DETERMINANTS OF CONSUMERS ADOPTION OF POINT OF SALE (POS) TERMINALS IN LAGOS STATE, NIGERIA

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ADP08/09/H/1696

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A RESEARCH THESIS SUBMITTED IN PARTIAL FULFILMENT FOR THE AWARD OF DOCTOR OF PHILOSOPHY DEGREE (PhD. BUSINESS ADMINISTRATION) IN MANAGEMENT AND ACCOUNTING

TO

THE DEPARTMENT OF MANAGEMENT AND ACCOUNTING,

FACULTY OF ADMINISTRATION,

OBAFEMI AWOLOWO UNIVERSITY,

ILE-IFE, NIGERIA

2011

CERTIFICATION

This is to certify that this research work was conducted by Osuolale Olugbade ADEOTI and supervised by Dr. K.O. Osotimehin.

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DEGREE: Ph.D (Business Administration)

YEAR: 2011

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DEDICATION

This research is totally dedicated to GOD ALMIGHTY, without whom nothing is possible.

ACKNOWLEDGEMENTS

In the course of completing this programme, I have become greatly indebted to so many people than this space would allow me to mention. I wish to acknowledge my indebtedness to my lecturer and thesis supervisor, Dr. K.O. Osotimehin for his constructive advice and insightful suggestions and for taking the pain to see me through the project. I also thank my Head of Department, Professor T.O. Asaolu for his support, interest and encouragement, which contributed significantly to the timely completion of this project. I must show gratitude and appreciations to our dynamic and efficient Postgraduate Programme Coordinator - Dr. D.O. Elumilade. My thanks and appreciations also go to other lecturers in the Department of Management and Accounting who have contributed meaningfully towards the successful completion of this programme. I owe a special tribute and appreciation to Mr. Toyese Agbaje and Mr. N.A. Sofoluwe for their various assistance and support throughout the programme.

I must appreciate the support I received from managers of Intercontinental Bank Plc and First Bank Plc both in Ibadan and Lagos. I should also acknowledge the support and assistance from officials of Central Bank of Nigeria, both in Ibadan and Lagos Head Office. I will be an ingrate if I fail to mention the support and cooperation I enjoyed from merchants in the five local government areas of the study. There are many colleagues and friends who have shared their ideas in various forms that deserved to be thankfully acknowledged. These worthy friends include Messrs- J.L. Longe, T.O. Olajide, C.A. Jegede, O.A. Olufowobi, G.T. Akinleye, F. Oni, A.O. Olowoniyi, J.O. Ojenike, O.A. Ewenla, O.I. Mudasiru, K. L. Akinlabi for their suggestions, criticism and contributions which significantly enhance the quality of this research work.

Finally, I wish to appreciate my wife and the children for their support, patience and understanding.

May Almighty God Bless you all.

Olu Adeoti.

TABLE OF CONTENTS

ABSTRACT

The study examined the extent of availability of point of sale (POS) terminals; assessed the motivational factors influencing consumers' use of POS terminals; determined the level of consumers' satisfactions with POS terminals; and evaluated the challenges to the efficient use of POS terminals. This was with a view to providing information on factors determining consumers' adoption of POS terminals in Nigeria, and guiding managers of financial institutions, policy makers and government to design, formulate and implement proactive strategic marketing techniques and policies aimed at ensuring consumers' acceptance and use of this innovative technology.

The study utilized primary data, sourced through administration of structured questionnaire to 650 randomly sampled respondents. Data were collected on respondents' extent of availability, motivational factors, level of consumer's satisfaction and challenges to the efficient use of point of sale terminals. The data generated were analysed using descriptive and inferential statistics such as frequency counts and probit model.

The findings of the study indicated that POS terminals were not readily available to the consumers as majority (51.6%) of those who adopted the technology did not find it in all merchants stores patronized for transaction. Factors such as nativity ($p = 4.29$), security ($p = -4.13$), convenience ($p = 5.28$) and time saving ($p = 2.63$) were the significant factors influencing the adoption of POS at 5% level. Further, the results revealed that consumers were generally satisfied with the usage of POS terminals on the dimension of convenience (87.2%); service quality (83%); value provided (76%) and technological selection (85%), unavailability of the technology at all merchant stores (67%), infrastructural problems such as network failure (87%),

frequent power outage (94%), limited number of POS per merchant store where available (79%) as well as privacy of data and security of communication over the network (67%).

The study concluded that POS adoption is influenced by nativity, security, ease of use, availability of the technology as well as convenience of use. The adoption is found to be concentrated among the young and male genders. Also, lack of awareness is found among merchants who are supposed to be operators of the technology as well as supposed consumers of the POS service. High level of perceived insecurity, poor infrastructural facilities such as unstable power supply hinders efficient use of the innovative technology.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In a contemporary market economy, payments system is an important anchor for economic and social development. This is because an efficient payments system enhances the operation of a market economy and assists in the maintenance of monetary and financial stability by providing ease of trade, convenience and general economic well-being through the transmission of money between parties. Historically, the payments system was based on barter system. This stage was later succeeded by commodity money where payment instruments such as cowries, salt, brass and copper bracelets were used. The various set-backs of commodity money led to its replacement with the British silver coins and notes. Today, the use of currency, which is the legal tender, is at the core of the Nigerian payments system as the preponderance of transactions are undertaken with cash in the economy. Cash is the most popular form of payment for consumer, however it is the most costly and least profitable payment instrument.

In view of the various problems associated with cash as a payment instrument, most advanced countries of the world, such as United Kingdom, United States of America, France, Germany, Japan, etc have considerably reduced cash transaction and opted for electronic payment. Despite this mass movement away from cash transactions world over, Nigeria still largely operate a cash based economy with over 90% of funds.

Nigeria is largely a cash based economy with over 90% of funds circulating outside the banking sector (Ojo, 2004, Ovia, 2003). According to Central Bank of Nigeria (CBN, 2011), the cost of cash management in 2009 was ₦114.6bn and grew to ₦135bn and ₦166bn in 2010 and 2011 respectively. The apex institution projected that the cost of managing cash will hit ₦192 billion by 2012. These costs arise from frequent printing of currency notes, currency sorting, cash movement, keeping large amount of cash, security cost of checking high incidences of robbery and burglaries to mention a few. It is risky and cumbersome to rely mainly on this age long mode of transacting business. According to Iroh (2011) one only need to understand the psychology of money to know that a greater percentage of problems within the economies of most developing countries is attributable to the cash carrying nature of their economy. This cash carrying character of the economy is also responsible for large pool of money in the hands of the unbanked Nigerian. Money outside the banks cannot be subjected to regulatory and operational procedures, and the ability of monetary policy to achieve set objectives in the presence of sizeable Currency Out of Bank (COB) is therefore limited. Also, data from liquidity office of CBN showed that, the value of currency in circulation (CIC) as at December, 2009 amounted to ₦1.184 trillion (an increase of 20.36%) over the level at the end of 2008. As at December, 2010, the total CIC value stood at ₦1.378 trillion representing an increase of 16 per cent. In order to reduce the volume of cash in circulation and reduce the risk of going about with cash, the CBN introduced electronic payment system such as payment cards (smart card) and paper- based instrument to the country in 1993.

In an attempt to promote the use of cards for making secured payments in Nigeria, the CBN issued the guidelines on e-banking in 2003. This has encouraged e-payment initiatives such as the establishment of switching companies that facilitate interconnectivity, introduction of payment instruments such as Automated Teller Machine (ATM), web transaction, e- money products such as credit and debit cards and point of sales (POS) which gave rise to significant growth in the use of electronic payment systems (Salimon, 2006).

Generally, electronic payment system (e-Payment) refers to an electronic means of making payments for goods and services procured online or in supermarkets and shopping malls. It enables websites and shopping malls to securely process transactions in real time. It operates on a smartcard that stores information on microchips. The microchip contains a purse in which monetary value is held electronically. The electronic payment system takes two general forms. The first is electronic financial payment system, where payment is through some specified protocols, while the second is smartcard payment system, where the information on the silicon is used to effect payment for services (Ayo, 2009, Sumanjeet, 2009). This payment system provides a better audit trail than transactions that involve physical cash and thus reduce the amount of currency in circulation. The CBN strategic plan on payment system is to ensure that a larger proportion of currency in circulation is captured within the banking system, thereby enhancing the efficacy of monetary policy operations and economic stabilization measures. Table 1 shows the distribution of the amount of currency in circulation from 2004 to 2010 in Nigeria.