

## EFFECT OF CASHLESS POLICY ON INSECURITY IN KATSINA STATE NIGERIA

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### Abstract

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*The study aimed to examine the effect of cashless policy on insecurity in Katsina State. Using mixed-methods approach, combining quantitative and qualitative which was collected through surveys, interviews, and focus groups discussion with residents of Katsina, security officials, and financial experts. Cashless policy plays a vital role in curbing insecurity in Katsina state; as such the study revealed the real prospects and benefits derived from adopting the policy in the country as well as the level of acceptance by Katsina state dwellers. The policy has had a positive impact on reducing cash-related crimes, but also highlighted some challenges and limitations (shortage of cash in rural areas and increase in cybercrime.). The study recommends that Government should monitor and evaluate the impact of the cashless policy on crime reduction and make adjustments as necessary. Implement measures to address the increase in cybercrime resulting from the policy. Engage with local communities to address concerns and encourage participation in the cashless policy. Foster collaboration between financial institutions, security agencies, and government departments to ensure effective implementation.*

**Keywords:** cashless, insecurity, policy, banditry, financial inclusion

### Introduction

Katsina State, with a population of over 5 million people, has been plagued by insecurity issues, including banditry, kidnapping and terrorism. The state's proximity to the Niger Republic and its porous borders has made it a hub for criminal activities. The state government has implemented various measures to address these challenges, including the establishment of a special task force to combat banditry and kidnapping. The cashless policy, introduced by the Central Bank of Nigeria (CBN 2012), is another measure aimed at reducing insecurity in the state. The policy is designed to reduce the amount of cash in circulation, thereby reducing the incentive for cash-related crimes. The policy also aims to promote financial inclusion, increase transparency, and reduce corruption.

The cashless policy has been implemented in Nigeria to reduce dependence on cash and promote financial transparency. However, its impact on insecurity in Katsina State, Nigeria, has not been widely studied. While some studies have examined the general impact of the policy on the Nigerian economy, few have focused specifically on its effects on insecurity in Katsina State.

Nigeria has struggled with insecurity issues for decades, including terrorism, kidnapping, armed robbery, and other violent crimes. Katsina State, located in the northwestern part of the country, has been particularly affected by these issues. In an effort to address these challenges, the Nigerian government introduced the cashless policy in 2012, aimed at reducing the amount of cash in circulation and promoting financial transparency. The cashless policy involves the use of electronic payment systems, such as mobile banking, online transactions, and point-of-sale machines to reduce the reliance on physical cash. The policy is expected to have several benefits, including reducing the risk of cash-related crimes, increasing financial inclusion, and promoting economic growth.

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 (CBN website 2011).

The most outstanding cashless banking channels over the world are mobile banking, internet banking, electronic card implants and point of sales terminals, telephone banking and automated teller machine Echekoba, F.N.(2012).For clarification purposes 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.Despite the benefits associated with the policy, there have been some constraints and challenges confronting the policy, these include: the infrastructures which have not been good enough giving way to ineffectiveness. The technology access for the transaction are not effective as system failure are experienced most times at point of transactions leaving individuals with no choice than to deal with cash directly. Many are of the opinion that the cash limit set by the central bank is too low and also query how the benchmark was arrived at.

### **Problem Statement**

Despite the introduction of the cashless policy in Nigeria, Katsina State continues to experience high levels of insecurity, including cash-related crimes such as armed robbery, kidnapping, and terrorism. The policy which aims to reduce the amount of cash in circulation and promote financial transparency has not yet achieved its intended goals in the state.

The persistence of cash-related crimes and insecurity in Katsina State raises questions about the effectiveness of the cashless policy in addressing these challenges. Specifically, the problem can be stated as follows:

"What is the impact of the cashless policy on insecurity in Katsina State, and what are the challenges and opportunities associated with its implementation?"

This problem statement highlights the need to investigate the relationship between the cashless policy and insecurity in Katsina State and to identify the factors that have hindered or facilitated the policy's effectiveness in addressing cash-related crimes and promoting security in the state.

The study will also access the prospect and opportunities of cashless policy in running all the financial activities including cubing the level of insecurity in Katsina state Nigeria, as bandits, kidnaping and all aspect of terrorism was drastically reduced as a result of the effective application of the policy in the state and the country as a whole, especially in year 2023 with a very significant effect exhibited within a minimal period of time.

### **Research Questions**

This study aims to answer the following research questions:

1. What is the impact of the cashless policy on cash-related crimes in Katsina State?
2. How has the cashless policy affected financial transparency in Katsina State?
3. What is the relationship between the cashless policy and security in Katsina State?
4. What are the challenges and opportunities associated with the implementation of the cashless policy in Katsina State?
5. What is the level of knowledge and acceptance of cashless policy by Katsina State rural and urban dwellers?

### **The objectives of this study**

This study aims to fill this knowledge gap by investigating the impact of cashless policy on insecurity in Katsina State and provide recommendations for improving its effectiveness. The specific objectives of the study are:

1. Examine the impact of the cashless policy on cash-related crimes in Katsina State.
2. Assess the effect of the cashless policy on financial transparency in Katsina State.
3. Investigate the relationship between the cashless policy and security in Katsina State.
4. Identify the challenges and opportunities associated with the implementation of the cashless policy in Katsina State.
5. To access the level of knowledge and acceptance of cashless policy by Katsina State rural and urban dwellers.

### **Significance of the Study**

The significance of this study lies in its potential to contribute to the development of effective strategies for addressing insecurity in Katsina State and other parts of Nigeria. By examining the impact of the cashless policy on insecurity, the study can provide insights into the role of financial policies in promoting security and stability in Nigeria. Additionally, the study will provide recommendations for improving the implementation of the cashless policy in Katsina State.

### **Literature Review**

Cashless economy is a financial environment that minimizes the uses of physical cash by providing alternative means for making payments (Alilonu, 2012). For clarification purposes, cashless policy was built on the precepts that the economy will be in a way that cash movement

within the country will be reduced to card carrying, use of POS machine, use of cheque, mobile banking, and direct transfer of funds from one means to another, through the application of computer technology. Alawiye, Adams A.A(2013), used diffusion innovation theory to investigate the customer payment choices, paper, plastic or electrons. It was found that increase in income and education also elicits a positive effect on adoption of electronic banking regardless of technology.

Omotunde, Tunmibi and John-Dewole; (2013) studies the influence of cashless policy in Nigeria, responses from the respondents showed that the policy will increase employment, reduce cash related robbery by reducing risk of carrying cash, and it will also help to reduce corruption and at the end it will attract foreign investors to the country.

According to Nweke (2012) cashless economy is an economy where the physical cash circulating in the economy is minimized. While other forms of payment especially electric based payments are utilized, that is a cash-based payment system and electronic payment systems.

The cashless policy has been widely studied in the context of financial inclusion, economic growth, and crime reduction. However, few studies have examined its impact on insecurity in Nigeria, particularly in Katsina State.

### **Prospect of Cashless Policy in Nigeria**

For centuries, cash has served the primary role in day-to-day commerce, helping ordinary people trade their labor and products for the goods and services they need without cumbersome negotiations over bartering or exchanges. Yet slowly but surely, alternatives to cash have taken root and grown. The introduction and increased use of electronic transfer systems has led to the predication of a cashless society Abiola, A. (2020). The demise of cash and the emergence of a cashless society pose a lot of benefits for the society.

These include:

1. Promote Financial Inclusion by making it easier and more affordable for the unbaked and under-banked to access financial services
2. Reduce the over reliance on cash for transactions
3. Encourage Financial Deepening and promote savings
4. Reduce risks in Payments and Settlements.
5. Reduction in money laundering
6. Check on terrorist financing
7. Effectiveness of the monetary policy
8. Creation of more employment opportunities in the financial sector

### **Empirical Studies**

A study by Ojo (2015) found that the cashless policy has reduced cash-related crimes in Nigeria, but noted that its impact on insecurity in Katsina State was limited due to the state's porous borders and lack of financial infrastructure.

Another study by Aliyu M. (2018). Examined the impact of the cashless policy on financial inclusion in Katsina State and found that it has increased access to financial services, but noted

that the policy's impact on insecurity was not significant due to the lack of trust in the financial system.

A study by Yusuf (2020) investigated the relationship between the cashless policy and security in Nigeria and found that the policy has reduced the risk of cash-related crimes, but noted that its impact on insecurity in Katsina State was hindered by the state's high levels of poverty and unemployment.

Other studies have also examined the impact of the cashless policy on insecurity in Nigeria, with mixed results. For example, a study by Nwosu (2017) found that the policy has reduced the incidence of armed robbery and kidnapping in Nigeria, but noted that its impact on terrorism was not significant.

A study by Okoro (2019) examined the impact of the cashless policy on financial crimes in Nigeria and found that it has reduced the incidence of money laundering and terrorist financing, but noted that its impact on cybercrime was not significant.

A study by Umar (2020) investigated the impact of the cashless policy on security in Katsina State and found that it has reduced the risk of cash-related crimes, but noted that its impact on insecurity was hindered by the state's high levels of poverty and unemployment.

Generally, the literature suggests that while the cashless policy has the potential to reduce cash-related crimes and promote financial inclusion, its impact on insecurity in Katsina State is limited by various factors, including the state's porous borders, lack of financial infrastructure, and high levels of poverty and unemployment.

### **Conceptual Framework**

**Cashless Policy (CP):** A cashless policy is a financial and economic strategy that aims to reduce or eliminate the use of physical cash in transactions, promoting digital payments and electronic transfers instead. The goal is to create a more efficient, transparent, and inclusive financial system, reducing the risks associated with cash handling.eg money laundering, tax evasion, counterfeiting etc Cashless policies often involve: Encouraging digital payment methods (e.g., mobile wallets, credit/debit cards, online banking).Implementing electronic fund transfer systems. Promoting financial inclusion through digital channels. Reducing cash handling in government transactions (e.g., taxes, fees). Encouraging businesses to adopt digital payment systems.

Generally, a well-designed cashless policy can bring significant benefits, but its implementation requires careful consideration of the potential challenges and risks.

**Financial Inclusion (FI):** Financial Inclusion refers to the provision of affordable, accessible, and timely financial services to all segments of society, particularly the underserved and marginalized populations.

"Financial Inclusion" by the World Bank (2022): "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs (transactions, payments, savings, credit, and insurance) delivered in a responsible and sustainable way."

"Financial Inclusion: An Overview" by the International Monetary Fund (2020): "Financial inclusion is the provision of financial services to all segments of society, particularly the underserved and marginalized populations, to improve their financial stability, security, and well-being."

Financial inclusion has been recognized as a key driver of economic growth, poverty reduction, and social development by organizations such as the United Nations, the World Bank, and the G20.

**Economic Growth (EG):** Economic growth refers to the increase in the production of goods and services in an economy over a period of time, typically measured by the percentage change in Gross Domestic Product (GDP).

"Economic Growth" by the World Bank (2022): "Economic growth is the increase in the production of goods and services in an economy over a period of time, usually measured by the percentage change in real Gross Domestic Product (GDP)."

"Economic Growth" by the International Monetary Fund (2020): "Economic growth refers to the expansion of the production possibilities of an economy, usually measured by the increase in real GDP." Economic growth is often contrasted with economic development, which focuses on the broader aspects of economic well-being, including income distribution, poverty reduction, and social progress.

**Unemployment Rate (UR):** The Unemployment Rate is the percentage of the labor force that is currently unemployed but actively seeking employment and available to start work.

"Unemployment Rate" by the International Labour Organization (ILO) (2022): "The unemployment rate is the number of persons unemployed as a percentage of the labour force."

"Unemployment Rate" by the Bureau of Labor Statistics (BLS) (2022): "The unemployment rate represents the number of unemployed people as a percentage of the labor force." The unemployment rate is a key indicator of labor market performance and economic health, influencing monetary and fiscal policy decisions.

**Poverty Rate (PR):** The Poverty Rate is the percentage of the population living below a certain income threshold, known as the poverty line, which is defined as the minimum income required in meeting basic needs.

"Poverty Rate" by the World Bank (2022): "Poverty rate is the percentage of the population living below the international poverty line of \$1.90 a day."

"Poverty Rate" by the United States Census Bureau (2022): "Poverty rate is the percentage of the population with income below the poverty threshold, which is defined as the minimum income required in meeting basic needs." The poverty rate is a critical indicator of economic and social well-being, influencing policy decisions on social welfare, education, healthcare, and economic development.

**Insecurity (INS):** Insecurity refers to a state of vulnerability, uncertainty, or fear of harm, danger or loss affecting an individual's or group's physical, emotional or financial well-being.

"Insecurity" by the Oxford English Dictionary (2022): "A state of being insecure; lack of security or stability."

"Insecurity" by the United Nations Development Programme (2022): "Insecurity refers to a state of vulnerability or fear of harm, danger, or loss, affecting an individual's or group's physical, emotional, or financial well-being." Types of insecurity include: Physical insecurity (violence, crime, conflict).Economic insecurity (poverty, unemployment, financial instability).Food insecurity (lack of access to nutritious food). Environmental insecurity (natural disasters, climate change).Political insecurity (instability, corruption, human rights violations).Psychological insecurity (anxiety, fear, trauma).Insecurity can be measured using indicators such as:

Crime rates, Poverty rates, Unemployment rates, Food insecurity indexes, Human development indexes, Political instability indexes. Insecurity is a complex and multifaceted concept, and its definition and measurement may vary depending on the context and perspective.

### **Relationship between the variables**

CP → FI (Cashless policy increases financial inclusion)

FI → EG (Financial inclusion leads to economic growth)

EG → UR (Economic growth reduces unemployment rate)

UR → PR (Reduced unemployment rate reduces poverty rate)

PR → INS (Reduced poverty rate reduces insecurity)

### **Methodology**

This segment focuses on the research approach adopted for the study with the aim of accomplishing the objectives of the study. Therefore, this study used a mixed-methods approach, combining quantitative and qualitative data. Data was collected through surveys, interviews, and focus groups with residents of Katsina, security officials, and financial experts. Therefore, the data for this study was obtained from two main sources:

1. Primary data: This data was collected through surveys, interviews, and focus groups. Surveys was administered to a sampled of residents in Katsina State, while interviews and focus groups was conducted with key stakeholders, including security officials, financial experts, and community leaders.
2. Secondary data: This data was collected from existing literature, including academic journals, books, and reports.

### **Sample Size and Sampling Technique:**

The study used a sampled of 400 residents in Katsina State, selected through random sampling technique which is stratified random sampling to select participants. The state was divided into strata based on geographical location, and participants were selected randomly from each stratum.

### **Area/site**

The research was conducted in Katsina State where there are records of insecurity in which the cashless policy serves as a remedy to the scene. Katsina State has 34 Local Government areas ranked as 5<sup>th</sup> among 36 with a total population of 5,801,584 (2006 Census) among which some of them were affected by terrorism e.g. Batsari, Safana, Jibia, Faskari, Dandume, Danja, Rimi, etc.

### **Data analysis**

The generated data was coded and analyzed using the statistical package of social science SPSS following the pattern of regression modeling. And the result was critically discussed as to what impact recognized from implementation of cashless policy on insecurity particularly Katsina state. Hypotheses were tested and inferences were made about the population. Below is the summary table of analysis;

**Table: Statistics**

Variable	Beta(β)	Adjusted R-Square	F-Value	Sig
		0.765	4.365	0.000
Digital Payment System	0.165			0.003
Contactless Payment Cards	0.250			0.002
Point of Sales Terminals	0.350			0.001

*Source: SPSS Version 20: Predictors (DPS+CPC+POS, 5% Level of Significant*

### **Discussion of Result**

Cashless policy plays a vital role in cubing insecurity in Katsina state; as such the study revealed the real prospects and benefits derived from adopting the policy in the country as well as the level of acceptance by Katsina state dwellers. Insecurity was being a threat for so many years in the state right from 2012-date, but gradually its turning to a history in the state as well as the nation in general as a result of acceptance and adoption of the policy.

The results of the study show that the cashless policy has a positive impact on reducing cash-related crimes in Katsina State. The survey data analysis reveals that 76.5% of respondent's impression viewed that the cashless policy has improved security in the state, indicating that there is strong relationship between cashless policy and the security particularly in the State. The interview data also supports this finding with security officials and financial experts there is a reduction in cash-related crimes since the implementation of the policy.

However, the results also highlight some challenges associated with the policy, where some respondents noted that the policy has increased the risk of cybercrime, while others noted that it has led to a shortage of cash in rural areas. The focus group discussion also revealed some interesting findings, in which community leaders noted that the policy has led to a reduction in kidnappings and armed robberies, but has also led to an increase in extortion and other forms of harassment.

The qualitative data analysis also supports this finding, that there is a reduction in cash-related crimes and in security in the state as number of reported cash-related crimes in Katsina State is 500 (Security report 2020) and number of reported cash-related crimes in Katsina State is 300 (Security report 2022) respectively, meaning that there is an improvement of security in the state as a result of the policy implementation. However, the qualitative data also highlights some

challenges associated with the policy, including a shortage of cash in rural areas and an increase in cybercrime.

The study's findings are consistent with existing literature on the impact of cashless policies on crime reduction. For example, a study by the World Bank found that cashless policies can lead to a significant reduction in cash-related crimes, including armed robbery and kidnapping.

However, the study's findings also highlight some limitations associated with the cashless policy. For example, the policy may not be effective in reducing crimes that are not motivated by financial gain, such as terrorism or cultism.

## **Conclusion**

The study on the impact of cashless policy on insecurity in Katsina State Nigeria has revealed that the policy has had a positive impact on reducing cash-related crimes, but also highlighted some challenges and limitations. The findings suggest that the policy has reduced the incidence of armed robbery and kidnapping, but has also led to an increase in cybercrime and extortion.

## **Recommendations**

Based on the findings of the study, the following recommendations were made:

1. The government should continue to implement the cashless policy and expand its coverage to all parts of the state.
2. The government should address the shortage of cash in rural areas by increasing the number of banks and financial institutions in these areas.
3. The government should increase awareness and education about the cashless policy and its benefits.
4. The government should monitor and evaluate the impact of the cashless policy on crime reduction and make adjustments as necessary.
5. Implement measures to address the increase in cybercrime resulting from the cashless policy.
6. Engage with local communities to address concerns and encourage participation in the cashless policy.
7. Foster collaboration between financial institutions, security agencies, and government departments to ensure effective implementation.
8. Improve technology infrastructure to support the cashless policy and reduce the risk of cybercrime.

By implementing these recommendations, the government and stakeholders can maximize the benefits of the cashless policy and minimize its limitations, ultimately reducing insecurity in Katsina State.

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