
Ayodeji Bamidele Owoeye (PhD)
Royal Agricultural University, Stroud Rd, Cirencester GL7 6JS

ABSTRACT

The reform of the financial sector is a critical component for the process of economic growth and development. These views are abundantly emphasised in empirical literatures that relate financial sector expansion to economic growth. Recognising this fact, Nigerian economic managers have focussed on the banking sector as a route to impact economic policy changes and policy shifts. The most recent of these financial sectors economic policy was the formal introduction of cashless financial policy in January 2012.

The advantages and disadvantages of the cashless policy with the Naira redesign strategy on financial performance and the Nigerian macroeconomy were analysed in this research. This research study employed a systematic literature review (SLR) to examine this. A SLR was performed using a sample of 100 research articles chosen from a pool of 400 papers obtained from Scopus, Web of Science, Google Scholar, ABS journals and, among other sources.

As a result, the cashless policy provides enormous advantages to the financial industry. It was suggested that sufficient infrastructural and legal framework should be enhanced to assist in facilitating the effective implementation of the policy.

Keywords: Cashless Policy, Naira Redesign Policy, Banking Industry, Financial Performance, Macroeconomy

1 Introduction

The Apex Bank in Nigeria, Central Bank of Nigeria (CBN) has implemented various changes to strengthen the Nigerian banking system. These policy changes were intended to propel the economy ahead and put Nigeria in line with global trends. This study will investigate the influence of the CBN’s cash-less policy and Naira redesign on Nigeria’s economic and banking reform initiatives aimed at improving financial performance. This paper will also critically assess the socioeconomic repercussions of the cashless policy and currency redesign on the Nigerian economy’s financial performance.

The introduction of cashless policies, which emphasized a financial system where the use of coins or banknotes are restricted and the Apex Bank, CBN started a pilot scheme in Lagos in 2012. The focus of the policy was to increase the scope of economic activities within the Nigerian financial system thus contributing to the financial robustness of the Nigerian economy. In addition to the above, the policy levied cash handling fee on daily cash withdrawals in excess of N500,000.00 for individuals and N3m for corporate entities, among other things. The goal of the strategy was to reduce the amount of physical currency (coins and notes) in circulation while encouraging more electronic-based transactions for goods, services, transfers, and other purposes.

The newly introduced cash-less policy was established due to a variety of reasons, which are: i. fostering the expansion and modernization of our payment system in keeping with Nigeria’s Vision 2020 goal of becoming one of the top 20 economies by 2020. Economic progress is intrinsically tied to an efficient and contemporary payment system, which serves as a fundamental enabler of economic growth and financial independence. ii. Provide more efficient transaction choices as well as a larger reach in order to reduce the cost of banking services (particularly credit charges) and promote financial inclusion. iii. To increase monetary policy’s efficacy in regulating inflation and fostering economic development.

Furthermore, cash-less policy focus to alleviate a significant part of the negative impact of extensive usage of physical currency in the economy, such as: high cash costs. Cash has a high cost across the value chain particularly in an emerging economy like Nigeria, from the Apex Bank (CBN) to various financial institutions, to companies and
merchants; Nigerians faces the high cost for cash handling, the high danger of paying with cash, and holding currency supports robberies and other cash-related crimes. In the event of a fire or flood, it might potentially result in financial damage.

The Cash-less policy was implemented in other parts of Nigeria on July 1, 2014, and it only applies to transactions in Nigeria currency called Naira. Foreign currencies are excluded. Microfinance banks and PMIs are excluded from the policy, as are Foreign missions, Ministries, Departments, and Agencies (MDAs) and Multilateral and Aid Donor Agencies in Nigeria.

The policy was expected to bring the following advantages: enhanced convenience and simplicity of payment for goods and services, lower risk of cash-related crime, lower banking service costs and easier credit availability, as well as increased economic development, tax collection, and financial inclusion. With the evolution of Information and Communication Technology (ICT), cashless banking has become both practical and relevant on a global scale.

The advent of cashless policy in an emerging economy like Nigeria has resulted in a change in banking practises of the government, organisations, and people. Furthermore, the cashless policy also presented several obstacles to all parties.

The economy's managers emphasised that cashless and Naira redesign policies are required triggers for successful monetary policy.

Monetary policy is the process through which a country’s monetary authority, generally the central bank or currency board, manages either the cost of very short-term borrowing or the monetary base, frequently with the purpose of establishing price stability and public faith in the currency. The manager of the economy focusses on the monetary policy to forestall financial stability within the economy.

The apex bank, CBN, has used monetary policy to impact growth of money supply in accordance with the needed aggregate GDP growth rate, maintain financial stability, a stable and competitive naira exchange rate, and positive real interest rates.

Ajayi & Ojo, (2006) paper emphasised that in order to promote economic growth, a country should foster a payment system that is secure, appropriate, and reasonable. According to the Apex bank's Central Banks, Banking and Payment System Department (2015), it argued Nigeria has lagged behind several industrialised nations in the adoption of e-payment system, including Denmark, Norway, Sweden, the United Kingdom, the United States, France, Switzerland, the Philippines, and others.

In any economy, the payments system is the funnel via which financial resources travel from one sector to another. As a result, it is the primary pillar of the contemporary market economy. In essence, the payments system has three key roles: monetary policy, financial stability, and general economic stability (CBN, 2015). To boost the efficiency of the Nigeria payment system even further, the apex bank CBN released extensive recommendations on electronic banking in 2004. The recommendations aim to bring Nigeria in line with global trends.

Since time immemorial, the Nigerian economy has undergone numerous advancements as a result of various economic policies. Before 1986, a medium-term "Development Plan" was designed. The development frameworks aimed at economic transformation was prepared. The First National Development Plan (NDP) of 1962-1968, for example, was developed with the purpose of accelerating the economy. This development plan reintroduced critical agricultural objectives while focusing on the economy's industrial sectors.

The diversion (Nigerian Civil War) truncated economic activity and progress during the war which generated an urgent need for additional quick economic recovery measures targeted at mending and reconciling the economy. This birthed the second National Development plan from 1970 to 1974.

This new plan was suggested largely for the reconstruction and repair of infrastructure developments destroyed during the civil war. In reaction to the aftermath of this internal armed conflict, the government dedicated resources to the restoration and rehabilitation of the country's economic infrastructures, further aimed at improving Nigerian's social-economic growth, particularly the underprivileged.

After the Second National Development plan implementation, the Nigeria Government launched a national strategy in 1972 based on the nationalism or "Nigerianism" economic model. This policy was famously called Indigenization Decrees (1972 & 1974), often known as the "Nigerianism" Decrees. The core focus was to make Nigerians first in its interaction with other countries.

Following that period, another economic initiatives was birthed and was called the Third National Development Plan (1975-1980) and President Shagari's "Ghana Must Go" policy which was introduced in 1983.

From the above, it is a clear evidence of many economic policies introduced in Nigeria. The country has consistently proposed numerous economic strategies, notably the latest "Naira Redesigned Policy (Revised Cash Withdrawal Limits)" of the Apex Bank of Nigeria, Central Bank of Nigeria (CBN).
In light of the foregoing, the Central Bank of Nigeria (CBN) introduced the naira redesign policy (Revised Cash Withdrawal Limits) in October 2022, with the goal of combating terrorism financing, counterfeiting, and fiscal imbalances, and allowing the apex bank to take control of the currency in circulation.

As a result of the currency redesign, the CBN also set the maximum cash withdrawal limit via ATMs and point of sale, PoS agents at N20,000 per day for individuals subject to N100,000 per week, instructing commercial banks to load only N200 and lower denominations into ATMs. Individuals and business entities made weekly over-the-counter cash withdrawals of N100,000 and N500,000, respectively. The aforementioned events produced economic challenges in the Nigerian economy.

The mutually dependent currency redesign and altered cash withdrawal policy seek to transition the country to a fully cashless economy by January 9, 2023. Despite the policy’s major aims, it remains a contentious issue in the country even weeks after it was implemented. The new notes are inadequate, and there is a scarcity of currency, sparking discussion over the policy’s ostensible benefits.

Long lines at ATM terminals at banks have become the norm. Agent bankers or point-of-sale merchants, who are one of the primary avenues for delivering the new notes to the public, demand high fees. As a result, to avoid utilising the route, Nigerians throng ATMs, the only viable avenue to obtain the fresh notes, in order to meet the tight deadline. Despite the Central Bank of Nigeria’s governor, Godwin Emefiele, issuing a ten-day extension to the deadline for Nigerians to say goodbye to the present currency notes in circulation, the cash crisis remains.

Many Nigerians, including myself, assumed that delaying the deadline from January 31 to February 10 would simplify the transition to a cashless economy and allow for widespread circulation of the new notes, but the opposite is true.

Every day, the situation deteriorates. While the central bank maintains that it provides more than enough banknotes to deposit money banks on a daily basis and has permitted over-the-counter payment of the new notes in order to salvage the situation, banks report that the new notes are not yet ready for distribution.

Nigerians queue for long periods of time at ATMs, hoping to obtain the new notes but having little or no success in accessing cash to meet their daily expenses because the machines are only loaded with a limited amount of the new banknotes and customers can only withdraw a certain amount from the cash machines.

This incites resentment in individuals, some of whom, according to social media recordings, have vandalised bank property or stripped to their knickers in banking halls during business hours.

In response to Nigerians' hardship, President Muhammadu Buhari promised significant changes by the new February 10 deadline. However, the beneficial effects of the President's commitment to resolve the cash crisis have yet to be realised across the country, and the Supreme Court has stopped the deadline for the collection of old naira notes.

The extension and suspension would have been unnecessary if such a beneficial policy had not been based on a hurried implementation method or without causing misery to Nigerians.

Despite the fact that the CBN supposedly created billions of new naira notes and stated several avenues for distribution of the new notes, the transition to their use is bringing unimaginable pain to Nigerians. This is meant to be the first step towards a cashless economy, but the reality on the ground indicates that we are not yet prepared. There are cries from all directions.

This paper further discusses the possibilities of the new CBN cashless Policy, as well as its benefits and drawbacks in light of the country's current socioeconomic reality.

This paper is structured into the following sections: Part 2 gave the theoretical approach, and part 3 presented literature review to answer the study questions. Part 4 introduced the study methodology part. Part 5 contains the critical remarks, while Part 6 contains the paper’s conclusion and implications.

2 Theoretical Framework

The study will be grounded on the Bank Focused Theory. Furthermore, two additional pertinent ideas are discussed. The Bank Focused Theory focusses on the branchless banking philosophy. Because of the notion of electronic payment anchored on branchless banking, it is employed here.

Bank Focused Theory

Kapoor (2010) proposed this idea, which focussed on banks using non-traditional yet typical low-cost delivery methods to provide services to their many consumers. Such channels include the following such as: Automated teller machines (ATMs), Internet banking, and Point of Sale (POS). By utilising these channels, the banks
are able to provide numerous services to their customers in many locations at the same time. Once the clients provide their necessary information into the banking systems, the transactions are consummated. This approach adds credibility to this study because the emphasis here is on electronic platforms as a means of delivering services.

**Bank-Led Theory**

Lyman et al (2006) focussed on a banking theory which emphasized a branchless banking principle. The theoretical perspective emphasised the role of an agent who has the responsibilities to act as a middle party between banks and clients. Under the circumstance, the agents relate directly with the bank customers and play the role of the bank by either cash payment or deposit collection (Owens, 2006). Finally, this agent is intended to electronically transmit to the bank he is representing all of his transactions with the customers of the bank (through phones, internet, etc.).

**Non-Bank-Led Theory**

This theory was offered by Hogan (1991). According to his postulation, the customers do not interact with banks and do not have bank accounts. The banks customers only deal with a non-bank entity, such as a mobile network provider or prepaid card issuer, to exchange cash for an e-money account. The e-money account of the customers is then saved on the server of the non-bank agency. This is the riskiest platform among electronic payment systems since there is no present regulatory framework on which these e-agents operate.

**3 Empirical Studies**

Ewa and Inah (2016) paper critically evaluated the implementation of cashless policy. A robust questionnaire was used to capture the feelings of the participants. The authors used simple percentages and relative important index to critically analyse the data. The study's findings indicate that the policy objectives impact on the economy performance were only partially met. The study also finds that more effort should be put into infrastructures in power and telecommunications, as well as the necessity to raise awareness in order to encourage the citizens to actively engage with the banking industry and banking culture.

Umanhonlen et al (2015) assessed and examined the economic impact of electronic banking and cashless society in Nigeria. The study investigates several elements of electronic banking and cashless economy by focusing on the Nigerian banking industry. In particular, the paper articulates the empirical perspectives that emphasise the different ways in which the policy measures have direct ties which benefits the economy and as well as how to restore the soundness, sustainability, and marketing policy that supports economic growth. According to the paper, all hands must be on deck for a sustainable cashless society to emerge; banks should de-emphasize all odds and prioritise the efficiency of electronic-banking procedures.

In their study, Osazevbaru et al (2014) investigated the influence of cashless policy on the Nigerian banks profitability. The paper argued that despite the fact that the financial institutions in cash-based economy are synonymous with big profits margins despite the accompanying high cost of operations. Will banks still earn as much money in a cashless society as they did before? This paper empirically investigated this. It focussed on the used secondary data and analysed the data using content analysis to perform a comparative investigation of the impact of cashless policy on financial institutions profitability before and after the policies. The findings demonstrated that a cashless economic strategy has a favourable impact on financial institution's profit margins despite the high cost of banking operations.

In their study, Taiwo et al (2017) paper critically evaluated the execution of the cashless policy. This paper examined cashless policy since it was introduced in Nigeria in 2012 as well as the ongoing hurdles to its implementation. This paper empirically investigated this with the use of primary data. A robust questionnaire was used to gather the data. This was randomly distributed to over 200 respondents from First Bank, Zenith Bank, and United Bank for Africa.

The banks were selected due to asset based, relevant information obtained from the CBN's and these institutions' efforts to execute the cashless policy since inception. Descriptive data analysis was done and one-sample t-test were conducted. Based on the findings, the paper concluded that, conducting cashless policy in the Nigerian economy, would have the better outcomes only if significant efforts are made to guarantee the effective implementation of the cashless system.

Princewell (2013) investigated the impact of changes in economic policies with a focus on the Nigerian payment systems. The paper used the Nigeria's transition from a cash-based economy to a cashless one as a test for
investigation. The paper used a robust questionnaire to capture the opinions of businessmen, university students, and public workers. According to the findings, the majority of stakeholders favoured the policy. They endorsed the strategy primarily because of its ability to reduce cash-related criminal activities such as robberies, corruption, and other fraudulent practices, among other things. Furthermore, some stakeholders opposed to the policy moved cited payment fraud connected with the cashless economy, as well as Nigeria’s high incidence of illiteracy and infrastructure depreciation.

Okoye and Ezejiofor (2013) studied the primary advantages and disadvantages of cashless policy as well as the level to which it may enhance the country’s financial stability. Two research hypotheses were created in accordance with the study’s objectives. The descriptive research approach was employed. The convenience sampling method was used. The structured questionnaire was the major data collection tool. The collected data was subjected to a face validity test, and the hypotheses were evaluated using ANOVA and the chi-square method. According to the data, the majority of Nigerians are aware of the policy and the majority feel that it would help fight corruption, money laundering and reduce the risk of carrying cash. Two key challenges that are predicted to hinder policy implementation are cyber fraud and illiteracy.

Ajayi (2014) paper examined the economic impact of cashless monetary policy on the Nigerian banking industry. Taro Yemane’s sample size formula was used to pick 370 sample sizes among 5000 Guaranty Trust Bank (GTBank) employees. The research was conducted in Ekiti State, South West of Nigeria, with over 365 questionnaires distributed to bank employees. Out of the questionnaire sent, 350 (or 95%) of the total number of questionnaires issued were returned. The acquired data were analysed using descriptive analysis. Furthermore, Chi-square was employed for the non-parametric statistical test to assess the proposed hypothesis. The study's findings revealed that there are substantial reasons and benefits to the effective implementation of a cashless policy. This finding also demonstrated that the policy should have a favourable impact on the financial institutions development, as it simplifies bank operations and lowers queues and reduce congestion in the banking hall, among other things.

Omotunde et al (2013) studied the economic impact of Nigeria’s cashless policy. The questionnaire was used as the data gathering instrument in survey research. The findings of the paper emphasized that a cashless policy will increase employment opportunities, minimise cash-related robberies, lowering the risk of carrying cash; and reduce cash-related criminal activities, corruption, attracting more foreign investment to the Nigerian economy. The paper concludes that the effective implementation of a cashless economy in Nigeria is the right economic policy to put Nigeria in the right stands globally. It is expected that its impact would be evident in the modernization of Nigeria’s payment system, the lowering of financial service costs, the reduction of high security and safety issues, and the eradication of banking-related corruption.

Ezuwore-Obodoekwe et al (2014) paper critically examined the cashless banking policy in Nigeria. This paper investigated the cashless policy and used questionnaire to obtain qualitative data. They found out that cashless policy implementation in Nigeria has impacted on the cash deposits, cash withdrawals, improvement of banking services, fast data processing and information, improved customers satisfaction, better service delivery, blockage of revenue losses and reduction of cash handling charges.

Odior and Banuso (2013) paper used the aggregated method to investigate the effects of cashless banking in order to expose the potential issues and opportunities of the cashless policy on the Nigerian economy. The paper obtained descriptive data and this was used to critically investigated the success of the CBN’s cash-free programme in Nigeria. The findings indicated that effective cashless policy has the potential to increase trade and commercial activities since the rate of cash circulation (the pace at which money changes hands) will increase significantly in the long term.

Having examined the empirical literatures above, there are non-existence of articles that focussed on the new CBN Policy cashless and naira redesign policy, as well as its benefits and drawbacks in light of the country’s current socioeconomic reality. The next section will examine the methodology for this research.

4 Research Methodology

A systematic literature review (SLR) was adopted in this paper. The SLR identifies, chooses, and evaluates research to address a specific question. The systematic review should conform to a well-stated approach or plan before conducting the review, with the criteria clearly outlined.

The author summarised the major sources of literature for each of the study subjects given using SLR. The authors used a sample of 100 research papers to perform an SLR. These articles were chosen from a pool of 400...
papers obtained from many relevant sources. The publications were chosen based on the citations number in Google Scholar, Scopus and the journals impact factor.

Furthermore, the author employed the QCA to synthesise the literature and use the literatures to provide answers to the research question. Because cashless policy and currency redesign (Revised Cash Withdrawal Limits) are key topics in academic work from the past 12 years, the author chose the most current works from 2011 to 2023, which were cited by several researchers. The SLR, as emphasized by Okoli and Schabram (2010), is a systematic, clear, comprehensive, and repeatable procedure for discovering, assessing, and synthesising current research, scholarly, and practising literature.

The SLR is then carried out in five steps: locating relevant papers, adopt a screening strategy, grading the quality, extract the relevant information, and analysing and synthesising the findings. Finally, the review is reported on, and the results are summarised (Xiao & Watson, 2019).

The technique of qualitative comparative analysis (QCA) is used to identify the factors that lead to certain outcomes. This is a research approach for drawing appropriate conclusions from contextual data in order to give comprehension, new ideas, and fact interpretation with practical application assistance. The goal is to create a comprehensive picture of the phenomena. QCA ideas or categories are frequently employed in the creation of a model, conceptual map, conceptual system, or categories.

QCA may be approached in two ways: inductively or deductively. Inductive reasoning is used when there is insufficient prior understanding of the subject area. Nonetheless, deductive content analysis was introduced to analyse new analysis based on existing data or when theory testing is necessary (Elo & Kyngäs, 2008). The author used inductive approach to examine the study critically. There were three steps to consider. To begin, the author chose parts from search publications that addressed the research's three research topics. The author then chose phrases from each section that addressed the study's research topics.

This study will assess the crucial concerns raised above. The next part will give a full evaluation of the possibilities of the new CBN Cashless Policy, including positives, negatives and its impacts on the Nigerian economy’s current socioeconomic reality.

5 Critical Discussion of Nigeria macroeconomy, Fiscal and Monetary Policies.

Economic Policy in General

Monetary and fiscal policy in any country advocated the coordination of instruments or procedures used by that country's Central Banks to preserve economic stability while minimising the impacts of inflation rate on the economy and reducing unemployment in most sector of the economy.

The Monetary policies of any economy are a collection of means and tactics intended to govern a country’s actual money supply while attaining consistent economic development. These techniques include modifying bank saving requirements and revising interest rates. In 2018, the CBN amended the Regulatory Framework for Bank Verification Number Operations and the Watch-List for the Nigerian Banking Industry.

In this sense, there are primarily two economic policies. These are Monetary Policies of Contraction and Expansion. A contractionary monetary policy comprises raising interest rates and reducing people’s initial monetary supply in order to restrict development and reduce level of inflation in an economy. Furthermore, an expansionary Monetary Policy assures that during a recession, economic activity must expand in order to survive. This is accomplished by decreasing interest rates and making saving unappealing in order to boost consumer spending and borrowing. (CBN, 2019).

The Central Bank Of Nigeria's (CBN) mandate on monetary policies:

The Central Bank's (CBN 2023) mission is drawn from various laws and legislation, which sets its powers and activities. The CBN Act of 2007 and the Banks and Other Financial Institutions (BOFIA) Act of 2020 are the two acts.

As stated above, the CBN's mandate from the CBN Act (2007) under section 12, it clearly set that to have an informed monetary policy issued, the Monetary Policy Committee (MPC) is established and given the responsibility to act in the better interest of the country. The CBN, in collaboration with the Monetary Policy committee, is responsible for promoting and maintaining monetary stability in the Nigeria, as well as a sound and efficient financial system (Emefiele, 2023).
What is Monetary Policy in the Context of the Central Bank of Nigeria?

Monetary policy, as stipulated by Central Bank of Nigeria Monetary Policy 2022, may be defined as:

Any intentional or deliberate action taken by monetary authorities, typically central banks, to control (change) the quantity, availability, or cost of money in an economy in order to achieve specified goals/objectives.

It is also a collection of policy actions performed by a central bank to keep the amount of money in the economy and the cost of credit in line with the predicted level of economic activity. In other words, monetary policy is the process through which a country's central bank or monetary authorities control the supply, availability, and cost of money in order to achieve a set of goals, most commonly to promote national economic goals. As a result, the Central Bank's deliberate steps to stabilise the economy are critical.

As stated in the previous paragraph, the goal of this strategy is to stabilise the country's economy. It is frequently targeted at developing a new or continuing method to address economic issues with little regard for people's general well-being. It is planned and considered as a sacrifice towards the communal objective of expected future economic growth for everybody.

The Reasons for the New CBN Policy 2022

The CBN newly introduced policy aims to reduce inflation, insecurity, and protect the Naira's integrity (Osazebaru and Yomere 2015).

According to Ojukwu (2022), the new policy, which has restricted financial transactions and this was purportedly approved by its Monetary Policy Committee (MPC) through its Director of Banking Supervision Department (Yousaf et al 2022).

The discussions below, will focus on the rationale for the new CBN Cashless policy.

Inflation Control

The Monetary Policy Committee (MPC) (CBN 2023) postulated that the marginal increase in headline inflation (year on year) in February 2023, to 21.91%, from 21.82% in January 2023, a 0.09 percentage point increase, was noted with concern. This rise was mostly due to a little increase in the food component, which increased to 24.35 percent in February 2023 from 24.32 percent in January 2023, while the core component decreased to 18.84 percent in February 2023 from 19.16 percent in January 2023.

From the report, it clearly show the food component was impacted by high transit costs, ongoing security constraints which impacted food-production, and legacy infrastructural issues that also impede food supply chain operations.

There was also the well-known increase in gasoline and energy prices. For example, rising Automotive Gas Oil (AGO) prices, power tariffs and persistent shortage of Premium Motor Spirit (PMS) all contributed considerably to the growth of inflation pressures. These, as well as other scarcity factors, very definitely contributed to the increase in transportation and manufacturing costs.

The committee also noticed a fall in Market Capitalization (MC), which was mostly attributable to cash on hand and money in banks for firms. For example, the (MC) has dropped from N27.94 trillion to N26.88 trillion in a short period of time. This can be seen as an increase in the general public's stockpiling of bank notes in circulation at a rate of 85 percent outside commercial banks' vaults. According to accessible CBN statistics, N2.73 trillion of the N3.23 trillion naira was in the accounts of all commercial banks in the country as of September 2022, up from N1.46 trillion in December 2015.

The MPC observed sustained improvement in the equities market with the All-Share Index (ASI) and Market Capitalization (MC) both rising to 54,915.39 and N29.92 trillion on March 17, 2023, respectively, from 51,251.06 and N27.92 trillion on December 30, 2022, indicating renewed investor confidence in the Nigerian financial market. The Committee, however, highlighted a 0.7% reduction in gross foreign reserves to US$36.13 billion in February 2023, from US$36.4 billion in January 2023, indicating the downturn in crude oil prices as global concerns linger. This depicts the use of old notes with redesigned notes as the economic environment shifted following the 2023 general election.

To address these economic challenges, the CBN decided to limit the amount of Naira in circulation through its cashless scheme. This is done by mandating all Deposit Banks (DMBS) and other Financial Institutions (Payment Service Banks (PMSs) and Microfinance Banks (MFBs) to limit the amount of money that their clients can withdraw on a continuous basis. For example, the weekly maximum cash withdrawal authorised by a customer is now N100,000
for individuals and N500,000 for enterprises. Any withdrawals made at the counter that exceed these limits will incur
5% and 10% processing fees, respectively.

Insecurity Issues
The CBN also cited the country's insecurity as a cause for the new policy. One of the Monetary Policy Committee's decisions was unique to this case and critical to its basic mission of protecting people's lives and property. Internal shocks, according to the Committee, include the high level of insecurity that is already impeding the free flow of economic activity and heightened sovereign risk as the 2023 general elections near. Kidnapping, terrorism, and terror-sponsored activities have all been given as examples of large sums of money being accessible. The current circumstances have led the Bank to take this precaution in order to amputate the incidences of terrorism and abduction by alternating and neutralising the consequences of these shocks. This is crucial to avoiding having access to huge amounts of cash outside of the banking system, which is utilised as a source of funding for ransom payment.

Naira Note Integrity
According to Section 2 of the CBN Act, one of the CBN's primary responsibilities is to safeguard the integrity of the Naira note. We should, of course, promote the integrity and dignity of our local legal currency. Furthermore, as indicated by the Governor of the Central Bank, there was an urgent need to increase the currency's supply efficiency. The value of the currency has fallen in contrast to other currencies, making it harder for the country to undertake significant business with other countries or overseas firms.

For example, between the end of July and the end of August 2022, the naira exchange rate to the US dollar in the technically designated I & E window declined by 0.94 percent. This was driven by the recent partial strengthening of the US dollar by the US government; yet, it is compatible with the African Union's monetary plan. The broad money supply (M3), on the other hand, rose by 13.14 percent (annualised) in February 2023 (year to date), falling short of the 17.18 percent provisional annual objective established for 2023.

The CBN argued that it will implement tough measures to minimise the bad conditions happening in the country's economy in order to meet these critical demands. The purpose of the bill was not to persecute those involved in the dollar industry or to distract from the economic trend of dollarization, which is resulting in a significant amount of currency floating around. It was rather to put the economy on a level playing field for everybody. As a result, the significant consequences for inflation and currency rate stability will be avoided, and the economy will be better prepared for the future.

Increased Tax Collections
Nigeria has a tax collection problem, and the income base must strengthen before the government can reflate the economy. Economic managers suggested that a cashless policy may be a good instrument for increasing tax collections because all consumers have their money in a deposit money bank. This should result in greater financial inclusion and, as a result, higher economic development. Furthermore, a secure cashless system not only ensures the anonymity of genuine users, but also allows for the tracking of fraudulently issued currency or laundered money. The Cashless policy can assist the Nigeria financial market to deepen bank deposits and thus, increase the amount of money accessible for commercial purposes.

Formalise the Economy
Cashless policies can aid in the dismantling of shadow economies, bringing secret transactions made through the banking system, and increasing openness, confidence in the financial system, participation and inclusion in the banking system. Automated electronic payments, which are a vital component of cashless policies, serve as both a gateway into the banking industry and a significant growth engine. Such payments take cash out of circulation and into bank accounts, so providing low-cost capital to support bank lending for investment, which drives total economic activity. The strategy promotes transparency and accountability, which leads to enhanced efficiency and economic performance. Nigeria's cashless policy should promote financial inclusion by making financial services more accessible and inexpensive to the unbanked and underbanked. This is due to the reduced reliance on currency for transactions, which will stimulate financial deepening and promote savings. Saving culture in Nigeria has deteriorated over time. From December 1981 to December 2021, Nigeria's gross savings rate was 32.7% (CEIE 2023).

The New CBN Policy's Social and Economic Consequences
As previously said, the new Policy brings with its significant benefits and required changes. It does, however, have some obvious drawbacks. These are discussed in the next section.

**International remittance downfall**

Remittances to Nigeria via foreign transactions increased by 7.1% in early 2022, owing to the country’s continuous transition through the usage of recognised channels. Due to the rising increase in essential goods such as food, there has been an upsurge in the influx of money through family and friends overseas. According to the Ministry of Finance, Budget, and National Planning, remittances from the diaspora were among the top non-oil foreign exchange inflows for the government. Between January and June of 2022, Nigerians received $10.11 billion in Diaspora remittances, a 9.6% increase over the $9.23 billion received during the same period in 2021.

This paper provides significant evidence which emphasized that many Nigerians means of survival depend on remittances from the Diaspora. With the implementation of this strategy, there will almost probably be a downward movement in the Naira’s foreign currency rate. As a result of this approach, the value of the dollar will plummet and as a consequent, middle-income households who rely on overseas help or remittances would lose earnings and money.

**Poverty Insurgency**

Poverty reduction will be extremely difficult under the new cashless policy. Yousaf et al. (2022), paper emphasized that monetary policy is not fundamentally neutral to socioeconomic issues like inequality, poverty, and unemployment. According to the research, monetary policy on wide money expansion and real interest rates is linked to a rise in inequality, poverty, and unemployment since it frequently concentrates on the big picture, otherwise huge companies or finances. In the case of Nigeria, this paper may conclude that the policy would place rich enterprises and well-to-do individuals in a better position to deal with the programme’s consequences than other classes in the economy. This is quite likely to aggravate poverty, inequality, and unemployment.

**Diminished Capital and Credit Opportunities**

Individuals who are economically disadvantaged are socially disadvantaged because they are unable to engage in the free enterprise system, which has been limited by a lack of money and credit opportunities in comparison to others who have already established themselves. These folks have well-functioning bank systems which utilise the ATMs, or e-Banking transaction models. It is terrible that these vulnerable categories of individuals will be more vulnerable to poverty than ever before. This is due to the fact that the limited cash they have on hand would have been deposited at the bank in accordance with the new policy. This segment of the society is involved in small-scale firms, start-ups, and petty businesses at the grass-roots level.

They may not endure the misery caused by the cashless policy and its repercussions. Furthermore, the policy will have an impact on medium-sized business financing. For example, banks in the nation are increasingly concerned about who they can lend money to for security reasons. They prefer to invest in less risky industries, such as large-scale investment firms and corporations. As a result of these circumstances, fewer cash are provided for small enterprises, newly established businesses, and consumer financing. The resulting impacts would be people’s incapacity to expand their enterprises.

**Proximity of banks**

Currently, there are areas in the country where banks are inaccessible or are located distant from where people live. All old naira notes should be deposited in banks, according to the CBN circular and the Governor’s public declaration. That the new and old currencies continue to be legal tender and circulate alongside one another until January 31, 2023, when the old currencies cease to be legal tender. This paper argued that firstly, not every citizens of Nigeria have a bank account and secondly, commercial banks are few in some locations particularly in Northern part of Nigeria.

It is consequently predicted that rural or isolated residents who live at a distant from financial facilities may have significant difficulties in depositing used naira notes and dealing with new naira notes. Nigeria without bank accounts will have to be classified differently since they will need to open an account before participating in these activities for easement.

Those that are unable to provide the aforementioned services will be at a disadvantage, contributing to further increases in the poverty level and insecurity. Furthermore, some financial analysts believed that the impending experience would bring more previously unbanked people into the banking system, making it more difficult for bankers to maintain present policies due to a potential excess of new clients with micro-savings.
Exportation deficiency

The international economic depression induced by the armed conflict in Ukraine and Russia, as well as the Corona Pandemic, were highlighted as important motivators for the effort. According to the school of thought that supports the expansionary monetary model, even if banks choose to lower interest rates for individuals and businesses, they will nevertheless spend more money during this global downturn. Exports will be difficult and inefficient as a result. As a result, exporting firms will do worse than other businesses.

Behavioural Constraints

Nigeria is a cash-based economy, Nigeria citizen are used to carrying cash for the majority of their purchases. The cashless policy resulted in a major shift in behaviour patterns. Nigerians must abandon their practice of transacting with cash. This was impeded by the financial institutions, notably Nigerian banks, who are quite conservative; they deploy relatively few new goods and marketing strategies, limiting the effectiveness of the cashless policy.

Security and Cyber security issues

Many Nigerians are sceptical about the cashless concept and the Naira redesign policy. This was due to a security problem. The security of banks and infrastructures is an obstacle in the creation of a cashless policy in Nigeria. Cyber security concerns are evident as a result of the usage of banking programmes that are not safe, and people's funds are not protected. As a result, many Nigerians are suspicious about the cashless policy's implementation. Furthermore, another important issue is the risk assessed with the cashless policy. This is because if the process is hurried and the lack of confidence grew in the financial system owing to a high degree of fraudulent activity, the Nigerian economy would suffer.

Infrastructural Requirement

In advanced economies where cashless policies are effective, the necessary infrastructure is easily available and continually expanding. Nigeria's financial infrastructure is insufficient to support a cashless society. Before any real influence can be accomplished, ATM POS systems, mobile banking, and other media must be greatly expanded to reach at least 40% of the whole economy.

Furthermore, low Internet penetration and underdeveloped telecommunications restricted the smooth growth and enhancement of e-payments and e-commerce in Nigeria. This impacted the cashless policy's efficacy. These deficiencies have resulted in an insufficient financial system.

In addition to the foregoing, Nigeria's cashless strategy is hampered by insufficient power supply. The current status of power in Nigeria is incompatible with the proper functioning of financial activity. This contributes to Nigerians' opposition to the cashless concept.

The next part discusses the conclusions and policy proposals for improving the cashless policy, the naira redesign, and the Nigerian economy's financial performance.

6 Conclusions And Recommendations

The new strategy offers enormous potential for the Nigerian currency Naira's integrity, reducing the level of insecurity, and controlling impact of inflation within the Nigeria economy; yet, it has specific short- and long-term ramifications for the populace, particularly low-income earners. As a result, it is critical for the Nigerian government to devise different policies to avoid the negative consequences of this strategy on the country's social and economic development.

Many countries, including Nigeria, have implemented financial sector reforms in response to the negative effects of tight financial sector laws.

The reform increased reliance on market forces, leading to changes in interest rate policy and increased financial activity. This also illustrates Nigeria's continued lag in achieving the efficiency and depth of a fully effective market-based financial system. The intermediation function and investment of the financial sector are not long-term in nature, leading the real sector of the economy to remain weak and, as a result, decreasing the economy's productivity level.

The paper found out that Nigeria's cashless policy has improved the economy's financial performance. There are convictions that financial development is critical for economic growth, financial performance has not enhanced the depth of the financial system, which would assist the economy. Furthermore, looking for structural flaws will be beneficial for assessing the influence of Cashless policy on the financial performance of the economy.
This paper argued that emphasize should be focussed on reclaiming and rebuilding 'Project Nigeria' to implement better policy processes for monitoring and controlling it. Financial sector mismanagement jeopardises Nigeria's economic progress. Although macroeconomic stability is required before change, structural reform and institutional growth in the financial sector, particularly prudential financial regulation, are equally important as progress towards liberalisation.

It is vital to measure the implications of change of the newly introduced cashless policy. This entails reclaiming and recreating 'Project Nigeria' in order to establish new policy processes to prevent financial system mismanagement which can jeopardise Nigeria's economic success.

This paper argued that macroeconomic stability is required before change, structural reform and institutional growth in the financial sector, particularly prudential financial regulation, are equally important as progress towards liberalisation. It is critical to quantify the effects of change if policy is to be properly conceived and executed.

The impact of cashless policy, naira redesign policy, and financial performance may bias the results drawn from standard financial deepening assessments concerning reform's efficacy. As a result, economic managers should monitor a range of performance measures.

To strengthen the successes made by the reform programme, the government should avoid sudden policy reversals and instead focus on fine-tuning current policy measures that will require caution on the part of big financial market participants. This will significantly increase the country's ability to mobilize money needed for economic activities.

In addition to the above, private sector investment should be the focus and efforts should be put in place through financial sector credits, macroeconomic stabilisation policies, financial sector deepening, improved governance and accountability, and increased trade openness, all of which would undoubtedly improve Nigeria's economic growth performance.

Based on the prior discussions, the following policy actions should be implemented:

i. Monetary authority, the Central Bank of Nigeria, must critically evaluate the quantity of growth and development in the Nigerian economy before changing the monetary policy. Advancing policy directions intended for established countries which are implemented to the Nigeria economy may not produce the expected outcomes unless there are tailored to the country's level of growth. This paper argued that Nigeria should employ forward-thinking monetary policy efforts to achieve the required level of economic development.

ii. This paper found out that cashless policy, as assessed by private sector credit, has a negative impact on financial performance. To reverse this trend, financial institutions must revisit their lending practices and requirements to the private sector. Loans should be available to anyone with credible business proposals and obtain frame desire to engage in the Nigerian economy. This is one method of stimulating economic growth.

iii. Finally, the Nigerian government should ensure an investment-friendly climate. This may be accomplished by building a financial incentive structure and a business environment that promotes entrepreneurship and private sector development.

Economic growth will be boosted as a result of this. Given the above, this article suggests that:

i. Any financial service institution’s business models that would improve financial system performance policies, such as cashless and Naira redesign policies should be reinforced and the potential benefits of such models should be effectively communicated to the Nigerian public.

ii. An effective and continuous education about the many electronic channels for financial services should be pursued throughout the country to raise broad knowledge, even among those living outside of metropolitan areas.

iii. Service fees and transaction expenses should be kept as low or free as feasible, as high fees may stifle the growth of those without bank accounts.

iv. The body of Bankers and the government should work together to create an environment in which users of cashless policies are not left stranded when they want financial services.

v. Real-time data availability: All financial institutions must have accurate and correct identity of account holders on file and reveal it as needed. Furthermore, in order to reconcile any identification, the CBN must collaborate with all other government and private institutions in Nigeria in charge of collecting individual identify.

vi. Investments: The CBN must work with financial institutions to provide considerable invest to make the cashless policy effective. However, latest technology adoption is not cheap and is always developing at a rapid rate. For the foreseeable future, billions of dollars should be provided for latest infrastructures, manpower training, marketing, cyber security and IT network maintenance, among other things.
vii. Security: The CBN must coordinate and interact with the National Assembly to ensure proper legislation is created in order to impose new ways of transaction and a changing culture. Enforcing new legislation will be the responsibility of the CBN and the other empowered executive agencies, such as the EFCC.

viii. Finally, the legislative structure that will facilitate financial freedom, such as unfettered access into financial markets and support to relevant industry organisations, should be evaluated and revised on a regular basis to improve efficiency.

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