

Cashless Policy, Financial Crime Management and Economic Sustainability in Nigeria

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ABSTRACT

This study investigates the relationship between Nigeria's cashless policy, financial crime management, and economic sustainability, with a specific focus on five cities in South East Nigeria. The primary objectives were to examine the impact of the cashless policy on the reduction of financial crimes and to evaluate its effects on economic sustainability. A survey research design was adopted, targeting a population of 6,782 residents across the selected cities. A sample size of 378 respondents was determined using the Taro Yamane sampling technique. Data were collected through a structured questionnaire developed by the researcher and analyzed using simple percentages and the chi-square statistical tool at a 0.05 level of significance. The findings revealed that the cashless policy has a statistically significant positive effect on both the reduction of financial crimes and the enhancement of economic sustainability in Nigeria. The study concludes that the effective implementation of the cashless policy contributes meaningfully to curbing financial malpractice and fostering a more stable and sustainable economic environment. Based on the findings and conclusion the following recommendations are made; the government and financial institutions should invest more in robust digital infrastructure and intensify public education campaigns to enhance the adoption of cashless transactions; to sustain the positive impact on economic stability, regulatory agencies such as the Central Bank of Nigeria (CBN) and the Economic and Financial Crimes Commission (EFCC) should implement stronger cybersecurity measures and enforce stricter compliance policies to safeguard electronic transactions and prevent new forms of digital financial crimes.

Keywords: Cashless Policy, Financial Crime Management, Economic Sustainability, Nigeria, Digital Payments, Financial Inclusion, Economic Growth

INTRODUCTION

In recent years, the trend towards a cashless economy has been gaining momentum in developed and developing nations. As more and more nations turn to digital payment methods, such as mobile applications and online banking, the use of cash is becoming increasingly rare. This trend towards a cashless society has become increasingly prevalent among developed nations [1]. This shift towards a cashless economy has had a profound impact on the growth and development of these nations. One of the primary benefits of cashless policies is the increased efficiency and speedy transactions. With digital payments, transactions can be completed almost instantly, eliminating the need for physical cash handling and reducing wait times [2]. This not only improves the overall customer experience but also allows for a higher volume of transactions to take place in a shorter period of time. Furthermore, cashless policies have contributed to a more secure and transparent economy. Digital transactions leave a paper trail, making it easier to track and monitor financial activities. This increased transparency helps to prevent and detect fraudulent activities, ensuring that the economy operates with greater integrity. In addition, the shift towards a cashless society has also had a positive impact on the economy. The production and distribution of physical cash require significant resources, including paper and ink, as well as

transportation and storage facilities. By reducing the reliance on cash, advanced nations had succeeded in conserving these resources and reduce their carbon footprint.

However, handling physical cash is still a common practice in many developing nations notwithstanding that carrying large amounts of cash can be dangerous [3], [4], [5], and [6]. When people rely solely on cash, they may not have a clear understanding of their spending habits [7], [8], and [9]. This can be among the reasons of financial irresponsibility and perpetual poverty in most developing nations of the world where standard of living is far below global expectations. In Nigeria the use of cash has played a significant role in encouraging bribery and corruption. The country's reliance on cash transactions has created an environment where corruption can thrive, as it allows for easy and untraceable exchanges of money. When cash is used, there is no paper trail or record of the transaction, making it difficult for authorities to trace and prevent corrupt activities. This lack of transparency allows individuals to engage in corrupt practices without fear of being caught or punished. Furthermore, the widespread use of cash in Nigeria has led to a culture of crime; the use of cash has also contributed to the growth of organized crime in Nigeria. Criminal organizations have taken advantage of the cash-based economy to launder money and finance illegal activities. The lack of regulation and oversight in the cash transactions has made it easy for these organizations to operate and expand their illegal activities. [4] argued that the availability of large amounts of cash can make it easier for criminals to carry out armed robberies and kidnappings. When cash is readily available, it becomes a tempting target for those seeking to make a quick profit through illegal means. This can lead to an increase in violent crimes, putting innocent lives at risk. The ease of accessing large sums of cash can facilitate money laundering activities. Criminals can use cash to purchase assets or invest in legitimate businesses, making it difficult for law enforcement agencies to trace the source of their wealth. This not only undermines the integrity of the financial system but also enables further illegal activities. [10], [11] and [12]. To combat these issues, it is crucial to implement stricter regulations on the circulation of large amounts of cash. Governments can introduce measures such as limits on cash transactions, mandatory reporting of large cash transactions, and increased surveillance of cash-related activities. By reducing the availability of cash, we can make it more difficult for criminals to engage in illegal activities and protect society from their harmful actions. The circulation of large amounts of cash poses a significant threat to the safety and well-being of individuals and communities. By implementing stricter regulations and reducing the reliance on cash, the government can create a more secure environment and prevent the proliferation of crime and corruption.

However, by implementing measures to reduce the reliance on physical cash the government can promote a safer and more secure society. As a result, the Federal Government of Nigeria introduced cashless policy. The cashless policy in Nigeria was officially introduced by the Central Bank of Nigeria (CBN) in 2012. It was first implemented as a pilot program in Lagos State in January 2012, and later expanded to other states and the entire country over the following years. Cashless policy is the regulation made by the central bank of Nigeria to simply move from a gradual physical movement of payment system with the use of a systematic adoption of other non physical cash mode of payments in settlement of all types of transactions including commercial, personal, local and international trade. The policy also aimed at reducing the cost of banking services and improving the effectiveness of monetary policy in managing inflation and driving economic development [13].

The most outstanding cashless banking channels over the world are mobile banking, internet banking, electronic card implants, points of sales terminals, telephone banking and automated teller machine [14]. [15], asserted that the introduction of cashless policy in Nigeria would moderate the cost of each management, reduces lending rate, encourage the use of electronic payment, individuals and organizations will convert paper money to bank deposits. It also helps to modernize the payments, stimulates and develops the payment system while also curbing the criminality associated with travelling around with lots of physical cash. It is from the foregoing background, that the research is disposed to examine cashless policy, financial crime management and economic sustainability in Nigeria. Specifically, the study is designed to examine the impacts of cashless policy on financial crime reduction, evaluate the effects of the Cashless Policy to Economic Sustainability in Nigeria

LITERATURE REVIEW

Overview of the Cashless Policy in Nigeria

The cashless policy was first introduced by the Central Bank of Nigeria (CBN) in 2012, with the aim of reducing the reliance on physical cash and promoting digital payments as an alternative. Nigeria's formal banking system has historically struggled with issues such as cash-based transactions, limited access to financial services in rural areas, and inefficiencies related to cash management [17]. According to the CBN, the primary objectives of the policy are to reduce the cost of banking services, curb cash-related crimes, and enhance financial inclusion. The policy has evolved with the introduction of various measures such as withdrawal limits, POS expansion, mobile

banking, and online transaction platforms. Studies by [17] and [18] highlight that despite initial resistance, there has been a gradual shift toward digital transactions in Nigeria, particularly among urban dwellers and business communities.

Cashless Policy and Financial Crime Reduction

A central motivation behind Nigeria's cashless policy is the reduction of financial crimes such as money laundering, fraud, tax evasion, and terrorism financing. These crimes have long been pervasive in Nigeria, with cash being a primary enabler due to its anonymity. The cashless policy has created a more traceable and accountable financial system by increasing the visibility of financial transactions. The shift towards electronic transactions allows for better monitoring, tracking, and auditing of financial activities, which could potentially reduce opportunities for illicit activities [19]. A study by [20], suggests that the widespread use of electronic payment platforms has made it more difficult for individuals to hide illegal transactions, thus deterring financial crimes. Furthermore, the Central Bank of Nigeria has implemented regulatory frameworks to combat money laundering and fraud in a cashless society. The Nigerian Financial Intelligence Unit (NFIU) plays a crucial role in monitoring transactions and ensuring that digital payments are not used for illegal purposes [21]. However, scholars such as [22], argue that while the policy has contributed to a reduction in certain types of crimes, issues such as cybersecurity, digital fraud, and the challenges posed by unregulated mobile money platforms remain a concern.

Economic Sustainability and the Cashless Economy

Economic sustainability refers to the ability of an economy to maintain long-term growth without compromising future generations' ability to meet their needs. In the context of Nigeria, the cashless policy is seen as a means to achieve economic sustainability by increasing the efficiency of financial transactions, improving tax revenue collection, and promoting financial inclusion. According to a report by the International Monetary Fund (IMF, 2020) [23], cashless societies are associated with greater economic stability due to their ability to formalize informal economies and integrate more individuals into the financial system. The cashless policy in Nigeria aligns with this idea by making banking and payment services more accessible to the unbanked population, particularly in rural areas. Digital financial services, such as mobile banking and digital wallets, enable individuals without access to traditional banking infrastructure to engage in formal economic activities [24]. This enhances financial inclusion and boosts economic productivity. The policy also aims to reduce the costs associated with cash handling and transportation, which are significant burdens on the Nigerian economy. [25], argue that reducing cash-related inefficiencies could improve the allocation of resources, contributing to broader economic development. Additionally, the cashless system is expected to improve transparency in government transactions and reduce the scope for corruption, leading to a more equitable distribution of public resources [26]. However, there are challenges to achieving sustainable economic growth through the cashless policy. Critics argue that Nigeria's infrastructure is not fully developed to support a nationwide shift to digital transactions. Issues such as limited internet connectivity, power outages, and inadequate POS infrastructure are significant barriers to the successful implementation of a cashless society [27]. Moreover, there are concerns about the digital divide, as rural populations and older Nigerians may face difficulties in adapting to new payment technologies. For the cashless policy to contribute to sustainable economic growth, these infrastructure gaps must be addressed.

Challenges of Implementing the Cashless Policy in Nigeria

While the cashless policy offers numerous benefits, its implementation in Nigeria has not been without challenges. A major obstacle has been the lack of digital literacy among a significant portion of the population. According to a report by the Nigerian Communications Commission (NCC, 2020), a large percentage of Nigerians remain uneducated about digital payment systems, which hinders their adoption. Moreover, while mobile phone penetration is high, the use of mobile banking services is still limited, particularly in rural and underserved areas [28]. Another challenge is the resistance from traditional cash-dependent sectors of the economy, particularly the informal sector, where cash transactions remain predominant. In rural areas, where cash transactions are the norm, there is often a lack of trust in digital systems, which leads to reluctance in adopting electronic payment methods [29]. Additionally, issues such as transaction fees, security concerns, and a lack of regulatory frameworks around mobile payments continue to deter people from embracing the cashless system.

The Role of Government and Financial Institutions

The role of government and financial institutions in promoting the cashless policy cannot be overstated. Government policies, such as the introduction of cash withdrawal limits, have been instrumental in driving the transition to a cashless society. Financial institutions, including banks, fintech companies, and mobile money operators, play a critical role in providing the necessary infrastructure and services to support cashless

transactions. According to [30], a partnership between the government and financial institutions is essential for building trust in the cashless system and ensuring that it is accessible to all segments of society.

The Central Bank of Nigeria has also played a key role in providing regulatory oversight and ensuring that digital payment systems are secure. By enforcing Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations, the CBN seeks to prevent fraudulent activities in the cashless economy. However, some critics argue that while regulatory measures are necessary, they must be accompanied by comprehensive education and awareness campaigns to ensure broad acceptance of the policy [31].

Summary of literature review

The implementation of the cashless policy in Nigeria is a significant step towards reducing financial crimes and promoting economic sustainability. While the policy has shown promising results in enhancing financial inclusion and improving the efficiency of the financial system, challenges remain, particularly in relation to infrastructure, digital literacy, and resistance from certain sectors of the population. Future research should focus on assessing the long-term impact of the cashless policy on economic sustainability, with particular attention to the experiences of rural populations and small-scale businesses. Additionally, more studies are needed to examine the effectiveness of regulatory frameworks in curbing financial crimes in a cashless economy.

METHODOLOGY

This study was carried out in five cities in south East Nigeria, the study employed survey research design, 6,782 residents in the five cities in South East served as the population for the study. A sample size of 378 Respondents was drawn using Taro Yamane Sampling Techniques. The instrument for data collected is a structured questionnaire designed by the researcher; data elicited from the respondents were analyzed using simple percentage, while the hypotheses were at 0.05 level of significance using chi square statistical tool.

DATA PRESENTATION AND ANALYSIS

Research Question 1

What are the impacts of cashless policy on financial crime reduction?

Table 1: The respondents view the impacts of cashless policy on financial crime reduction

the impacts of cashless policy on financial crime reduction	Frequency	Percent
Digital transactions leave electronic records, making it easier for authorities to track and monitor financial activities, reducing opportunities for money laundering and fraud.	60	15.87
The cashless policy limits the use of physical cash, which is often used to conceal illicit funds, thereby making it harder for criminals to launder money.	86	22.75
With less physical cash in circulation, criminals have fewer incentives to engage in armed robbery and other cash-related crimes.	72	19.04
Digital payment platforms use advanced security measures such as encryption, two-factor authentication, and artificial intelligence to detect and prevent fraudulent transactions.	82	21.69
The increased use of electronic payment systems ensures that business transactions are recorded, making it difficult for individuals and businesses to evade taxes.	78	20.63
Total	378	100.0

Source: Researcher (2025)

From the findings of table 4.5 above, 15.87% of the respondents were of the opinion that Digital transactions leave electronic records, making it easier for authorities to track and monitor financial activities, reducing opportunities for money laundering and fraud.; 22.75% concurred that The cashless policy limits the use of physical cash, which is often used to conceal illicit funds, thereby making it harder for criminals to launder money, 19.04% affirmed that With less physical cash in circulation, criminals have fewer incentives to engage in armed

robbery and other cash-related crimes, 21.69% agreed that Digital payment platforms use advanced security measures such as encryption, two-factor authentication, and artificial intelligence to detect and prevent fraudulent transactions., and finally 20.63% agreed that the increased use of electronic payment systems ensures that business transactions are recorded, making it difficult for individuals and businesses to evade taxes.

. Research Question 2

What are the effects of the Cashless Policy to Economic Sustainability in Nigeria

Table 2: The respondents view on the effects of the Cashless Policy to Economic Sustainability in Nigeria

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the effects of the Cashless Policy to Economic Sustainability in Nigeria	Frequency	Percent
AI powered staff portal enhance staff communication in federal universities in South East Nigeria	64	16.93
AI powered staff portal facilitate automated administrative task which invariably enhance public communication in Federal Universities in South East Nigeria	76	19.59
AI power staff portal leads to improved information dissemination	62	16.40
AI powered staff portal facilitate prompt feedback leading to enhanced decision making in Federal Universities in South East Nigeria	90	23.81
AI powered staff portal leads to enhanced collaboration among staff of Federal Universities in South East Nigeria	86	22.16
Total	378	100

Source: Researcher's Field Survey (2024)

From the findings of table 4.2 above, 16.93% of the responded were of the view AI powered staff portal enhance staff communication in federal universities in South East Nigeria, 19.59% agreed that AI powered staff portal facilities automated administrative task which invariably enhance public communication in Federal Universities in South East Nigeria, 16.40% affirmed AI powered staff portal leads to improved information dissemination in Federal Universities in South East, 23.81% concurred AI powered staff portal facilitate prompt feedback leading to enhanced decision making in Federal University in South East, while 22.16% were of the opinion that AI powered staff portal leads to enhanced collaboration among staff of Federal Universities in South East Nigeria. From the findings of the table above it could be inferred that AI powered staff portal has positive significant effect in efficient staff communication in Federal Universities in South East Nigeria

SUMMARY OF FINDINGS

The summary of the findings could be summarized as follows;

- Cashless policy has positive significant effect on financial crime reduction in Nigeria
- Cashless policy has positive significant effect on economic sustainability in Nigeria

CONCLUSION

The adoption of the cashless policy in Nigeria represents a significant shift towards modernizing the financial system, enhancing economic efficiency, and improving governance. By reducing the reliance on physical cash, the policy aims to address long-standing challenges such as financial crime, money laundering, and informal economic activities. As evidenced in various studies, the cashless policy is a potent tool for combating financial crimes, as it ensures greater traceability and accountability of financial transactions. This, in turn, helps to reduce fraud, tax evasion, and illicit financial flows, which have plagued the Nigerian economy for decades.

Financial crime, which has long been a major hindrance to Nigeria's economic growth, stands to be mitigated by the transparency and traceability inherent in digital transactions. Through the use of electronic payment systems and digital banking, the government and financial institutions can more effectively monitor transactions, detect suspicious activities, and enforce anti-money laundering measures. As Nigeria continues to embrace digital payments, these measures are likely to result in a more secure financial environment, enhancing public trust and attracting both domestic and international investments. From the perspective of economic sustainability, the cashless policy offers several benefits. It facilitates a more efficient allocation of resources, reduces the cost of cash

management, and supports the formalization of economic activities. In the long term, the transition to a cashless economy can help strengthen the financial system, enhance financial inclusion, and improve the overall ease of doing business in Nigeria. Moreover, the cashless policy aligns with the global trend of digital transformation, positioning Nigeria to better compete in the digital economy. However, the successful implementation of the cashless policy requires addressing several challenges. These include ensuring adequate infrastructure, expanding internet and mobile banking access, educating the population on digital payment methods, and tackling cybersecurity concerns. Additionally, while the policy has made progress in urban areas, more work is needed to ensure its effective implementation in rural regions, where access to digital financial services remains limited.

RECOMMENDATIONS

Based on the findings and conclusion; the following recommendations are made;

1. The government and financial institutions should invest more in robust digital infrastructure and intensify public education campaigns to enhance the adoption of cashless transactions
2. To sustain the positive impact on economic stability, regulatory agencies such as the Central Bank of Nigeria (CBN) and the Economic and Financial Crimes Commission (EFCC) should implement stronger cybersecurity measures and enforce stricter compliance policies to safeguard electronic transactions and prevent new forms of digital financial crimes.

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CITE AS: Anikeze Nnaemeka Hillary, Eze Samson Okwudiri and Igwe Judith Ogbonne (2025). Cashless Policy, Financial Crime Management and Economic Sustainability in Nigeria. NEWPORT INTERNATIONAL JOURNAL OF CURRENT RESEARCH IN HUMANITIES AND SOCIAL SCIENCES, 5(3):1-7. <https://doi.org/10.59298/NIJCRHSS/2025/5.3.17000>