Impact of Central Bank of Nigeria (CBN) Cashless Policy on Financial Liberalization of the Nigerian Economy

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Abstract

Financial repression, as argued by McKinnon and Shaw (1973) is the existence of interest rates ceilings, high reserve ratios, regulated lending, restriction to entry and exit in the banking activities, restriction of foreign currency transactions, and directed ceilings in an economy. In summary, it is when the government imposes control over financial sector activities causing decrease in savings, discourage investment, lack of investment in an economy will lead to a retarded economic growth. This paper looked at the impact made by the cashless policy on the financial liberalization of Nigerian economy. It was observed that from available information, the policy of cashless transaction has greatly impacted on the financial liberalization of the Nigerian economy. The writer aligned with the view of Mckinnon-Shaw 1973 in this explorative review and concluded that the components policies necessary for the effective application of cashless transaction society is yet to be fully implemented. The government needs to follow strictly the initiative and reduce regulatory restriction in the operation of a cashless society to attract private operator in order to have free market interaction necessary for adequate financial liberation and economic growth.

Keywords: Cahless Policy, Financial Liberalization, Nigerian Economy

INTRODUCTION

The Central Bank of Nigeria (CBN) has made several reforms to make the Nigerian financial system formidable. These reforms were meant to move the economy forward and to place Nigeria on the right track in line with global trends. This paper will examine the impact CBN cashless policy has made in respect of the economic and banking reforms policies targeted at financial liberalization in Nigeria. When we talk about financial liberalization, we refer to the removal of controls and restrictions placed on the financial sector by a governing authority. Financial repression, as argued by McKinnon (1973) and Shaw (1973) is the existence of interest rates ceilings, high reserve ratios, regulated lending, restriction to entry and exit in the banking activities, restriction of foreign currency transactions, and directed ceilings in an economy. In summary, it is when the government imposes control over financial sector activities and it will cause a decrease in savings, discourage investment, and lack of investment in an economy will lead to a retarded economic growth. They argued that financial liberalization is the way forward in an economy, especially a developing economy.

The emergence of cashless policy, the systems where transactions function and operate without the use of coins or banknotes, which was introduced by the CBN in 2012 as a pilot scheme in Lagos has increased the extent of economic activities in Nigeria contributing immensely to the financial liberation of the economy. Among many other provisions, the policy stipulated a cash handling charge on daily cash withdrawals in excess of N500, 000.00 for individuals and N3m for corporate bodies. The goal of the policy was to reduce the amount of physical cash (coins and notes) circulating in the economy and encourage more electronic-based transactions for goods, services, transfers, and other purposes. The new cash policy was implemented for several reasons, including;

i. To promote the development and modernization of our payment system in keeping with Nigeria's Vision 2020 goal of being one of the top 20 economies by 2020. Economic progress is strongly connected with an efficient and contemporary payment system, which is a major enabler for economic growth and financial independence.

ii. Provide more efficient transaction choices and a wider reach to reduce the cost of banking services (particularly the cost of credit) and foster financial inclusion.

iii. To make monetary policy more effective at controlling inflation and promoting economic growth.
Furthermore, the cash policy seeks to mitigate some of the negative repercussions of the widespread use of physical currency in the economy, such as:
High cost of cash: The cost of cash is high throughout the value chain, from the CBN and banks to corporations and traders; everyone bears the high costs of volume cash handling.
High risk of paying with cash: Robberies and other cash-related crimes are encouraged by cash. It can also result in financial loss in the event of a fire or floods.
High subsidy: According to the CBN, just 10% of daily banking transactions exceed N150,000.00, but those 10 % accounts for the majority of high-value transactions. This implies that the entire banking population subsidizes the costs incurred by the tiny minority 10% of the population who use a lot of cash.
High cash usage leads to a large amount of money being spent outside of the formal economy, reducing the effectiveness of monetary policy in controlling inflation and stimulating economic growth and financial liberation.
Inefficiency and Corruption: The widespread use of cash facilitates corruption, leakages, and money laundering, as well as other cash-related illegal acts.

From the foregoing, this paper seeks to elucidate on the impact the cashless policy has made on the financial liberalization of the Nigerian economy. It is believed that the cashless policy must have an impact on the financial liberalization of the Nigerian economy. Is the impact positive or negative and to what extent is the rate of the impact of the policy on the financial liberalization of the Nigerian economy? The major aim of this study is to identify the contributions of a cashless economy to the Nigerian payment system and the financial liberalization of the Nigerian economy. The specific objectives are to ascertain how the cashless policy of the CBN has impacted on the reduction on the restrictions in the financial system in exchange for greater participation by private entities to achieve an increase in savings, encourage investments, and induce economic growth as postulated by McKinnon (1973) and Shaw (1973). The study will enable policymakers to decide whether the enabling environment has been created for the cashless policy to have a positive or negative impact on the financial liberalization of the Nigerian economy and payment system. The period of investigation is delineated from the inception of the cashless policy regime from 2010 to 2020.

LITERATURE REVIEW

Conceptual Framework

According to the classical theory, the process of industrial production evolves into higher and more sophisticated levels of production as a result of internal and external economies of scale, resulting in further specialization, new products, and quality improvements, leading to the technology acquisition and economic growth. Adapting to a larger market, which has been extended by international commerce, promotes industrial production and adds to the acceleration of economic expansion. The importance of international trade has given rise to the current global challenges. The export-led economic growth concept is based on the stimulation of production as a result of increased demand generated by international commerce, which results in economies of scale. Much earlier trade-led growth expositions by classical economists such as Adam Smith and David Ricardo inspired this idea. As a result, the industrialization-driven resource utilization process is critical to economic growth, as it ensures output and provides positive externalities to propel the economy forward. However, as a result of globalization, there is more competition for markets and investments. Economic development arises from economic growth in the sense that the process of creating economic growth leads to the achievement of financial liberalization.

According to neo-classical theorists such as Alfred Marshall, Friedrich Von, and W.S Jevons, financial liberation will lower the cost of capital while increasing productivity and output. This does not occur in reality. Following financial deregulation, the non-traded goods sector's real interest rate and credit supply both grow. Liberalizing financial markets, according to neoclassical theory, would increase savings and improve physical capital formation (Kapur, 1976; Mathieson, 1980). This hypothesis aims to affect the financial system's ability to provide enterprises with the financial capital they require at a reasonable cost. According to this analysis, financial liberalization should make it easier for new businesses to start-up and expand, as well as help existing businesses develop and expand. McKinnon (1973) and Shaw (1973) postulated that in a developing country When interest rates are liberalized, it will lead to an increase in the real interest rate, which will lead to an increase in savings, greater investments, and eventually economic growth in developing countries. (McKinnon & Shaw 1973) focused their initial framework on financial repression and the need to alleviate it by allowing the market to determine real interest rates and removing credit controls, among other things. According to McKinnon (1973) and Shaw (1973), repression will result in low savings, high consumption, low investments, and slowed economic progress. Financial repression occurs when an economy has interest rate ceilings, high reserve ratios, regulated lending, restrictions on entry and exit in banking activities, restrictions on foreign currency transactions, and directed ceilings. As a result, it occurs when the government exerts control over financial sector operations, resulting in a reduction in savings, discouragement of investment, and a slowdown in economic growth. They maintained that in any economy, particularly a developing nation, financial liberalization is the way to go.

Muhammed (2012); Klee (2004); Swartz (2016) shows that a cashless policy for payment system has led to the development of a cashless society. There have been various methods of payment before this new policy, such as the barter system. You can purchase goods and services by exchanging them through barter systems. In the past, people used to trade commodities with one another (barter), and then soon after goods were introduced. The barter system solves the problem of double coincidence of wants by using a “double coincidence of wants” to exchange items that cannot be divided, such as two cows, for two chickens. Paper money and coins were introduced to solve the various challenges associated with trade. Many people in the world still use cash and cheques, but it would be better if they were replaced by electronic payment methods. The Central Bank of Nigeria's cashless policy, according to Adurayemi (2016), is intended to provide mobile payment services, break down traditional barriers to financial inclusion for millions of Nigerians, lower costs, and provide convenient financial services for urban, semi-urban, and rural services across the country. This is in line with the financial liberation theory as propounded by McKinnon (1973) and Shaw (1973). Nigeria currently has up to seven different electronic payment channels. Alternative payment methods that will have an impact on the cashless economy include:

i. Cheques: The use of cheques is expected to increase. Third-party cheques cannot be cashed across bank counters, and all cheques issued in favor of a third-party must travel via the CBN clearinghouse and have a value of no more than N10 million.

ii. Bank Drafts and Other Bank Instruments: Most merchants that handle significant transactions under N10 million would utilize bank drafts instead of personal cheques since, unlike personal cheques, bank drafts are paid over the counter but are still subject to the CBN's three-day clearing regulation.

iii. Automated Teller Machines (ATM): These are increasingly being utilized to make online payments such as utility bills, cable subscriptions, airtime, and data recharges, among other things. Customers are repeatedly instructed by their banks to keep their ATM cards (both debit and credit) safe and to never reveal their ATM card pins.

iv. Fund Transfers via the Nigerian Interbank Settlement Scheme (NIBSS): The Nigerian Interbank Settlement Scheme (NIBSS) is an interbank internet transfer platform that allows banks to exchange value from one customer to another. It consists of two components: NIP (NIBSS Instant Payment) and NEFT (NIBSS Electronic Funds Transfer), and it facilitates the transfer of funds between banks for single or multiple beneficiaries for amounts up to N10 million.

v. RTGS: Real-Time Gross Settlements is a transfer technique used by Nigerian banks to transfer amounts greater than N10 million to a single beneficiary.

vi. Mobile Money: This is a mobile application that allows users to send a code or text over their mobile network to successfully transfer funds, make or receive payments, and even check their bank balance via their mobile devices.

vii. E-transactions: These are electronic financial transfers that are typically carried out over the internet utilizing personal computers (PCs), laptops, smartphones, and other internet-connected devices. Nigerian banks require its consumers to sign up for online banking in order to use this service.

viii. Point of Sale (POS) Terminals: POS terminals are used by merchants on a daily basis. Customers can use their ATM cards to make payments by inserting them into the POS terminal. Because the POS terminals, like the customer's bank cards, are linked to the merchant's bank account online in real-time, once payment is successfully made via the POS account, the customer's bank account is debited immediately, and the merchant's bank account is credited for the value of purchases made or services enjoyed (Oyetade and Ofoelue, 2012).

Empirical Review

Policymakers have debated the impact of financial liberalization on economic growth, as well as other economic phenomena. The impact of financial liberalization on economic growth is a point of contention among economists. The majority of theoretical literature supports financial liberalization as having a positive influence on economic growth, while some empirical evidence contradicts this. Theoretical perspectives on the function of financial liberalization in economic growth can be split into five categories in this context: Financial liberalization gained attention in the early 1970s due to the seminal work of (McKinnon & Shaw 1973) in which they argued that liberalization of the financial sector will lead to an increase in savings, encourage investments and induce economic growth. Hence, many countries especially developing countries have embraced financial liberalization as the way forward for their economies. Financial liberalization became a useful and important monetary policy in many countries following the directive from the “Washington Consensus” or “Bretton Woods.

Economist John Williamson coined the term “Washington Consensus” in 1989, in reference to a set of 10 market-oriented policies that were popular among Washington-based policy institutions, as policy prescriptions for improving economic performance in Latin American countries. These policies centered around fiscal discipline, market-oriented domestic reforms, and openness to trade and investment. In African countries, the Washington Consensus inspired market-based reforms prescribed by international financial institutions (IFIs) like the World Bank and the International Monetary Fund (IMF), under “structural adjustment programs” (SAP), often as prerequisites for financial assistance.

Some of the key policy reforms of the Washington Consensus/SAP period of the 1980s and 1990s included privatization, fiscal discipline, and trade openness that were introduced by IFIs as conditions for debt relief to highly indebted, economically constrained African countries. The expectation was that market-oriented reforms would correct domestic policy-induced distortions in prices, such as overvalued exchange rates, subsidies that led to artificially low agricultural commodity prices, high wage rates, low interest rates, and subsidized agricultural input prices, which introduced inefficiencies in resource allocation, worsening shortages and reducing economic output. Several African countries adopted these policies, often under conditionality, in the 1980s and 1990s. Most early literature finds that the policies failed to improve economic conditions in these countries as the politics of IFI conditionality worked to undermine the role of local ownership in shaping domestic economic policy. In addition, reductions in government spending often reduced spending on pro-poor programs, and the removal of agricultural subsidies made it difficult for African farmers to compete on international markets. The results were increased unemployment and sociopolitical unrest in several African countries over this period. More recent literature has highlighted that reforms were successful in improving economic growth when policymakers had the state capacity to implement them, and when, crucially, reforms were paired with pro-poor policies, spearheaded by governments.

Theoretical Discussions

The IMF and the World Bank made it a part of their economic policy prescription by developing a "structural adjustment program (SAP)" aimed at liberalizing distressed economies. Prior to financial liberalization, Nigeria had a repressed financial sector in which the government and the Central Bank of Nigeria (CBN) restricted and controlled the financial sector's activities. Nigeria, on the other hand, liberalized its economy in August 1987 after adopting SAP. The interest rate liberalization was the first step in this policy initiative. Aside from interest rate liberalization, the reform included promoting a market-based credit allocation system, increasing competition, and improving the regulatory and supervisory framework's efficiency (Jegede and Mokulolu, 2004; Agu et al., 2014). The necessity to put the Nigerian banking industry and the economy as a whole on the path to global competitiveness drove the adoption of this economic package. Liberalization of interest rates. The primary goal of the first financial reform was to improve banks' ability to charge market-based loan rates and so ensure the optimal allocation of scarce resources (Ikhide and Alawode, 2001.

METHODOLOGY

The study adopted explanatory assessment method to review research work done by other writers and provide a causal explanatory view on the subject matter.The explanatory research method is chosen because the Cashless Policy is a new system in Nigeria which was introduced in 2012. It is a preliminary study that can be adopted for further examination. Data were sourced from secondary sources such as the World Bank statistical index and macrotrends data bank on Nigeria economic growth, investment, and savings over the period of 2000 to 2020.

The hypothesis supporting McKinnon (1973) and Shaw (1973) theory proposed that financial development and economic growth were strongly attached. The more liberalization of financial systems, the more growth in economic development. As it were, the performance of the Nigerian economy which is reflected by the growth rate of the Nigerian gross domestic product (GDP) shows that the economy has been fluctuating since 1960 when Nigeria got her independence. For example, from 1960 to 1980, GDP grew at an average of 5.0%. However, Nigeria experienced some negative growth rates of −6.80% and −10.92% in 1982 and 1983 respectively. This was before the period of the liberalization or SAP. A negative growth rate of −2.04% and −1.81% was also observed between 1993 and 1994 respectively after some years of positive growth while the SAP was in operation. There was relative improvement in the growth rate of the GDP in the years following the implantation of the SAP. Thus, the Nigerian GDP grew at 7.33% and 11.78% in 1988 and 1990 respectively. However, between 1991 and 1999, the growth rate of the GDP nosedived and recorded some negative rates and unimpressive positive rates. This was basically as result of several unpopular economic policies adopted by the military government. Following the return to democratic governance, the real GDP (RGDP) growth of the Nigerian economy experienced some level of improvement with the growth rate peaking at 15.33% in 2002. Interestingly, the growth rate has been relatively stable from 2006 to 2012. See Table 1 for detail GDP, Per Capital income and Economic growth rate anyalysis form 1960 to 2020: Source Marcotrends data bank.

Table 1

Year	GDP	Per Capita	Growth
2020	$432.29B	$2,097	-1.79%
2019	$448.12B	$2,230	2.21%
2018	$397.19B	$2,028	1.92%
2017	$375.75B	$1,969	0.81%
2016	$404.65B	$2,176	-1.62%
2015	$486.80B	$2,687	2.65%

2014	$546.68B	$3,099	6.31%
2013	$508.69B	$2,962	6.67%
2012	$455.50B	$2,724	4.23%
2011	$404.99B	$2,488	5.31%
2010	$361.46B	$2,280	8.01%
2009	$291.88B	$1,891	8.04%
2008	$337.04B	$2,243	6.76%
2007	$275.63B	$1,883	6.59%
2006	$236.10B	$1,656	6.06%
2005	$176.13B	$1,268	6.44%
2004	$136.39B	$1,008	9.25%
2003	$104.91B	$795	7.35%
2002	$95.39B	$742	15.33%
2001	$74.03B	$590	5.92%
2000	$69.45B	$568	5.02%
1999	$59.37B	$498	0.58%
1998	$54.60B	$469	2.58%
1997	$54.46B	$480	2.94%
1996	$51.08B	$462	4.20%
1995	$44.06B	$408	-0.07%
1994	$33.83B	$321	-1.81%
1993	$27.75B	$270	-2.04%
1992	$47.79B	$477	4.63%
1991	$49.12B	$503	0.36%
1990	$54.04B	$568	11.78%
1989	$44.00B	$474	1.92%
1988	$49.65B	$549	7.33%
1987	$52.68B	$598	3.20%
1986	$54.81B	$639	0.06%
1985	$73.75B	$883	5.91%
1984	$73.48B	$902	-1.12%
1983	$97.09B	$1,223	-10.92%
1982	$142.77B	$1,844	-6.80%
1981	$164.48B	$2,180	-13.13%
1980	$64.20B	$874	4.20%
1979	$47.26B	$662	6.76%
1978	$36.53B	$527	-5.76%
1977	$36.04B	$536	6.02%
1976	$36.31B	$557	9.04%
1975	$27.78B	$438	-5.23%
1974	$24.85B	$403	11.16%

1973	$15.16B	$252	5.39%
1972	$12.27B	$209	3.36%
1971	$9.18B	$160	14.24%
1970	$12.55B	$224	25.01%
1969	$6.63B	$121	24.20%
1968	$5.20B	$97	-1.25%
1967	$5.20B	$99	-15.74%
1966	$6.37B	$124	-4.25%
1965	$5.87B	$117	4.89%
1964	$5.55B	$113	4.95%
1963	$5.17B	$108	8.58%
1962	$4.91B	$104	4.10%
1961	$4.47B	$97	0.19%
1960	$4.20B	$93	

Economic liberalization (or economic liberalization) is the lessening of government regulations and restrictions in an economy in exchange for greater participation by private entities. In politics, the doctrine is associated with classical liberalism and neoliberalism. In the interaction of the market forces in the money and capital market, (McKinnon & Shaw 1973) theory concluded that as an increase in interest rate will increase the efficiency of investment and increase in investment leading to an increase in economic growth. When an economy is in extreme repression as when the interest rate is set at a ceiling, the amount saved and invested will be low and the economy will be stagnated. The interest rate ceiling will cause a shortage of funds and credit in the market thus leading to credit rationing. If this ceiling is on deposit rates, then banks will profit from the margin. When the economy experiences a bit of financial liberalization the interest rate moves according to demands, savings and investment increase thus leading to a rise in economic activities causing growth and the economy will experience credit shortage at a smaller magnitude but when full financial liberalization is realized i.e. when market forces are given free hand to operate the economy will experience rapid growth with increase in savings and investment.

Figure 1 explains the interaction of the market forces in the money and capital market. As can be seen, an increase in interest rate will increase the efficiency of investment and increase in investment causes an increase in economic growth. When an economy is in extreme repression as when the interest rate is set at ceiling 1, the amount saved and invested will be I1 at A and the economy will be at *S* (*g*1). The interest rate ceiling will cause a shortage of funds and credit in the market i.e., the distance between A and B, thus leading to credit rationing. If this ceiling is on deposit rates, then banks will profit from the margin between *r*1 and *r*3. When the economy experiences a bit of financial liberalization when interest rate moves to *r*2 and interest rate ceiling to ceiling 2. At *r*2, savings and investment increase to I2 at point C, thus leading to a rise in economic activities causing growth and the economy will be at *S* (*g*2). At *r*2, the credit shortage has a smaller magnitude (i.e., from C to D) in relation to when at r1. When full financial liberalization is realized i.e. when market forces are given free rein to determine interest rate. The equilibrium interest rate will be at *r** causing the amount of savings and investment is at I* which is at point E. The increase in investment will give rise to an increase in the volume of economic activities causing economic growth at *S* (*g*3).

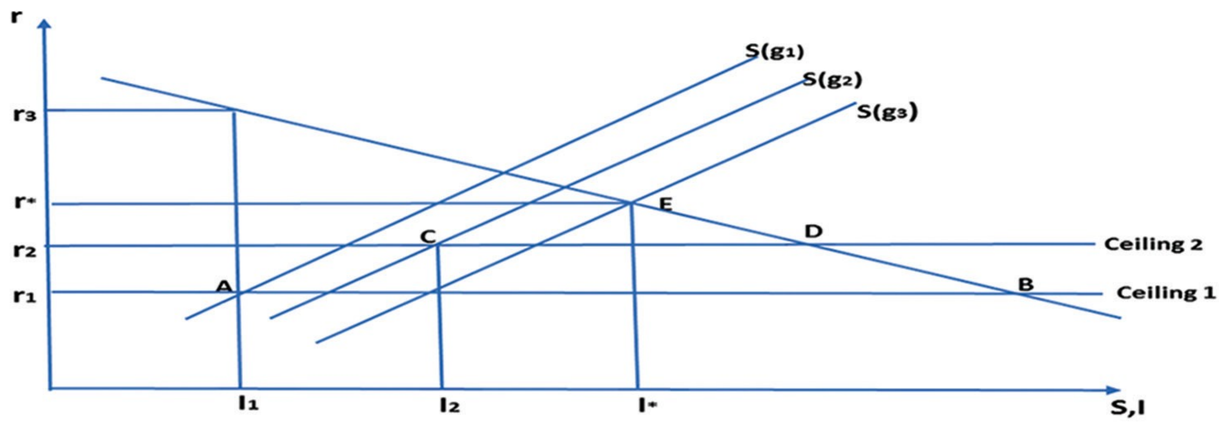

Figure 1

Thus, McKinnon–Shaw framework argue that in order for an economy to experience economic growth via greater efficiency in capital accumulation and allocation, interest rate and ceilings, credit control and other restrictive financial legislations should be removed.

According to Rehma and Gill (2013), the important point of McKinnon's hypothesis is that an increase in the desired rate of capital accumulation (private savings) at any given level of income leads to an increase in the average ratio of M/P to income implying that a rise in return on capital leads to an increase in the need of real cash balancing holding for accumulation purpose. Thus, money is not a competing asset; rather money is the conduit through which accumulation takes place in developing countries. This implies that an increase in real return on money can sharply raise investment saving propensities in developing countries. Shaw (1973), proposed the "debt-intermediation hypothesis" whereby expanded financial intermediation between savers and investors resulting from financial liberalization (higher real interest rate) and financial development increases the incentive to save and invest, stimulates the investment due to increased supply of credit and increased level of average efficiency of investment. For Shaw, the investment (I) is a decreasing function of real interest rate (r) and the saving is an increasing function of economic growth rate (g) and real interest rate (r). i.e.,I = I (r)S = S (r, g). He further argued that increased financial intermediation provided the impetus for growth more directly. Liberalization would result in an expanded, improved, and integrated financial sector that would lead to an increase in the savings rate, an increase in the rate of investment (by facilitating more lumpy investment); and a direct enhancement to growth (by improved financial technologies). Hence, McKinnon–Shaw (1973) viewed financial liberalization as; Market-determined interest rates; Greater ease of entry into the banking sector to encourage competition; The elimination of directed credit programmes; Reduced fiscal dependence of the state on credit from the banking system (to allow for greater expansion of credit to the private sector); The integration of formal and informal markets and; A movement towards equilibrium exchange rates and, eventually, flexible exchange rate regimes with open capital accounts (Serieux, 2008).

The paper studies the impact of cashless policy transactions on economic growth and financial liberalization in Nigeria, The policies were evaluated using different data and information extracted from different sources such as the World Bank growth index, CBN bulletins and other reliable data index bodies. The data used ranges from Gross Domestic Product (GDP), Gross savings percentage, investment percentage of Nominal GDP, and GDP growth in Nigeria. The figures below indicated the graphical depiction of movement in the economics indices of Nigeria growth index. In Figure 2 The Investment percentage of nominal GDP was relatively stable between 2010 to 2017 averaging 15.54%, it however started moving upward rapidly from year 2018 to a the highest 29.4% in 2020. Similarly, in Figure 3 the Savings % of GDP which has been unstable increased in the year 2012 when the Cashless policy was introduced but nosedived the following year, it got a marginal boost in the year 2014 and slow down the following year again before it starts moving up gradually from the year 2017.

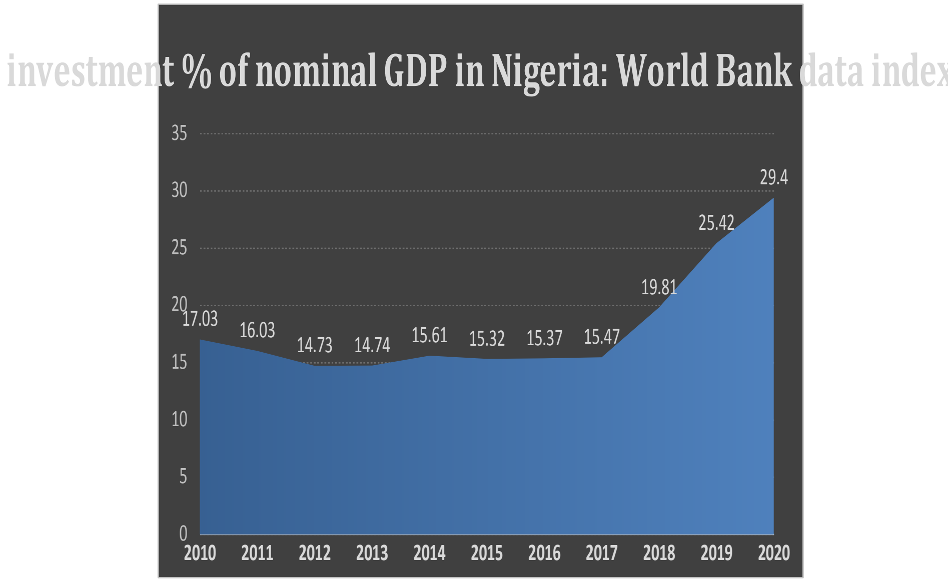

Figure 2

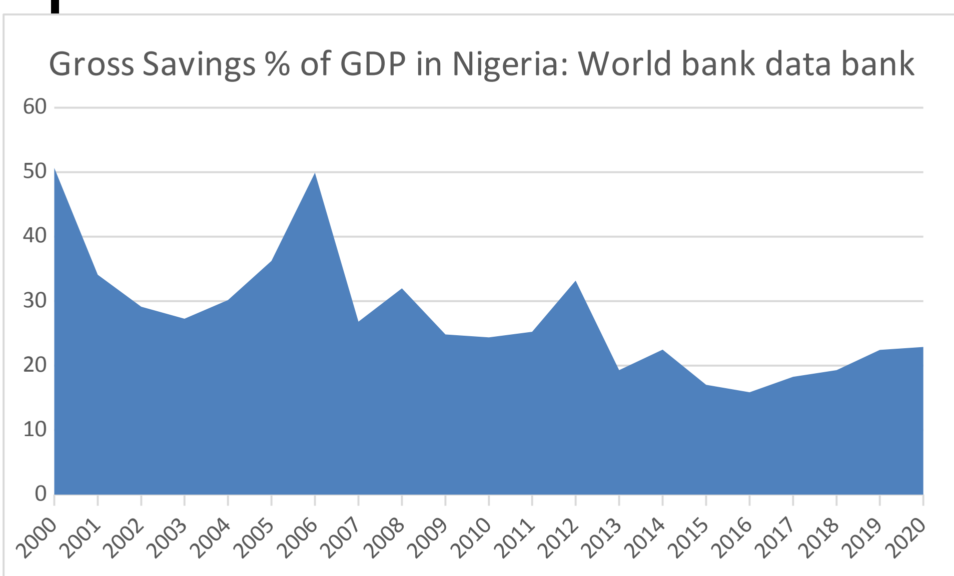

Figure 3

RESULTS AND DISCUSSIONS

The indication from these pictorial statistics is that actually, the Cashless Policy has impacted positively on the Nigerian economy; however, financial liberation still remains a big challenge due to inadequate implementation of the component policies and support from relevant government bodies. The Central Bank of Nigeria's projections for the country in 2020 has led it to shift towards a more cashless payment system. Nigeria's cashless policy has had an enormous impact on the country's financial liberation and economy growth through the benefits of the block chain, reduced banking costs, mitigating the risk of carrying huge sums of money for businesses, and improved security. However, It is important for a country to manage the monetary policy to make sure the inflation is at a moderate level and the economy can keep growing. There have been many hiccups, such as the machine not handling physical cash well, and high charges by banks. There are still people who are unbanked in this region. The slow adoption of a cashless takes as well slowed down the inculcation, or adoption, of it by the rural populace. According to the Central Bank of Nigeria, the cashless policy was implemented in order to support the development and modernization of the Nigerian payment system, which is in accordance with the country's Vision 2020 aim of being one of the top 20 economies in the world. However, in Nigeria, the use of cash for transactions has remained quite significant. This is due to inadequate network connections while using point-of-sale and bank transfers, which frequently results in clients' accounts being debited multiple times, excessive transaction fees charged by banks, and security and technological issues. These are some of the obstacles that remain in the way of a cashless society.

Payment systems in Nigeria are primarily cashed-based before the introduction of the cashless policy. Though the country still have to improve on the cashless policy implementation, new systems such as Copymatic have been created to improve its opportunities with the electronic payment system, Korea is taking the lead over other countries. The Cashless policy is becoming more prevalent, and transactions work without the use of cash. This study found that banks should provide further options of Point of Sale (POS) payments. Invest in information communication technology to improve the efficiency of e-payment systems. Banks will be able to make more money by using various financial transaction applications. They will also improve the economic growth in Nigeria. Although the bank should educate people about its policies, it should also use other methods, like public education to teach people about how to be responsible with money. Cashless policy has increased the share of total investment to GDP Increased the efficiency of the financial sector, thereby enhancing financial liberalization of the economy. Higher real interest rates more accurately reflect the scarcity of financial resources and increase the real return to investors. Effort must be made to increased the ability of firms and individuals to invest by reducing credit constraints Cashless policy has decreased the share of gross domestic savings to GDP Lower credit constraints make it easier to borrow for consumption / investment rather than save and also enhancing financial liberalization.

CONCLUSIONS AND RECOMMENDATIONS

Many nations, including Nigeria, have undertaken financial sector reforms as a result of the harmful consequences of rigid financial sector rules, particularly on savings and hence on the process of financial intermediation. The reform increased dependence on market forces, resulting in changes in interest rate policy and the expansion of financial activities. This also demonstrates that Nigeria is still lagging behind in terms of obtaining the efficiency and depth of a fully functional market-based financial system. The financial sector's intermediation function and investment are not aimed at the long term, causing the real sector of the economy to stay weak and, as a result, lowering the economy's productivity level. The study's key finding is that Cashless policy in Nigeria has aided financial liberalization of the economy. Despite the fact that we believe that financial development is important for output growth, financial liberalization has not improved the depth of the financial system, which would have a positive influence on the economy. In addition, when studying the influence of Cashless policy on financial liberalization of the economy, it will be useful to look for structural cracks. The first step in reclaiming and rebuilding 'project Nigeria' is to adopt improved policy procedures as a means of monitoring and controlling it. Mismanagement of the financial system is a threat to Nigeria's economic progress. Although macroeconomic stability is critical prior to change, structural reform and institutional development in the financial sector, particularly prudential financial regulation, are as important as liberalization progresses. If policy is to be successfully developed and implemented, it is critical to measure the consequences of reform. The first step in reclaiming and reinventing 'project Nigeria' is to implement improved policy procedures as a means of preventing financial system mismanagement, which threatens Nigeria's economic progress. Although macroeconomic stability is critical prior to change, structural reform and institutional development in the financial sector, particularly prudential financial regulation, are as important as liberalization progresses. If policy is to be successfully developed and implemented, it is critical to measure the consequences of reform. The impacts of liberalization may skew the conclusions gained from traditional measurements of financial deepening about reform's performance. As a result, authorities should keep an eye on a variety of performance metrics.

To consolidate the gains of the reform program, the government should avoid drastic policy reversals and instead focus its efforts on fine-tuning existing policy measures that will not only compel prudence on the part of major financial market participants but will also encourage all economic agents to save. This will significantly improve fund mobilization in the country. Additionally, private sector investment should be boosted through financial sector credits and a combination of macroeconomic stabilization policies, financial sector deepening, improved governance and accountability, and increased trade openness, all of which would undoubtedly improve Nigeria's economic growth performance. Following are the policy measures that should be followed based on the previous discussion:

i. When formulating monetary policy, monetary authorities must take into account the amount of growth and development in the domestic sector. Advancing policy prescriptions designed for highly developed economies and adopted locally may not perform best unless they are adjusted to our particular degree of growth. It's also a good idea to use forward-looking monetary policy initiatives.

ii. As we can see from our findings, cashless policy has measured by private credit has a detrimental influence on financial liberalization. Banks and other financial institutions must change their lending methods to the private sector in order to reverse this tendency. Those with viable company plans and a willingness to invest in the home economy should be eligible for loans. This is one way to stimulate economic growth.

iii. Monetary authorities should build and maintain a stable macro-financial environment based on stable macroeconomic policies, low inflation, and flexible interest rates to aid the liberalization process.

iv. Finally, the government should work to create an environment that encourages investment. This can be accomplished by introducing a financial incentive framework and a business climate supportive of entrepreneurship and private sector development. When this is done, economic growth will be enhanced.

Given the foregoing, the study therefore recommends that;

i. Business models of any financial service institutions that would enhance financial liberations policies such as cashless system should be encouraged and the potential benefit of such models be made known to the users.

ii. Intensive and consistent education about the electronic channels on financial services should be carried out in the country to enhance general awareness including those outside urban centres.

iii. Service charges and cost of transaction should be made affordable or free where necessary because unnecessary charges may discourage the unbanked population to increase.

iv. Financial institutions and government should ensure that enabling environment should be provided where the users of cashless policy will be stranded at the time of financial services need.

v. Lastly, legal framework that will aid financial liberation, such as free entry to financial market, support to relevant organization in the industry should be regularly reviewed and updated to enhance efficiency.

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