



Contribution of Point of Sales (POS) to Rural Economy: During the CBN's Cashless Introduction: A Case Study of Some Selected Communities in the Oke-Ogun Area in Oyo State

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Abstract

This study assesses the contributions of Point of Sales (POS) to the economy of The Oke-Ogun area of Oyo State. The study population was the 1500 POS operators in the study area. Two hundred samples were selected via convenient sampling from Saki, Iseyin, Ago-Are, Ago-Amodu and Tede (all in The Oke-Ogun area). Structured questionnaire and personal interview were used to collect the data. Frequency and percentage was adopted to analyse the data and SPSS was used to test the hypotheses. The study revealed that introduction of cashless policy was ill-fated during the period because the stakeholders are not well prepared. It was also found that the masses were skeptical about the effectiveness of POS as means of payment. The study recommended that there should be proper awareness on the adaptation and use of POS in order to allay the POS users' fear on network issue as it can be surmountable, the Central Bank of Nigeria (CBN) should embark on enlightenment on the benefits of cashless policy because some people still have the strong belief in cash payment and that all stakeholders in the cashless economy should be prepared before the full implementation of the cashless policy.

Keywords: POS, Cashless policy, Economy and Fintech

Introduction

The world is moving from manual to electronics operation at a geometric rate at present and there is no static place in the present dynamic environment. Also, business activities tend to grow from height to height and medium of payment for transactions has equally experienced emancipation from manual to electronics means.

Technological advancement has enhanced business environment immensely because of its secure nature, swiftness, accuracy and convenience. Almost every business carries out their transactions via electronic medium due to of its incessant improvement over the years. In 2003, Nigeria adopted mobile banking. As a result of

this, activities in banks improved drastically and competition among banks increased profusely as every bank seeks to render better services to their customers. Hence, the banking sector too is not left out of the move to transit to electronic means of transactions. In view of this, operations in banks have shifted from manual to electronics. In the past, all transactions were conducted in banking halls unlike now when there is no need for customers to go to banks before all transactions are done.

One of the major ways of transaction without raw cash is the Point of Sales (POS) terminus. The use of POS terminals to make financial payments in Nigeria was introduced by the Central Bank of Nigeria (CBN) in 2012 to promote its cashless policy with the aim of improving the payment system. Okoye et al. (2022) asserts that since the introduction, there has been increasing growth in the number of active POS terminals provided by banks to mobile money merchants. This was due to the acceptability of POS transactions in society.

According to Business Information System in the early 2000s, the POS is widely regarded as a safe and an efficient retail payment system that enhances the effectiveness of the financial systems, boosts consumer confidence and facilitates the functioning of commerce. (Ogunsuyi & Siyanbola, n.d) The POS has been found to be more effective and efficient in cashless economy due to its accessibility in stores, open markets, kiosks, restaurants, hospitals, schools, churches and other service centers. However, if the whole cashless scheme were to be successful, the responsibilities of Payment Terminal Service Providers (PTSPs) in POS terminal management and support should be given maximum scrutiny. The responsibilities include purchase and replacement of spare parts, provision of connectivity, training, repairs, and development of value added services. This fact thus necessitates a periodic evaluation of the performance of the payment terminal service providers (Ifeakandu, 2011).

During the short-lived cashless economy with little or no cash, POS operators sprang out in nooks and crannies of cities, while the rural areas languished in penury due to absence of cash to carry out trading activities. At this particular point, some rural dwellers resorted to trade by barter so as to settle their terms of transactions as the new system was alien to their fiscal practice. It was reported of a village called Ijara-Isin in Kwara State where a locally made currency was designed to ameliorate the hardship caused by ill-fated policy.

Ogunsuyi and Siyanbola (n.d) maintain that the importance of effective and efficient payment systems has been closely monitored and promoted by monetary authorities in all countries of the world because the development of a national economy relies on encouraging a payment system that is secure, convenient and affordable. The advent of cashless policy has to great extent eliminated some bottlenecks in transactions and made issue of settlement in business transaction an easy task to undertake. The authors also affirm that the basic product which is 'point of sale' (POS) terminal has a significant role to play in driving a cashless initiative owing to the fact that they are ubiquitous, easy to use and portable.

Statement of the Problem

Activities of Point of Sales (POS) operators in rural area of the country were drastically affected due to the fact that there are limited banks and functional network in the some communities. To worsen the plight of rural dwellers, cashless policy was introduced by CBN without proper preparation coupled with the unpreparedness of finance houses, mobile service providers, financial technology (FINTECH) and other concerned agencies that would facilitate the policy. The policy was also introduced at a wrong time with individual interest conflicting against corporate interest.

In some cases, where there are POS machines, over-debiting of customers' accounts, network fluctuation and reversal errors were some of the challenges that users had to grapple with. In view of the foregoing, the researchers intend to assess the contribution of POS on the economy of rural area in Oke-Ogun area of Oyo State during the dismal short-lived operation of cashless policy.

Objectives of the Study

The general objective of this study is to assess the impact of the POS on Nigeria's economy during the short-lived cashless policy while the specific objectives are to:

- i. investigate the effect of the POS on businesses in rural areas;
- ii. identify the likely obstacles to implementation of cashless policy in rural areas;
- iii. examine the method of payment mostly preferred in rural areas; and
- iv. Examine the extent to which the availability and the use of POS has ameliorated payment issue.

Research Hypotheses

Hi1: There is significant effect of POS on businesses in Oke-Ogun area

H01: There is no significant effect of POS on businesses in Oke-Ogun area

Hi2: There is significant impact of POS on payment conveniency

H02: There is no significant impact of POS on payment conveniency

Literature Review

Cashless economy

According to Woodford cited in Anyanwu and Anumaka (2020), cashless economy is defined as one in which there is assumed to be no transaction frictions that can be reduced through the use of money balances, and that accordingly provides a reason for holding such balances even when they earn rate of return. The cashless policy initiative of the Central Bank of Nigeria is a move to improve the financial terrain of the economy. The cashless society is a situation whereby there is widespread application of computer technology in the financial system (Obi, 2011). Considering the success potential of this policy. Ejiros opined that "in the long run sustainability of the policy will be a function of the endorsement of, and compliance by end-users". According to the CBN, the policy is expected to reduce the cost incurred in maintaining cash-based economy by 90% upon its full implementation.

Point of Sales (POS) or Point of Purchase (POP)

Point of sale (POS) is a noncash payment for exchange of goods and services which is an e-payment device introduced to facilitate cashless economy. It is a form of e-payment that handles balance inquiry, payment for goods and services, and electronic fund transfer at a specific point of sale. It is also a time and place where retail transaction takes place. The device allows customers to make payment for goods and services purchased without the physical use of cash. It is a system that helps local debit cardholders to make withdrawal of money and pay for goods and services. (Okoye et al. 2022)

At POS terminals, when a customer slots in his card into the POS, he inputs his details and in the case of payment for goods or services, his account is debited at that point resulting in a transfer of funds to the service provider's account.(Okoye et al., 2022)

Benefits of POS and Cashless Policy

The following are some of the benefits that Point of Sales offers as a means of eliminating cash-based transactions:

- i. Eliminate long queuing in banking hall
- ii. Reduce unruly attitude of cashiers
- iii. Increasesales
- iv. Eliminates time spent on collecting, counting and sorting cash
- v. Makes fund in circulation to be utilised for economy development of the country

- vi. Assists in managing and control inflation.
- vii. Makes operations more convenient
- viii. Reduces armed robbery rate
- ix. Reduces extravagance spending by partygoers
- x. Prevents leakage and corruption.
- xi. Improves customers satisfaction
- xii. It enhances large customer coverage of the banks
- xiii. Prevents money laundering

Impediments of Cashless Policy

Some of the obstacles to wholesale implementation of cashless policy in the study area include but are not limited to the following:

- i. Illiteracy
- ii. Unavailability network in rural areas
- iii. Internet fraud
- iv. Target specific individual
- v. Unbanked people
- vi. Epileptic power supply
- vii. Resistance to change (Afraid of unknown)
- viii. Inadequate for petty traders

Theoretical Framework

In order to explore the effect of electronic point of sale system on operational performance of the following cities, town and villages: Saki, Iseyin, Ago-Amodu, Ago-Are and Tede (Oyo State), the study adopts a theory; Technology Acceptance Model.

Technological Acceptance Theory

This study adopted the theoretical extension of Technology Acceptance Model (TAM2) introduced by Venkatesh and Davis (2000). The original TAM was developed by Davis in 1986 to explain why users adopt or reject an innovative information system. It offers a powerful explanation for user acceptance and usage behaviour of information technology. TAM theorizes that an individual's behavioral intention to adopt a system is determined by two beliefs:

- i. Perceived Usefulness (PU) and
- ii. Perceived Ease of Use (PEOU).

TAM2 extends the constructs of TAM and includes additional determinants of TAM's PU and usage intention constructs. This model explains how the effects of these determinants change with increasing user experience over time with the target system. TAM2 incorporates additional theoretical constructs spanning social influence processes and cognitive instrumental processes. It also reveals that the additional constructs - social influence processes (subjective norm, voluntariness, and image) and cognitive instrumental processes (job relevance, output quality and result demonstrability) significantly influence user acceptance. The level of technology acceptance will undoubtedly influence the operational efficiency of any organisation. Technology is a major driving force of organisational efficiency hence performance. Utilisation of modern ICT technologies significantly improve and organisation's efficiency and effectiveness which in the long run reduces operational costs and attracts new clients hence affecting the operational efficiency (Okoye et al., 2022).

Research Methodology

This paper adopted survey research design as it is used in a pure research context which refers to the total constructional plan or structure of the research framework. The researchers made use of primary and secondary sources of data. The primary source of data includes questionnaire and personal interview, while the secondary source of data include journals, textbooks and internet. The population of this study was around 1500 POS agents in Oke-Ogun area of Oyo State. As a matter of convenience Eighty seven respondents were selected (87) from Saki, Seventy five (75) from Iseyin, Thirteen (13) from Ago-Amodu, Ten (10) from Ago-Are and Fifteen (15) from Tede, making the sample size a total of Two hundred (200) respondents. The study employed structured questionnaire as a method of data collection. Meanwhile, percentage table and frequency analysis was used to analyse the collected data from the sample respondents and Statistical Package for Social Sciences (SPSS) was adopted to test the research hypotheses.

Data Presentation and Findings

The data garnered by the researcher through the questionnaire are presented below in tables and frequency distribution.

Table 1 Determination of the qualification Level of the Respondents

Qualification	Frequency	Percentage (%)
WASSCE/GCE	93	46.5%
ND/NCE	65	32.5%
HND/ BSC	37	18.5%
M. BA/ M. SC	05	02.5%
Total	200	100%

Source: Field Survey, 2023

From the table above, 46.5% of the total respondents have school certificate, 32.5% are holders of ND/NCE, and 18.5% of the respondents are HND/B. Sc. holders while 2.5% of the respondents possess M. BA/M. Sc. degree. The result indicated that the majority of respondents are school certificate holders.

Table 2 Determination of the type of Business operation in the case study

Type of Business Operations	Frequency	Percentage (%)
General Merchant (trading)	69	34.5%
Restaurant/eatery	14	07%
Herds men	27	13.5%
Food stuff Sellers	68	34%
Business Center	15	07.5%
Supermarket	07	03.5%
Total	200	100%

Source: Field Survey, 2023

Table 2 above shows that 34.5% of the respondents are general merchants. 7% are restaurants/eateries, 13.5% are herdsmen, 34% are food stuff sellers, 7.5% are business center operators and 3.5% are supermarkets. These business types are mostly located in open markets, neighborhood shops, shopping

malls and kiosk locations. It is discovered that the general merchants and food stuff sellers are the groups that will mostly benefit from the use of (POS) terminals.

Table 3 Determination of the effectiveness of Point of Sale Terminal Implementation

Effectiveness of POS	Frequency	Percentage (%)
Very effective	15	07.5%
Effective	78	39%
Not effective	107	53.5%
Total	200	100%

Source: Field Survey, 2023

The above table indicated that a large numbers of respondents opined that POS terminal is not effective in implementation of cashless policy while other believe in the effectiveness of POS terminal. The study revealed that despite the availability of POS in the rural areas, respondents are still skeptical on its effectiveness due to some obstacles.

Table 4 Determination of the most preferred mode of payment

Modes of Payment	Frequency	Percentage (%)
POS terminal	19	09.5%
Electronics Fund Transfer (EFT) Payment	42	21%
Cheque Payment	36	18%
Cash Payment	103	51.5%
Total	200	100%

Source: Field Survey, 2023

The table depicts the most preferred mode of payment acceptable to the respondents. 21% of respondents preferred Electronics Fund Transfer (i.e., Application on Handset), 18% of the respondents preferred cheque as the preferred method of payment, while 51.5% of the respondents opted for cash payment as the most preferred method of payment. This is as a result of the delays associated with access to funds after sales from the POS terminals. The POS terminal has 9.5% respondents as its preferred method of payment.

Table 5 Determination of the perceived obstacle in the implementation of Point of Sales

Perceived Obstacles	Frequency	Percentage (%)
Over-debiting customers' accounts	34	17%
Network fluctuation	33	16.5%
Reversal errors	33	16.5%
Ill-time or wrong timing	33	16.5%
FINTECH issue	34	17%
unpreparedness of concerned institutions	33	16.5%
Total	200	100%

Source: Field Survey, 2023

From the above table, it is observed that obstacles range from over-debiting customer's account, network fluctuation, reversal error, ill-time, FINTECH issue and unpreparedness of concerned institutions. With findings from the above table, it is discovered that all respondents agreed that all the above obstacles were the major problems militating against effective implementation of POS payment system in the rural areas.

Analysis of Research Hypotheses

Hypothesis I

Hi1: There is significant effect of POS on businesses in the Oke-Ogun area

H01: There is no significant effect of POS on businesses in the Oke-Ogun area

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.338 ^a	.114	.110	1.26886

From the above table, 33% of changes in businesses in the Oke-Ogun area due to POS adjustments, while 67% is due to factors beyond the scope of the study. R squared 11%, on the other hand, reported that there are modifications in businesses in the Oke-Ogun area on POS.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.898	.199		19.601	.000
	There is no significant effect of POS on Oke-Ogun area businesses	-.294	.058	-.338	-5.060	.000

The above table revealed that 294% increase in Oke-Ogun area businesses will result in decrease in POS. Therefore, there is significant effect of POS on businesses in the Oke-Ogun area at 5% because the value is less than 0.05.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	41.220	1	41.220	25.602	.000 ^b
	Residual	318.780	198	1.610		
	Total	360.000	199			

The table shows that since F statistics are less than 0.05; therefore, the Null hypothesis (H₀) was rejected and the alternative hypothesis (H₁) was accepted.

Hypothesis II

Hi2: There is significant impact of POS on payment convenience

H02: There is no significant impact of POS on payment convenience

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.116 ^a	.014	.009	.48326

The above table shows that 11% of changes in POS payment convenience account for changes in businesses in the Oke-Ogun area, while 89% are factors outside the scope of the study. However, R squared 1% revealed that there are changes in POS for payment convenience in businesses Oke-Ogun area.

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.208	.107		11.274	.000

1	There is no significant impact of POS on payment convenience	.113	.068	.116	1.647	.101
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The above table revealed a 113% increase in POS payment convenience, which will result in a decrease in businesses in the Oke-Ogun area. Therefore, there is no significant impact of POS on payment convenience at 5% because the value is higher than 0.05.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.633	1	.633	2.712	.101 ^b
	Residual	46.242	198	.234		
	Total	46.875	199			

The table shows that since F statistics is higher than 0.05, the Null hypothesis (H₀) was accepted and the alternative hypothesis was rejected (H₁).

Conclusion and Recommendations

Cashless economy/policy is the best if all the stakeholders (Financial institutions, Telecommunication and Financial Technology [Fin Tech]) are ready to improve on their services to the public. Equally, it will help to eradicate the evil fiscal operations of Nigerians, especially on illicit businesses. One of the major blessings of this policy is that it will be difficult to earn without labor which usually occur among Nigerian politicians. All sorts of kickbacks on contracts are always done in cash so that they will not be traced. In addition to this, fuel station attendants, shop keepers among others, who are in the habit of defrauding their customers will find it difficult to so on any transaction that carried out through cashless policy as it will be impossible to withdraw excess from what is credited to the company's account.

Based on the research findings, the following recommendations will assist for future assessment:

- There should be a proper awareness on the adaptation and use of POS
- The fear of POS users' on network issue should be allayed
- CBN should embark on enlightenment on the benefits of cashless policy to the masses because people still have strong belief in cash payment.
- All stakeholders in cashless economy should be prepared before embarking on wholesale cashless policy.

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