

The CBN Currency Plan: Deepen Distrust, Cause Disaffection

By Jibrin Ibrahim

The CBN has decided, you can't take more than 20k out of your own money from your own bank account in one day. In a country in which the majority of Nigerians have no bank accounts or smart phones, they want us all to engage in cashless transactions using bank cards and Apps. They want the transition to be immediate and seamless. They know it is impossible but the decision has been taken, the majority of Nigerians must suffer. We all know this is bad for us as ordinary Nigerians. I wonder whether it is good for the banks and the economy? We Nigerians in the banking system all KNOW that we have an abusive relationship with our banks. They keep our money, lend it out, trade with it for profit and pay us pittance as interest and steal our money with new charges they invent each day. We do a POS transaction that does not get through and it takes two months of struggle to get our money back. Electronic transactions are hell on earth because of the proverbial "no network, try later". Knowing that, we all keep a lot of cash, if we have it, so that we can do our transactions when we have to. Now we are told that we cannot collect more than 20k a day but the banks can receive billions of naira in one day.

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receiving billions in cash as ransom payments and the brilliant idea is that if there is no cash to pay ransom with, they would lose interest in kidnapping. It's completely ridiculous. The kidnappers know about foreign currency with which they buy their arms. If there is no naira, they will demand for dollars or CFA francs and people would carry their moveable property across the borders, sell, procure foreign currency and return to pay ransom for their loved ones. The cost of transactions would simply go up and suffering would increase." The pathway to the future is clear, the banks will collect your money and refuse to give you when you need it. Bank customers will do everything they can to ensure as little of their money as possible goes to the bank. We must not forget mattresses were invented so that people could hide their banknotes under it. It's called protecting your interest, and maybe the interest of the thief.



There used to be a time when the relationship between the currency, banks and customers was based on trust. When we were young, the fiduciary authority of the State was written on each banknote with – a promise to pay on demand the sum of... We had a right to go to the bank and collect all our money. Now we don't, so why should we trust the State, why should we trust the bank that can collect our money and not return it on demand. Imagine having a sick child and the hospital that cannot make purchases on line demands for cash which your bank tells you, you cannot have because you collected some of your own money yesterday. Imagine

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what will happen in rural markets where most people have no bank accounts and they have to resort to trade by barter. Imagine the plight of the masses in the numerous local government areas where not a single bank exists.

I perfectly understand the high ideals behind the new policy. I was one of the millions of Nigerians who were disgusted when godfather Bola Tinubu was reported to have brought bullion vans full of banknotes to his house for election expenses and I appreciate the gesture of some patriotic Nigerians seeking to stop such behaviour by disappearing cash from the system. I however know enough about the sociology of this country to be conscious that no matter how little the cash in circulation is, the high and mighty and not the poor market woman will get what is available. The farmer who tries to sell off two rams to prepare for the marriage of his daughter is the one that will suffer by not being able to get cash. I also understand the argument being made about cash and insecurity. Kidnappers are demanding, and indeed, receiving billions in cash as ransom payments and the brilliant idea is that if there is no cash to pay ransom with, they would lose interest in kidnapping. It's completely ridiculous. The kidnappers know about foreign currency with which they buy their arms. If there is no naira, they will demand for dollars or CFA francs and people would carry their moveable property across the borders, sell, procure foreign currency and return to pay ransom for their loved ones. The cost of transactions would simply go up and suffering would increase.

I am also sympathetic to the idea that some Nigerians have accumulated billions of naira in cash through corrupt deal and the policy measure would force them bring all this cash into the banking system. This could be a window through which new fiscal and anti-corruption measures

might emerge. The fact of the matter however is that most of these thieves are high government officials who can use their positions to protect themselves so the policy might not really move the dial. "I am surprised such a policy is being introduced during a very delicate election period, even if one of its key objectives is to stamp out the ugly practice of money for votes that is emerging. If the suffering induced by the measure causes widespread disaffection, the election itself could be compromised. There is need for deep thinking before the introduction of such a drastic measure and there is no evidence that due consideration has been given to all the issues surrounding the risks around the proposed stampede towards a cashless economy."

As some senators have argued, those that would suffer the most would be small businesses who carry out most of their transactions in cash. Millions of artisans, traders, market women and farmers carry out their daily economic lives using cash? The size of Nigeria's informal economy is vast, estimated to be 57.7% of the total size. By rapidly withdrawing most cash from the market, it is the economy that will be smashed. It has been reported that as at September 2022, at least 23 trillion cash were in circulation. How can all that money be withdrawn from circulation without an alternative widely used system being available. I have been in Kenya where virtually everyone uses the Mpesa payment system. People in the country hardly use cash. The lesson is clear, if you want a cashless economy, you should first develop and popularise an alternative payment system. We have all heard in the news stories about what is happening in Lebanon where people go to their banks with AK 47 and demand that the banks give them their own money. A run on the banks has already happened and all trust on the financial system has disappeared. We should be careful that we do not push Nigerians to desperation. The poorest who are living precarious lives would be the main victims of this policy choice. I am surprised such a policy is being introduced during a very delicate election period, even if one of its key objectives is to stamp out the ugly practice of money for votes that is emerging. If the suffering induced by the measure causes widespread disaffection, the election itself could be compromised. There is need for deep thinking before the introduction of such a drastic measure and there is no evidence that due consideration has been given to all the issues surrounding the risks around the proposed stampede towards a cashless economy.

Finally, government is lucky that the crash of crypto currencies has placed a caution on Nigerians going in that direction. The risk however is that if more people give up on banks, then the possibility of the revival of crypto, which the CBN is in mortal fear of, could be revived.

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