

CUSTOMERS PERCEPTION ON THE BENEFITS OF A CASHLESS PAYMENT SYSTEM IN GHANA

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ABSTRACT

This study investigated the benefits of a cashless payment system. The main tool used in gathering information for this study was a questionnaire. Persons within the Adentan-Madina locality were the targeted group. Thus a variety of persons from different social background, educational level, and diverse occupations were conveniently sampled for the study. Findings from the research showed that respondents were aware of the benefits derived from the usage of cashless payment system. Respondents believed that E-payments were convenient for business transactions than the cash system, such that vast amount of payments of goods and services can be transacted via E-payment to avoid theft and robbery. Consequently, there was the appeal to the government and the financial sector to the requisite infrastructure needed to enhance the usage of the cashless payment systems.

Key words: Electronic Payment , Cashless Payment Systems, Economy,

INTRODUCTION

A cashless society defines a gradual movement of the entire payment system of an economy from the use of physical cash for all levels of personal, corporate, governmental including local and international commercial settlement activities to a systematic adoption of other non- physical cash mode payment in settlements of all types of transaction both in the public and private sectors of an economy (Adewale, 2012). In a cashless society, consumers can make payments over the internet, payment at ‘unmanned’ vending machine, ‘manned’ point of sale (POS) using mobile phones device, personal digital assistant (PDA), smart cards.

Bank of Ghana, the regulator of the banking industry through Ghana Interbank, Payment and Settlement Systems (GhiPPS) introduced e-zwich card, where Ghanaians will feel comfortable in using the card to transact business rather than using physical cash (Sarpong, 2013). Even though there has been several effort to educate the masses about the product, the education

of this e-zwich have not gone well with Ghanaians. Consequently, this study sought to address the benefits derived from the usage of e-payment systems by customers in Ghana.

LITERATURE REVIEW

Introduction

A study by the Federal Reserve Financial Services Policy Committee indicates that electronic payment transactions in the United States have exceeded check payments for the first time in history. The total number of electronic transactions equaled 44.5 billion dollars in 2003, while the number of checks paid totaled 36.7 billion dollars. Obviously a trend among consumers can be identified; consumers are becoming more comfortable in doing business electronically and using a digital medium to conduct their business (Fiallos& Wu, 2005).

Definition of Electronic Payment Systems

According to Fiallos& Wu (2005), electronic payment is a payment technology, which can provide anonymous flexible electronic payment, like paper cash, but with added security requirements needed for internet transactions. An electronic payment is a payment that is transmitted electronically either over telephone lines or between web sites on the internet. Any information required to make the payment such as a credit card number or Personal Identification Number (PIN), exists only in digital form (Fiallos& Wu, 2005).

In a similar study by Lamptey (2012), a payment system is a system (including physical or electronic infrastructure and associated procedures and protocols) used to settle financial transactions. Electronic payment is a subset of an e-commerce transaction to include electronic payment for buying and selling goods or services.

Benefits of Cashless Payment Systems

- ***Improved Electronic System Provides Security and Privacy***

According to a study by Fiallos& Wu (2005), the arrival of the internet has taken electronic payments and transactions to an exponential growth level. Consumers could purchase goods from the internet and send unencrypted credit card numbers across the network, which did not provide much security and privacy. But a wide variety of new secure network payments schemes have been developed as consumers became more aware of their privacy and security.

- ***The System Provides Varied Benefits for Financial Institutions***

Digital money (electronic payments) has significant benefits for financial institutions, banks and merchants (Fiallos & Wu, 2005). Digital Money is an electronic payment technology, which can provide anonymous flexible electronic payment, like paper cash, but with added security requirements needed for internet transactions. In a related work by (Lee, et. al, 2003), a secure electronic cash system can guarantee anonymity of legitimate users but also provides traceability about illegally issued cash or laundered money. If illegal activity did take place, it can cancel anonymity of the digital cash in order to protect the bank. Lee, et al, (2003) added that since digital money can trace double spending, and double spending protects content by exposing the double spender's identity, digital cash is a fool proof way of guarding against illegal redistribution of intellectual property and materials. Digital Money can also be used to deter

illegal content copying and distribution by inserting tracing content factors into the digital cash payment scheme that prevents users from individual replication activity (Lee, et. al, 2003). By using this function, legal, anonymous purchasers can spread contents to other paying anonymous users while abiding by copyright laws. Using digital money in industries like digital entertainment can increase the demand for products through easier and safer dissemination channels. Digital Money can trace who is illegally reproducing and distributing copyrighted intellectual material, therefore increasing security for authors and at the same time deterring lost revenue and sales for digital media entertainment companies (Lee, et. al., 2003).

Digital Media entertainment, as well as intellectual property providers and distributors, can also implement this technology and its safety features in order to ensure greater copyright compliance between consumers (Fiallos & Wu, 2005). By adopting such a method of payment and distribution, software and intellectual property piracy can be halted and eventually eliminated. Digital Money can provide financial institutions with decentralized structures, faster transaction and decision making processes, and more cost effective ways of doing business. (Fiallos & Wu, 2005).

- ***E- payments Provide Benefits to the Nation***

Electronic Payments as argued by Cobb (2005) have a significant number of economic benefits apart from their convenience and safety. These benefits when maximized can go a long way in contributing immensely to economic development of a nation.

Automated electronic payments help deepen bank deposits thereby increasing funds available for commercial loans – a driver of all of overall economic activity. According to Cobb (2005), efficient safe and convenient electronic payments carry with them a significant range of macro-economic benefits. “The impact of introducing electronic payments is akin to using the gears on a bicycle. Add an efficient electronic payments system to an economy, and you kick it into a higher gear. Add better-controlled consumer and business credit, and you notch up economic velocity even further” (Cobb, 2005).

- ***E-payments Reduce the Cost of Printing Cash and Coins***

“While the high level of cash transactions creates an opportunity for the electronic payment industry, it also imposes a cost on local economies. Cash has to be minted, securely transported, counted and reconciled, kept secure and maintained for re-use time and time again. The payment cost is high, and will always remain high whereas the costs of electronic system are fixed. Once the infrastructure has been built, the costs per-transaction is very low” (Cobb, 2005).

When cardholders use their cards at the point of sale they are helping to keep money in the banking system. Electronic Payment System can help displace shadow economies, bring hidden transactions into the banking system and increase transparency, confidence and participation in the financial system (Cobb, 2005).

As also mentioned by Al Shaikh (2005), there is a correlation between increase in point of sales volumes and rise in demand deposits. “Automated electronic payments act as a gateway into the banking sector and as a powerful engine for growth. Such payments draw cash out of circulation and into the bank accounts, providing low cost funds that can be used to support bank lending for investment – a driver of overall economic activity. The process creates greater

transparency and accountability, leading to greater efficiency and better economic performance” (Al Shaikh, 2005).

- ***E-payments Provide the Customer with Safe and Convenient Banking Services***

In a similar study by Hord (2005) electronic payment is very convenient for the consumer. In most cases, you only need to enter your account information -- such as your credit card number and shipping address -- once. The information is then stored in a database on the retailer's Web server. When you come back to the Web site, you just log in with your username and password. “Completing a transaction is as simple as clicking your mouse: All you have to do is confirm your purchase and you’re done” (Hord, 2005).

- ***Electronic Payment Lowers Costs For Businesses***

Hord (2005) further emphasizes the fact that electronic payment lowers costs for businesses. The more payments that is processed electronically, the less money is spent on paper and postage. Offering electronic payment can also help businesses improve customer retention. “A customer is more likely to return to the same e-commerce site where his or her information has already been entered and stored” (Hord, 2005). According to Cobb (2005), “electronic payments can thus lower transaction costs stimulate higher consumption and GDP, increase government efficiency, boost financial intermediation and improve financial transparency”. She further added that “Governments play a critically important role in creating an environment in which these benefits can be achieved in a way consistent with their own economic development plans”.

- ***E-payments provide reliable means of payment and settlement for a potentially vast range of goods and services***

Humphrey et al. (2001) also support the fact that the introduction and use of electronic payment instruments holds the promise of broad benefit to both business and consumers in the form of reduced costs, greater convenience and more secure, reliable means of payment and settlement for a potentially vast range of goods and services offered worldwide over the internet or other electronic networks. One such benefit is that electronic payments enable bank customers to handle their daily financial transactions without having to visit their local bank branch. Electronic payments products could save merchants time and expense in handling cash (Appiah and Agyemang, 2007).

- ***E-payments Contribute to GDP Growth***

According to Humphrey, Pulley and Vesala (2000), the resource cost of a nation’s payment system can account for 3% of its GDP. Since most electronic payments cost only about one-third to one-half as much as paper-based non-cash payment, it is obvious that the social cost of a payment system could be considerably reduced if it is automated (Appiah and Agyemang, 2007). Automating and streamlining electronic payments made from self-serve channels such as ATMs, branch office terminals and point-of-sale (POS) systems can reduce paper-based errors and costs.

According to Kumaga (2010), a research work carried out by Visa Canada Association in collaboration with Global Insight (A leading economic and financial consulting firm) revealed

that electronic payments provide transactional efficiency to consumers, merchants, banks and the economy. Electronic payments have contributed C\$ 107 billion to the Canadian economy since 1983 and represents nearly 25% of the C\$ 437 billion cumulative growth in the Canadian economy over the same period. Over the same two decades, C\$ 60 billion of the increase in Personal Consumption Expenditures was directly attributable to electronic payments, with credit card holding a commanding share of this growth (C\$ 49.4 billion) over debit cards (C\$ 10.4 billion)

According to Ackorlie (2009), Ghana has lagged way behind most of the world (including many of its peers in Africa) in the general quest to boost micro economic activity by reducing the role played by physical cash in daily transactions and by encouraging the creation of a cashless society.

However, experts in the financial sector have stressed that unless something radically innovative, functional and savvy is introduced, which accounts for attitudes as well as the huge un-banked population, the country's dream of building a functionally cashless society in the shortest possible time could be elusive (Ackorlie, 2009).

METHODOLOGY

The research employed descriptive form of study to explore the benefits of cashless monetary policies and payment systems in the economy. The study was conducted on residents of the Adenta- Madina Municipal Area. A sample size used in this study is fifty (50) being Lecturers, Office Workers, Students, and Traders for the gathering data for analysis and the addressing of the research objectives. The convenient sampling technique was employed for the study to ensure that the burden of chasing a particular respondent who might not be willing is eliminated.

The research was conducted using a self -constructed questionnaire in collecting the data needed for this study. The method of data analysis was descriptive analysis using frequency distribution. Data gathered from the field survey was analyzed using Statistical Package for Social Sciences (SPSS) software and Microsoft Excel Spreadsheet (2013). The SPSS was used for data transformation, running of cross tabulation, mean and percentages while the Microsoft Excel was used in designing the tables, bar graphs, and pie charts.

PRESENTATION AND DISCUSSION OF FINDINGS

The table below showed the summarized data of responses received from the respondents regarding the benefits of a cashless payment system.

Table 1 Benefits of Cashless Payment Systems for Transactions

Responses	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Mean
	F	%	F	%	F	%	F	%	F	%	
E-payment methods are convenient	22	44	24	48	3	6	1	2	0	0	4.34
Holding cards instead of cash protect people from theft and robbery	37	74	10	20	1	2	2	4	0	0	4.64
E-payments facilitate easy and convenient money transfer even to remote places via Mobile Money, etc.	28	56	18	36	1	2	1	2	0	0	4.34
E-payments reduces the use of cash and saves the economy from cost of printing currency notes and coins	25	50	14	28	7	14	4	8	0	0	4.20
E-payments speed up transactions	27	54	18	36	4	8	0	0	0	0	4.38
E-payments serve as a reliable means of payment and settlement of vast range of goods and services	17	34	23	46	8	16	2	4	0	0	4.10
E-payments enable bank customers to handle their daily financial transactions without having to visit their local bank branch	26	52	20	40	3	6	0	0	1	2	4.40

Mean Range: 1-2 (Disagree), 3 (Not Sure), 4-5 (Agree)

From the data above, the mean figure of 4.34 indicated that respondents agreed that E-payments are convenient in making transactions and serve as a benefit to its adoption. E-payments allow customers at the convenience of their homes and offices transact on their account without any difficulty. According to a study by Fiallos & Wu (2005), the arrival of the internet has taken electronic payments and transactions to an exponential growth level. Consumers could purchase goods from the internet, transact on their accounts with ATMs and E-zwich payment systems which provide much security and privacy.

The findings concurred with that of Hord (2005) that electronic payment is very convenient for the consumer. In most cases, you only need to enter your account information once. The information is then stored in a database on the retailer's Web server. When you come back to the Web site, you just log in with your username and password. "Completing a transaction is as simple as clicking your mouse: All you have to do is confirm your purchase and you're done"

(Hord, 2005). One must stay at the convenience of homes and offices and can still get access to his or her accounts for transactions.

Again, respondents agreed that holding cards instead of cash protect people from theft and robbery. This is identified as the data presented a mean of 4.64 which indicated that respondents agreed to this factor as one of the benefits of E-payments. The card serves as a wallet that stores all available balances in accounts and can be used for transactions without having to carry cash around, which can be exposed to robbery. According to Lee, et al (2004), since E-payment can trace double spending, and double spending protects content by exposing the double spender's identity, digital cash is a fool proof way of guarding against illegal redistribution of intellectual property and materials. With the cash system, people stand a great risk of insecurity, such as theft or robbery, with the slim hope of retrieving that money back. This is one of the great disadvantages of a cash system.

Moreover, respondents agreed that E-payments facilitate easy and convenient money transfer even to remote places via E-payments such as Mobile Money. Mobile telecommunication networks are providing the media to facilitate cashless transactions in the economy. According to Nunor (2011), MTN, Airtel, Tigo and other mobile telecommunication operator in Ghana, launched their mobile money services which will allow users to store and transfer money, and pay for goods from their mobile phones. The platform allows subscribers and non-subscribers alike of telecom networks, to perform a range of financial transactions using their mobile phone, plus the advantage of accessing and transferring their money beyond the normal banking hours in Ghana (Nunor, 2011). The significance of this to respondents is evident in the mean of 4.34, which showed that respondents agreed to this factor.

Respondents also confirmed that E-payments reduced the use of cash, and saved the economy the cost of printing currency notes and coins. Hord (2005) noted that the more payments that is processed electronically, the less money is spent on paper and postage. Electronic Payments as argued by Cobb (2005) have a significant number of economic benefits apart from their convenience and safety as they go a long way to prevent the economy from printing notes and coins. These benefits when maximized can go a long way in contributing immensely to economic development of a nation.

With a mean of 4.38, respondents agreed that E-payments speed up transactions and also serve as a reliable means of payment and settlement of vast range of goods and services in market areas that E-payments serve. A customer may not have to queue in banks to withdraw cash for making transactions. At any available ATM terminal, a person has access to his or her account 24/7. According to Fiallos & Wu (2005), E-payments can provide financial institutions with decentralized structures, faster transaction and decision making processes, and more cost effective ways of doing business. Humphrey et al (2001), also support the fact that the introduction and use of electronic payment instruments holds the promise of broad benefit to both business and consumers in the form of reduced costs, greater convenience and more secure, reliable means of payment and settlement for a potentially vast range of goods and services offered worldwide over the internet or other electronic networks. One need to carry a huge amount of cash in bags for transactions, which may be a victim to theft and robbery, but with E-payments vast amount of goods can be purchased in few minutes and on secured platforms.

Finally, respondents agreed that E-payments enable bank customers to handle their daily financial transactions without having to visit their local bank branch. This is emphasized by a mean of 4.40. According to Appiah and Agyemang (2006), one of the greatest benefits is that

electronic payments enable bank customers to handle their daily financial transactions without having to visit their local bank branch. Electronic payments products could save merchants time and expense in handling cash. At the convenience of homes, offices, via ATM or VISA terminals anywhere in the country, a customer can operate his or her account without merely entering the bank's premises. A customer need not to visit his or bank, but may have total access to his account at any time anywhere, and this factor was discovered as a benefit to the adoption of E-payments in Ghana.

CONCLUSION AND RECOMMENDATIONS

The findings implied that most of the respondents were aware of the benefits derived from E-payment system. The respondents believed that E-payments were convenient for business transactions than the cash system, such that vast amount of payments of goods and services can be transacted via E-payment to avoid theft and robbery. This is a good implication that bankers and policy makers need to provide adequate infrastructure that will make the system more efficient for the people to build customers reliance on E-payments, since most respondents enjoy using E-payments that entering the banking hall for transactions.

- ✓ The use of cash comes with its own disadvantages and problems that electronic payments can eliminate. Banks and policy makers must provide adequate education and advertisement on electronic payments so that the Ghanaian population will appreciate and use electronic products available.
- ✓ The banks must also be educated to promote e-payments; training programs for senior management of the banks will assist in achieving this.

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