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Full Research Paper

The cashless Nigeria project, subsequent back pedaling in the course of implementation and recent updates

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It is a good thing Nigeria is instituting a cashless policy, but the dictatorial force by which the regulatory body- Central Bank of Nigeria, is pushing the implementation of the policy down the throat of the citizenry without obtaining their consent and imposing punitive measures to compel compliance and obedience is what makes the Nigeria cashless project unique. But can the CBN regulators force itself on people and the way they apply or use their money? Do we have the enabling infrastructure, power, adequate security, Human capital, the minimum technical/equipment infrastructure required and other structural enablement to successfully drive the implementation of this policy effectively for success. These factors are already confronting and frustrating the successful implementation of the cashless Nigeria project. In a democratic environment like Nigeria, Do leaders have to implement policies through autocracy and oppressive dictatorial punitive measures that insults the rights and intelligence of the citizenry in the name of reforms? Definitely there may be no going forward in success until the highlighted obstacles are sufficiently addressed and the punitive measures removed, these are the issues addressed by this article.

Keywords: Cashless, programme, financial system.

The policy focus

Cashless Nigeria project, a monetary management initiative of the Central Bank of Nigeria (CBN) under Governor Sanusi Lamido Sanusi projected the entire Nigeria banking system as the platform for the implementation of the policy, in scheduled phases in different parts of the country. Skeletal and uncoordinated publicity programmes were organized in selected cities and urban areas of Nigeria were carried out by the Central Bank and its agencies which did not afford majority of the citizenry, required information and worthy enlightenment of such a crucial policy. The main focus of the cashless Nigeria project is to reduce

the use of cash to the barest minimum in the entire payment and settlement systems critical to the intermediation function of the financial system to facilitate efficient economic growth and development, replacing same with other non-cash payment and settlement methods for both local and international commercial activities, electronics mode of payment through computer networks and internet system with local and shared interbank service networks through coordinated linkages, that helps to reduce investment in infrastructural facilities and human capital investment needs, were to be the anticipated structural and foundation benefits

of the new policy concept.

Basic provisions of the cashless Nigeria project

At the inception of the roll out of the provisions of the forceful and punitive policy, the leadership of the Central Bank of Nigeria gave itself pleasure by setting limits, at which Nigerians both individual and corporate bodies will be punished by paying penalties both for paying and demanding for their money deposited into deposit money banks (DMB) beyond the set limits.

A daily limit of a maximum of One Hundred and Fifty Thousand Naira (₦150, 000.00) for individuals, and One Million Naira (₦1, 000, 000.00), for corporate bodies respectively, were set for both deposits and withdrawals.

Penalties were imposed as punishment for demanding payment, or depositing excess cash beyond the set limit; ₦100 for every extra ₦1000 were imposed on individuals and N200 for every extra N1000 corporate defaulters respectively. In other words 10% and 20% real value were set as penalty for the total excess sum demanded in payment or deposit of your own money, not borrowed funds in a country where majority of the banks pay a maximum of 3% on savings of any amount, what a contradictory assault on the intelligence of Nigerians.

Implementation of the policy was proposed, to be in phases and was to commence in identified locations as specified in the implementation agenda. For instance, the first phase of implementation was to commence in Lagos State with the cash limits commencing 1st January, 2012 and the imposition of penalties in Lagos State commencing at the end of March, 2012. Implementation was scheduled to commence in the other parts of the country by 1st June, 2012.

According to the implementation plan, imposition of cash limits kicked off in Lagos from 1st of January, 2012, without penalties until the end of March. All transactions within Lagos, to and from Lagos from other parts of the country were to attract the specified penalties from the end of March, 2012.

Why cashless policy?

In my opinion which is in consonant with, but realistically enlarged the point of view of the Central Bank of Nigeria, the cashless Nigeria policy was initiated for the following reasons among others:-

-To drive the development of the financial system and the economy as a whole.

- To initiate and commence a radical modernization of our payment system in line with international best practices worldwide and to facilitate the realization of the dreams of vision 2020 aiming to list Nigeria amongst the top 20 economies in the world by year 2020,

- To develop a robust and an efficient modern payment

system positively correlated with economic development and a key requirement for economic growth.

- To reduce to the barest minimum, the cost of banking services, particularly as it relates to cash management and delivery between the CBN and the banking community.

- To facilitate and drive financial inclusions by providing more efficient transaction options, greater and wider banking services, to reach the Nigeria society.

- To enhance the effectiveness of monetary policy in the effective management of macroeconomic indicators particularly inflation, cost of lending while driving economic growth simultaneously. Cashless Nigeria project, (2011). Adewale A. Alawiye-Adams/www.ssrnauthor.1720069 (2012).

Additional motives for the cashless policy

- To stem the high cost of cash handling involved in the producing and managing cash resources, along the value chain from the CBN to the banks, to corporations, traders and other individuals, a cost that needs to be reduced; it is evident that everyone within the value chain bears the high cost associated with volume cash handling.

- To reduce the high risk of cash handling:-Cash carrying encourages robberies, fraud, corruptions, theft; pilfering and other cash related crimes. It can also lead to colossal losses in the case of fire outbreak, flooding incidents in cash storage and management centres within the chain.

- High subsidy in cash management: – A critical analysis of the daily operational activities of banks in Nigeria reveal that only 10 percent of daily banking transactions are above ₦150, 000.00, but the 10% account for majority of the high value transactions. This suggests that the entire 90% volume of lower value banking transactions by the majority, subsidizes the costs that the tiny minority 10% incurs in terms of high costs of cash usage, in other words, it is the poor majority in the economy, that moves the 90% volume of cash in their little transactions in cash movements that bear the burden of subsidizing the high cost of cash management moving the higher value cash transactions and movements by the minority 10% of the individual business and commercial population in transactions in and out of Nigeria.

- The need to capture and recycle back into the formal banking system, the larger proportion of funds remaining outside the formal banking system:- successive research on the proportion of money in and out of the formal economy, have over time emphasized that only a meager 35% of the money in circulation in Nigeria are resident within the formal banking system, the remaining 65% of the money in circulation remain within the informal system making it continually difficult for the financial system to account accurately for the amount of financial

resources within the Nigerian economic system for the purposes of monetary policy regulatory controls and for economic development purposes. Those funds outside the formal system, limits the effectiveness of monetary policy in effectively managing inflation and encouraging economic growth.

- Curbing inefficiency and corrupt practices:- High cash usage enables corruption to thrive, through multiple systematic leakages, money laundering among other related fraudulent practices.

Implications of the cashless policy on the economic environment

- Apart from the little savings expected on cash management; significant loss of profit will ensue on the operations of the banking system as a result of the implementation of the cashless policy.

- Banks will lose a lot of accounts of people who are opposed to the cashless policy as a result of the high handedness and lack of consideration of the CBN, which translates to loss of profitable businesses, for the banking community.

- The Nigeria business environment particularly the high value commercial traders, never trust the epileptic operations of the Nigeria banking system, so a large proportion of such customers, have lost confidence in the banking system and will prefer to move their funds out of the formal banking system to some sort of informal system where they can have more control on their funds without withdrawals or deposit penalties. The consequence of this is the loss of significant value of deposits of such dissenting customers.

- A significant proportion of bank customers are illiterates and another proportion has a relatively low level of education and therefore lack the knowledge of Information and Communication Technology (ICT) required to access or operate cashless operation technology including access to and knowledge of computer system. This group obviously cannot participate or benefit from the cashless policy until the knowledge and technology inadequacies are removed. The only option they have is to keep their money where they could access it without the technological sophistication required to participate in e-banking operations. Banks will also lose these categories of customers to the informal banking market where there are less punitive rules and regulations.

- The consequence of a significant proportion of bank customers being illiterates is that, quite a lot of good accounts will fly away from the formal banking system and their volume of money will follow them, to the ever growing informal financial environment.

All the above factors translate to reduced resources for banks to do their businesses resulting to loss of income

and profit in the meanwhile.

- The carefree attitudes and the inefficiencies of some of the operators of the Nigerian financial system and its lack of respect for regulatory policies are potential obstacles to the success of the cashless project.

- The uncompromising dictatorial approaches to regulatory policies and policy implementation as opposed to persuasive moral suasion by the current leadership of the Central Bank of Nigeria are potential reasons to generate oppositions and lack of support for the cashless policy.

Benefits derivable from the cashless policy

From the Central Bank's point of view, the following benefits are expected to be derived by various stakeholders, from the cash policy- an increased utilization of the e-payment system.

- For individual consumers and small scale businesses:- Increased:- Convenience, more service option, reduced risk of cash related crimes, cheaper access to efficient (out of branch) banking services and credits.

- For Corporation:- Faster access to capital, reduced revenue leakages and reduced cash handling costs. Increased availability of credits, if banks will change their attitudes and provide finance, for viable real sector endeavors.

- For government:- Increased tax collections, greater financial inclusion increased economic development potentials, open opportunity to oppressively invade bank customers privacies and business information. Government is positioned to exercise all powers and take all the benefits; even when governments are exempted from the cashless policy implementations in all its revenue collections and deposit exercises. They are still desirous of its increased revenue potentials, what a paradox.

Reviewing expert opinion on the cashless policy around the world

We have in Section B looked at the Central Bank of Nigeria's postulations, views and opinions as to the inherent benefits to be derived and penalties to be invoked from the cashless Nigeria Project from the perspectives of the various stakeholders in the policy.

We must observe at this point that the Central Bank of Nigeria has totally omitted how the features of this policy will apply to all levels of governments and their parastatals, in the management of their revenue collections and applications of cash transactions, except if they have grouped Government and its agencies with corporate bodies. Government and its agencies are known to be the highest spenders and cash users within

the economy, research statistics have indicated that about 70% of financial resources flowing in an economy emanate from government expenditure, and the remaining 30% represent the entirety of the resources from individuals and corporate bodies who indeed receive a greater percentage of their funds from governments through salaries and wages, contracts payments, and consultancy payment proceeds, costs of maintaining social services and the like. Assuming that this is true, it goes further to establish that indeed governments command access to a larger proportion of funds in circulation and those spent on payments and settlements for various services averaging about 80% of funds in circulation. Therefore, if governments are exempted from the rules of the cashless Nigeria project, then the leakages envisaged as one of the major reasons for initiating the project has not been projected to be included and plugged in the effective management of the leakage process. This factor alone is capable of marring the expected success of the entire project and this omission will be grossly unfair to other captured stakeholders; that is individuals and corporate bodies.

Jowl Kutzman (1993), in his write up titled "The Death of Money" stated that money in the traditional sense no longer exists, he went further to say; it died two decades ago when Richard Nixon, forever abolished the gold standard. Therefore, money as we knew it then had value that was backed by the intrinsic value of the gold standard, thereafter; the value of money has been based on an unstable new global medium of exchange that is called "megabyte money".

Kutzman went further, saying that 'megabyte money' on its own poses no value beyond the 'fiduciary' value placed on it, as just papers with writings on it accepted and used the world over as in the United States because of the 'trust' or faith, society has built in the ability of the Federal Reserve Bank or the Central Bank of Nigeria as applicable in our case, the government and the private individuals, to redeem or back that paper (money) with something of value in the form of goods or services as was the practice during the gold standard, when currency issues were backed by gold deposits.

Kutzman was of the opinion that with the relative limited confidence we have in the physical cash paper which everyone has attached value and confidence, in its common fiduciary state, as an acceptable medium of exchange, how does it feel for someone or financial regulatory body to suddenly say that you would no longer be able to rely on that paper for all your transactions, but will now be forced to rely upon electronic technology which majority of the citizenry are not conversant with, (particularly the efficiency of which has not been proved or guaranteed) in our kind or environment where appropriate technological infrastructure cannot be seen to be adequately provided or sufficiently efficient enough for the transition, compelled upon the society with very

prohibitive penalty, even before adequate and efficient infrastructures are put in place.

Al Smith, a senior Vice President and Principal economist for Nations Bank, said that an effective and beneficial use of the e-payment system requires functional education, and an age difference that appreciates the value of computer for electronic banking.

He averred that nothing suits better to derive maximum benefit from electronic banking than majority of user of electronic banking (both individual and corporate bodies) having access to computer systems and the other accessories enabling one to sit in the comfort of his or her home in front of a personal or organizational computer system, transfer funds from one's account to the account of others and transact all other banking facilities through your own computer.

Smith sees the move towards a total electronic economy as a sign of the times, and a choice of a new generation must be backed by good education, age advantage, possession of the appropriate Information and Communication Technology equipment and other relevant information technology infrastructural facilities installed by all participating members of the financial system and found to be adequate and efficient by the regulation before every bank customer is subjected to compliance.

In the opinion of Paul Richard, of the San Diego based National Centre for Financial Education, there is very little reason to switch to a cashless system, advocated by governments, Mr. Richard is very concerned about it. He observed that the danger to the general public is too heavy, he described the entire cashless scheme as a conspiracy to remotely watch over people's life, and that in most cases, the hidden reason is for the government to have an avenue and opportunity to monitor purchases, spending habits and the business patronages received. Mr. Richard explained that people have concerns about the measure of such extensive, personal information, that it's really frightening when you think about the real intentions of governments in the massive move towards a cashless society.

Matt Zeblo, Manager for operations, Strategy magazine, a monthly financial magazine, said that the move from cash to electronic money is a part of a well organized attempt to unify the world and control it through its currency, Zeblo said, the media and government are playing a role in the move to a cashless world with diverse hidden purposes, he cited the 'Smart Card' product that will be used as a form of electronic money that has other uses, that borders on the invasion of privacy of unwary bank customers. The small cards are ready to go, a lot of information on the user is stored on a credit-card with the use of micro-chip, the 'smart card' would then hold your bank account, all of your life identifying information, including everything concerning the customer; most times such information and their

storage are unknown to the customers.

United States the new identity and placement of microchip in human hand, under the guise of security for the cashless project in USA.

The most frightening aspect of the movement towards a cashless society is the emergence of a technology that would allow access identity every human being on the planet and allow them to buy and sell without coins, paper money or any kind of card. Terry cook, (1994) a retired Los Angeles.

Deputy Sheriff and a former fraud investigator, speaking on the new biochip technology, charged that the United States Government will introduce a national I.D. card supposedly to end illegal immigration that will extend into commercial activity. This card will be the last step before the government will move to place a biochip in the right hand of every American, said Terry Cook.

India and the hidden biometric identification features in I.D. Cards for its 1.2billion populations; under the guise of a cashless policy.

India is also going into issuing similar I.D cards for its 1.2 billion populations in preparation for a cashless society. The I.D. card will have far reaching surveillance features in addition to its hidden biometric identification features as revealed by the truth seekers journal with a hidden agenda to strategically establish a device to monitor individual's private life, business establishment's operations & activities and illegally invade their privacies, for the various purposes of government.

The essence of this review is to establish the fact that, many governments across the globe are involved in the ploy to implement one kind of cashless project or the other with hideous agenda to create avenues not only to go cashless, but also to secretly obtain undisclosed information about the life style, spending patterns and financial involvement of the citizenry for undisclosed but obvious exploitative benefits of government, its tax authorities, its intelligence agencies and so on.

When developed countries like the United States and developing economies like India could exploit the avenue of instituting a cashless economy to invade the privacy and freedom of its citizens, how much more will you expect a country in the underdeveloped status like Nigeria, with poor educational capabilities for a majority of its population, who have no access, required knowledge and experience of updated modern technology and yet desired to forcefully forge ahead to

implement a cashless society project, that cannot be backed up by appropriately sufficient technological infrastructure, both in private lives, public social service and also in the financial system, expected to drive the cashless economy project. The golden question then arises, ARE WE READY FOR THE CASHLESS NIGERIA PROJECT? Your answer to our readiness for this project is as good as mine. Obviously Nigeria as a nation and its financial system is not by no definition ready for a cashless society project which its financial regulatory leadership is hell bound to enforce on the nation with punitive measures to compel compliance.

Nigeria making a debut in its own style of a cashless society

We have heard and read about various styles and methods of adopted or designed cashless projects all around the world. Most of them with diverse booby traps of governments hidden intentions to exploit and invade the freedom and privacy of its citizenry including in some cases the danger of installing biometric micro-chips in the body of unwary citizens, under the guise of individual identity, with undisclosed intentions to elicit facts beyond formal identity expositions, but with the hidden agenda to monitor customers privacy and economic life for government selfish interest including revenue assessment purposes.

However, what is unique about the Nigerian cashless economy project, which makes it outstanding different from other projects around the globe in nature and intentions, is the fact that Nigeria is the first country all over the world that will build a unique positive penalty clause into its cashless project plan without concern for what the people feel. A feature that promises a dictatorship kind of whip in hand, to punish the citizenry and corporate bodies for the use or deposit or withdrawal of their own hard earned money beyond a Central Bank set limits. Does this encourage or discourage economic growth and development? That is the style of financial and economic leadership Nigeria Maximum financial leaders have exhibited in the last half a decade and nobody in the Nation's leadership has seen anything wrong with treating Nigerians as fools and scapegoats in this management of their own money. Otherwise - how do you explain a penalty of N100 per N1000 and N200 per thousand a rate of 10% and 20% respectively for individuals and corporate bodies for violators of a proposed cashless economy project in a country where the operators in the financial system pay far less than 3% interest on fixed deposit accounts of N1Million while charging between 23-25% interest on loan or overdraft facility for the few customers who are privileged to enjoy such facilities? Within the same disorganized financial system where workers are sacked on daily basis and the

Central Bank treat bank shareholders with disdain by nationalizing their banks at its whims and caprices.

Back pedaling on the policy structure of the cashless society, feeling guilty and cutting down on– the punitive procedures

Public outcry on the feasibility and rationality of the process, procedures and the desperation of the Central Bank governor to penalize Nigerian on their choice to save or withdraw their hard earned money, (if they save or withdraw beyond a set limit), echoed all round the world and reached a crescendo that forced the CBN to retreat on its desperation in the month of June, 2012.

The CBN has cut down dramatically on the 10 -20 percent surcharge on customers of banks when they exceed the cash limit set by the CBN.

It must be clearly stated here that, no one is interested in the recent actions of the CBN on charges on exceeding cash limits, or the increase of the payment and drawing limit to ₦500, 000.00 per day and ₦3million naira for individuals and corporate bodies respectively. All we are saying as Nigerians is that CBN must implement its cashless policy with a human face, not as dictators and with moral suasion to make every Nigerian fall in line willingly not under coercion; otherwise the failure of the policy will be dramatically monumental, worsen the financial system performance, retard economic growth and development.

Central bank of Nigeria new proposal to issue new ₦5,000.00 currency notes in the midst of a failing cashless policy

With the new policy of the CBN, proposing to issue ₦5, 000.00 notes in January, 2013, there is definitely a conflict in the expected focus of the cashless policy and the decision to release ₦5, 000 notes, the financial authorities out of sheer arrogance to seek counsel and quality opinion from experts with superior understanding, continue to contradict themselves by introducing several contradictory policies that confuse them more, than solving our myriad economic problems. Who needs ₦5, 000 notes in a projected cashless economy where 80% of the population are so ravaged by poverty to the extent that they cannot afford \$1.00 a day for living and 65% of the population are illiterates, who cannot access own or operate ICT equipments. It is obvious that the new currency is designed for the upper economic class, where all the government power brokers belong; the fraudster in the society, the corrupt and the bribe takers and not for the economic interest of the Nigerian common population. It is not in our interest; it will only foster a higher level of inflation and corruption on the Nigerian

economy.

Despite the array of protests against the decision of CBN to issue single currency denomination of ₦5000.00 by the majority of informed Nigerians including captains of industry, the various professional bodies, seasoned experts in various fields of management sciences, financial analysts and reputable entrepreneurs, The leadership of the Central Bank of Nigeria in its usual arrogance of disregard for public opinion, continually told Nigerians with disdain that there is no going back on the policy. Most surprisingly the president of the Federal Republic of Nigeria, also in total disregard of the informed opinion of experts openly told Nigerians through the mass media that there is no going back on the policy and that the ₦5000.00 currency notes would be released into circulation as scheduled by the CBN. What a paradox, in leadership and economic management.

Incidentally a few weeks ago due to the overburdening pressures of public opinion, the rulers who boasted severally that there is no going back in disregard to public outcry against the policy, suddenly crumbled in its uninformed dictatorial assault on the intelligence of the crème of Nigerian experts who said NO! to a policy designed for power brokers to further deal with the Nigerian financial system and the economy, as it suits their styles of accumulating wealth at the expense of the Nigerian populace, and its inflation ravaged economy.

Well, they claimed they have only suspended the policy that is to persuade us they are only temporarily allowing the will of the people to triumph even if for the first time ever. We commend their surrender and back pedaling for once, after all it is by our authority and vote power they received the mantle of leadership and if we say NO to a policy it must mean NO to leaders, there is nothing to be ashamed of, to abide by the wish of those who place you in authority.

Therefore whether temporarily or permanently, the Nigerian public has celebrated the victory over its leaders back- pedaling and retreat at least for once ever, in the midst of the Central Bank governors unrestrainable excesses in various policy somersaults in the process of a reform agenda, even by his so called masters. There is need to rescind that policy decision permanently and forge ahead with the “cashless Nigeria policy,” with its attendant challenges as it is forced down the throat of helpless Nigerians. We are equally watching to see the outcome of the cashless policy unfold in the course of its implementation.

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