

**KEYNOTE ADDRESS DELIVERED BY CHIEF (DR.) J.O. SANUSI  
(CON), GOVERNOR, CENTRAL BANK OF NIGERIA AT THE OPENING  
CEREMONY OF THE SEMINAR ON CASH HANDLING, AUTOMATION AND  
MANAGEMENT HELD AT THE EKO TOURIST BEACH RESORT, AKODO,  
IBEJU-LEKKI, LAGOS ON 23<sup>RD</sup> FEBRUARY, 2004.**

The Hon. Minister of Finance,  
The Deputy Governor, Operations, Central Bank of Nigeria,  
Managing Director/Chief Executives of Financial and  
Non-Financial Institutions,  
Directors and other Executives of the CBN  
Distinguished Participants,  
Ladies and Gentlemen.

It is a great honour to be invited to the opening ceremony of this seminar as the special Guest of Honour, and my pleasure to present the keynote address on the seminar theme, "Cash Handling, Automation and Management". The seminar, which is organized by the Central Bank of Nigeria (CBN) in collaboration with the Financial Institutions Training Centre (FITC) is an important one, recognizing that the Nigerian economy remains largely cash-based, despite the current efforts to evolve a cashless society. For example, up until December 2003, the currency ratio of narrow money (M1) was in excess of 40 percent compared to less than 10 per cent in most mature economies.

2. Over the years, from the inception of the Central Bank of Nigeria in 1959 up until the mid-1980's, currency management in Nigeria was a simple and straight-forward operation because the magnitude of currency in circulation was low in absolute terms. For example, from a

low of ₦154.2million in 1960, total currency in circulation in the country increased steadily to ₦505.1 billion as at the end of 2003. Indeed, from the later part of the 1980s, the amount of currency in circulation grew rapidly. The significant increases in the volume of currency issued by the CBN reflected the inflationary effect of the expansionary fiscal operations of government funded through the monetization of crude oil export proceeds and deficit financing by the banking system, particularly by the CBN. Consequently, the task of currency management became a more difficult and challenging task, creating various problems for the monetary authorities. Important among which were: supply shortages, storage, distribution, processing and disposal.

3. Distinguished Participants, Ladies and Gentlemen, it would be pertinent to outline briefly some of the efforts made by the CBN in the last twenty years to address these problems and enhance the efficiency of currency management in the country.

**(i) Currency Processing:**

The inadequate capacity of the Nigerian Security Printing and Minting Company (NSPM) to meet the CBN demand for mint notes to cater for the increasing transaction need of the economy resulted in massive importation of currencies from foreign countries. Moreover, in 1987/88, currency processing/sorting which hitherto was manual, was automated. It was through this project that the Bank had been able to speedily retrieve reasonable quantities of clean notes from those deposited by the banks for re-issue and put into circulation. The currency processing/sorting project had undergone tremendous expansion ever

since and today, there are about 123 high speed modern machines in 20 outstations of the Bank nationwide. The attempt by the CBN to make the deposit money banks to participate in currency processing/sorting has, so far not yielded the desired response.

**(ii) Currency Disposal**

As currency processing/sorting had been automated and modernized, so also had been the disposal of unfit notes withdrawn from circulation. There are six (6) modern and environmentally friendly disposal machines located in six branches of the Bank. This process has, indeed, helped to reduce the level of dirty notes in circulation.

**(iii) Currency Restructuring**

It is pertinent to state that despite the continuous and phenomenal increase in the volume of currency in circulation and the acceleration of the inflation rate, the currency structure remained substantially unchanged up until 1999. Between 1999 and 2001, however, higher currency denominations, including the ₦100, ₦200 and ₦500 notes were introduced to reduce the volume of currency- in-circulation, reduce costs and make management to be more amenable. Although a new coin structure (which includes ₦2 and ₦5) was approved in 1999 along with the banknotes, we are moving cautiously in their design to ensure that they are acceptable to the public, when issued.

**(iv) Revamping the NSPM PLC**

As you are all aware, the problem of inefficiency in the NSPM PLC is being addressed in a comprehensive manner in the context of the on-

going structural reforms of public sector institutions. In this regard, the company will be revamped through privatization. The ownership structure of the NSPM PLC has been reviewed to facilitate the reforms.

4. Ladies and Gentlemen, it must be admitted that our efforts towards efficient and effective currency management may remain futile, if we do not promote and develop alternative means of payments, including the use of cheques, credit cards, electronic transfers, etc. When these alternatives are developed, cash usage would be minimized along with the attendant problems.

5. The Nigerian payments system remains largely cash-bound as a large proportion of financial transaction is not channeled through the banking system, thereby constituting leakages in monetary management. In this regard, the CBN has remained focused in enhancing the efficiency of the payments system by developing alternative payments instruments. Efforts aimed at promoting chequeing habit in the country, including the promulgation of the Dud Cheque Act have yielded less than desirable results, largely because of the difficulties in enforcing the law. Nevertheless, spirited effort continues to be made to enhance the efficiency of the payments and settlement systems in Nigeria. Notably, the Nigeria Automated Clearing System (NACS) has gone live in the Lagos Clearing Zone, while the remaining 21 Zones have been partially automated.

6. The clearing cycles have been considerably reduced to conform with international best practices. Satisfactory progress has been made

in the drive towards electronic banking in the country to encourage the use of electronic modes of payment. The CBN has also embarked on the Real Time Gross Settlement (RTGS) project, which is expected to go live in the third quarter of this Year. The strategy for a comprehensive reform of the Nigerian Payments System is being drawn up by the National Payments System Committee.

7. Ladies and Gentlemen, it would be unrealistic to create the impression here that the CBN has all the capability for achieving an efficient currency management in Nigeria. We, therefore, consider that the time is now opportune for private sector participation in currency management, particularly, in the areas of currency movement and processing. This seminar would not have come at a better time than now, when every effort is being made to increase the role of the private sector in the economy.

8. I am reliably informed that eminent resource persons with years of valuable experience, both from within and outside the country have been invited to facilitate at this seminar. It is my hope that at the end of the seminar, the problems associated with currency management in the country would have been identified and appropriate solutions proffered. I wish you all active and successful deliberations.

9. Finally, it is my privilege to declare this seminar open.

10. I thank you for your kind attention.

**CHIEF (DR.) J. O. SANUSI, (CON),  
GOVERNOR,  
CENTRAL BANK OF NIGERIA.**

**FEBRUARY 23, 2004**