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APPLICATION AND UTILIZATION OF ATMs IN RURAL TRANSACTIONS: PROBLEMS AND PROSPECTS IN A COVID-19 ERA

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Abstract

This paper focused on the application and utilization of ATMs in rural transactions: problems and prospects in a covid-19 era. The paper examined the concept of COVID-19, rural areas, farmers/dwellers and ATM transactions. The theoretical framework and history of ATM use were also discussed. The paper finally highlighted some problems and prospects of ATMs and concludes that ATMs are beneficial to the rural populace, while recommending that ATMs and other easily accessible forms of e-banking should be provided for the rural populace and several fora like workshops/seminars should be organized to train and enlighten the rural people more on the benefits, use and importance of ATM transactions in the present era.

Introduction

COVID-19 is greatly challenging the world economy and it is a pandemic making a giant distraction to life and livelihoods as well as social and economic systems in the world. Based on different reports, it is the most horrible global crisis since WW II. This virus is highly transmittable and has spread with inconsistent progress in every corner of the world without any variance (Engidaw, 2022). COVID-19 is a massive health crisis but also much more. This virus has triggered a substantial short-term economic contraction, shuttered many firms, whether big or small, thrown tens of millions out of work, and has other effects on business activities, especially financial transactions in the rural areas. Based on the World Health Organisation's (WHO's) report, the COVID-19 crisis was discovered in China in December 2019 and soon after became a global difficult pandemic. As of September 24, 2020, 213 countries and territories around the world were affected; a total of 32,298,738 people infected, 984,974 deaths, and 23,820,147 patients recovered. Of these, 7,493,617 were active cases or currently infected patients (Worldometers, 2020).

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According to ONE UN Ethiopia (2020) assessment report, Sub-Saharan Africa (including Nigeria) is unlikely to escape the direct and indirect effects of the pandemic and the attendant global crisis. COVID-19 outbreak in the view of Engidaw (2022) widely impacts the rural areas in the country and most studies showed that there is a lack of flexible work strategies, formal documentation mechanisms, and comprehensive crisis management and aftershock strategies for new micro enterprises with little previous crisis experience. It is recommended that rural dwellers should work in exploring new markets and incorporating technology into their future endeavours, produce and fashion different ways to end of the pandemic. This is to make their interactions flexible based on situations, which is another sign of active learning and improvement from the crisis. In the long run, there is the urge to grow and expand their small businesse transactions in order to strengthen their resilience and survival in the COVID-19 era (Engidaw, 2022).

Rural Areas and Automate Teller Machine Transactions

Rural areas and businesses are the backbone of many economies, especially due to their involvement and participation in some economic activities, such as crop farming, fish farming, agricultural produce processing, cooperative society-contributions, trading as well as other menial jobs as a means of livelihood. With the ripple effect of COVID-19 on economies all over the world, particularly rural economies, it has become important more than ever to examine and understand the application and utilization of ATMs in rural transactions. Since the first case of pandemic surfaced in Nigeria, the government has been taking various sweeping health and economic measures to mitigate its spread and impact. ATMs have been recognized by the government and financial institutions as a driver for economic growth and ease of doing business in an era of restrictions due to the COVID-19 pandemic (Okafor & Ezeani, 2012).

Generally, in rural areas where there is few or no bank branches, people do not open bank accounts and even if they open, they do not operate these accounts and also do not deposit money in these branches because of the problems of time and distance (Jha, 2019). Also, unavailability of cash withdrawal facilities in their vicinity reduces their liquidity. There is huge untapped saving potential in rural residents which can be tapped by giving them the security of cash withdrawal anytime through ATMs. This will certainly motivate them to open and operate bank accounts and deposit their savings in banks. Increase in deposit base of banks will lead to enhanced credit creation in the economy resulting into stronger rural sector. It will boost economic development and thus, significant for development of the larger economy (Jha, 2019).

Theoretical Framework and Discussion

In this paper, the theoretical framework is based on the modernization theory. It is a macro sociological theory. In a nutshell, modernisation is a process of change towards those types of social, economic, and political systems and technology that have developed in Western Europe and North America to the developing countries of South America, Asian, and African continents. As a process, modernization implies the development of such phenomena as science, technology, education, etc. along the same lines as what obtains in other climes. Modernisation is assumed to be a total social process which constitutes a universal pattern. The present situation of the developed nations is taken as the reference point for the developing societies. Through the process of planned development, the developing societies can aspire to attain the conditions enjoyed by the former (Chodak 1973; Levy, 1966; Palmer, 1988; Okafor & Ezeani, 2012).

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The theory argues that in so far as the developing societies aspire to attain the institutional pattern of the developed nations, the goal is a moving target. Thus, modernisation is not a fixed condition. It is often seen as a period of transition during which a society shed its traditional characteristics such as particularistic, self-oriented and functionally diffuse and becomes dominated by modern types of institutions and action (Parsons, 1971). Diffusion is seen as a process whereby the new nations could change in the appropriate direction, as well as learn from the mistakes of the older nations. For modernisation theory, diffusion would occur through the interaction of two major groups and through this appropriate capital, technology, values and would be injected into the traditional society. With this, people will be exposed to new structures, values and ideas which would make them ready to play new modern roles. Thus the modernization theory has been applied to explain changes occurring in all segments of society including agriculture, values, and education, banking, urbanization, and technology (Deutsch 1961; McClelland 1961; Afonja & Pearce 1986).

The case in point shows modernization in the form of the application and utilization of ATMs in the rural areas for financial transactions among the rural dwellers as it pertains to their livelihood during the COVID-19 pandemic era. The theory presents the presence and use of ATMs in rural transactions as a social change. Therefore, it helps to buttress explanations on the focus of the paper.

History of Automated Teller Machine Use

The Automated Teller Machine (ATM) was introduced into Nigeria market in 1989; as a matter of fact, the very first ATM in Nigeria was first installed by National Cash Registers (NCR) for the defunct Societė Generale Bank in 1987 (Jegede, 2014). As part of banking reforms that started in July 2004, the Central Bank of Nigeria (CBN) in their quest to improve bank services, achieve cashless economy and decongest the banking halls, mandated commercial banks operating in Nigeria to install ATMs in the bank premises and other strategic locations to serve their customers (Okafor & Ezeani, 2012). Consequent upon this, Fanawopo (2006) and Olatokun & Igbinedion, (2009) stated that the Nigeria's debit card transactions rose by 93 percent between January 2005 and March 2006 over previous years owing to aggressive roll out initiatives by the Nigerian banks, powered by inter-switch network. The number of ATM transactions through the inters-witch network also increased from 1, 065, 972 in 2004 to 14, 448, 615 between January 2005 and March 2006. This represents 92.6 percent increase with respect to the previous year. Moreover, more than 800 ATMs have been deployed on the network, while about 2 million cards were issued by 23 banks as at March 2006.The transaction volume grew from 1.6 million transactions in 2006 to over 500 million transactions in 2009. The number of ATMs has also grown from just over 500 ATMs in 2006 to over 8,000 ATMs in 2009 (Okafor & Ezeani, 2012). The ATM has made it possible for bank customers to access cash at any time irrespective of bank business hours. Since it came into use in its present form in 1974 in developed countries, the ATM has attracted widespread patronage offering wide range of services to the customers (Kolodinsky, et al, 2004; Agboola 2006; Bellis 2007). But the rampant loss-sustaining encounters by some customers and some challenges associated with its use have made the machine unattractive and no-go areas for some customers (Adeloye 2008; Obiano 2009; Omonkhanlen 2009).

Automatic Teller Machine (ATM)

As described by Chevan (2013), e-banking is the provision of banking products and services to banks and customers through utilization of various electronic delivery channels. The e-banking concept has been in existence for some time although in form of Automated Teller Machines

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(ATMs) and telephone banking and that in most recent times due to advancement in Information Technology (IT), it has been carried out through the use of the internet. Olaewe and Abanikanda (2017) had posited that e-banking is the automated delivery of banking services and products to customers through the use of electronic interactive communication channels. By this definition, Olaewe and Abanikanda (2017) opined that e-banking platforms or channels enable bank customers (in this case rural dwellers) to perform banking transactions such as funds transfer, cash withdrawals, payment for goods and services, through the use of interactive electronic media that allow the customers to carry out transactions by themselves without relying on bank tellers. Some forms of electronic banking include telephone banking, mobile banking, online banking; point of sale (POS) e-banking, Automated Teller Machine etc. (Olaewe & Abanikanda, 2017).

An Automated Teller Machine (ATM) is an electronic banking outlet which allows customers to complete basic transactions without the aid of a branch representative or teller (Osahenvemwen et al. (2016). ATM enables banks customers to withdraw money from their current or savings account by inserting the ATM card and a private electronic code into the ATM. According to Encarta (2009) cited in Olaewe and Abanikanda (2017), ATM enables bank customers to access their money 24 hours a day and seven days in a week wherever ATMs are located. Jegede (2014) further explained that an ATM combines a computer terminal, record-keeping system and cash vault in one unit, permitting customers to enter the bank's book keeping system with a plastic card containing a personal identification number (PIN) or by punching a special code number into the computer terminal linked to the bank's computerized records 24 hours a day. An ATM is also known as an automated banking machine (ABM) in Canada English and a cash machine, cash - point, cash or sometimes a hole in the wall in British English and hibernation device that enables the client of a financial institution to perform financial transaction without the need of cashier, human clerk or bank teller. On most modern ATMs the customer is identified by inserting plastic ATM card with a magnet strip or a plastic smart card with a chip that contain a unique card number and some security information such as expiring date. Authentication is provided by customer entering a personal identification number (pin) using an ATM; customers can assess the bank account in order to make cash withdrawals, check account balance as well as purchase pre-paid mobile phone credit (Olaewe & Abanikanda, 2017).



Pictures of Automated Teller Machine and Cards

Problems and Prospects of ATMs

In the view of Ogbuji (2012) ATM allows a bank customer to conduct his/her banking transaction from almost every other ATM machine in the world. However, the spread of the machines has been generating a lot of heat as customers face a litany of frustrations in using it, either in the machine's

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wrong dispense of cash or debit transaction when the cash is not dispensed or card get stuck in them. Appaih and John (2011) indicated that the proliferation of the machines is of great concern. As with every other technological breakthrough, the ATMs have generated astronomical challenges and problems for the beneficiaries of financial services in Nigeria. It is of greater concern in this dispensation of COVID-19 where people are restricted in movements but have strong desire to make financial transactions and accomplish set targets for their businesses and livelihood. Reiterating further, Onovo and Enwelu (2011) decried that the wide spread adoption of ATM by customers particularly farmers is not clear, as it appears that people's perception of the technology is diverse, which in turn affects their decisions on usage. Despite the rapid growth in the availability and use of ATMs, customers including farmers, artisans and civil servants have been reluctant to switch from traditional methods of withdrawal to the use of ATMs despite claims of saving cost, convenience and greater efficiency (Onovo & Enwelu, 2011).

Automated Teller Machine (ATM) is perceived to offer considerable benefits and challenges both to the banks and customers. For instance, the convenience, quick funds transfer, and time saving are the real benefits of the machine. However, fear of armed robbery attack, technical hitches, invalid debit and perennial network failure are some of the challenges of utilizing the machine. Onovo and Enwelu (2011) reiterated that the advantages of ATM should be maximized by assessing credit via ATMs. More so, with ATM it is a lot easier to withdraw money or check account balance and it is also the most popular e-transaction in Nigeria. It has been observed that most people had problems in understanding the number of options on the ATM, however, persistence by some users has led to successful use of the machine. Compatibility is also an important feature that has impact on the utilization of ATMs.

Conclusion and Recommendations

Rural transaction with the ATM in the COVID-19 era is inevitable because of the important role it plays in the lives and livelihood of the rural dwellers. The rural dwellers include but not limited to peasant farmers, small scale farmers, crop fishermen, traders, artisans, craftsmen, livestock farmers and processors of agricultural products among others. The rural population also being a formidable part of the national economy cannot and should not be neglected. However, since some benefits and challenges of the application and utilization of the ATM have been highlighted in their place of abode, the rural areas, there is no better time to make available such facilities for the utmost good of the people and by extension the overall development of the nation's economy. However, noting strongly that ATM is more useful than traditional banking (Jha, 2019 in rural transactions), the paper therefore recommends that:

1. ATMs and other easily accessible forms of e-banking should be provided for the rural populace, especially, since their improved economic livelihood translates to a better national economy.
2. Different fora such as workshops and seminars should be organized to train and enlighten the people more on the benefits, use and importance of ATM transactions.
3. The banks and its ancillary businesses should provide ATM points in rural areas in order to help and reduce the challenges associated with ATM transactions.
4. Financial institutions should redouble their efforts in minimizing the sufferings of the people when challenges occur during transactions to enable quick reversals in cases of false dispensing of cash, debit without pay, retention of cards etc.

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