

# Exploring the Role of Cashless Banking on Service Delivery in Covid-19 Era

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**Abstract:** The objective of this paper is to assess the usage of cashless banking channels in service delivery by banks in times of Covid-19. Today's banking environment is competitive and has experienced rapid changes as a result of technological improvement and increased awareness and demands banks to serve their customers electronically. With the outbreak of covid-19, cashless and contactless payment grew as a means of service delivery. Quality service delivery is a winning strategy which results in more new customers, more business with existing customers and high customer retention. While cashless banking is seen as the available channel through which banks deliver their services in Covid-19 era, whether customers got the desired service remain an ongoing debate. The study collected annual data on selected cashless banking channels comprising the volume and value of ATM, POS, internet and mobile banking from Central Bank of Nigeria Statistical Bulletin covering 2015-2020 to assess the usage of cashless banking in Covid-19 era. The outcome revealed substantial increase in the volumes and values of these channels in times of Covid-19 when compared with that of pre-Covid-19 era,

**Keywords:** Cashless banking, Covid-19, Service delivery, Covid-19 era

## I. INTRODUCTION

Banking started from the barter system, which has been given a couple of names – swapping, compensation trading, counter purchase or counter-trade which later became a clumsy way of exchange to primitive societies as they specialize in what they can do best. Many things that had been used as a medium of exchange associated with a lot of difficulties. To ameliorate the problems associate with barter, people realized that gold is more superior, durable, portable and divisible than other commodities previously used. Gradually, silver and gold emerge as better than other metals because they are kept indefinitely. People kept their silver and gold with goldsmith for safe-keeping who issued a receipt which acknowledged the deposit of the money and incorporated a promise to return it on demand. With the passing of the paper from hand to hand, the goldsmith began to write on the note his personal promise to pay any bearer of the note the stated sum on demand. As the receipt started to be expressed payable to bearer, the need for endorsement disappeared. The goldsmith began to exercise some of the functions of a banker ranging from keeping money and valuables on safe deposit, issuing notes, making charges for safekeeping, and offering interest so as to get more money

deposited which he could probably lend. This is exactly what the banks do.

Before the emergence of modern banking system, banking operation was manually done by means of posting transactions from one ledger to another and payments were cash based, which solely account for the inefficiency in settlement of transactions. Computations which should be done through computer or electronic machines were done manually, which sometimes lead to miscalculations due to human errors. Today's business environment is extremely dynamic and had experienced rapid changes as a result of technological improvement, increased awareness and demands banks to serve their customers electronically. Banks have traditionally been in the forefront of harnessing technology to improve their products and services. With the introduction of the Central Bank of Nigeria's cashless policy in 2012, cashless banking has gained great dominance in Nigeria.

The use of cash is increasingly becoming outdated. Governments, monetary policy makers and supervisory groups around the world are increasingly viewing the use of cash in a negative light. This criticism of cash has also grown very strong in the financial sector. In the United States, paying with cash in some circumstances is now considered to be a suspicious activity that needs to be reported to the authorities. In Canada, Mint Chip, a new product that could become a digital replacement for coins as an alternate form of payment for all transactions is being sought for. In Italy, very huge cash transactions have been banned. In Sweden, merely 3 percent of all transactions still involve cash. In most Swedish cities, public buses no longer accept cash; tickets are prepaid or purchased with a cell phone text message. A small percentage of businesses only take cards, and some bank offices have stopped handling cash (Solanke, Aigbokhan, Alakiri & Omotunde, 2013). In Nigeria, most transactions are done through Point of Sale (POS) or electronic cash transfer.

The outbreak of Covid-19 pandemic has made the use of cashless banking channels more prominent. Cashless banking channels were seen as most efficient way through which banks can deliver services in order to avoid physical contact with customers. In an attempt to adhere to government directives on social distancing, contactless banking became

the rule; with the practice of contactless banking, customers were rarely allowed inside the bank premise.

Whether customers get the desired services in Covid-19 era is debatable. While the cashless banking channels like the Automated Teller Machine (ATM), Point of Sale (POS), mobile, and internet were available means of service delivery, customers who need to perform other forms of transaction requiring physical presence were hardly allowed in the banking hall which was once free of entry. At the peak of Covid-19, cashless banking service delivery channels seem to be inadequate to serve bank numerous customers. This was evidenced in the long queue at the ATM and POS terminals. In most cases, customers queue for the whole day without reaching their turn. It is against this backdrop that this study seeks to explore the role of cashless banking on service delivery in Covid-19 era.

## II. CONCEPTUAL CLARIFICATIONS

### 2.1 Covid-19 Pandemic in Perspective

Covid-19 is a contagious disease caused by a new strain of coronavirus. 'CO' stands for corona, 'VI' for virus, and 'D' for disease. Formerly, this disease was referred to as '2019 novel coronavirus' or '2019-nCoV' and was subsequently named SARS-CoV-2. It was declared a pandemic on March 11, 2020 (World Health Organization, 2021). Chinese authorities identified the first human cases in early December 2019, linked to a wholesale food market in Wuhan City, China.

The Covid-19 era has been a period when technology played a critical role in meeting the financial need of people; when electronic channels were the only means of getting cash. Following the global lockdown and in attempt to maintain social distancing, there has been upsurge in e-business.

It has been a period when mental thought of people across the nations of the world was on hold; an era when people across the globe went into suspended mental reasoning including the intellectuals, researchers and scientists who could have carried out scientific investigation. According to Oleribe, Oskouipour, Nwanyanwu and Taylor-Robinson (2021), with the emergence of Covid-19, the world went into a hectic state that occasioned the common adoption of untested strategies and potential cures. According to him, when local healers claimed to have cures or treatment for the virus in Nigeria; when chloroquine and hydroxychloroquine were said to have the ability to improve the quality of health and reduce mortality rate; when social distancing, use of face masks and hand washing was declared; nations copied, adopted and implemented without a case review nor test. Despite the fact that schools, entertainment centres and churches were closed, social distancing was observed, people were locked down at home, Covid-19 cases continued to rise.

### 2.2 Cashless Banking: The Nigerian Context

Evolution of cashless banking was Nigeria was a recent development compared to developed economies. Cashless banking is a system which eradicates over-the-

counter transaction with the application of any kind of electronic payment channels in transferring or getting cash across to customers. Amire and Omoare (2015) noted that cashless policy had developed new form of businesses and employment opportunities for entrepreneurs, business people, professionals and job seekers, adding that cashless policy has successfully brought about the development of integrated business. Nweke Jr. (2012) described cashless economy as one where the physical cash circulating in the economy is minimized while other forms of payment especially electronic-based payment were predominant. Cashless is the combination of cash based payment system and electronic payment system with the latter exceeding the former in terms of utilization. Cashless banking means transition from a cash-based payment model to cashless banking. According to the Central Bank of Nigeria (CBN, 2011) cashless economy aims at reducing the amount of physical cash circulating in the economy thereby encouraging more electronic-based transactions.

One of the technological innovations on which cashless banking is based is the internet which have forced financial sector to review their performances and bring information technology. As such, banks are adopting latest technology to improve service delivery and to survive in the competitive banking environment.

A successive cashless banking system depends on the type and quality of information technology and electronic channels put in place. Alao and Sorinola (2015) recommended, among others, that infrastructures should be improved upon to ensure easy operation of electronic banking. That is to say, e-banking precedes cashless banking. Without internet banking, mobile banking, online banking, electronic money or whatever nomenclature used, there would be nothing cashless about banking. With the competitive banking environment and the emergence of internet banking, the number of customers in a banking hall was reduced significantly since people could use alternative banking channels. This contradicts the era of armchair banking characterized by long queues and endless waiting in the banking hall.

### 2.3 Service Delivery in a Cashless Era

The key to building a lasting customer relationship is in delivering quality service to create superior customer values and satisfaction. Service delivery is defined as the provision of quality services to customers. Service delivery has been linked on the ability of the service provider to create new methods of satisfying customers. The customer service delivery management is an important department of the bank. Banks are the largest financial institutions with great emphasis on customer satisfaction. With a great degree of competition among banks, it is important for bank to improve their quality of service delivery.

Service quality is seen as those activities designed to conform to customer's expectation; so quality is the meeting of the needs and expectations of the customers. The success of

any service providing organization can be measured in terms of its customers' expectation towards the service delivery. Hence, the yardstick for defining service quality is the expectations of customers rather than the banks policy. Tekeba and Mengistu (2018) stressed that bank customers need additional improvement of value as they demand high quality and immediate service delivery. Zeithamil and Parasuraman (2004) opined that the quality of services is assessed by customers not only by the service aftermath but also by the production and delivery process as well as by the peripherals related to the service. It is those banks that have outstanding customer satisfaction in their service delivery that succeed in the competitive environment. The attainment of good service delivery depends on the provider's relationship with a customer who determines his satisfaction and loyalty. Banks need to focus on service quality as a core competitive strategy.

#### *2.4 Bank Service Delivery in times of Covid-19*

The emergence of Covid-19 has made the need for cashless banking more vital than ever. For efficient service delivery in covid-19 era, cashless banking needs to offer similar benefits to those offered cash in pre-covid-19 era. The fastest ways to deliver a service and in return get the high service quality and customer satisfaction is through the use of technology. Electronic banking prevented many business organizations from collapsing due to Covid-19 lockdown. Many banking employees made a success of working from home during the lockdown in order to deliver services to their customers.

Also, technological innovations have reduced the time and effort inherent in manual or physical banking. In manual banking, efficiency of service delivery is reduced as a result of much time needed to deliver a service. It is expected that the spark in cashless banking in times of Covid-19 will improve the efficiency of services delivery as well as service quality. On the contrary, the endless queue at cashless point channels, especially ATM and POS; restricted entry in the banking hall to perform transaction requiring physical presence in Covid-19 era prove otherwise.

### *2.5. Cashless Banking Channels*

#### *2.5.1 Automated Teller Machine (ATM)*

ATM is an electronic device that makes use of plastic card containing a Personal Identification Number (PIN). It can also be called a cash dispenser because customers who identify themselves with a personal identification number withdraw cash from their account using a cash dispenser (Machine) without going neither to the banking hall nor assistance from bank teller. ATM also enables funds transfer, bill payments, and deposits between two or more accounts and the account is debited with a corresponding credit instantly. It is computerized in such a manner that provides the customers of a financial institution with access to financial transactions at any time of the day in a public domain without necessarily situate at the originating bank or within any banking premises. It is located in stores, shopping malls and fuel stations. It

discourages frequent physical visit to the bank and reduces queues.

#### *2.5.2 Mobile Banking*

Mobile banking is an electronic payment made through a mobile device. Mobile money payment system allows users make payments, save, withdraw or transfer money after purchases have been made at a grocery store with their GSM phones. The sender and the recipient receive instant SMS notification confirming their mobile phone transaction. The transaction instructions are made possible through card infrastructure. This mode of e-banking gives customer the opportunity to operate their account with their phones as long as network services are available. Mobile banking enable customers know their account position on the mobile phones with code provided to that effect.

#### *2.5.3 Web/Internet Payments*

This is a form of electronic payment system that involves transacting business with a bank through the internet system. Banks provide a website with serious security protection through which customers can access their bank accounts. Electronic tools such as computer, IPAD, android, iPhone, and other gadgets with internet access are used to perform banking transactions without going to the bank.

#### *2.5.4 Point of Sale (POS)*

Point of Sale (POS)/Point of Purchase (POP) terminal is an online terminal that uses plastic cards in terminals on business premises and enables customers to transfer funds immediately from their bank accounts to merchant accounts when making purchases. It is referred to as a hardware and software system that allows the creation and printing of receipts. The power of these cards lies in its complexity and acceptability to store and manipulate data as well as conduct series applications on one card securely. The system uses physical plastic smart card in the form of debit and credit cards that identify the holder used in transacting business on the internet. A smart card is a plastic card with a computer chip inserted into it to enable mobile transactions between users. Nweke Jr. (2012) opined that the first form of e-money was debit card which enables consumers to purchase goods and services by electronically transferring money directly from their bank accounts to a merchants account, and is usually accessed through a card reader at the point of sale, hence the name POS machine.

### *2.6 Cashless Banking in Covid-19 Era*

Before the covid-19 outbreak, many people disregarded e-banking products and services. Limitless reasons why they would not use e-banking services ranges from; excessive bank charges, loss of funds to cybercrime, inadequate security, etc. In the wake of covid-19, many relied on the internet, mobile, ATMs, Point of Sale POS and other e-payment channels as bank branches were closed.

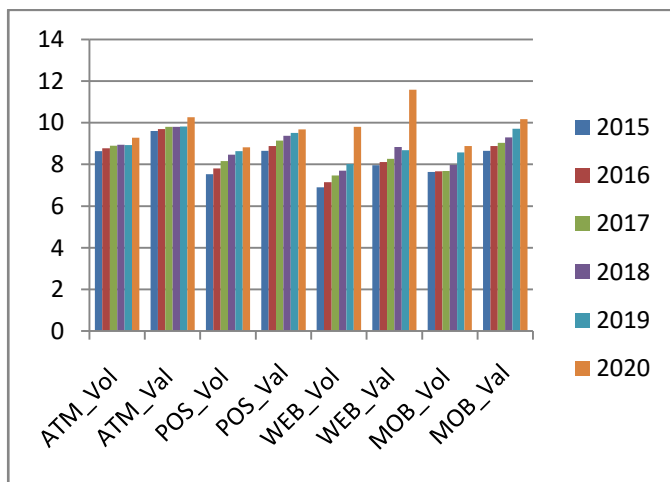
The Covid-19 pandemic affected the use of cash due to the panic that dealing with currency will transmit the virus.

The fear of viral contamination would be a direct inducement steering consumers to cashless transactions (Wisniewski, Polasik, Kotkowski & Moro, 2021). Despite the pandemic and fear that cash could spread the virus, the transactional utility of cash has been on the increase.

Beliefs that cash could spread the virus has encouraged more adoption of electronic payment channels. However, some hold the view that the Covid-19 virus can survive on surfaces like on the ATM machines (Auer, Cornelli & Frost, 2020). ATM and POS transactions require a PIN code entry. Jagannathan (2020) opine that even though it has not been said that cash is currently transferring the virus, people should wash their hands after handling money. Online payments for e-commerce, digital wallets and smartphone payment which are contactless payment system were also recommended. According to the Bank of England (2020), there is no greater risk in handling a polymer note than touching any other surfaces such as handrails, credit cards or doorknobs. A study by Doremalen et al. (2020) found that Covid-19 can persist longer than 24 hours on hard surfaces. That is to say that the risk of transmission through cash is minimal. The fact that the virus survives best on materials, such as plastic or stainless steel means that ATM and POS card terminals could spread the virus too. King and Shen (2020) note that washing hands after contact with cash or other objects may help reduce the risk of transmission.

One thing is clear; the lockdown resulting in the closure of offices in the wake of Covid-19 forced a shift to e-services globally, particularly in Nigeria. Figure 1 below show the growth in the volume and value of cashless banking channels in Nigeria in time of covid-19.

Figure1. Graphical Representation of Selected Cashless Banking channels (2015-2020)



Source: Authors computation from CBN Statistical Bulletin, 2020

Covid-19 outbreak was in December, 2019 but was declared a pandemic by World Health Organization in 2020. The outbreak of the virus gave rise to a spike in cashless banking. Figure 1 above show increase in the volume and value of cashless banking channels. The volume of ATM, POS,

internet and mobile payment grew by 128%, 50%, 6162% and 104%, respectively. On the other hand, the value grew by 179%, 46%, 81955% and 195%, respectively. Internet transactions witnessed the highest growth in the wave of the pandemic. This may be attributed to the use of smartphone-based and online payment where no physical contact takes place for fear of viral contamination.

### III. CONCLUDING REMARK

Covid-19 outbreak causes a spike in digital payments. Many who vowed not to be connected electronically had no option as there were no other means of getting cash than to resort to e-banking channels. The use of cashless banking channels became paramount in banks' service delivery as the only means banks deliver their services to customers during the pandemic. Many organizations had to work from home in order to reach out to their customers.

Cashless banking delivery channels seem to be inadequate in Covid-19 era. Inadequacy of e-banking channels evidenced in the limitless queue at ATM and POS terminals was a challenge at the peak of the pandemic.

Covid-19 pandemic threw all the nations of the world into panic. Many countries copied, implemented and adopted untested strategies and potential cures without a case review or test. Despite adopting these methods, and while people were locked down at home, Covid-19 cases continued to rise.

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