



CENTRALIZED BANKING AND E-COLLECTION

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Outline



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Background information...



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Centralized banking is a system whereby banking arrangement of entities are integrated within a single account or set of linked accounts . This model could be referred to as Treasury Single Account (TSA) for the purposes of enhancing cash management

TSA is a strategy for consolidation of government cash resources in a single account or several accounts connected that are desirable for sound management of government cash resources.

The existing Consolidated Revenue Fund (CRF) is the TSA for Federal Government and will continue to be maintained at CBN, where it transacts all its receipts and payments. The TSA initiative covers electronic processing of all Government transactions including collections and payments .

The payment component of FGN started in 2012 while the e-collection component commenced January 2015

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CBNUser, 4/7/2015

Background information.....



- Several countries are already adopting TSA including France , UK,US, Brazil, India, Indonesia , South Africa, Congo and Gambia.

TSA benefit include among others:

- Eliminate or reduce FG access to Ways and Means advances and reduce cost
- Minimize cost of borrowing while idle funds exist unitized in multiple accounts
- Facilitate better fiscal and monetary policy
- Promote efficient and effective cash management

Background information



Locating the TSA at the central bank offers several benefits

- Provides safe heaven for cash deposit, with an institution that will continue to exist, as a going concern.
- Enable government have consolidated view of its cash balances for tracking
- Enable speedy settlement of transactions
- Minimise Government recourse to CBN borrowing window, (Ways and Means Advances) as cash balances of entities are aggregated.

e- Collection background



e-Collection is an electronic initiative for the collection of FG revenue such as fees, taxes duties, tariffs etc. It serves as the receipt element of the TSA concept .

The initiative was supported by CBN through the formation of an inter – stakeholder Implementation Committee [set-up] in 2013, comprising the Office of the Accountant General of the Federation, representatives of Deposit Money Banks and Payment Service Provider (Systems specs) to develop modalities for its operation .

e-Collection Benefits



For Consumers

- Ease of making payments using multiple e- payment channels
- Reduced over-all cost of handling cash
- Reduced risk of cash related crimes

For Government

- Reduce government borrowing to finance budget while idle cash balances exist in the DMBs .
- Eliminate delays in revenue remittances by MDAs & Banks
- Block leakages and Increase transparent tax collection
- Increased Internally Generated Revenue (IGR)
- Enable online real-time lodgments of revenue receipts to CRF and other designated accounts with CBN
- Consolidated view of Government Revenue accounts with CBN
- Closure of multiple revenue bank accounts operated by MDAs at various DMBs

e-Collection Benefits cont'd



Success stories in the area of IGR by some State Governments:

Lagos State introduced the Lagos State Government Electronic Banking System of Revenue Cycle Management (LASG EBS-RCM) with the Direct Bank Lodgment System (DBLS) of the revenue collection process in 2002. IGR grew annually at an average of 6%.

After the pilot of the cashless policy in 2012, IGR grew by 10%.

e-Collection Benefits cont'd



Ogun State introduced a cashless pilot scheme in 11 State owned tertiary institutions in response to revenue leakages. At the end of Q1, 2012, the government reported revenues of N2.5billion which is 195% increase from reported revenues in Q1 of 2011 without an increase in fees.

e-Collection Benefits cont'd



FOR CBN

- Promote implementation of monetary policy, as liquidity is moved from DMBs and warehoused in CBN
- Reduce the cost of excess liquidity management, which takes significant part the CBN's budget
- Enable Government comply with Cashless- policy of CBN
- Promote coordination of monetary and fiscal policies, which engender economic growth and development

Element of Good e-Collection Process



1. Ability for the process to allow other alternative modes of electronic payments other than cash , such as:
 - ATM
 - Internet
 - Point – of – Sale (POS)
 - Mobile Payments
2. Issuance of online electronic receipts e.g. airline tickets
3. Provision of online transaction tracking
4. Define appropriate procedures for refunds of over collections
5. Regular reconciliation of collections
6. Provide simple and efficient procedures for revenue collection

Role of CBN in e-Collection



- Manages and maintain Treasury Single Account (TSA), as fiscal agent of the government .
- Provide online linkage with Government Integrated Financial Management System (GIFMIS) to facilitate payment instructions and receipt of funds
- Remit collections into accounts with CBN, for agencies funded by the budget remit to CRF while for those partially/ not funded by the budget, transfer to their individual designated accounts
- Adhere to agreement guiding the operations of TSA payment gateway
- Enable generation of relevant reports through GIFMIS
- Ensure optimum performance of payment Gateway by being available to users to effect transactions
- Issue Guidelines to DMBs as may be required to promote the efficiency of the collection process

Role of Deposit Money Banks in e-Collection



- Collect inflows from payers
- Ensure remittances are swept to designated accounts with CBN, on-line real time
- Cooperate and ensure that issues are logged with relevant stakeholders (MDAs, OAGF, CBN)
- Provide efficient service delivery to stakeholders

Issues/Challenges



Likely challenges of e- Collection initiative

- Change management
- Network Connectivity
- Erratic Power Supply
- Lack of adequate Infrastructures to support the e-payment services.
- Low computer internet penetration

Conclusion



- The TSA is an economic reform of the FG designed to promote efficiency, transparency and acceptability in cash management.
- The e-Collection component currently being deployed will avert a larger proportion of revenue theft, diversion of collected revenue and all sorts of corrupt practices associated with revenue collection.
- This e-Collection policy involves a culture change, which will naturally take some time to gain acceptance. Nevertheless, with support of all the stakeholders, e-Collection of the policy FG will fully be achieved.



**Thank you for your
attention**