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## **The Central Bank of Nigeria's Cashless Policy: A Major Panacea for Eliminating Corruption and Enhancing Sustainable Development in Nigeria**

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### **Abstract**

*Corruption is a cancer that has eaten deep into the fabric of Nigeria's economy and has adamantly defied solution. Right from when Nigeria got her independence (1960) till date, this evil has been the greatest undoing of the country. Given the abundant natural resources that Nigeria has, poverty and hunger ought to be past issues, but it is highly disheartening to see that majority of Nigerians are living on less than a dollar per day. Statistics has it that, less than 1% of Nigerians benefit from the*

*country's oil revenue. With this corrupt attitude by Nigerians over the years, the development we so cherish and desire has continuously eluded us. This paper aims at unveiling how electronic payment which is the constituent of the cashless policy can be instrumental in eliminating corruption in Plateau State and Nigeria at large, hence, enhancing sustainable development. The cashless policy involves adopting of electronic processes to documenting all payments (e-payment) thereby providing an effective data base for optimal revenue generation. The process is capable of reducing financial corruption because funds are no longer channeled through cash which is easily diverted. Furthermore, once paid into the revenue account directly by the payers, withdrawal is only made by authorized signatories who provide audit trail that will enhance monitoring and auditing. This encourages transparency and accountability; thus, making fund available for developmental projects.*

**Key words:** *Cashless Policy, Panacea, Corruption, Sustainable Development.*

### **Introduction**

The world is evolving every day. Gone are the days when communication was carried out face to face, postage or by courier service. Today, communication takes place easily between two or more people from any part of the world through telephone or internet or other technological means. But the technological world is not stopping at that, new innovations are coming out, making life easier and of course more and more sophisticated. These innovations as they come, make serious impacts on the way things are being done all over the world and whatever is dictated as the new trend by the technology power house becomes the target of every nation. Thus, the trend of e-payment that began in the United States of America over some decades ago has become the in-thing globally. For many years, developed countries like Canada, United Kingdom, Sweden, France, among others, have run their economy through electronic payment without hitches.

Interestingly, a lot of other African countries have keyed into this system, embracing electronic system of payments while dealing with less of cash or paper money. Countries like Kenya, South Africa, Tanzania, Ghana, among others have become reference points in the continent in terms of electronic payment system. Kenya, for instance had introduced the M-PESA a small-value electronic payment and store of value system that is accessible from ordinary mobile phones. It has witnessed exceptional growth since its introduction by mobile phone operator Safaricom in Kenya in March 2007 and has already been adopted by 9 million customers, which is about 40 per cent of Kenya's adult population. Again, several electronic payment systems have been introduced in Ghana in recent times with the most significant being e-zwich smart card payment system, a national domestic smart card payment system meant to reduce the large amount of cash held outside the banking system.

Already, it is showing signs of reversing the trend of majority un-banked population in the country as more people embrace it. ( <file:///G:/GOING%20CASHLESS.htm>)

In this regard, it is not surprising that Nigeria, having successfully traversed the world of Global System for Mobile Communications (GSM) and is now set to test the waters of a cashless economy. A key factor in the adoption of this new system, according to the Central Bank of Nigeria (CBN) is the fact that Nigerian economy is too heavily cash-oriented in transactions of goods and services, a development which is seen as a negation to global trend considering Nigeria's ambition to be amongst the top 20 economies of the world by the year 2020. Besides, it is also targeted at reducing the huge volume of cash transactions, which imposes tremendous costs to the banking sector and, consequently, the customer, in terms of cash management, frequent printing of currency notes, currency sorting and cash movements (Akintaro, 2011). Electronic payment also has the advantage of checking tax evasion and avoids double or multiple taxation which is one of the things that discourage industries.

### **Literature Review**

#### **Cashless Policy**

In Nigeria, CBN announced its cashless policy in 2011 and commenced pilot implementation of the policy in Lagos state in April in 2012. The policy intended to reduce the use of huge volume of cash; it is in fact a package of measures, with three key objectives:

1. To derive the development and modernization of the payment systems in line with Vision 2020.
2. To reduce-cost of banking services and drive financial inclusion by providing more efficient transaction options and greater reach.
3. To improve the effectiveness of monetary policy in managing inflation and driving economic growth.

This work considers the third objective of the cashless policy as highly fundamental because when there is inflation, the following happen:

- Cash in circulating is small;
- Interest rate will be high, and the consequence of is that it will discourage borrowing by the productive sector and by that, development is slowed down.
- It becomes very difficult to predict consumption and business expectations, thereby making decisions on production very uncertain. Right decisions cannot be taken at the right time.

- People in fixed income are moved into the poverty line. They can no longer invest, save and produce hence, low development.
- People consume low, and once consumption is reduced, companies can no longer produce at optimal level because they cannot afford to stockpile, thus, development is hampered. However, when inflation and its attendant consequences are overcome through the implementation of a cashless economy, it will definitely pave way for development.

The cashless policy is aimed at promoting the use of electronic-based transactions instead of cash for the payments of goods, services, transfers, among other services. It began in Lagos in 2012. The CBN Deputy Governor, Operator Mr. Tune Lemo said the policy is expected to drive development and modernize Nigeria's payment, *The Nation* (2013). Sanusi said that the Nigeria economy is heavily cashed-oriented in transactions of goods and services (especially retail transactions) which is not in line with the global trend, considering Nigeria's ability to be among the top 20 economies by the year 2020. He disclosed that "the major focus of payments system reform is to increase the diversity and liquidity of payment instrument. Thus, enhanced efficiency of payment systems has been achieved in many modern economies, driven by the users, changing needs, competition among service providers and changes in technology. Consequently, reform of payment systems has been a critical element of major CBN reforms. The cashless policy driven by the CBN does not mean the absence or replacement of cash. However, it is the provision of safer and more efficient alternative of payment to bank customers" EFinA(2013)

CBN (2011) gives an overview of the GSM services which was characterized by pessimism, fears, despondency and reaction from some quarters in the country. Some of the several questions being asked are: can this innovation work in a society that is largely informal in many regards? Can Nigeria achieve success of a cashless society in the face of the present state of infrastructure? How about security of transactions and who takes responsibility in the case of fraud? But do Nigerians have any reason to fear or doubt the workability of an e-payment system given the success of mobile telecommunications?

Obviously yes, many are quick to recount their unpalatable experiences with the present Automated Teller Machine system (ATM), which made some to vow not to even have anything to do with it if it has to do with their cash. This, some say has to do with the literacy level in the country as many are vulnerable to risks in e-payment due to their lack of understanding of the system.

### **Electronic payment (e-payment)**

While cashless economy is not referring to total absence of cash, it should be understood that under this system, most transactions would be done via what is called

electronic money. Electronic money (also known as e-currency, e-money, electronic cash, electronic currency, digital money, digital cash, digital currency, cyber currency) is money or scrip that is only exchanged electronically. Typically, this involves the use of computer networks, the internet and digital stored value systems. Electronic funds transfer (EFT), direct deposit, digital gold currency and virtual currencies are all examples of electronic money. Also, it is a collective term for financial cryptography and technologies enabling it, Samson Akintaro (2011).

### **Corruption**

According to the Oxford Advanced Learners dictionary, corruption means “dishonest or illegal behavior, especially of people in authority”. This opines corruption to mean the act or effect of making someone change from moral to immoral standard of behavior. The Oxford Concise dictionary of politics by Iain M Clean and Acistair Mcmillan sees corruption as “when an official transfer a benefit to an individual who may or may not be entitled to the benefits in exchange of an illegal payment. By taking the bribe, the official breaks a legal binding promise he gave to his principal or employer (usually a state administration or a private company) to allocate the benefit to those entitled to it”. Corruption is neither a property of social system or an institution, nor a trait of an individual’s character, but rather an illegal exchange.

Corruption is seen as a social problem, Ruzindana (1999) asserts that corruption in Africa is a problem of routine deviation from established standard and norms by public officials and parties with whom they interact. He identified various types of corruption to include: bribery, private gain, dishonest and illegal behavior of people in authority for personal gains. Corruption in all societies is as old as man. It is therefore common in all countries, irrespective of their stages of development. However, its nature, volume, and dimensions differ largely from country to country and from one environment to another. Nigeria is not free from the evils of political and bureaucratic corruption. In fact, corruption in Nigeria has become a social phenomenon. It is widespread and is increasing at an alarming pace. There is hardly any area of activity or sector that has remained immune from it. For instance, the erstwhile chairman of the Peoples Democratic Party (PDP), Vincent Ogbulafor was forced to resign his position because of the mountain of fraud charges against him (Business Day, May 15, 2010). Ogbulafor had earlier challenged the society to prove the 16 count charges against him (Daily Trust, May 11, 2010). The former Governor of Delta State, James Ibori was arrested in Dubai (Business Day May 14, 2010) on money laundering charges; and Kenny Martin has about “\$97.5m fraud” charges hanging over his neck (Vanguard, May 20, 2010). It was also discovered in recent times that over ‘₦15bn’ were allocated to non-existing agency in the 2010 budget (Nigerian Tribune, May 20, 2010).

In fact, corruption seems to have been institutionalized and has virtually become a commonly accepted way of life. Bribery and gratification are no longer frowned upon and even subtle ways have been devised to legitimize it as a part of normal life activity. In short, societal ethos has ceased to regard these vices as a crime any longer. Over the years, Nigeria has earned huge sum of money from crude oil, which has gone down the sinkhole created by corruption. In an article, 'Oil giant that runs on grease of politics', Nigeria was described as a rich nation floating on oil wealth, "but almost none of it runs to the people" (Sans Francisco Chronicle, March 11, 2007). Top public servants have made themselves stupendously rich because they believe that public money belongs to nobody. National dailies are awash with how public officials acquiring million-dollar homes (within and outside Nigeria) and stockpiling stolen public money in financial institutions abroad.

### Sample and Data Collection

The survey of this study was conducted on the **Plateau State Board of Internal Revenue, Nigeria** using the statistics of its revenue generation from 2007-2012 which was manual to January-July, 2013 which was electronic. Giving the introduction of the e-revenue collection by the Plateau State Board for Internal revenue in January 2013, a comparative analysis is conducted to see how e-payment of revenue has impacted on the revenue drive of the government. (Seetables 1 &2)

### Analysis and Results

When Plateau State government adopted the e-payment/e-revenue collection, they realized more than 50% increase in internally generated revenue as at April 2013 (Board of Internal Revenue). From the above tables, one will discovered that the Plateau State Government had realized remarkable improvement in its revenue generation with the introduction of e-payment. Even though, there was increase in revenue generation annually in the old system of payment, the introduction of e-revenue brought about sharp increase in internally generated revenue. For instance, the average monthly generated revenue for 2007 to 2011 cannot be compared with that of 2012 and 2013. The average for 2011 which was the highest ever collected manually was ₦376,718,551.45 could not be compared with that of 2012 which was ₦577,317,690.68 when the state government started the implementation of the e-payment. Cash or paper money is no longer collected by government agents as dues, levies or tax. This is clear evidence that much of the revenue generated in the past before the introduction of e-revenue drive has been going down the drain of corrupt practice. It has also proven the validity of the research proposition that manual or hand to hand cash payment and revenue collection lacks the potential of reducing corruption. We can therefore boldly say that operating a cashless economy, in other word e-payment) has the capacity of eliminating corruption and enhancing

sustainable development since it will not allow too much handling of the raw cash that officials easily divert.

### **Challenges of Cashless Policy in Nigeria**

The innovation of operating a cashless economy in Nigeria is not without its attendant limitations. There are various challenges associated with its practice in nation; some of which are poor infrastructural facilities such as power supply and internet connectivity. The Nigerian population comprised of largely peasant farmers who are not educated and imbibing the e-payment culture will be a difficult task since most of them can neither read nor write. The political leadership is also reluctant to implement the cashless policy because it will make it difficult for them to steal money due to monitoring and tracking of transaction through the e-payment.

The study also discovers some socio-cultural factors as some of the impediments in implementing a cashless society in Nigeria. These among others include celebrations like weddings, birthdays and festivals. In such occasions, Nigerians prefer to display or spray raw cash than issuing cheques or even presenting gifts in kind. Religious activities like Zakkat (giving to the poor) or offering in the church as a form of religious obligation is cherished in cash. The cultures of honouring people who display cash in the open constitute further challenge to the cashless policy.

### **Conclusion**

Although corruption is a global scourge, Nigeria appears to suffer most from it because the leaders are pathologically corrupt. Everyone appears to believe that the nation has a 'culture of corruption' (Smith 2008). With the gallery of corruption scandals, including inflation from governmental establishments and corporate leadership, the struggle against corruption in Nigeria appears seems defy all solution. This wanton level of corruption is what has inspired this research on cashless policy which also means the adoption of e-payment in revenue generation, salary payment, contract payment and other end to end transactions involving government. These processes have been discovered to be more effective in blocking leakages or channels of leakages and as well provide audit trail of transaction. This has compelled government accounting officers to be more transparent. A cashless economy is one that allows for little or very low cash flow in a society, thus every other purchases and transactions will be made by electronic channels, examples of which are direct debit, electronic funds transfer, mobile payments, multi-functional Automated Teller Machines, internet banking and a significant increase in point of sale (POS) penetration and usage. The cashless policy is hope to curtail this corrupt practices and tendencies as e-payment provides audit trail that will enhance monitoring and auditing. This encourage transparency and accountability; thus, making fund available for developmental projects. The issue of legal inadequacies and poor

implementation of rules on dud or dishonored cheques which has been a major challenge in Nigeria economy will be eliminated under the cashless policy.

Given these obstacles, the researcher is drumming for international support from governments, Agencies and NGOs to assist Nigerian government institutions with infrastructures needed to help her achieve this goal. This work is also calling on all African countries that are yet to embrace the system to do so as it has been proven as a panacea to reducing corruption. Success can be achieved when there is improvement in the needed infrastructures in Nigeria.

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**Plateau State Board of Internal Revenue, Jos, Nigeria**

Table 1: Average Monthly Collection: Comparative Analysis From 2007–2012

	2007	2008	2009	2010	2011	2012
AVE.MONTHLY IGR COLLECTIONS	₦156,363,804.29	₦228,027,921.96	₦260,688,788.54	₦283,234,605.09	₦376,718,551.45	₦577,317,690.68

Source: The Plateau State Board of Internal Revenue

Table 2: Monthly Internally Generated Revenue Collections from January-July 2013

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY
AVE MONTHLY IGR COLLECTIONS	₦664,217,484.37	₦501,280,116.18	₦613,021,911.93	₦877,188,720.12	₦698,466,526.30	₦607,796,624.86	₦847,017,130.77