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INTRODUCTION OF BANK CHARGES ON CASH DEPOSITS AND WITHDRAWALS – A PUNITIVE MEASURE?

ARTICLE SERIES

The Central Bank of Nigeria ("CBN") recently reintroduced bank charges on select cash deposits and withdrawals in the country.

According to the CBN, the new cash policy was introduced for a number of key reasons, namely;

i. the CBN believes that this policy will be a "useful tool in driving development and modernization of the payment system in line with Nigeria's vision 2020 goal of being amongst the top 20 economies by the year 2020".

ii.It would introduce a more efficient and modern payment system positively correlated with economic development.

However, it is our view that the processing charge introduced by CBN merely transfers the cost of processing cash that has been deposited or withdrawn, which would otherwise have been borne by the bank, to the person withdrawing or depositing the cash.

These new charges have generated a lot of backlash and controversies among bank customers and stakeholders. Consequently, since its introduction, CBN has tried to clarify the issues arising from the new charges on withdrawal and deposits. Essentially, the CBN stated that the deposit/withdrawal charge is only on the amount above the permitted limit.

The details of the additional charges are as follows:

Account Type	Withdrawal/ Deposit Limit	Processing fee for withdrawals	Processing fee for Deposits
Individual	Above N500,000	3%	2%
Corporate	Above N3,000,000	5%	3%

iii. In addition, the cash policy aims to curb some of the negative effects associated with the high usage of physical cash in the economy.

In a nutshell, the government is trying to discourage customers from frequently depositing cash because "cash is expensive to process and transport".

To the average Nigerian, these new charges seem to be more punitive than advantageous, coming at the heels of the new stamp duties policy imposed on all Point of Sale (POS) transactions and other existing charges such as Value Added Tax (VAT), short message services (SMS) alert, commission on turnover (COT), Transfer charges, Automated Teller Machine (ATM) maintenance charges etc.

The CBN has also failed to take into consideration a very important fact as according to the International Monetary Fund (IMF) the informal sector in Nigeria constitutes about 60% of the Nigerian economy. From the woman selling rice in the market to the “vulcanizer” repairing tyres at the corner of the street, majority of the transactions that Nigerians carry out daily require cash. It is glaring that Nigeria, at the moment, lacks the adequate infrastructure to run a cashless economy. Why punish the citizens further for the obvious failures of the CBN and other government institutions?

It is our position that there are numerous alternatives for discouraging people from depositing or withdrawing cash which are less stringent than this policy. For example, the CBN can come up with monthly incentives & bonus interest for banking customers already using cashless policy through online transfers, ATM transactions, USSD transactions, cheque payments etc.

Thus it is inimical to free trade for the government to interfere in the way citizen bank customer chooses to save or spend his money or perform a transaction.

CONCLUSION

In a bid to achieve its goals, the CBN might be jumping the gun.

There are numerous mechanisms that need to be put into place before the Nigerian economy can comfortably embrace this cashless policy.

In the absence of these mechanisms, this policy may appear to be unfair and prejudiced to the common man.

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