Cashless Policy and Customers' Satisfaction: A Study of Commercial Banks in Kwara State, Nigeria

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Abstract: *The advent of cashless policy into the Nigerian banking sector has brought mixed- feelings to all stakeholders in the sector. The development has brought relief to a segment dominated by the operators (bankers), while the other segment dominated by the customers has complained about the challenges associated with the operation of the policy. The study investigates customer's satisfaction of the recently introduced cashless policy in Kwara State, Nigeria with a survey of bank customers in Ilorin. Data was collected using a well structural questionnaire which was analyzed using descriptive statistics, while hypotheses formulated for the study were tested using correlation co-efficient. The findings of the study reveal that, "Cashless policy contributed significantly to customers' satisfaction in Kwara State". Also, the study revealed that cashless policy contributed significantly to customers' satisfaction through electronic channels. Finally, the study concluded that the cashless policy is customer friendly and progressive. Hence, it was therefore recommended, among others, that infrastructures should be improved upon to ensure easy operation of the policy in Kwara State.*

Keywords: *Cashless Policy, Customers' Satisfaction, Nigerian Banking Sector, Customers' Orientation, Banking Performance.*

1. Introduction

The recent innovation of technology for financial transactions poses interesting questions for policy makers and financial institutions regarding the suitability of current institutional arrangements and availability of instruments to guarantee financial stability, efficiency, effectiveness of monetary policy and achievement of sustainable economic growth in Kwara State. Over the course of history, different forms of payment systems have been in existence. Initially, "trade by barter" was common. However, the problems of barter such as the double coincidence of wants necessitated the introduction of various forms of money. Nevertheless, pundits have been predicting the complete demise of study instruments and the emergence of potentially superior substitute for cash or monetary exchange that is cashless society (Wikipedia, 2011).

Since Nigeria's independence in 1960, there have been different governments, constitutional reforms, change in economic policies and banking reforms, mainly directed at enhancing social welfare and achieving developmental goals but there has been no substantial positive change in Nigeria's Human Development Indicators. This also calls to question the effectiveness of the cash-less policy of the Central Bank of Nigeria (CBN) in some states in Nigeria, a particular reference to Kwara State.

According to the CBN, the new cashless policy was introduced for a number of key reasons, including: To drive development and modernization of our payment system in line with Nigeria's vision 2020 goal of being among the top 20 economies by the year 2020. An efficient and modern payment system is positively correlated with economic development, and is a key enabler for Nigerian economic growth. To reduce the cost of banking services (including cost of credit) and drive financial inclusion by providing more efficient transaction options and greater reach and to improve the effectiveness of monetary policy in managing inflation and driving Nigerian economic growth (CBN, 2013). In addition, the cashless policy aims to curb some of the negative consequences associated with the high usage of physical cash in the economy, including: high cost of cash, high risk of using cash, high subsidy, informal economy and inefficiency & corruption (CBN, 2011).

In Kwara State, customers of banks today are no longer careabout safety of their funds and increase returns on their investments only. Customers demand efficient, fast and convenient services. Customers want a

Bank that will offer them services that will meet their particular needs (personalized banking) and support their Business goals for instance; businessmen want to ravel without carryout cash for security reasons. They want to be able to check their balance online, find out if a cheque is cleared, transfer funds among accounts and even want to download transaction records into their own computer at work or home. Customers want a preferential treatment and full attention by their choice Bank. All these are only achievable through electronic banking based on cashless policy which was introduced by Central Bank of Nigeria.

Hence, this study examines cashless policy and customer's satisfaction. The cashless policy was introduced by Central Bank of Nigeria (CBN) in 2008 and Kwara State government started working on the policy very early in 2011 while the implementation by Banks in Kwara State was effected on September 1, 2013 as directed by the CBN. There are many research works on cashless policy but not much has been done in the area of customers' satisfaction at present. This therefore is the gap which this study sought to fill. Arising from this premise are the two crucial research questions to govern the study: (i) what is the effect of cashless policy on customers' satisfaction in Kwara State commercial banking sector? (ii) Is there any significant relationship between cashless, e-banking and customers' satisfaction in Kwara State banking sector?

This paper is divided into five sections. Section one is the introduction. Section two deals with the literature review. Section three is the research methodology. Section four concerns itself with the result of the findings and discussion while Section five draws conclusion and recommendations.

2. Conceptual Frame Work of the Study

2.1. Concept of Cashless Policy

Electronic – based transaction seeks to drive the development and modernization of Nigeria's payment system in line with her goal of being among the top 20 economies of the world by the year 2020 (Central Bank of Nigeria, 2011). The essence of the policy is to shift the economy from a cash-based economy to a cashless one. Thus, it is geared towards engendering an efficient payment system anchored on electronic based transactions. It is a truism that an efficient and modern payment system is a key enabler and a sine qua non for driving growth and development. The policy also aims at improving the effectiveness of monetary policy in managing inflation in the economy (CBN, 2011).

The cashless policy applies to all accounts, including collection accounts and the cash limits apply to an account irrespective of channel (i.e. whether it is over the counter, ATM, third party cheques cashed over the counter etc.). As far as cash is involved, any withdrawal or deposit that exceeds the limits attracts a service charge (Central Bank of Nigeria, 2011). The charge is borne by the account holder and is about N100 per every 1000 in bank charges (Thisday Live 2012, April, 25). The limit however does not prevent customers from withdrawing or depositing beyond the pegged limits but such customers should be prepared to pay the aforementioned penalty fee.

One of the prerequisites for the development of national economy according to Ajayi and Ojo (2006) is to encourage a payment system that is secure, convenient, and affordable. In this regard, developed countries of the world, to a large extent, are moving away from paper payment instruments toward electronic ones, especially payment cards (Humphrey, D.B. 2004). In these countries, for instance, it is possible to pay for a vending machine snack by simply dialing a number on one's phone bill. In recent times, the mobile phone is increasingly used to purchase digital contents (e.g. ringtones, music or games, tickets, parking fees and transport fees) just by flashing the mobile phone in front of the scammer at either manned or unmanned point of sales (POS).

Increasing numbers of countries have adopted policies to accelerate the use of electronic channels and reduce the use of cash. The motivation for these policies varies: many are primarily concerned with reducing tax evasion, some with fighting crime, and a few are now explicitly linked to financial inclusion – though the latter link is not necessarily immediately nor automatically achieved. In Kwara State, the Central Bank of Nigeria (CBN) announced its cash – less policy in 2013 and commenced a pilot of the policy in Lagos State in January 2012. The policy, intended to reduce the use of cash, is in fact a package of measures, with three key stated objectives:

1. To drive the development and modernization of the payment system in line with vision 2020

2. To reduce the cost of banking services and drive financial inclusion by providing more efficient transaction options and greater reach.

3. To improve the effectiveness of monetary policy in managing inflation and driving economic growth.

2.2 Instruments of Cashless Policy

Humphrey and Berger (1990) present one of the earliest attempts to comprehensively estimate the private and social costs for nine separate payments – cash, cheques, credit cards, money orders, point of sale (POS), automated clearing housing transfers (ACH), ATM bill payments, travelers' cheques and wire transfers. They find that from a social cost perspective, cash is the cheapest payment instrument, followed by ACH, POS and ATM bill payment. From a private perspective, cheques emerge as the cheapest payment method followed by cash, ATM and POS bill payments. However, the influence of government intervention was prematurely considered as there was no calculation of net benefits of such payments instruments (Daniel et al, 2004). In recent times, there is a consensus that central banks have the capacity to control the price level. One of the approaches is through controlling money supply (advocated by monetarists) and has led many central banks to implement money-supply-targeting procedures (Claudia, 2001). Another approach is the Taylor-principle, which is, adjusting short-term interest rate in response to movements in expected inflation and state of economic activity, as shown in Taylor (1993), Clarida *et al (*1997) and Woodford (2003).

At present, the situation does not seem to have shown any significant improvement. Whereas about 90 percent of the banks in the country offer other forms of electronic banking services like telephone banking, ATM and electronic fund transfer, internet banking is yet to take centre stage. This aspect of banking is still at the basic informative stage (Ovia, 2001). This is so despite the widely acclaimed benefits of internet banking against the traditional branch banking practice. Part of the reasons identified for the inability of banks in Nigeria to take full advantage of this mode of banking includes lack of adequate operational infrastructure like telecommunication and power, upon which electronic banking generally relies. Due to the inability of the banks to integrate their operations into the internet development process, internet banking can be said to have less in the existing banking structure in the country.

2.3 Automated Teller Machine (ATM) and Cheque

Worldwide, the use of paper cash still remains the most widely used and acceptable means of settling financial transactions and obligations. However, the proportion of cash transaction is increasingly on the decline, especially in advanced economics (Amedu, 2005). In USA, where the use of cash is still prominent, compared with European countries, it represents 50 percent or more of the total transactions. Of course, cash is a non-electronic payment method. However, the physical carriage of cash as well as the visit to the bank branches is being reduced by the introduction of an electronic device.

A cheque is a paper based payment instrument whose usage is still gaining ascendancy. The automation focus on this instrument is to reduce the number of clearing days and improve on security arrangement in the course of settlement and collection. For example, in Nigeria the Central Bank of Nigeria CBN has just embarked upon online clearing and Nigeria has signified interest and signed path to this project (Johnson, 2005).

Desirous of making the policy succeed, the apex bank has introduced a number of financial services which among others include mobile money payment system, point of sale terminals, Alerts and Automated Teller Machine (ATM). Essentially, Mobile Payment System introduced at the dawn of January 1, 2012 allows users to make payments with their GSM phones. It is a saving device and transfer system that turns GSM phone into a saving account platform, allowing owners to save money in it and also make transfers. The Point of Sale (POS) terminals are installed by businesses and connected to the Nigeria Inter Bank Settlement System for purposes of making payments during business transaction (Wikipedia, 2013).

2.4 Cardinal Objectives of Cashless Policy

As mentioned earlier, one of the cardinal objectives of the cashless policy is to actualize the Nigeria's Vision 2020. What then is vision 20:20? Vision 2020 is an economic transformation blueprint which articulates "the long term intent to launch Nigeria onto a path of sustained social and economic progress and accelerate the emergence of a truly prosperous and United Nigeria". In other words, the blueprint expresses Nigeria's intent to improve the living standards of her citizens, taking cognizance of the enormous human and material resources in Nigeria and drive the economy to be among the top 20 economies in the World with a minimum GDP of $900 billion and a per capita income of no less than $4000 per annum (Nigeria Vision 2020, 2009).

The economic blueprint intent is aptly captured in the vision statement: "By 2020 Nigeria will have a strong diversified, sustainable and competitive economy that effectively harnesses the talents and energies of its people and responsibly exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens" (Nigeria Vision 2020, 2009). To achieve the provisions of Nigeria Vision 20:2020, efficient and modern payment system is critical, which the cashless policy seeks to address (CBN, 2011).

2.5 The Card System

The card system is a unique electronic payment type. The smart cards are plastic devices with embedded integrated circuit being used for settlement of financial obligations. The power of cards lies in their sophistication and acceptability to store and manipulate data, and handles multiple applications on one card securely (Amedu, 2005). Depending on the sophistication, it can be used as a Credit Card, Debit Card and ATMs (Automated Teller Machine). While the electronic card is gaining popularity in USA and Nigeria, the Spanish financial institution demonstrated the highest implementation and update of smart cards across Europe (Amedu, 2005). The Smart Card was introduced into the Nigerian market to reduce or eliminate problems of carrying cash about (Amedu, 2005). It is electronically loaded with cash value and carried about like credit card and stores information on a microchip. The microchip contains a "purse" in which value is hold electronically. In addition, it also contains security programs; these protect transactions between one card user and the other. It can also be transferred directly to a retailer, merchant or other outlet to pay for goods and services, and like cash, transaction between individuals without the needs for banks of the other third parties. Also, the system does not require central clearing. It is valued immediately. Also the system allows transfer of one value to the other hence it operates like cash.

2.6 Cash Based Economy Vs Cashless Economy

Looking at empirical issues, however, in a cashless economy, money demand equation can be derived without influencing output and inflation (Gali, 2008). In this case, money plays the role of a unit of account and the amount of real money balances follows residually after output, inflation and interest rate have been determined. In examining the cost implications of cashless banking instruments, Gresvik and Owre (2002) studied how much it costs Norwegian banks to process various payment instruments. It finds that payment cards used for cash withdrawals at ATMs cost considerably more since the transactions involve cash replenishment, maintenance and security costs. In addition, the cost of using cheques for cash withdrawals was found to be three times more expensive than cash withdrawals at ATMs. Cross country studies such as Humphrey et al (1996) analyzed patterns in the use of cash and other e-payment instruments in 14 developed countries, including the US. Whilst treating payment instruments as if they were traditional goods, the authors constructed measures of the cost (analogous to prices) of various payment methods in order to study whether differences in cashless instrument usage across countries can be explained by differences in the relative prices of such instruments. The result showed that such price differences failed to determine the usage of e-banking instruments. In other words, the convenience of using a particular instrument – a factor that is not measured may outweigh the price differences that users face (Carrow & Staten, 2000).

Kwara State banks have no doubt invested much on technology; and have widely adopted electronic and telecommunication networks for delivering a wide range of value added products and services. They have in the last few years transferred from manual to automated systems. Unlike before when ledge-cards were used, today banking has been connected to information technology networks, thereby facilitating the practice of inter-banking and inter-branch banking transactions. Development domestically has the introduction of mobile telephone in 2001 and improved access to personal computers and internet service facilities have also added to the growth of electronic banking in the Nigeria banking sector. However, whereas local banks most commonly practice real time online internet banking, the integration of customers into the process is far from being realized.

2.7 Electronic Banking Guidelines

The electronic banking guidelines emerged from the findings of a Technical Committee on Electronic Banking set up by the Central Bank of Nigeria in 2003 to find appropriate modalities for the operation of electronic banking in the country. It was indeed the findings and recommendations of the committee that led to the adoption of a set of guidelines on Electronic Banking in August 2003. Of the key provisions of the guidelines, only a section deals with issues relating to Internet Banking Section 1.3 paragraph 4 of the guidelines, exceptionally stresses that banks should put in place procedures for maintaining the bank's Website, including the various security features needed for internet banking services (CBN, 2003).

Despite its numerous technical specifications, the guidelines have been widely criticized as not being enough to check the growing popularity of electronic banking against the backdrop of growing sophistication in technology related crimes and frauds. Closer examination of the contents of the guidelines equally shows that the document fails to meet up with the four key areas where electronic banking may have regulatory impact changing the traditional lines upon which existing regulatory structures are laid; handling concerns about existing public policy issues; changing the nature and scope of existing risks; and re-balancing regulatory rules and industry discretion. Again, some important recommendations of the Technical Committee that gave rise to the adoption of the guidelines were completely omitted. This is especially so with paragraph 6.1 of the Committee's report, which among others recommended that all banks, intending to offer transactional services on the internet/other e-banking products, should obtain an approval-in-principle from CBN prior to commencing these services.

2.8 Criticisms on Guidelines

Part of the criticisms is that the recent guidelines are capable of constraining the practice and development of electronic banking in Kwara State. One of such areas, for instance, is the requirement on electronic banking product development. While acknowledging that the existing regulations would apply wholly on electronic banking, section 4.2 of the guidelines emphasizes that only banks, which are licensed, supervised and with physical presence in Kwara State are permitted to offer electronic banking services in Kwara State, and that virtual banks are not to be allowed. The guidelines also give indications that the products/services can only be offered to residents of Ilorin with a verifiable address with the geographic boundary of Kwara State; any person residing physically in Kwara State as a citizen, under a resident permit or other legal residency designation under the Nigerian Immigration Act; any person known herein as a “classified person” who neither is temporarily in Nigeria.

The Guidelines further indicates that the e-banking service should be offered in Naira only; and that where such a service is to be provided in foreign currency, it should be to only the holders of ordinary domiciliary accounts, and conform with all foreign exchange regulations on some other aspects. The Guidelines have been criticized by stakeholders and customers for not addressing adequately the critical issues concerning internet security. It failed to explicitly recommend a standard that allows banks to examine potential threats that may already be in existence in each individual financial institution's current network.

In addition to this array of criticisms, the workability of proper internet framework is also queried amidst the poor state of basic information technological infrastructure in the country. This is essentially necessary since Electronic Banking generally relies on the existence of adequate operational infrastructure like telecommunications and power to function effectively. Though little success has been accorded, the supply of these requisite facilities is very erratic in the Nigerian case. Where they exist, high cost of acquisition and a glaring one is where majority of the citizens rely solely on the services of commercial cyber cafés to meet their internet needs.

2.9 Innovation of Kwara State Banks into Electronic Banking

Electronic banking both as a medium of delivery of banking services and as a strategic tool for business development, has gained wide acceptance internationally and is fast catching on in Nigeria with more and more banks entering the fray. Nigeria can be said to be the threshold of a major banking revolution with net banking having already been unveiled (Ovia, 2001). Of all the sectors in the Kwara State Economy, banking stands out despite “a not too good” Economy. Electronic banking provides the facility of accessing customer accounts from anywhere in the world by using a home computer with internet connection, is particularly fascinating to non-resident Nigerians and high net worth individuals having multiple bank accounts. The growth potential is, therefore, immense.

2.10 Concept of Customers' Satisfaction and Orientation

Customer satisfaction is a term frequently used in marketing. It is a measure of how products and services supplied by a company meet or surpass customer expectations. Customer satisfaction is defined as the “the number of customers, or percentage of total customers whose reported experience with a firm, its products, or services (ratings) exceeds specified satisfaction goals. Within organizations, customers' ratings can have powerful effects. They focus employees on the importance of fulfilling customers' satisfaction. Therefore, it is essential for the business to effectively manage customer satisfaction. To be able to do this, banks need reliable and representative measures of customer satisfaction.

The significance of customer satisfaction has increased in all fields of production. Due to tightened competition and more demanding customers, the importance of customer satisfaction is emphasized in banking as well, although few studies have been made so far. The objective of this study is to produce new information widely as regards customer satisfaction in construction and the factors affecting it and to discuss utilizing and measuring the customer data in the multi-dimensional business environment of construction.

The study consists of a summary and six independent articles. The study outlines a theoretical model of the relationships between the factors of customer satisfaction and examines the attributes of satisfaction. The study material comprised of the extensive material of the Finish Construction Quality Association (RALA) in which the customer evaluates the contractor's operations using 22 variables. Additionally, the study creates a model and framework for developing a feedback systematic for construction.

Customer satisfaction and customer orientation have become an essential competitive advantage in all areas of production (Woodruff 1997; Kotler, 2000). In general, the significance of customer satisfaction is emphasized in markets where competition is intense (Jones & Sasser 1995). Companies use customer satisfaction measurements in developing, monitoring and evaluating product and service offerings as well as motivating and compensating employees (Anderson *et al*, 1994). Measuring customer satisfaction also has several benefits for organizations, for example, improvement in communication between parties, enabling of mutual agreement, evaluation of progress towards the goal, and monitoring accomplished results and changes (Burns & Bush 2006; Naumann 1995).

Also in the banking industry, the importance of customer satisfaction and orientation has grown due to the tightened competition and more demand from customers as a response to the industry's poor performance. Amongst other things, this development has been documented thoroughly in studies by Latham (1994) and Egan (1998), which has gained a lot of attention in the field of banking, both from practitioners and academics. In the commercial banking business, the actors have adopted new practices in striving towards tighter cooperation with customers. Indeed, the entire field of construction is becoming a service business. This has been implied by various developments and change factors in the field. Companies have expanded their operations on the project's life cycle, on the one hand, towards project development by developing the project in cooperation with the customers and by offering the customers different financing options, and, on the other hand, by offering real estate and user services and various management services. These features are most clearly manifested in PPP projects (Public-Private Partnership). The internal practices in the field have also changed, and the potential manners of implementing a project have multiplied, thus offering the customers the possibility to select the manner according to their own goals and resources.

Psychological treatments of satisfaction have taken the comparability of satisfaction across people and product categories more or less as a given. Instead, psychologists have focused on delineating the process underlying customer satisfaction and its antecedents. This research suggests that the primary antecedents of satisfaction are a product's perceived performance and the customer's expectations regarding that performance (Chruchill & Surprenant 1982; Oliver 1980, 1981; Westbrook & Oliver 1981; Yi 1990). One psychological dimension of satisfaction is whether one's expectations are confirmed or disconfirmed by performance. Viewing expectations or some other reference point as a baseline for performance evaluation is not unique to psychology. In welfare economics Simon (1974) similarly emphasizes the importance of considering aspiration levels when making satisfaction comparisons. Viewing expectations and/or aspirations as perceptual reference points in a disconfirmation paradigm is psychologically attractive. Generally, human perception is tuned to differences in magnitudes from reference points rather than absolute magnitudes (Helson, 1994; Puto 1987).

We propose a framework for measuring and comparing satisfaction which incorporates the key factors identified in both economic and psychological research. The primary antecedents of perceived satisfaction are product expectations and perceived product performance. Notice that expectations and performance are viewed as directly affecting satisfaction. Alternatively, Oliver(1980, 1981; see also Oliver & Desarbo 1988) suggests that 278 M.D. Johnson, C. Fornell/Comparing customer satisfaction lent where expectations may directly affect performance perceptions. That is, incoming information may be used more to confirm than disconfirm expectations (Alloy & Tebachnik 1984; Einhorn & Hogarth 1978).

2.11 Concept of Banking Performance

Traditionally, performance in the banking has been measured through costs, time and quality which highlight production orientation in the banking industry (Akhalumeh P & Ohiokha F. 2012). According to the “triple constraint”, a policy is considered to be successful if the service is delivered at the right time, for the right price and quality (e.g. Baddeley, M. 2004). In this former way of thinking, services were in the dominating position, the crucial field of know-how was production and the customer was seen as a passive receiver of the building in the end of the construction value chain. However, this production related assessment does not describe the present state of the construction. On the contrary, banking affiliates strongly with customer orientation where service delivered by the banks is emphasized alongside with traditional success factors.

Regarding the level of customer satisfaction, the negative factors appear towards the end of commercial banks services. It is well described by the fact that in less successful projects, all sectors of the project are seen as poor, and if a project succeeds in one sector, it is likely to succeed in another as well. What is noteworthy here is that cooperation and banks qualities of services are not separate dimensions but intertwine with the central processes of banking. Moreover, direct and indirect relationships can be perceived between the factors of customer satisfaction.

The study offers new perspectives for customer – centered development of banks. The most significant targets for development in practice are related to communication and handover methods of a banking service. By developing these methods, the commercial banks can eliminate factors causing dissatisfaction and improve their operations and customer orientation. Customer satisfaction as a research subject is based on service quality and marketing research which showed that the traditional quality indicators cannot be used in measuring the quality of services. More banks are interested in gaining more comprehensive understanding of their customers' perceptions.

2.12 Theoretical Framework

2.12.1 New Keynesian Theory

The New-Keynesian model as laid out by Rotenberg and Woodford (1997) and Good friend and King (1997) and developed in detail by Woodford (2003) appears to be today's mainstream approach to monetary analysis. As pointed out by McCallum (2010), “it has become the bible for a generation of young scholars who will likely dominate monetary economics for the next couple of decades”. Requiring only a small number of equations and variables, the model has proved very helpful in deriving certain important principles for the conduct of monetary policy. However, a notable feature of this model, which is highly debated, is that monetary aggregates play no direct role in the transmission of monetary policy to output and inflation. Thus, inflation is no longer considered to be "always and everywhere a monetary phenomenon" according to Friedman's famous dictum (Friedman, 1963, p.17).

2.12.2 Monetary Policy

Given that monetary policy decisions are made by most central banks with regard to the interest rate, changes in this rate, by influencing aggregate demand and the gap between actual output and its potential level, impact on inflation via the New-Keynesian Philips curve. Interest rate policy, no matter whether it is optimal or not, may be this characterized without any reference to monetary aggregates. These are determined from the equilibrium condition in the money market as the stock of money balances, which is sufficient to satisfy the demand for money at a particular level of the interest rate.

The importance of monetary policy has declined in central bank practice. The Federal Reserve already de-emphasized the role of monetary aggregates in its strategy in the early 1990s, although arguably this was due to empirical problems that originated from factors such as financial innovation, currency substitution, divergent developments in income and wealth etc. rather than new theories. An exception to this trend is the European Central Bank (ECB), whose monetary policy strategy is based on two analytical perspectives referred to as the "two pillars": the economic analysis and monetary analysis.

On theoretical side, early studies in this regard attempted to explain the root cause of price indeterminacy, some of which are Fisher (1896) and Patinkin (1965). It established the following basic result: for any given real demand for money, there are infinitely many combinations of money stock and price levels that will do the job of bringing about money market equilibrium. In other words, economic agents do not care whether additional money desires are realized by increases in money stock or declines in price level.

2.13 Empirical Review

One of the prerequisites for the development of national economy according to Ajayi and Ojo (2006) is to encourage a payment system that is secure, convenient and affordable. In this regard, developed countries to a large extent, are moving away from paper payment instrument towards electronic ones, especially payment cards (Humphrey, D.B. 2004). In these countries, for instance, it is possible to pay for a vending machine snack by simply dialing a number on one's phone bill. In recent times, the mobile phone is increasingly used to purchase digital contents (e.g. ringtones, music or games, tickets, parking fees and transport fees) just by flashing the mobile phone in front of the scanner at either manned or unmanned point of sales (POS). In Nigeria, as it is in many developing countries, cash is the mode of payment and a large percentage of the populations are unbanked (Ajayi and Ojo 2006). This makes the country to be heavily cash-based economy.

A study conducted in UK in March, 2010 argued that cash differs from other payment instruments in the following regards; it circulates, it is always valuable, it provides full and final settlement of a transaction, it allows for anonymity, once issued, the circulation of cash is uncontrolled; it is regarded as public good by its users. However, the cost of cash to Kwara State financial system is high and increasing; the cost was very close to fifty billion naira in 2008 (CBN, 2012). Recently, it has been revealed by the CBN that the direct cost of cash is estimated to reach a staggering sum of one hundred and ninety two billion naira in 2012.

3. Research Methodology

Data for this study were from both primary and secondary sources. The study employed the cross sectional survey design to facilitate the collection and analysis of data required for the work. Accordingly, all banks' customers who operate any account in any commercial bank in Ilorin, Kwara State were qualified to be selected for the investigation. However, the judgmental/purposive sampling technique was adopted to select a sample of 70 commercial bank customers out of an infinite national population of educated Kwara State residents who operate an account with a bank in the state. Well-structured questionnaires were administered to the selected 70 educated Nigerians for the purpose of reaching a dependable conclusion.

The sourced data were analyzed with the aid of statistical tool of correlation analysis using Statistical Package for Social Sciences (SPSS) computer software.

4. Results and Discussions

Two major hypotheses were formulated and tested for the study. Their results are hereunder presented and discussed:

Hypothesis One:

H_{01}: *There is no significant relationship between cashless policy and customers' satisfaction in Kwara State banking sector.*

Table 4.1: Relationship between Cashless Policy and Customers' Satisfaction

	Mean	Std	Correlation	P.val
Cashless Policy	3.05	1.151		
Customers satisfaction	4.51	1.585	0.45	0.00

Source: *Field Survey, 2015*

Table 4.1 shows the mean and standard deviation of the relationship between cashless policy and customers' satisfaction in Kwara State. While the correlation is 0.45 and the probability value is less than 0.05, this implies that cashless policy contributed significantly to customers' satisfaction. This hypothesis is tested using the administered questionnaire. Majority of the customers agreed that using the cashless policy provided by the commercial banks has enabled them to have better service in their transactions; this however may be in the area of contributing positively to the growth of the banking sector and the economy of Kwara State.

Hypothesis Two:

H_{02}: *There is no significant relationship between cashless policy, electronic channels and customers' satisfaction in Kwara State banking sector.*

Table 4.2: Relationship between Cashless Policy, Electronic Channel and Customers' Satisfaction

	Mean	Std	Correlation	P.val
Cashless Policy	3.05	1.151		
Electronic channel	5.27	2.362	0.45	0.00
Customers satisfaction	4.51	1.585	0.45	0.00

Source: *Field Survey, 2015*

Table 4.2 shows the mean and standard deviation of the relationship between cashless policy, electronic channels and customers' satisfaction. The correlation coefficient is 0.45 and the probability value is less than 0.05. This implies that cashless policy contributed significantly to customers' satisfaction through electronic channels. Also, this hypothesis is tested using the administered questionnaire. The study found out that the modalities for the operation of electronic banking in the state and the recent guidelines are capable of constraining the practice and development of Electronic Banking in Kwara State and that the banking activities are significantly indispensable in the area of customers satisfaction which positively enhances banks achievement in the implementation of cashless policy through means of electronics banking system among other electronic commerce implementation.

5. Conclusion and Recommendations

5.1 Conclusion

The study has empirically investigated the perception of commercial bank customers on the newly introduced cashless policy. It found that the policy is not bad despite the skepticisms of some bank customers. It shows that the policy is actually meant to facilitate easy transaction and reduce the cumbersome process of doing bank transactions. The study also revealed that while appreciable percentage of the respondents commends the policy, a few others express their reservations. Furthermore, the attitude of customers to these policies also go a long way to influencing banking activities that would develop conscious efforts and positive attitude to policies and always gather more information and respond on their own. Based on these findings, the study concludes that well-structured policies give the way for the customers to be active in their dealings and to be able to discover satisfaction through their efforts. This is because customers enjoy better when they relate with the banks.

5.2 Recommendations

Sequel to the findings of this research, it is therefore recommended that:

1. The recently introduced cashless policy should be sustained in Kwara State.
2. The policy should also be operated in all the States of the Federation
3. Infrastructures should be improved upon to ensure easy operation of the policy, and;
4. There should be adequate sensitization of the public on the benefits and operation of the policy

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