

**A KEYNOTE ADDRESS DELIVERED BY PROFESSOR
CHARLES C. SOLUDO, GOVERNOR, CENTRAL BANK OF
NIGERIA AT THE NATIONAL SEMINAR ON CASH
HANDLING, AUTOMATION AND MANAGEMENT HELD AT
THE PROTEA HOTEL, LEKKI,
LAGOS FROM 9TH – 10TH AUGUST, 2005**

Protocol

1. It is my pleasure to address you at this second edition of the “**National Seminar on Cash Handling, Automation and Management**” organized by the Financial Institutions Training Centre (FITC), in collaboration with the Central Bank of Nigeria (CBN). I have no doubt that the organization of the second edition of the seminar was motivated by the huge success recorded at the first edition held in March, 2004.

2. This seminar is informed by the fact that the Nigerian economy is predominantly cash-based, reflecting the preference of economic agents, the weakness of the legal system to enforce contracts, and the level of development of our payments system. The seminar could not have come at a more auspicious time, given the problems of currency management in Nigeria and the urgent need to chart a new direction consistent with best practices, in order to engender

greater efficiency and minimize costs in printing and minting currency.

3. The problems of currency management in Nigeria which necessitated the hosting of the seminar in 2004 are still prevalent. These include, dirty notes in circulation; predominance of cash-based transactions; low level of automation; and near absence of private sector participation in currency management. The volume of currency-in-circulation is large, totaling 3.99 billion pieces as at end-December, 2004. The volume was as high as 8.2 billion pieces as at 2002 but declined steadily, following the on-going currency reforms. A significant proportion of the notes in circulation are not only dirty, but defaced and abused due to poor handling and lack of respect for the national currency. Our culture of “**spraying notes**” typifies the abuse of the national currency.

4. A major dimension to the problem of currency management is the very limited use of coins, attributable partly to the many years of high inflation which eroded the purchasing power of coins and resulted in rounding-up of prices to the nearest banknote value. It is also partly due to the problems of size and weight.

5. Over the years, the CBN has been involved in virtually all aspects of currency management, from strategic and directional functions to conventional operational activities, with minimal private sector participation. Currency management, which straddles the entire cycle of currency issue functions, from the printing of banknotes and minting of coins, storage, distribution and processing, to the disposal of unfit notes, is not only cumbersome with the attendant complex logistical arrangements but also very expensive.

6. Ladies and Gentlemen, as many of you are aware, the core functions of the Central Bank of Nigeria are: issuance of the legal tender currency; maintenance and Management of Nigeria's external reserves to safeguard the international value of the legal tender currency; promotion and maintenance of monetary stability and a sound and an efficient financial system; and acting as banker and financial adviser to the Federal Government. Over the years, the Bank had overstretched its capacity by undertaking several activities that are only ancillary to its core functions. In order to re-position itself to efficiently deliver on its core mandate, the Bank is implementing a comprehensive reform programme which is already at an advanced stage of implementation. It entails a re-engineering of its structure, processes and deployment of

appropriate information technology infrastructure. Specifically, in the area of currency management, the Bank is carrying out a comprehensive review of its entire currency series with a view to addressing issues of denominational structure; limited use of coins for transactions; dirty notes in circulation; and high cost of currency management. The ₦1000 note will be issued before the end of this year as an integral aspect of the currency restructuring that is aimed at enhancing the efficiency of currency management.

7. Some non-core processes of the activities of the Central Bank are now being outsourced to create space for the bank to focus on its core functions. The processes being outsourced will include **currency distribution** and **currency processing**, while the CBN will ensure adequate regulatory and supervisory standards. We believe that these processes could be more efficiently performed by the private sector and we shall operate in line with the global trend of increasing collaboration between central banks and the private sector. This will free the CBN from routine operational activities in currency management to focus more on the directional functions, such as currency issuance, research and development, currency control and disposal, and supply chain facilitation.

8. It is heartening to note that increasing interest is being expressed by private sector organizations in cash-in-transit operations as the Bank continues to receive enquiries on the requirements and modalities for such ventures. The CBN is favourably disposed to encouraging such pioneering investments. We further urge prospective investors who are interested in this line of business to explore both cash-in-transit and currency processing operations to take advantage of the huge economies of scale from both processes.

9. Ladies and Gentlemen, as many of you are aware, the CBN has acquired majority shareholding in the Nigerian Security Printing and Minting (NSPM) Plc and has taken over the management of the company. The aim is to restructure and reposition the company as a world-class competitive firm. Our goal is to stop importation of finished banknotes within three years and sufficiently meet the banknote and security printing requirements of the Nigerian economy and those of West and Central Africa in the longer-term. The restructuring programme is on course and once the company stabilizes and becomes profitable, the CBN will divest its interest to the private sector to own and manage the Mint.

10. Currency management in Nigeria poses a lot of challenges. The establishment of a Real Time Gross Settlement (RTGS) system for large-value payments which is expected to go live before the end of the year, the operation of the Nigeria Automated Clearing System (NACS) and increasing use of electronic payment devices will help relieve the pressure on cash. As part of the continued effort at enhancing the quality of Naira notes in circulation, the CBN plans to resuscitate its campaign against Naira abuse, especially sensitizing the public on the proper handling of the Naira. The national currency, the Naira, is a window on Nigeria, our people, heritage and culture, and portrays our national character.

11. Ladies and Gentlemen, I have noted that the specific objectives of this seminar are to:

- (1) Examine the various problems associated with the management and handling of cash in Nigeria;
- (2) Acquaint the participants with the framework for maximizing cash-based transactions;
- (3) Discuss the various ways of developing and sustaining effectiveness in payments system and cash management in Nigeria; and

(4) Preview the challenges for integrating cash management operations in Nigeria.

It is my expectation that the distinguished participants at this seminar will come up with workable solutions to cash and currency management problems in Nigeria. Looking at the high quality of resource persons and participants at the seminar, I am convinced that the seminar will identify viable options to our cash and currency management challenges. I am therefore looking forward to the outcome of the seminar.

12. I thank you all for your kind attention and wish you fruitful deliberations.

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GOVERNOR

9TH AUGUST, 2005