Original Research Article

A Descriptive Analysis of Central Bank Cashless Policy of Point of Sale (POS) and Financial Inclusion in Sokoto State, Nigeria

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Abstract

This study descriptively explores the contribution of Central Bank cashless policy of point -of sale (POS) to the growth of financial inclusion in Sokoto State using a survey dataset for a sample of three hundred and eighty-four (384) respondents. In the analysis, the study used descriptive technique in form of mean and standard deviation. The study found that point-of-sale has contributed positively to the growth of financial inclusion in Sokoto State. Based on the outcome, this study suggests that Central bank and deposit money banks should encourage the establishment of many point-of-sale locations in both urban and rural areas of the state with view to achieve and accelerate the target financial inclusion.
Keywords: POS, Cashless, Financial inclusion, Sokoto.

INTRODUCTION

In recent years, point of sale has grown significantly and has gained a bigger part of financial services in commercial banks. In 2014, for example, 300 million Chinese residents used points of sale. When compared to traditional banking, this new kind of banking, which does not require counters, not only raises market risks but also has a significant influence on commercial banks' risk measurement (Zheng & Xiaoyu, 2016). Access to financial services appears to improve inclusive economic growth while simultaneously reducing poverty (George & Lakshmi, 2016).

However, in Nigeria, the statistical records have shown that about 43% of bankable adults are financially excluded. This impulse the Central Bank of Nigeria to introduced and implemented the cashless policy in order to increase the country's level of financial inclusion. The strategy is expected to support payment system expansion and transformation while also lowering the cost of banking services. As a result, the adoption of the cashless policy has caused deposit money institutions to recognize technology at a remarkable rate, as seen by the increase in the number of point-of-sale facilities in the nation (Terfa & Williams, 2016).

Additionally, as of December 31, 2021, the average number of point-of-sale facilities in the Nigerian banking industry is around 542,102, making point-of-sale devices more accessible to bank consumers. This might be because point-of-sale systems are less expensive to buy and install, as well as being very portable. Cashless transactions increased by 44% year on year to 117.33 trillion in 2022, up from 35.79 trillion in 2021 (NIBSS, 2022). On the other hand, financial inclusion in the banking industry has averaged 56% over the years, and it is predicted to reach 80% by the end of 2022 (CBN, 2021). This means that only roughly 56% of the bankable population in Nigeria has access to financial services. This might be due to illiteracy, low income and poverty, difficulties in locating the nearest bank branch, a lack of point-of-sale facilities, and the nature of the convenience of electronic services. Because of this, the rural residents favor traditional and regional financial systems, such as "adashe" in the northern region, "Ajo" in the western region, and "Esusu" in the eastern region of Nigeria (Emeka *et al.,* 2016).

However, in Sokoto State recently, there is a presence of point-of-sale (POS) across the commercial cities. This is expected to have a positive improvement in financial inclusion and poverty reduction for those involves in these payment services. But, the recent

report by the National Bureau of Statistics released in 2022 shows that Sokoto State is the poorest state in Nigeria with a poverty headcount rate of 87.73% (NBS, 2022) which is detrimental to financial inclusion in the state.

Recently, Sokoto State has seen the presence of point-of-sale (POS) systems across the commercial cities. This is projected to increase financial inclusion and poverty reduction for people who use these payment systems. However, according to a recent study issued by the National Bureau of Statistics in 2022, Sokoto State is the poorest state in Nigeria, with a poverty headcount rate of 87.73% (NBS, 2022), which is expected to have negative influence on financial inclusion in the state. However, several empirical studies (Ogbeide, 2018; Mafimisebi *et al.,* 2019; Emeka *et al.,* 2019) have found some degree of influence of point of sale, cashless policy, and electronic banking on financial inclusion and demand for agricultural goods in Nigeria. Thus, to the best of this study's knowledge, no research has been conducted that particularly investigates the link between point-of-sale and financial inclusion in Sokoto State.

As a result, the purpose of this study is to address a research vacuum by descriptively assessing the perception of stakeholders on the link between POS and financial inclusion in Sokoto State. This type of research is critical for policymakers, like as the Central Bank of Nigeria, to grasp the importance of cashless policy in steering the economy in the right path. The study will also add to the current literature on the subject, serving as recorded proof for future research. By investigating the contribution of POS to financial inclusion in Sokoto State, this study aims to close the research gap. For policymakers like the Central Bank of Nigeria, research of this nature will help in assessing the strength or otherwise of cashless in the economy. Given the aforementioned gaps, this study is divided into five sections. Following the introduction, section two presents a theoretical framework and review of related empirical studies. section three consists of data and methodology. Section four consists of results and discussions while section five comprises conclusions and recommendations.

LITERATURE REVIEW
The theory that underpins this study is the technology acceptance theory debuted by Davis in the year 1989. The technology acceptance theory has been specifically designed to describe user adoption of information technologies. The theory provides a general and competent account of the drivers of technology recognition across a broad range of end-user computer systems and user groups, while being both parsimonious and logically justified. Based on the foregoing, this study believes that the acceptance of contemporary banking technology by customers is

fundamental to the performance of these banks as well as the effective realization of financial inclusion.

Empirically, Emeka *et al.,* (2019) carried out a study on the effects of electronic banking on financial inclusion in Nigeria using an annual time series dataset for a sample of twenty-two (22) listed banks over the period 2008 to 2017. By employing multiple regressions, the finding suggests that there is a significant positive relationship between point of sale and financial inclusion. Similarly, Zheng *et al.,* (2016) explored the impact of electronic banking on the credit risks of commercial banks in China using a panel dataset from 2008 to 2014. By applying fixed and random effect regressions, the result indicated that there is a positive and statistically significant relationship between electronic banking and credit risks of commercial banks.

In addition, Mago and Chitokwindo (2014) studied the influence of electronic banking on financial inclusion in Masvingo province, Zimbabwe by employing a survey dataset. The study indicated that there is a positive and statistically significant relationship between electronic banking and financial inclusion in Zimbabwe over the sample period. The study further reveals that people with low income are willing to use mobile banking, thereby enhancing financial inclusion. This is connected to the fact that mobile banking is easily accessible, convenient, cheaper, easy to use and secure. In another related study, Bansal (2014) uses a qualitative research approach to examine how technology might help rural India become financially inclusive. According to the study's findings, contemporary information and communication technology may be used to build a platform that enables the extension of financial services to remote locations. As a result, the development of mobile banking and automated teller machines has opened up new channels for the financially excluded unbanked people to access banking services.

Similarly, using a survey dataset, Asare and Sakoe (2015) studied how electronic banking has affected financial services in Ghana. According to the result, electronic banking has made it easier for Ghanaians to access a wide range of financial products, and it has sped up the delivery of banking services so that more individuals may use them or recommend them to others. In addition, Maiyaki and Mokhtar (2010) conducted a study on the impact of electronic banking system on financial inclusion in Ghana by applying a primary dataset. The finding shows that there is a positive and significant relationship between electronic banking and financial inclusion. This implies that electronic banking improved the ease of access to a variety of banking products and as well as delivery of banking services has been made quicker and quicker to wrap a large series of clients or people referred by existing customers.

However, in Nigeria, Ogunsuyi and Tejumade, (2021) examine the influence of POS terminal services on the performance of the SMEs in Lagos State. By applying multiple regression, the result indicates that POS terminal services have helped increase the sales volume, reduce queues for payment, increase the income of the business owners and reduce the rate of poverty. Furthermore, Mafimisebi, *et al.,* (2019) analyze the effect of point of sales (POS) utilization on effective demand for agricultural commodities in stores and supermarkets in Akure Metropolis. By applying Multiple regression, the findings suggest that POS increases the demand for agro commodities. Ogbeide (2019) examines the effects of cashless policy on financial inclusion in Nigeria using ordinary least squares regression and findings reveal cashless policy has a significant effect on increasing customers' deposits in commercial banks. The study further reported that volume of automated teller machines (ATMVL) and volume of point of sales (POSVL) have significant positive influence on financial inclusion in both urban and rural areas.

DATA AND METHODOLOGY

This study used a survey research design in examining the contribution of point of sale to financial inclusion in Sokoto State, Nigeria. The design provides an intensive detailed analysis and description of the context of the study. The location for this research is commercial cities across twenty-three local governments in Sokoto State. This is the location where POS terminals are mostly available and being used. The population of this study consists of a total number of Point-on-sale terminals across the twenty-three in Sokoto State. Since there is no available record of the total number of registered POS terminals in Sokoto State. According to Cochran (1977) when the population of the study is unknown, the sample size of that population can be determined using the following formula:

$$ n_0 = \frac{z^2 pq}{e^2} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (1) $$

Where n_0 is the sample size, z is the selected critical value of the desired confidence interval, p is the estimated proportion of an attribute (level of variability) that is present in the population, $q = 1-p$ and e is the

level of precision or level of significance. Finding the total number of registered POS terminals will be quite challenging while conducting the study on the role of POS on financial inclusion in Sokoto State. Because of this, this study used Cochran's formula to determine the sample size that will accurately reflect and represent the total number of POS terminals in the state. Thus, suppose that the attribute or variability of the POS terminals is 50% (0.5) and the level of significance chosen is 5% (0.05), the critical value of the desired confidence interval (z) at a 5% significant level is 1.96. therefore, the sample size of the population is shown as:

$$ n_0 = \frac{(1.96)^2 0.5(1-0.5)}{(0.05)^2} $$

$$ n_0 = \frac{3.8416(0.5)(0.5)}{0.0025} = 384.16 $$

Therefore, the sample size is 384. Thus, in selecting the respondents, this study used simple random sampling technique and were selected across twenty-three local government areas of the State. Furthermore, the main data source for this study is primary in nature. The dataset was collected using survey questionnaire. The questionnaire for this study used a Likert scale with the options Strongly disagree, Disagree, Agree, and Strongly agree. According to the decision rule, a score of 2.5 or above indicates agreement, while a score of 2.49 or less indicates disagreement. According to Nahuche *et al.,* (2022), the mean scores for four-point questions were calculated using a criterion of 2.5. In order to get the mean criterion of 2.5, the sum of 4+3+2+1 was divided by 4. The data collected was analyzed using descriptive techniques such as frequency, percentage, average mean and standard deviation.

RESULTS AND DISCUSSIONS

This section contains the summary and discussion of the results of the data sourced from a questionnaire administered in the field of study and is divided into two namely: biodata of the respondents' and perception of respondents on the link between POS and financial inclusion in Sokoto State. Beginning with respondents' information the results are presented in Table 1.

Table 1: Biodata of the respondents

Age of the respondents		
Age	Frequency	Percentage (%)
25-34	43	11.2
35-44	255	66.4
45-54	86	22.4
55 and above	0	0
Total	384	100
Gender of the respondents		

Male	255	66.4	
Female	129	33.6	
Total	384	100	
Respondents' level of education			
SSCE	0	0	
ND/NCE	43	11.2	
B. Sc./ HND	299	77.9	
M.Sc./PhD	42	10.9	
Total	384	100	
Source: Authors' computation from SPSS Version 22.			

Table 1 shows the respondents' biodata, which includes their age, gender, and degree of education. According to the findings, 43 (11.2%) of the 384 respondents are between the ages of 25 and 34, 255 (66.4%) are between the ages of 35 and 44, and 86 (22.4%) are between the ages of 45 and 54. This means that the majority of responders are between the ages of 35 and 44. Furthermore, the results indicated that of the 384 (100%) respondents in the sample survey, 255 (66.4%) are male and 129 (33.6%) are female. This means that the vast majority of responders in this study are men. According to the level of education of the respondents, 43 (11.2%) have a National Diploma (ND) or a Nigeria Certificate of Education (NCE), 299 (77.9%) have a degree or a Higher National Diploma (HND), and 42 (10.9%) have a Master's degree or a PhD. As a result, the results demonstrate that the majority of respondents had a bachelor's degree or higher diploma. The data above suggest that male youngsters with degrees between the ages of 35 and 44 are most participants of point-of-sale (POS) business in the study area.

Table 2: Point-on-Sale Cashless Policy and Financial Inclusion

S/N	Statements	Mean	Std. Dev.	Decision
1.	Prior to starting the POS business, I did not have a bank account.	1.89	0.57	disagree
2.	After starting the business, I opened many bank accounts.	2.78	0.64	Agree
3.	POS business gives me easy access to bank credit	3.00	0.00	Agree
4.	My POS business enables me to do cashless transactions such as cheque payments, credit transfers, direct debit, and payments with credit and debit cards.	3.11	0.32	Agree
5.	My POS business enables me to conduct mobile transactions.	3.22	0.42	Agree
6.	POS business allows me to perform high frequency transactions such as taken money out of a personal account three or more times in a month.	3.34	0.48	Agree
7.	My tendency to save has increased as a result of the business.	2.89	0.32	Agree
8.	The POS business enables me to receive remittances/money from overseas.	2.55	0.49	Agree
9.	The business enables me to create and open e-money accounts.	2.89	0.32	Agree
10.	The business improved my understanding of several basic financial concepts such as inflation, interest rates, exchange rate and risk diversification, among others.	3.22	0.42	Agree
Cumulative Mean		**2.79**		Agree
Decision Mean		**2.50**		
Source: Authors' computation from SPSS Version 22.				

According to the findings in Table 2, respondents disagree that they do not have a bank account. This means that the majority of them already have a bank account before the POS business is started. This is seen by the mean score of 1.89, which is lower than the decision mean of 2.50. Furthermore, the results show that respondents agree that operating a point-of-sale business allows them to open numerous bank accounts, have easy access to credit, perform numerous cashless transactions (such as cheque payments, credit transfers, direct debit, and payment with credit and debit cards), and carryout mobile transactions. This is indicated by the cumulative mean score of 2.79 which is greater than the decision mean of 2.50.

In addition, the findings also demonstrate that point-of-sale businesses enable respondents to carry out high frequency transactions, such as withdrawing money from a personal account three or more times, increase their propensity to save, enable them to receive money from abroad, permit them to open e-wallets, and enhance their understanding of some crucial basic financial concepts, such as exchange rate, interest rate, inflation rate, risk diversifications, market crash, among other things. Going by the results, this study affirms that point-of-sale business has positive contribution to financial inclusion in Sokoto State. However, the findings of this study are in line with works of Ogunsuyi and Tejumade, (2021), Mafimisebi, *et al.,*

(2019) and Ogbeide (2019) who revels that cashless policy has significant positive influence on financial inclusion in their respective areas of study.

CONCLUSION AND RECOMMENDATION

In order to protect the financial resources of any society, cashless policies and financial inclusion are crucial. This is due to the fact that using cashless eliminates the need to transfer fiat money between locations. Based on the foregoing, this study explores the link between the Central Bank of Nigeria's point-of-sale cashless policy and financial inclusion in Sokoto State. According to the findings, the point-of-sale business contributes positively to the growth of financial inclusion in the study area. To prosper the growth of financial inclusion, this study recommends the need for the Central Bank of Nigeria and deposit money banks to encourage, expand and subsidize the establishment of point-of-sale to the rural areas of the state.

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