



## CENTRAL BANK OF NIGERIA

# Cashless Society: The Way Forward For Nigeria

### What is the Cash Policy?

The Central Bank of Nigeria (CBN) announced a new cash policy earlier this year, with the objective of reducing cash payments and encouraging electronic payments. The new policy stipulates that going forward, there will be a charge on cash withdrawals or deposits that are above **N150,000.00** for individuals or **N1Million** for corporate entities.

### Why the Cash Policy?

The Cash policy was introduced to discourage the high usage of cash across the economy, which has many negative consequences, including:

- **High Cost of Cash:** There is a high cost of cash for all members of the value chain, from CBN & the Banks, to Corporate entities and traders. Everyone bears the burden and costs associated with cash handling.
- **High Risk of Using Cash:** Cash encourages robberies and cash-related crimes. It also can lead to financial loss in the case of fire and flooding incidents.
- **High Subsidy:** Only 10percent of banking transactions are above 150k, but those 10 percent account for majority of the high value transactions. However, the entire banking population subsidize the costs that these 10 percent incur in terms of high cash usage.
- **Informal Economy:** High cash usage results in a lot of money outside the formal economy, limiting the effectiveness of monetary policy in managing inflation and encouraging economic growth.

The net result is high cost of banking services (including credit), limited financial inclusion, and limited access to credit.

### When does this policy become effective?

The policy is effective nationwide from June 1st 2012. However, a pilot scheme will kick-off in Lagos on January 1st 2012.

### Is Nigeria ready for a Cashless Society?

**Yes we are!** CBN and the banks are working with all stakeholders to ensure the appropriate infrastructure (communications, power, etc) is in place for a smooth transition. Systems are also being put in place to minimize electronic fraud, and ensure a transparent dispute resolution process.



# The Way Forward: Electronic Payments (E-Payments)

E-Payment channels are efficient, fast, safe, quick and convenient. Some of the common e-payment channels include:

- **ATM:** ATMs can be used for balance inquiry, cash withdrawal, cash deposit, funds transfer and bills payment.
- **Mobile Banking/Payments:** Conduct banking from the convenience of your mobile phone. It can be used for balance inquiry, funds transfer and bills payment.
- **Internet Banking:** Instant balance enquiry, funds transfer, and other transactions. Most banks require you to have a **token device** for internet banking services. This is to give maximum security for your internet banking applications.
- **Point-of-Sale (POS) Terminals:** POS terminals allow merchants to receive card payments for sale of products and services. It also allows merchants to make commission from sales of third party products and services (eg recharge cards, bill payments, lottery tickets, etc).
- **Electronic Funds Transfer:** Transfer money electronically from your account to other accounts. Some Banks also offer an INSTANT electronic funds transfer service.



Most of these e-payment channels require you to have an ATM/Debit card. Talk to your Bank today to sign up for these e-payment options!

## WHAT ARE THE BENEFITS FOR ME?

Increased level of electronic-payments has many benefits for various stake holders. A few of the benefits are:

**Consumers:** Increased convenience, and more service options. Reduced risk of cash related crime. Cheaper access to banking services, including access to credit.

**Corporations:** Faster access to capital; reduced revenue leakage; and reduced cash handling costs.

**Government:** Increased tax collections; greater financial inclusion; and increased economic development.

## Our Part (CBN & Government)

- Provision of Infrastructure
- Enaction of appropriate legislation (including policies and guidelines)
- Monitor Compliance
- Constant review of system for better security, performance & issue resolution.



E-Payment is the future; Lets's **Embrace** It; **Use** It & **Promote** It.