of living for Nigerians.

2.2 Cashless Policy Defined

The term cashless policy implies adoption and promotion of system of electronic payment as a substitute to transactions that have been based on physical cash. Expatriating further, Nweke (2012) explained that a cashless policy thrives in an economy where the physical cash that circulates is minimized, while the electric-based payments are used, which implies that it involves both electronic and cash-based payment systems. The policy also helps to reduce branch networks and incidence of armed robbery. According to (CBN, 2013) the policy improves the responsiveness of the banking services because no individual can waste unnecessary time in queues to deposit/withdraw money in the banks. In another dimension, Woodford (2013) construed cashless policy as one that is assumed to have no transaction hitches, which can be decreased through utilisation of money balances by providing reasons for holding such balances, when a rate of return is earned. Worthy to note according to him also is that there were many cashless transactions going on the daily basis in Nigeria, via the following electronic payment channels: 1) Automated Teller Machine (ATM), 2) Points of Sales terminals (POS), 3) Mobile Voice Web and 4) inter-bank branches.

For Adu, (2016) It is a financial policy that provide alternative channels for making payments and minimise the use of physical cash. Ironically, the term does not imply absolute absence of transactions in cash in the economic setting, rather, an economy where the cash-based transactions are drastically reduced. A cashless policy is an economic policy where transactions can be done without necessarily carrying physical cash as a means of exchange or transaction, rather with the use of credit or debit card or other electronic media of payment for goods and services. Ogebeinde and Fapohunda (2017) explained the cashless policy as one with no transaction frictions which can be reduced through the use of money balances, and that accordingly provides a reason for holding such balances even when they earn a rate of return. Onoh (2017) expressed the difficulty in rightly defining electronic money but agreed that it blends technological and economic characteristics. It was further emphasized that cashless policy does not mean a total elimination of cash, as money will continue to be a means of exchange for goods and services in the foreseeable future.

It was aimed at promoting a more secured, convenient and transparent payment ecosystem by contributing to economic growth and financial development (Nwani, Nwaimo & Kanu, 2020). In her bid to modernise the Nigerian's payment system, reduce the dependence on cash for business transactions and enhance efficiency in financial transactions, the Central Bank of Nigeria (CBN) introduced cashless policy to the Nigerian economy in 2012 (Enefiok & Emenyi, 2024).

2.3 E-Transaction

In the view of Ruth (2013), e-transaction is the activity of electronically buying or selling products online over the internet. According to her, it depends on technologies such as mobile phones, electronics fund transfer, supply chain management, internet marketing, online transaction processing, electronic data interchange, inventory management system and automated data collection system. For East African Communication Organization, (EACO) (2017) it is seen as the purchase or sale of goods and services, either among individuals' businesses, households, governments and public/private organizations, conducted through internet. The goods and services may be ordered through networks, while the payment and the corresponding delivery of the goods or service may be perfected either via online or off-line. Similarly, Orimobi (2018) opined that e-transaction typically

uses the web for part of a transaction's life cycle although it may also use other technologies such as email etc. stressing further, he emphasised that typical e-transaction include the purchase of products such as books from Amazon or services such as music download in the form of digital distribution such as iTunes Store according to him, there are three areas of e-transaction: online retailing, electronic markets and online auctions. It is supported by electronic business and use of internet for marketing, identification, payment and delivery of goods and services.

According to Enang (2021) e-transaction refers to all transaction conducted online or electronically using the internet. It is also known as electronic commerce or internet commerce and often involves the use of mobile application. Essentially, e-transactions can flourish only where there is a clear, predictable and precise legal environment, which is capable of driving the confidence of businesses, customers and government institutions. This is situation where the businesses are capable of making electronic contract, enforce same, take advantage of new opportunities and have the confidence in investing in new technologies. The consumers have to be provided with the similar protection they enjoyed during face-to-face businesses where paper documents were used. In all, the approaches used in securing the legal certainty must be compatible with the international best practices to enhance free operation of the businesses and consumers across the international system. Finally, e-transaction is transactions that involve the use of the internet (Okonkwo, 2022).

3. Methodology

The study adopted Ex-Post-Facto research design, which investigates relationships between two variables by observing an existing condition and searching for the factors that contributed to it. This means that it seeks to establish causal relationships between events (Kerlinger, 1986). In other words, it finds out the cause of certain occurrences/non-occurrences. This is realised by comparing the circumstance surrounding the observed effects and by noting the factors present in the instances where a given effect occurs and where it does not. Therefore, it features two measurement such as pre- and post-measurements with the following symbols:

O₁ O₂ O₃ O₄ X O₅ O₆ O₇ O₈

It has series of measurement in pre- and post-measurement order, however, the change between **O₄** and **O₅** is the major point for measuring the effect of the quasi-experimental observations, which are needed for the establishment of the cause-effect relationship between variables under investigation. Specifically, we measured the level of economic growth in Nigeria as a result of adoption of cashless policy in the country. This method seems to be helpful in the study because the cashless policy has been adopted and it is ongoing therefore, **O₁ O₂ O₃ O₄** are the pre-measurement signs while **O₅ O₆ O₇ O₈** are the post-observation symbols.

In as much as we have series of pre-and post-measurements, the change between **O₄** and **O₅** is the principal focus to measure the effect of the quasi-experimental treatment, that is, the independent variable (x) cashless policy (y) which also represents the economic growth in Nigeria The design, despite its lack of control group, to overcome a wide variety of threats to internal validity, the principal threat to the design is history. However, the series of pre-observations from **O₁ to O₃** and post-observations from **O₆ to O₈** will be used to control the interactive effects of history.

Documentary method of data collection is used to gather information from secondary sources such as books, book chapter, journal articles, and newspapers, periodical and internet sources to support or guide my views on the issue under investigation. Also, the generated data were analyzed using Content analysis. More so, we also used the Content analysis method in analyzing data generated from the secondary sources in order to make systematic and logical deductions from them. Content analysis, according to Holsti, (1969, cited in Stemler, 2001), is a technique of making inferences by objectively and systematically identifying specified characteristics of messages. This method therefore helped us read through the secondary sources of data and be able to extract important data and systematically reduce them into logical and meaningful information that will be useful to this research and others.

3.1 Theoretical Framework

The study is anchored on the theoretical compass of Dependency theory, which is a body of Social Science theories that emphasized that the development of third world countries was stunted by the activities of the developed countries where the structured the economy of the Third World countries to be dependent on the Developed World. The basic argument of the theory is that poor countries are impoverished because of the premature integration in the world economic system and the lopsided economic relations therein (Rodney, 1972). The theory was propounded by Raul Prebisch in the late 1960s as a reaction to modernization theories, which maintained linear stages of development (Rostow, 1960). The theory among others debunked the above view, stating that underdeveloped countries are not merely primitive versions of developed countries, rather, have unique characteristic of their own (Prebisch, 1970).

However, the theory opposed the free-market economy and suggested delinks of the underdeveloped countries from their connections with the world capitalist economy so that they can carve a niche in keeping with their own needs and be free from pressures of external dictates (Frank, 1976). Furthermore, dependency theory interprets underdevelopment and development as a phenomenon with inverse variation tendencies because the increase in one in a particular society has a resultant effect on the other in another society. More so, it is the inevitable manifestations of the practical results of the global capitalism and the inherent exploitation and contradictory tendencies. The theory also categorized the world into the periphery and core and also insists that the extension of capitalism by the Western world to other parts of the World and its resultant colonialism cum neo-colonialism is responsible for the underdevelopment and dependency of the Third World countries. According to Ake (1981), dependency theory maintained that capitalism is driven by the quest for profit maximization. Specifically, the theory has the following propositions among others:

- ❖ Development is a condition fundamentally different from underdevelopment;
- ❖ The distinction between development and underdevelopment places the poorer countries of the world in a profoundly different historical context;
- ❖ That alternative uses of resources are preferable to the resource usage patterns imposed by dominant states;
- ❖ Belief that there exists a clear 'national' economic interest, which can and should be articulated for each country;
- ❖ The diversion of resources over time (and one must remember that dependent relationships have persisted since

the European expansion beginning in the 15th century is maintained not only by the power of dominant states but also through the power of elites in the dependent states (Wallerstein, 2008).

3.2 Application of the Theory

The central motive of inventing cashless system and the corresponding e-transaction as well as trading the knowledges by the West is to consistently make the South hopelessly dependent on them. Indeed, the machines such as ATM, Service Providers, POS etc. that are produced to facilitate the e-transactions are produced by the West. Since the adoption of the cashless policy in Nigeria by 2012, till this moment, no effort has been made by the CBN to produce or influence the operations of the machines, rather, we import the ATM and the POS machines for the cashless policy. Even the operators in high profile establishments are more or less expatriates, this arrangement is the highest level of dependency because the Third World countries cannot do without the help of the West. By implication, the development of the South has been hampered by the activities of the West, invention of cashless system inclusive, which subjected the South to perpetual dependency on the West. By extension, the more the South delinks from the apron string of the West by looking inwardly to develop environmentally friendly economic policy for development (Okonkwo, 2025), the more they realize the appropriate means of development and the less development challenges in the South in general and Nigeria in particular.

4. Origin and Major Reforms of CBN

The Central Bank of Nigeria was established in 1958 as the primary financial institution that was responsible for managing Nigeria's monetary policy by ensuring financial stability of the economy and overseeing the nation's banking system. This segment of the paper discussed the establishment of the CBN ranging from the events and major reforms in the financial institution.

4.1 Pre-CBN Era: Colonial Period (before 1958)

During the colonial era, Nigeria's currency and monetary policy were managed by the British colonial government before the establishment of CBN. At the time, the financial system of the country was operated under the West African Currency Board (WACB) established in 1912, which issued currency to the British West Africa, Nigeria inclusive. In that period therefore, the WACB took care of the money supply and ensured the hitch-free circulation of the then British West African pound in the region. The Nigeria's monetary policies were influenced by the needs of the British Empire, with insignificant focus on developing an independent monetary structure for the Nigerian economy. However, the need for national central bank was necessitated as Nigeria's economy grew in the 1940s–50s. The country's first attempt to regulate banking sector was when it passed the Banking Ordinance in 1952. Finally, the recommendation of the British Colonial Commission headed by Dr. G.D. Paton led directly to the founding of the central bank in 1957.

4.2 The Creation of CBN (1958)

In order to solve the problems generated by the limitations of the WACB, the Central Bank of Nigeria (CBN) was officially established under the Central Bank of Nigeria Act of 1958. Sequel to the welcome development, it began full operation on July 1959 within a year interval. At the inception stage, it has the following functions to perform: 1) issuance of legal tender to the populace, 2) maintenance of external reserve for the nation, 3) promotion of monetary stability to

ensure economic reliance in the country and 4) management of the banking sector for restoration of confidence of the masses. Worthy of note also is the supervisory role of the CBN on the transition from WACB to a fully Nigerian-controlled monetary economic system.

4.3 The Post-Independence Expansion (1960s–1980s)

Following the Nigerian independence in 1960, the CBN spread its tentacles through expansion of her roles in the economy. The expansionary roles were broadly demarcated into two periods such as 1960s - 70s and 80s above. In the former, the CBN played the following roles in the economy: 1) Supported industrialisation and economic growth through credit guidelines, 2) the institution financed agricultural sector of the economy as well as the manufacturing and infrastructure sectors, 3) it also helped in the establishment of the three major financial institutions such as: a) Nigerian Industrial Development Bank (NIDB), b) Nigerian Bank for Commerce and Industry (NBCI) and c) Federal Mortgage Bank of Nigeria (FMBN).

By the 80s, CBN was faced with challenges which was caused by Nigerian economic crisis and the oil price shock. However, it played a crucial role in the implementation of Structural Adjustment Programme in 1986, which persuaded Nigerians to adopt economic restructuring to facilitate liberalisation in the financial sector, deregulations of exchange and interest rates and critical banking sector reforms

4.4 Reforms and Modernisation (1990s–2000s)

From 1990s to 2000, the CBN had two major reforms titled CBN Act of 1991 and the Banks and Other Financial Institutions Act (BOFIA) 1991. The former under Decree 24 was a legislation that granted more autonomy to banks. The major provisions of the Act were that the governor should be reporting to the President directly, the monetary policy was streamlined, the reform also strengthened the ability of CBN to supervise the general financial system by following the late 1980s deregulation policy. The latter, BOFI Act was geared towards regulating the activities of banks and other financial institutions as well as other general matters. It emphasised the functions of the CBN on issuing licenses to banks and other financial institutions as well as undertaking other miscellaneous matters.

4.5 Banking Consolidation (2004 – 2005)

Another landmark improvement undertaken by CBN in the Nigerian banking industry was carried out under the auspices of Governor Charles Soludo’s historic banking reforms. This positive gesture was focussed on the major area that are geared towards increasing the confidence of the people in the banking sector. The reform and the corresponding implications involved the following salient points: 1) the increment of the minimum bank capital from ₦2 billion to ₦25 billion, 2) by implication, it led to mergers of different banks thereby reducing the number of banks from the initial 89 to 25 banks in the country because the required deposit was very difficult to come by, 3) with the huge deposits, the Nigerian banks became more stable, reliable and globally competitive which attracts the confidence of the populace.

4.6 The Post Global Financial Crisis Reforms (2008)

The global financial crisis of 2008 necessitated the financial reform of 2009 which was led by Governor Sanusi Lamido Sanusi. The palliative reforms addressed the following salient issues: 1) rescue of the distressed banks. Here the CBN bailed out some banks who found it difficult to survive the global financial crisis, 2) the CBN absorbed toxic assets through the establishment of the Asset Management

Corporation of Nigeria (AMCON) and 3) it strengthened banking supervision and corporate governance in the country. Worthy to note also is that Sanusi’s reforms earned him several international awards.

4.7 The 2010s to Early 2020s

At these periods, the CBN became more interventionist than what it used to be in the preceding era. This was evident in the innovations and reforms brought out by the institution. Such reforms included: 1) In the first place, it developed and launched a multiple development-finance programmes in the areas of agriculture, manufacturing, SMEs, 2) the CBN introduced forex control as oil revenues fell and managed exchange-rate pressures, 3) it introduced the Cashless Policy to reduce cash usage in the economy and 4) it also rolled out the Bank Verification Number (BVN) to combat fraud in the economy. In 2021, the CBN launched Nigeria’s first Digital Currency, the eNaira, which served as the first national CBDC in Africa.

4.8 Recent Developments

Considering the fact that the only constant thing in life is change, the CBN still have undertaken efforts towards improving the banking sector, these recent developments involved: 1) strengthening transparency in the banking industry, 2) stabilization of monetary policy, that is making the existing financial policies to be stable and observed, 3) management of exchange-rate volatility and control of inflation in the economy, 4) reassessment of development-finance interventions and 5) modernisation and financial technology regulation of the banking-sector

Table 1: The CBN Governors, Years of Administration and their Major Reforms

S/N	Major Reforms	Year	Governors
1	Establishment of CBN	1958	Roy Pentelow Fenton
2	Industrialisation for Economic Growth	1963	Aliyu Mai-Bornu
3	Exchange Rate Reform	1967	Clement Nyong Isong
4	Curbing of Inflation for Economic Growth	1975	Adamu Ciroma
5	Establishment of NDIC	1977	Ola Vincent
6	Promotion of Economic Diversification	1982	Abdulkadir Ahmed
7	Deregulation of interest rate and Exchange	1993	Paul Agbai Ogwuma
8	Regulatory Framework of Financial Sector	1999	Joseph Oladele Sanusi
9	Consolidation and Recapitalisation Policy	2004	Charles Soludo
10	Transparency for Financial Stability	2009	Lamido Sanusi
11	Multiple Exchange Regime	2014	Godwin Emefiele
12	Implementation of reforms and Policies	2023	Yemi Cardoso

Source: Compiles from the CBN Report (2024)

The table one above unveiled the governors of the CBN and their major administrative reforms from 1958, when CBN was established till 2023 which is still ongoing. Decipherable from the table is that we have had 12 leaders with the descriptions of their major reforms for the progress of the financial system.

5. History of Nigerian Currency Minting and Printing

Sequel to the monetisation of Nigerian economy by the Colonial Masters with the introduction of legal tender, the Nigeria currency has experienced a chequered history (Ake, 1981). To begin with, before the advent of the Colonial Overlords, varied items were used as means of exchange by different cultures. Such materials among others involved beads, cowries, manilas, and salt. Following the Colonial Ordinance of 1880, Pence and Shillings were the first legal tender currency issued in British West Africa. The Bank of England managed the following units of coins: one shilling, one penny, 1/2 penny and 1/10 penny and they were distributed by the Bank for British West Africa until 1912.

Subsequently, the first set of banknotes were issued in Nigeria by the West African Currency Board (WACB) from 1912 to 1959. At this stage, the highest denomination of coins was one-shilling while one pound was the highest denomination of banknotes. More so, the Central Bank of Nigeria (CBN), On the July 1st 1959 issued Nigerian currency banknotes following the withdrawal of the WACB-issued banknotes and coins. By July 1st 1962, the currency was changed to reflect the Nigerian republican status by changing the original inscription on top of the notes, 'FEDERATION OF NIGERIA' to 'FEDERAL REPUBLIC OF NIGERIA'. Following the misuse of the currency banknotes during the civil war, the notes were changed in 1968 to correct the anomalies. By January 1973, the government of Nigeria decided to change from metric to decimal, as a result, the name of the Nigerian currency was changed in the following directions: The major unit of the currency, which was £1 ceased to exist and the one naira became the major unit. the minor unit was known as the kobo and one hundred kobo was equals to one naira. The notes however have the following denominations: Fifty Kobo (50k), One Naira (₦1), Five Naira (₦5) and Ten Naira (₦10), whereas the coins recorded thus: Half Kobo (1/2k), One Kobo (1K), Five Kobo (5k), Ten Kobo (10k) and Twenty Kobo (20k).

Furthermore, in her bid to counteract the challenges of economic growth, the preference for cash transactions and the need for convenience business transactions, the CBN on the February 11th 1977, issued a new banknote with a value of Twenty Naira (₦20). This became the highest denomination at the time, which had the portrait of a prominent Nigerian citizen, the late Head of State, General Murtala Ramat Muhammed (1938-1976). On July 2nd 1979, three denominations of new currency banknotes, such as One Naira (₦1), Five Naira (₦5) and Ten Naira (₦10) were issued. In response to the prevailing increase in the currency trafficking prevalent at the material time, in April 1984 the colours of all the banknotes in circulation, except 50 Kobo banknotes were changed. Also, in 1991, the 50 Kobo and ₦1 notes were replaced with coins for the same purpose of curbing currency trafficking.

In another development, One-Hundred Naira (₦100), Two-Hundred Naira (₦200), Five-Hundred Naira (₦500) and One Thousand Naira (₦1000) banknotes were introduced in December 1999, November 2000, April 2001 and October 2005 respectively. for the expansion in

economic activities and to facilitate an efficient payments system. As part of the economic reforms in February 28th 2007, Twenty Naira (₦20) was issued for the first time in polymer substrate, whereas the Five Naira (₦5), Ten Naira (₦10) and Fifty Naira (₦50) banknotes; as well as One Naira (₦1) and Fifty Kobo (50K) coins were re-designs, and the ₦2 coin was issued. Following the successful performance of the Twenty Naira (₦20) (polymer) banknotes, the redesigned Five Naira (₦5), Ten Naira (₦10) and Fifty Naira (₦50) banknotes were converted to polymer on September 30th 2009.

As part of her celebration of the nation's 50th anniversary of Nigeria's Independence, and 100 years of her existence as a sovereign nation, The CBN, introduced the Fifty Naira (₦50) polymer banknote for commemoration on the 29th September 2010; and the One Hundred (₦100) commemorative banknote on 19th December 2014 respectively. In November 2022, the colours of the higher denomination banknotes Two Hundred (₦200), Five Hundred Naira (₦500) and One Thousand Naira (₦1000) were changed to curb hoarding, shortage of clean/fit banknotes, and counterfeiting activities. Unfortunately, this policy recorded enormous failure after subjecting the Nigerian citizens to untold hardship. The failure among others culminated to the use of two different currency colours in Nigeria today.

Table 2: Denominations of Nigerian Currencies and their Years of Creation

S/N	Denominations	Years
1	Pence and Shillings	1880
2	Nigerian Currency Banknotes	1959
3	Naira and Kobo in the following denominations: Notes 50k, ₦1, ₦5, ₦10), Coins, 1/2k, 1, 5k, 10k and 20k	1973
4	Twenty Naira Note (₦20)	1977
5	(₦1), Five Naira (₦5) and Ten Naira (₦10)	1979
6	The 50 Kobo and ₦1 notes were replaced with coins	1991
7	One-Hundred Naira (₦100),	1999
8	Two-Hundred Naira (₦200)	2000
9	Five-Hundred Naira (₦500)	2001
10	One Thousand Naira (₦1000) banknotes	2005
11	₦20 was issued in polymer, ₦5, ₦10 and ₦50 banknotes; as well as ₦1, ₦2 and 50K coins were re-designed	2007
12	The redesigned ₦5, ₦10) and ₦50) banknotes were converted to polymer	2009
13	Commemorative #50 polymer banknote	2010
14	Commemorative #100 banknote	2022
15	Change of the colours of ₦200, ₦500 and ₦1000	2022

Source: Adapted from the CBN Report (2023)

The table 2 above demonstrated the trends of money creation otherwise known as minting and printing of currency in the country. Observable from the table is that there were constant review and reproduction of the currency because of different security reasons that ranged from counterfeiting to portability and durability.

6. Cashless Policy and Economic Growth in Nigeria

The onus of this segment of the paper is to assess the impact of the cashless policy on economic growth in Nigeria. To begin with, the Nigerian cashless policy is a government initiative aimed at among others, promoting digital payments and stimulating socio-economic growth, increase financial inclusion, reduce corruption and money laundering, as well as improve the efficiency of the financial system. Conditionally, the policy requires that individuals and businesses shall carry out transactions above a certain threshold through electronic means, such as mobile money, Point of Sale (POS) terminals and online banking. The Central Bank of Nigeria (CBN), as the regulatory body that is responsible for implementing the policy, provided guidelines for compliance, such as setting the limit for cash transactions and providing incentives for digital payments. It has also introduced several measures to encourage the use of the digital payments, such gestures involve partnering with mobile network operators to increase the reach of mobile money services and reducing the fees for electronic transactions (Cobb, 2015).

In order to unravel the impact of cashless policy on economic growth in Nigeria, Cobb (2015: p. 12) traced the factors that necessitated the introduction of legal tender to Nigerian financial system thus: ...before the advent of the cashless policy, different payment systems were utilised in buying goods and services, ranging from the trade-by-barter method of payment. The barter system of transaction has necessitated the introduction of legal tender to solve the challenges of coincidence of wants and the indivisibility of commodities faced by barter system of transaction. Therefore, the use of minted and printed money was introduced to remedy the various problems faced by trade-by-barter method of transaction. In a similar vein, electronic payments were introduced to solve the economic challenges associated with the physical cash transactions in the economy. For Austin (2016), the Nigerian banks have found out that if they fail to embrace the Information Technology (IT), that has redefined the creation of value and worth for their customers, which is one of the innovations of the cashless policy, they will soon go out of corporate existence.

Therefore, promotion of the networks needed to implement a cashless policy is essential for the Nigerian economy. This system includes web banking, mobile banking, ATMs, and Points of Sale (POS). (Ikpefan et al., 2018). Afaha (2019) observed that the goal of low cash transactions among Nigeria's banking population may not be achieved because the ATM operation encourages the possession of more cash. It also propounded that the actual GDP growth in Nigeria is boosted by POS by 17%. In general, the use of electronic banking technologies has a big impact on actual economic growth. Buttressing further, Austin (2022) insisted that the cashless policy in Nigeria has brought about a new era of development, where the demands and the uses of physical cash were gradually dwindling, this is so because the increase in the knowledge of IT has made banking services more automated than paper-reliant. In corroboration, Muhammed (2022) averred that the evolution of information technology in the financial institutions of Nigeria has posed good questions to the present financial logistics,

economic status, and the availability of tools to ensure economic growth and stability in this period of cashless policy, for it was targeting the curbing of some of the negative implications of physical cash utilisation in the economy, the high cost of printing and minting cash, high risk in the usage of the cash, high subsidy on cash production, risk of armed robbery, inefficiency of the personnel as well as the corrupt practices in the system. More so, CBN (2023) intoned that apart from the conveniences and safety cashless policy provides, it has other economic benefits that contributed largely to the economic development of the country. For instance, automated payments help in increasing funds for commercial loans, which is a driver of all economic development.

In another development, Klee (2023) contended that cash has to be minted, counted, transported, kept secure and maintained to be used and re-use. Disappointedly, the payment cost is high, whereas the cost of electronic systems is fixed. Therefore, when cardholders use their cards at the POS, they are helping to preserve the money in the bank. Other aspects of the functions of the cashless policy are realised through the e-brokering, e-finance, e-money and exchanges. Finally, he maintained that the adoption of a cashless policy in Nigeria represented an effort to modernise the economy of the country, enhance financial security, expand the coast of employment opportunities for POS operators, and increase bank reserves for the availability of cash for bank loans to stimulate the economy and promote inclusive economic growth. However, the implementation of this policy has raised concerns regarding its impact on critical economic variables, such as employment generation and financial security. In addition, Swartz (2023) suggest that the increased use of a cashless payment system has led to the predictions of a cashless society. The cashless transaction policy according to Gbanador (2023) has a huge influence on economic growth, through the use of e- payment systems, which will facilitate Nigeria's implementation of a cashless society.

7. The Positive Impacts of Cashless Policy on the Economic Growth of Nigeria

This segment of the paper explains the positive impacts of cashless policy on the economic growth of Nigeria. They include among others the following impacts: 1) an increased efficiency in the financial system, 2) enhancement of revenue for government through tax collection, 3) reduction of corrupt practices and cash-related crimes, 4) financial innovation and growth of the digital economy and greater financial inclusion. For clarity sake, the listed points are explained below.

7.1 Increased Efficiency in the Financial System

One of the positive impacts of the cashless policy in Nigeria is the reduction of the amount of physical cash that needs to be counted, secured, stored and transported from place to place in the country. This development has enhanced the following improvements: 1) faster transactions of business within the economy, 2) lower banking and transaction costs because of the fact that the internet has made the world to be a global village, 3) improvement of payment convenience, where one can pay for any type of financial transactions at his comfort zone, 4) most importantly, a better integration of Nigeria into global digital financial systems. In all, the cashless policy helps to boost productivity and overall economic efficiency in Nigeria.

7.2 Enhanced Revenue for Government through Tax Collection

Another landmark and positive impact of cashless policy in Nigeria is an improvement in the government revenue. The electronic transactions left digital footprints, thereby making it difficult to hide income or evade taxes. This among others improves the government revenue generation because the taxes are directly paid through the digital means, the gesture also enhanced fiscal stability in the economy as well as maintained the ability to fund infrastructure and social services in the country. This is so because more government revenue contributes directly to economic development of the country.

7.3 Reduction of Corrupt Practice and Cash-Related Crimes

Cashless policy reduced corruptions and cash-related crimes because with fewer cash transactions in the economy, the high propensity of robbery, counterfeiting, and cash-theft risks dropped to the barest minimum. Moreso, the act of money laundering becomes harder because of the surveillance of the computers, most importantly, transparency increases in both public and private sectors are activated as a result of the accuracy of digital accounting. Worthy of note also is that a more transparent financial environment improves investor confidence and economic growth in a country.

7.4 Financial Innovation and Growth of the Digital Economy

The policy also encourages innovation in the financial sector specifically in the following areas: fintech, which is technological revolution in the financial industry. It manifested in 1) mobile banking, which facilitated financial transaction through electronic gadgets such as hand set and its equivalent, 2) e-commerce, where business transactions can be performed through the internet, 3) Point of Sale (POS), which encourages transaction using ATM cards and 4) and finally by creating digital payment platforms for the people. In another development, it created new industries which made jobs available to the teeming population of youths. By extension, the growing nature digital economy boosts the GDP Nigeria and helps in the diversification of revenue sources in the country.

7.5 Greater Financial Inclusion

The cashless policy makes it easier for people in rural communities to access financial services through the usage of the following gadgets: 1) Mobile banking, this is a process of making business transactions at the comfort zones of the parties, 2) Agent banking, this allows intermediaries in the process of banking and 3) POS terminals, which implies the creation of avenues where banking can take place other than the banking hall. By implications, when more citizens enter the formal financial system, savings increase, credit becomes more accessible, and small businesses (SMEs) expand, all of which drive economic growth in the country.

8. Challenges to Cashless Policy in Nigeria

The cashless policy in Nigeria has some fundamental challenges that served as an impediment to its success. These challenges involved among others: 1) Poor infrastructure (network failures and power issues), 2) Cybersecurity risks and fraud, 3) Limited financial literacy, 4) High cost of electronic transactions and 5) Cultural preferences for cash. For clearer understanding, the points above are expatiated below:

a) Poor Infrastructure (Network Failures & Power Issues)

In spite of the progress recorded in Nigerian financial sector as a result of cashless policy, Nigeria is still struggling with unreliable internet connectivity. There is no way we can successfully transact business

without network but this has been a serious issue in the efforts to launch the country into cashless economy. This is observed as frequent network downtime in banks and POS terminals, which disrupts transactions. In addition to the instability of network connectivity is an unstable electric supply. Obviously, power supply in Nigeria is always epileptic. In some areas, they may be having light once in a week while some do not have at all. Or they may be seeing light only in the night. These interruptions make electronic payments slow or impossible, discouraging people from relying on cashless methods.

b) Cybersecurity Risks and Fraud

As the idea of digital transactions grows, so do the risks involved in such adventures increase: These risks included 1) Online fraud, where some unscrupulous individuals extort money from people through the internet business, 2) ATM/POS scams some people also engage in unrealistic ATM/POS transaction, thereby swindling some money from their assumed prey. 3) Phishing attacks is another strong challenge under the cybersecurity risks and fraud. This is situation unsolicited platforms are sent to people with intentions to defraud the person. Unauthorized electronic transfers are other engagements that were paved ways for by the principles and practice of cashless policy. As a result, many Nigerians distrust digital platforms because of these security concerns.

c) Limited Financial Literacy

A large portion of the population, especially in rural areas lacks knowledge about 1) how digital payments work, those digital payments have codes that allow it to function therefore, if one fails to operate it the way it should be the transaction will not work 2) how to protect their accounts, knowledge of how to protect ones account is the sine quo non in digital transaction but many are ignorant of it, which warrants loss of money in the process and 3) how to use mobile banking or internet banking. Another strong literacy needed for cashless policy to thrive is the usage of internet for mobile banking. This literacy need slows down adoption of cashless channels. This is so because one can believe and or practice what one knows about

d) High Cost of Electronic Transactions

Based on the maxim that nothing is free even in Freetown, some digital payment methods come with fees such as transfer charges, where the parties in the business transaction pay some amount of money as service charges. Another factor that discourages users in the implementation of cashless policy is POS deposit and withdrawal fees, which some users interpret as being so exploitative. SMS alert charges contributed to the cost of the transactions. In as much as the report of your transactions are given to you through SMS alerts, the payments are inevitable. For low-income users, these costs discourage full participation in the cashless system.

e) Cultural Preferences for Cash

Nigeria is historically a cash-based society hence, in spite of the efforts to migrate to cashless system people still prefer physical cash for the following reasons: 1) small purchases such as transactions below #5,000.00, 2) Informal market transactions and 3) Direct cash handling for trust and convenience. This cultural attachment to cash slows the success of the cashless policy in Nigeria.

9. Conclusion and Recommendations

Cashless policy as an initiative of the CBN has experienced many pros and cons in the annals of the country, by extension, it has some positive impacts on economic growth in Nigeria, which ranges from increased

efficiency in business transaction, through reduction of high risk of corrupt practiced to the enhancement of revenue generation to the government. The policy, as a means of encouraging seamless and easy transaction in the economy has not been challenge-free. This is so because it has been encountering a lot of problems which include: poor infrastructure (Network failures & power issues), cybersecurity risk and fraud, limited financial literacy, high cost of transaction and cultural preference for cash. In order to counteract the impediments to actualising the benefits accruing from the cashless policy of the CBN, this paper recommended the following:

- a) Provision of a reliable infrastructure: the cashless policy can only thrive effectively through internet connectivity, which is solely dependent on the availability of power supply and constant network but that has been the challenges in the implementation of cashless policy in the country, hence, the paper suggested that the CBN through the assistance of the government should endeavour to make the infrastructure available and reliable in the country for effective utilisation of the cashless policy in the country.
- b) Fortification of internet security strategies: another debilitating matter impeding the implementation of the cashless policy was the prevalent insecurity in the cyber space, where people encounter all sorts of loss as a result of cybersecurity risks.
- c) Financial literacy campaign: ignorance of the operation of cashless policy is a serious challenge to the success of the policy in the country, as a result, it is of paramountcy to extend the knowledge of the financial system to the people especially in the rural areas and
- d) Reduction of transaction charges: transaction charges are also part of the discouragements some people have in utilizing the cashless policy. In order to solve this problem, we suggest reduction of the charges to attract more patronage from the masses.

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