

## ABSTRACT

The study appraise Electronic Paymentsystems in the Banking industry; A Study of First Bank Plc. Themain objectives of the study are to ascertainthe effect of epileptic power supply on the effectiveness of e-payment in FirstBank and to determine the level of security in the e-payment products andplatform of First Bank. In carrying out the study, survey design was employed. Thepopulation of the study comprises the entire two thousand five hundred staff ofFirst Bank Plc in Lagos. While the samplesize considered for this study was one hundred and forty five [145], representsthe number of those that properly filled-out and returns the questionnaire onthe spot out of the one hundred and fifty administered and the method ofdrawing the sample convenience sampling technique. The study found that Epileptic power supply to a large extent affectsthe effectiveness of e-payment in First Bankand that E-banking productsand platform of First Bank is secure and that acceptance. It wasrecommended based on the findings of the research that Central Bank of Nigeriashould ensure that the cashless policy is extended to other states in thecountry so as to extend e-payment to allstate in the country. Also, the CBN needto consolidate on its achievements by introducing more beneficial policies andsanctions where necessary.

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## **CHAPTER ONE INTRODUCTION**

### **1.1 BACKGROUND TO THE STUDY**

Nigeria is predominantly a cash-based economy with a lot of cash in circulation. Analysts opined that the cash-based nature of payments in the country is responsible for the abysmally low level of participation in e-commerce where the acceptable medium of settling transactions is e-payment (Ojo, 2004; Ayo, 2007; Ovia, 2002). The Governor of the Central Bank of Nigeria embarked on bank recapitalization exercise as a strategic move to save the Nigerian banking sector from incessant failure and collapse (Nwachukwu, 2005; Gbolahan, 2005). The result of the exercise brought about a reduction of the 89 banks to 25 solid and strong banks through mergers, acquisition and recapitalization of asset base. As reported by Ayo et al. (2007), virtually all the 25 banks in Nigeria that survived the recapitalization exercise engaged the use of ICT for efficient service delivery. All the banks have one form of e-payment system or the other. The Nigerian cashless system of payment has been evolving in line with the global payments evolution.

Cashless system of payments and instruments are significant contributors to the broader effectiveness and stability of the financial system. Innovations in technology and business models have implications for the efficiency and safety of cashless system of payments. Cashless system of payment is defined as a society where transactions are functioning, operated, or performed without using coins or banknotes for money transactions but instead using credit cards or electronic transfer of funds. New technology and new participants in the cashless system payments, for example non-bank providers will support the wider financial inclusion agenda (Sprague and McNurlin, 2003).

Alao (2009) reported that though the most prominent form of e-payment system in Nigeria is the Automated Teller Machine (ATM) card. It remained dominant over the years both in volume and value but there is a colossal amount of money lost in Nigeria due to ATM fraud through ATM card cloning, Personal Identification Number (PIN) theft among others and government had resorted to removing ATM from public places as well as installing security cameras at the ATM locations to track the activities of fraudsters. However, the level of ICT usage notwithstanding, the level of adoption of e-payment by the citizen is still very low (Sprague and McNurlin, 2009).

According to Ayo and Ukpere (2010), e-payment systems refer to the automated processes of exchanging monetary value among parties in business transactions and transmitting this value over the information and communication technology (ICT) networks. The common e-payment channels include the payment cards (debit or credit), online web portals, point of sales (POS) terminals, automated teller machines (ATM), mobile phones, automated clearinghouse (ACH), direct debit/deposit and real time gross settlement (RTGS) system (Nnaka, 2009).

An Electronic Payment System (EPS) is a form of inter-organizational information system (IOS) for monetary exchange, linking many organizations and individual users. This may require complex interactions between the stakeholders, the technology and the environment. The unique characteristics of EPS/IOS also differentiate it from traditional internal based information systems; it is more complex and multifaceted technologically, organizationally and relationally (Kumar and Crook, 2009), highlighting the importance of collaboration and the need to bring all the facets together. EPS transcends organizational boundaries, thus the collaboration of the stakeholders and sharing of resources and how it interacts and affect the elements of the payment system may also be key issues in the development of EPS (Briggs and Brooks, 2011).

Furthermore, EPS encompasses the total payment processes, which include all the mechanisms, technological systems, institutions, procedures, rules, laws etc. that come into play from the moment a payment instruction is issued by an end-user. Different kinds of rules, regulations, mechanisms, technology and arrangements have therefore been put in place by trading partners, markets and governments (stakeholders involved in EPS development) in all countries and throughout time to develop effective infrastructure of monetary exchange, commonly referred to as payments systems (Bossone and Massimo, 2001).

Additionally, Alao (2009) reiterated that the other media such as the internet payment, POS and mobile payments are still at their infancies. The level of involvement of these instruments of payment presents a clearer picture of the low level of involvement of Nigeria in e-commerce, knowing fully well that ATM cards are not suitable for international settlement of transactions. However, the nation's quest of migrating from cash to cashless economy has been on the front burner. Boonstra and de Vries, (2005) posited that to meet the target of becoming one of the leading world economies by the year 2020, efforts must be made to

embrace electronic payment system in its entirety. It was in this consciousness that the Central Bank of Nigeria (CBN), the apex regulatory body of the banking sector, came up with a reform policy to check the increasing dominance of cash in the banking sector in order to enhance e-payment system in the economic landscape. It is on this background that this study sets to appraise the role of electronic banking systems in the cashless economy.

## **Electronic payment system in the banking industries of Nigeria. A study of first bank Nigeria plc**

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