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## Prospect of POS Business in Nigeria: Merit and Challenges Facing the Business Owners

Ojo, Stephen Olumide

Ph.D. Student, Department of Business Administration, Bowen University, Nigeria

### **Abstract:**

*One of the contemporary small scale businesses gaining recognition and creating job opportunities in Nigeria is the POS business. This business quickly creates jobs for the youths as the level of unemployment in Nigeria is obviously high with a lot of frustrated graduates finding ways to earn a living and give back to their parents who invested so much in them for them to go to school. The emphasis of this paper focuses on the merit and challenges facing the POS business and empirical exploration of global discussions on the topic at hand. The problem statement can be traced to the seemingly unstructured nature of the POS business formation. This issue tends to make one ponder on the future of the POS business.*

*The study adopted both primary and secondary methods of data collection. The findings of this study show that one of the greatest challenges to the POS business operator is the lack of security due to the cash nature of the business. Recommendations such as, creation of POS union and banking of cash 2-3 times daily were suggested among others.*

**Keywords:** Small business, POS business, competition, profit maximization and job opportunities

### 1. Introduction

Arguably, one of Nigeria's most popular small-scale businesses is the point-of-sale (POS) business (Adeoti, 2013). After the Central Bank of Nigeria (CBN) implemented the agent banking system in 2013 to buttress the cashless policy, the POS business began to expand rapidly across the country (Adeoti, 2013; Aliyu, et al., 2014). Banks created POS business as a terminal to bring financial services closer to the unbanked and under banked segment of the society (Kingston, 2018). Hence, this is a huge relief to decongest the already crowded banks in the rural areas and the often crowd witnessed at ATM spots and also encourage entrepreneur who would be interested to be bank agent while earning their own commission (Aliyu, et al., 2014; Okeke, 2014).

A point-of-sale machine is a hardware system used to process card payments at retail sites (Okeke, 2013). POS business provides a new channel for financial services to set up businesses for people in rural areas with no banks (NIBSS, 2015). As a result, POS firms serve as a medium for financial institutions to reach out to previously underserved parts of society (Omotayo, 2015). Even in the urban areas, the stress of going the distance for minor amount of transaction has forced many customers to patronize the POS, thus making the business a viable one (Ozil, 2020). Furthermore, the issue of possessing large sum of cash while traveling and or keeping money at home over the years has been eliminated completely as a result of the emergence of the online money banking and internet or mobile money transaction (Taneja, et al., 2014). This technological advancement has given lots of people the chance to make good livelihood and earn steady and decent cash on a daily basis (Taneja, et al., 2014).



Figure 1: Sourced from Taneja, Et Al., 2014

POS, which means Point of sale, is sometimes referred to as agent banking business venture which involves largely dealing with funds, like money transfers, withdrawal of cash, deposits, and payment of bills such as utility bills, data and cable subscriptions of various companies like the Gotv, startimes, DSTV and many others (Okeke, *et al.*, 2017). And that's why, the business is not just lucrative but also one of the high-in-demand businesses in Nigeria (Okeke, *et al.*, 2017).

POS agents are not direct employees of banks and thus have authority over their business, even though banks offer a retail channel (Osakwe, 2016). During the pandemic, this business grew in popularity as many people who needed money during those periods could not get to the bank due to restrictions on gatherings near bank premises (Ozil, 2020; WHO, 2020). The desire for cash has led to the numerous POS stands that can be found around Nigeria today (kpmg, 2014; CBN, 2013).

You will need the following documentation for POS business:

- Passport photographs
- Current Account references
- Bank Verification Number (BVN)
- Evidence of business registration (CAC Certificate)
- A valid means of identification such as a Driver's license, Voter's Card, National ID Card and International Passport (Ozil, 2020)

## 2. Problem Statement

Though the POS outlet seems to be projected as one of the most lucrative businesses now, one of the major challenges of the business is the nature of the business itself which is Cash Management/ handling. With the level of insecurity in the country presently, the business becomes heavily under the watch of criminals. Another issue facing the POS business is Bad Network from some banks leading to delay in some reversals and in some cases double transaction instead of a single is registered. Proneness to fraud is another challenge facing the POS business as transfers are done to some outlets by customers without knowing the source or identity of the client.

## 3. Research Objective

This research will investigate ways through which POS outlets can manage the risk of cash exposures which is inevitable due to the nature of the business, as well as evaluate ways through which POS business owners can minimize reversal/ network issues. This research explored the POS business in totality in terms of the nature, setting up, challenges and ways to manage effectively.

## 4. Research Questions

- What are the merits of POS business to entrepreneurs in Nigeria?
- What are the challenges facing POS business owners in Nigeria?

## 5. Research Hypothesis

- Is there a relationship between the birth of POS business and increase in self-owned businesses?
- Is there relationship between establishment of POS business and increase in standard of living of the owners?

## 6. Significance of Research

This research study would educate more the stakeholders in the banking sector on areas they need to improve and areas they should maintain in order to encourage more entrepreneurs. This research would be relevant to the general public, regulatory authorities, the academia and interested persons and organizations on the adoption of electronic payment system as a new solution to long banking queue or at ATMs. Finally, this study will contribute to the general body of knowledge and opportunity for further studies.

## 7. Methodology

The primary research method used in this research is administration of questionnaires to POS operators in Akute, Ajuwon and Olambe areas, all of which are rural areas, in Ogun state. Another primary research method carried out was physical observation of daily operations of some of the venues of the POS outlet using random sampling technique and personal interviews of POS operators in charge of some spots. The sample size is 100 in order to get adequate views and opinions on the questions asked in the questionnaire. The secondary research method used in this project was consultation of business reports, textbooks and existing research work in order to have a broader view of how best this project work can contribute to the body of knowledge. This research work is analyzed using a simple bar chart due to its qualitative method of research. All 100 questionnaires administered were collected and analyzed.

## 9. Findings

### 9.1. What Is Average Amount Required to Set up This Business per Outlet?

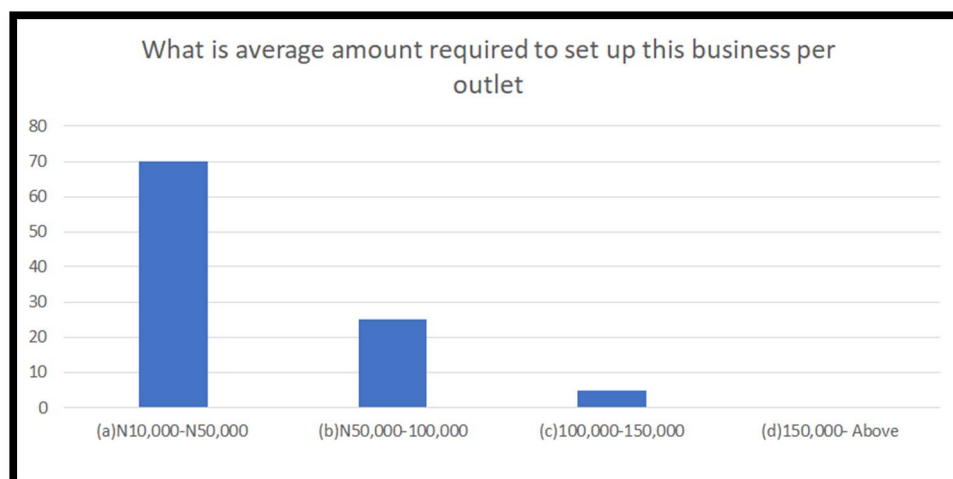


Figure 2

In above bar chart, 70 percent of respondents said they need average of N50,000.00 to set up the POS business, while 25 percent believe they need an average of N50,000.00 to N100,000.00 to set up POS business. 5 percent also believe they need a little above N100,000.00 to set up POS business. Findings reveal that the difference in packaging of POS business venues is responsible for the amount required to set up but to a large percentage, with as low as N50,000.00, a POS business can be setup.

### 9.2. What Is Your Average Monthly Income per Outlet?

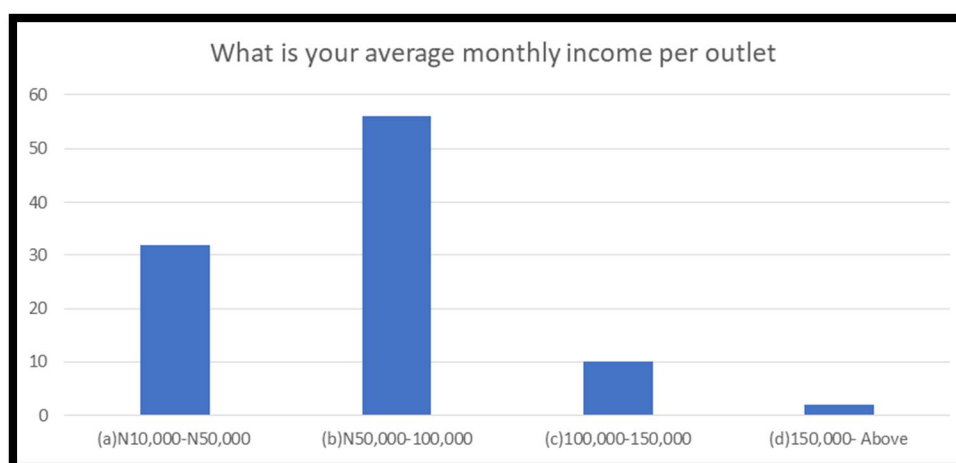


Figure 3

In the above bar chart, 32 percent earn an average of N50,000.00 or less monthly from the POS business, while substantial 56 percent of respondents earn between N50,000.00 and N100,000.00. 10 percent of respondents claim they earn above N100,000.00, while just 2 percent admit they earn income above N150,000.00. Critical evaluation of this result reveals that nearness to Market place, bus stops and farness to banks determine the level of patronage and income.

### 9.3. What Are Your Average Monthly Expenses per Outlet?



Figure 4

In the above bar chart, 32 percent claim their average monthly expense is between N10,000.00 and N15,000.00. 61 percent said their average monthly expense is between N15,000.00 and N20,000.00. 5 percent of respondents claimed their average monthly expense is between N20,000.00 and N25,000.00 and only 2 percent said their monthly expenses is above N25,000.00. Findings reveal that the major expenses are: clerk salary for people who employ another assistant, purchase of print out papers, phone data purchase, call cards, feeding and transport costs.

### 9.4. The POS Business Has Positively Affected My Standard of Living?

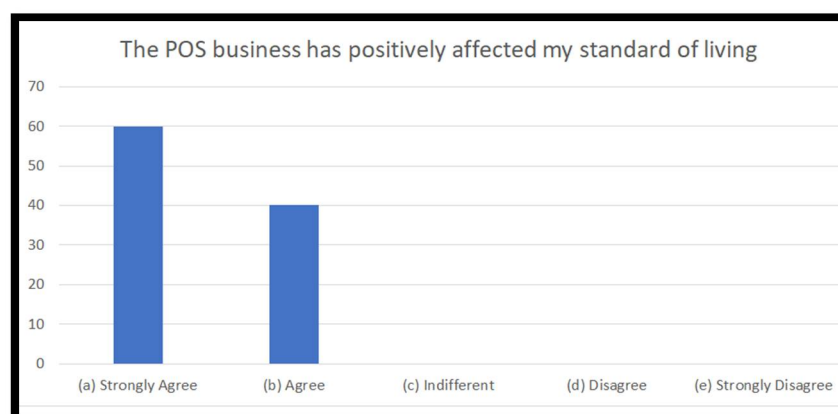


Figure 5

In the above bar chart, 60 percent of respondents strongly agree that the POS business has positively contributed to their standard of living, while 40 percent agree that the POS business has positively contributed to their standard of living. Findings reveal that there, to a large extent, the POS business contributes to the standard of living of owners at least putting food on their tables.

### 9.5. What Are Your Greatest Challenges in This POS Business and How You Manage Them?

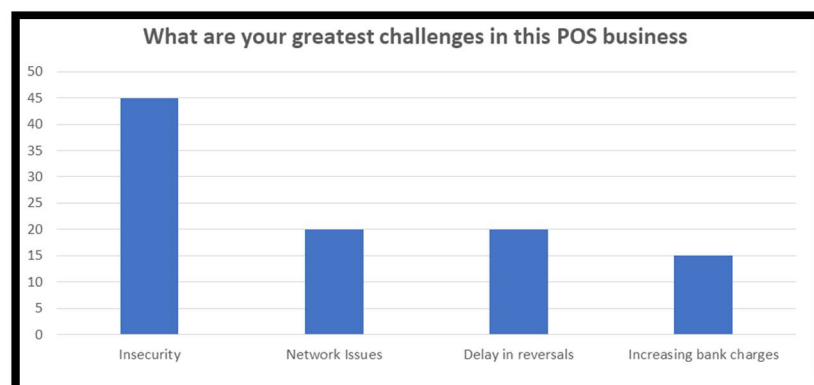


Figure 6

In the above bar chart, 45 percent of respondents said insecurity is their greatest challenge as cash transactions attract armed robbers. Many POS operators manage this insecurity challenge by closing by 7pm before darkness and this is also the reason why many create a burglary shield in their location of operation. 20 percent of respondents said Network issue is also one of their challenges. They manage this by having multiple sim cards with data on it. Another 20 percent of respondents claim 'Delay in reversals' of transaction by banks affects their business as some customers become irate as they would be debited while unable to withdraw until reversal is done. POS operators manage such customers by appealing to them to visit their respective banks for prompt reversals. Lastly, 15 percent of respondents said increasing bank charges is affecting their business as customers used to a certain amount of charges will find it hard to pay more. POS operators consequently encourage their customers to do larger amount so the complaint on the charges will be managed.

*9.6. In the Rate of 1-10, in What Proportion Will You Recommend the POS Business to a Friend?*

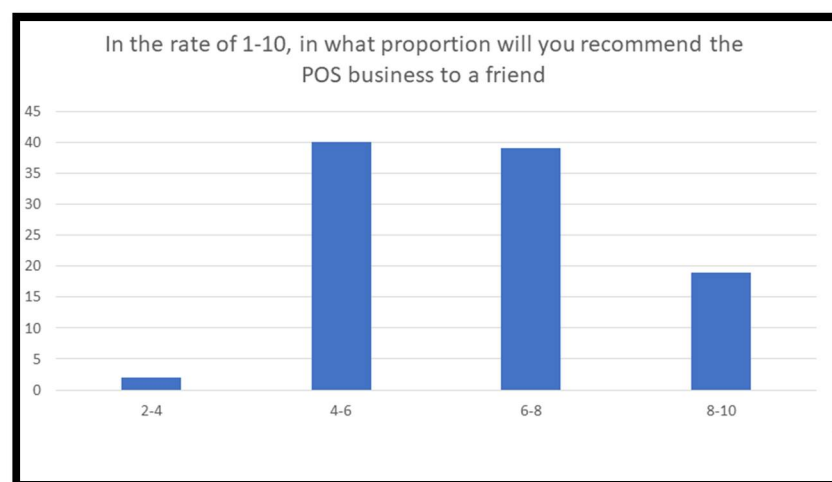


Figure 7

In the above bar chart, a larger percentage of current POS operators said they will recommend the business to a friend as they said it is a viable business, though it has its own challenges just like any other business.

*9.7. What Are Your Advices for New Entrant to the POS Business?*

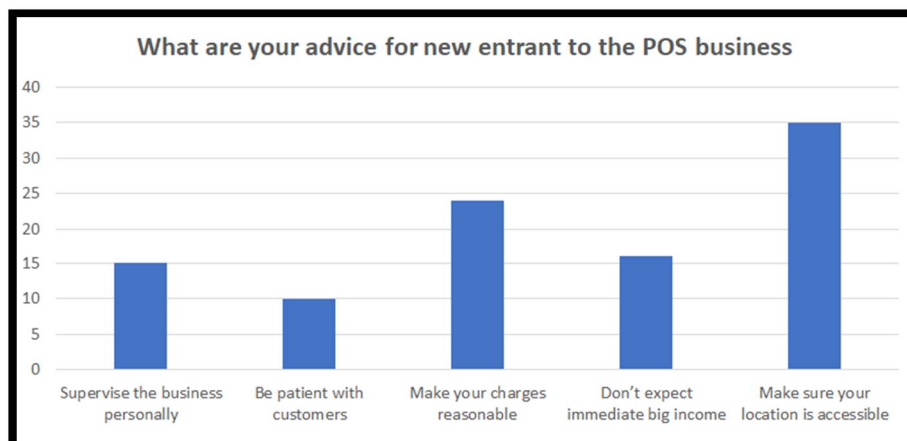


Figure 8

In the above bar chart, 35 percent of respondents believe that making the physical location of your POS business accessible is key to the success. 24 percent of respondents said making your charges reasonable and competitive is also important. 16 percent of respondents advise that new entrant to POS business should not expect immediate big income but as time goes by and customers begin to know the location, the business might pick up. 15 percent of respondents advise on personal supervision of business by the owner. Lastly, 10 percent of respondents advise new entrants to be patient with customers.

### 9.8. What Are the Management/ Monitoring Mechanisms You Have in Place to Monitor Your Staff?

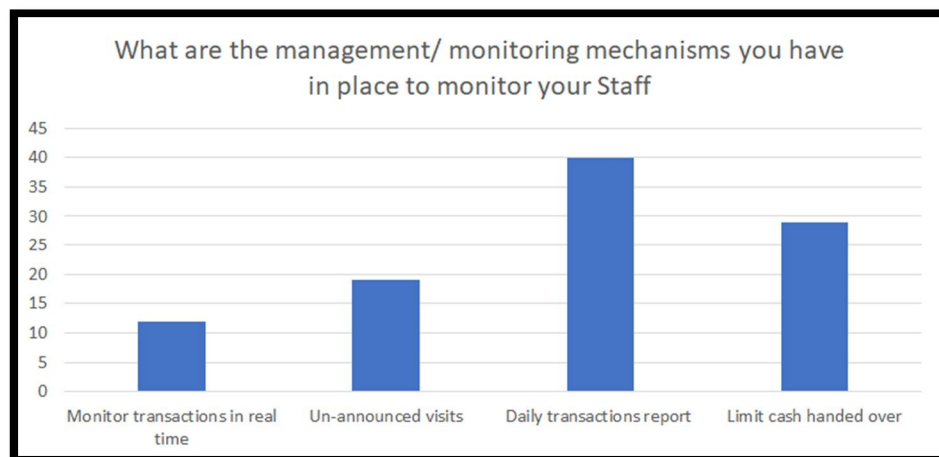


Figure 9

In the above bar chart, 40 percent of respondents opined daily transactions report should be carried out as a management mechanism to monitor staff. 29 percent of respondents said limited cash should be handed over to staff, while 19 percent said unannounced visits is also key and finally, monitoring of transactions in real time, which carries 12 percent of respondents, will come handy to monitor staff at POS outlet.

### 9.9. What Are the Ways You Feel the POS Companies Can Improve Their Services?

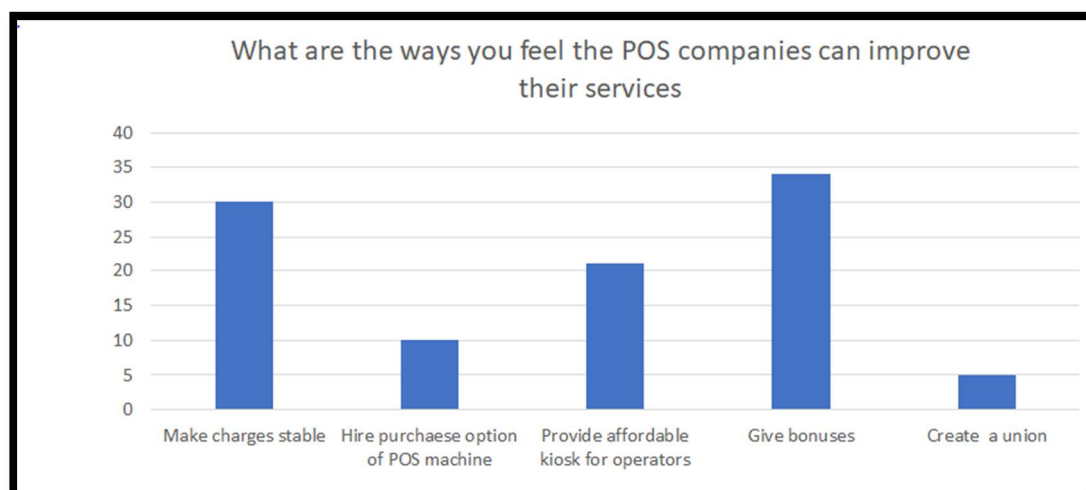


Figure 10

In the above bar chart, 34 percent of respondents said bonuses by POS providers will be a way to improve their services, while 30 percent opined that stable charges will be very much helpful. 21 percent of respondents said provision of affordable kiosks for operators will help to improve services and create more outlets. 10 percent of respondents said instead of outright purchase of the POS machines, if there can be option of purchasing the POS machine as hire purchase, it will fasten setting up the POS business. Just 5 percent of respondents have the opinion that creation of Union will help to improve services and unify charges.

### 9.10. On the Average, How Much Do You Pay Your Staff?

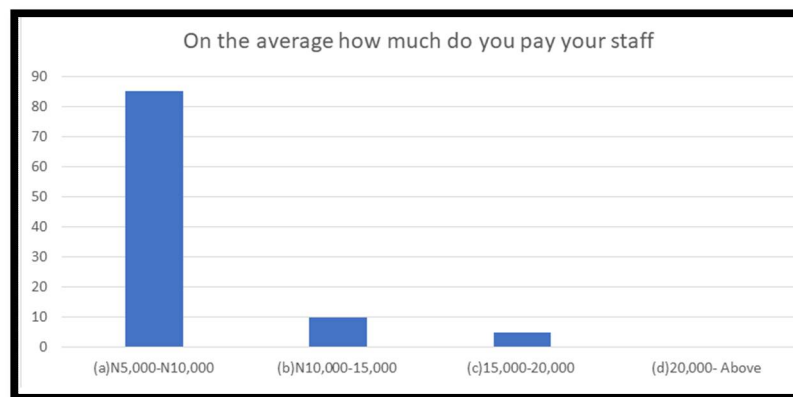


Figure 11

In the above bar chart, 85 percent of respondents pay their staff an average of N10,000.00 monthly, while 10 percent of respondents pay their staff average of N15,000.00, while only 5 percent of respondents pay their staff an average of N20,000.00 monthly.

## 10. Recommendations

Based on personal interviews, observations, analysis of the questionnaires gathered and consultation of some recent research works on POS operations in Nigeria, the following are my recommendations:

- The POS business is highly competitive with a lot of new entrants almost on a daily basis; strategic location of the POS outlet is key to the success of the business. Nearness to bus stops, market place, and farness to bank might be one of the indicators to consider while choosing a spot for the POS business.
- Since charges are fixed by individual POS operators, it is imperative for a successful POS business to ensure its prices are reasonable when compared to others. For example, where most POS operators charge N100.00 on N5,000.00 transactions and below, findings show that the few outlets that charge N50.00 enjoy a massive crowd and enviable turnovers.
- Operators, who don't have the time to manage the POS business themselves, find it hard to get a trustworthy clerk, it is, thus, advised to ensure staff employed provides at least 2 guarantors and ensure the physical address is confirmed as the cash nature of the business might be tempting to criminal minded person.
- It is worthy to recap that new entrants to the POS business should not expect immediate big income but with time, it is envisaged that they will break even as customers start knowing the spot.
- It is recommended that the staff to be employed in a POS business should reside very close to the outlet due to the salary offered and to cut the cost of transportation.
- POS operators need to have a very good relationship with their bank officers in case of failed or pending transactions, as customers' service time need to be considered and the satisfaction of each customer is key to the success of the POS business.
- For POS operators, who own multiple outlets, record keeping with dates is very important. Daily transactions report should be filled both electronically and in hard copies for references.
- 2-3 times banking of excess cash is advised to limit theft and loss of cash, as the level of insecurity in the country is on the increase.
- POS operators should, sometimes, give their staff incentives possibly during festive period as motivation.
- Double counting of cash should be encouraged before handing over money to customers.
- POS operators must envisage that a revival can set up the same business just few meters away; thus, customer retention and service differentiation are key in POS business.

## 11. Conclusion

POS business has affected lives of the many average Nigerians positively by creating job opportunities and enhancing entrepreneurship. Many young graduates can now set up POS business on their own and support the family. Some individuals even have multiple outlets, employed staff and operate as branches. Also, people with full time jobs also run the POS business by employing someone or people as the case might be. This means an employee is also a boss and an employer to another person. This is the beauty of entrepreneurship and the many options the POS business creates.

Just like any other business, challenges and opportunities will come; being vigilant and responsive to competition will help you go a long way and survive in the POS small and medium scale business.

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## 8. Questionnaire

The following research questions are designed to help get raw information and findings with respect to the objectives of this project:

- (1.) What is average amount required to set up this business per outlet?  
(a) N10,000-N50,000 (b) N50,000-100,000 (c) 100,000-150,000 (d) 150,000- Above
- (2.) What is your average monthly income per outlet?  
(a) N10,000-N50,000 (b) N50,000-100,000 (c) 100,000-150,000 (d) 150,000- Above
- (3.) What are your average monthly expenses per outlet?  
(a) N10,000-N15,000 (b) N15,000-20,000 (c) 20,000-25,000 (d) 25,000- Above
- (4.) The POS business has positively affected my standard of living?  
(a) Strongly Agree (b) Agree (c) Indifferent (d) Disagree (e) Strongly Disagree
- (5.) What are your greatest challenges in this POS business and how you manage them?  
.....
- (6.) In the rate of 1-10, in what proportion will you recommend the POS business to a friend?  
.....
- (7.) What is your advice for new entrant to the POS business?  
.....
- (8.) What are the management/ monitoring mechanisms you have in place to monitor your Staff?  
.....
- (9.) What are the ways you feel the POS providers/ merchants can improve their services?  
.....
- (10.) On the average, how much do you pay your staff?  
(a) N5,000-N10,000 (b) N10,000-15,000 (c) 15,000-20,000 (d) 20,000- Above