

Effect of Electronic Transactions on Public Sector Performance in Nigeria

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Abstract

Reinvigorating the Public service with emphasis on critical institutional changes, restoring professionalism and client focus, and delivering effective basic services by 2017 coupled with transforming the public service into a value based, strong, well-performing institution by 2020, attaining a world -class levels of service delivery in the public service by 2025, the need for electronic payment system to meet up global challenges cannot be overemphasized. In addition, the various challenges or problems encountered in effective management of public funds in the public sector, led to the introduction of electronic payment system or e -payment. This new wave therefore has created a new financial need which cannot be effectively handled by the traditional payments system. It is incumbent to posit here that, the introduction of the e- system is not without some challenges and prospects, such as frequent connectivity failure and power interruption. The study therefore recommends that the government should systematically and gradually expand the necessary infrastructure by promoting the development of necessary technologies, recruiting IT experts and embarking on expansion of high-speed information network and continuous sensitization of the users and the citizenry in general. This will foster a strong foundation for efficient and effective e-governance in the new trend in the global economy.

Keywords: Electronic Transactions, Information Technology, Public Sector, Performance

INTRODUCTION

The advent of multiple computer applications and technology has changed the nature of financial services. The tremendous advances in technology and adoption of information technology had brought in a paradigm shift in the public sector operations all over the world. For the public sector, technology has emerged as a strategic innovation for achieving higher efficiency, control of operations, productivity and effectiveness. Given the importance of electronic payment system in an economy, Nigeria, in 1996, introduced the scheme with the approval of the central bank of Nigeria (CBN) under the auspices of African Development Bank consulting group (ADBCG). As significant participants in the market place, financial institutions are becoming more aggressive in adopting electronic banking capabilities. This makes the advent of the electronic banking to have a significant effect on public services with the help of which, the public can make transactions anytime and anywhere as long as Internet access is available. The world is witnessing information and technological revolution, which has affected every aspect of people's life including the public sector. Such changes and developments have affected on service quality and public activities. Electronic banking, popularly referred to as e-banking represents a variety of different services, ranging from the common Automated Teller Machine (ATM) services and direct deposit (dp) to Automatic Bill Payment (ABP), Electronic Transfer of Funds (EFT) (Kolodinsky, Jim, Hogarth and Hilgert, 2004). Right from the Military era in the Nigerian political history, it is inherent that, all successive administration has admitted that corruption has eaten deep into the fabric of Nigeria economy to the point that there is decay in various government ministries and parastatals.

In view of the above assertion, therefore to finding a lasting solution to this menace, government has come up with various measures and reforms to curb the trend and to ensure that the available resources to her disposal is not squandered or misused in without proper account. The determination of previous administration to deliver good governance through a reformed public sector brought about the birth of E-payment system which was aimed at executing and effectively managing all financial transaction being made by the government electronically. It is imperative to state here that, the financial systems all over

the world is changing rapidly, and the need for government payment system to move closer towards electronic payment that is convenient, fast and promote easy business transaction could not have come at much better time. The electronic payment system introduced by the government could make an impact towards the reduction of graft in public service, since it has the potential to check corruption and waste in Ministries, parastatals and agencies of government. It becomes imperative to migrate from existing manual payment system to automation of government fiscal operatives. The system if efficiently implemented would reduce the amount of currency outside the banking system for the advent of effective monetary policy management that would bring about stability in prices and interest rate in the country. It is also a known fact that for any economy to achieve sustainable growth in its economy there is need to invest heavily on basic infrastructure such as roads, hospital, schools, railways, industries and electricity. Effective performance of this infrastructural base will catalyze the rapid development and transformation of the nation from a developing to a middle-income economy. When goods and services are procured and paid for via a system or procedure, that do not add value to existing economic infrastructure there is the certainty of witnessing economic stagnation or even retardation. Where financial resources that should be used to update existing social and economic infrastructure are being wasted amidst a growing population, the economic wellbeing of the population of that nation will suffer setbacks. Efficient financial management cannot be achieved in the public sector without the optimization of all resources including material, human and financial for the attainment of budgetary goals. This study will therefore assess the impact of e-transaction in reducing corruption, which has been a major setback to the growth and development of the Nigeria economy. It will also look at the increasing operational cost, decreased operational efficiency, increasing cost of cash transaction in the economy holistically.

LITERATURE REVIEW

In a simple form, it is important to state that, the concept of electronic governance (e-governance) connotes the use of internet technology as a platform for exchanging information, providing services and transaction for its citizens. Okereke (2006) defines e-government as a "diffused neologism used to refer to the use of information and communication technology to provide and improve government services, transaction and interaction with citizens, businesses and other arms of government". Electronic payment has been described as a subset of e-governance which involves the application of electronic means to the interaction between government and citizens, and government and businesses. It is a form of direct payment and banking without physical appearance at the bank or the use of physical cash. Ahmed (2009) defines e-payment as an electronic method of transferring funds rather than the usual way of carrying large sums of money that may lead to misappropriation. It is also a system that sought to eliminate problems associated with physical cash distribution. Electronic or e-payment system is permanent if properly managed by the operators and relevant government institutions. E-payment according to Obaro (2009) explained that it entails an automated end-to-end electronic payment, which could be initiated from an office, thereby reducing workload and not increase it. Meanwhile, the Central Bank of Nigeria opined that, the electronic mode of transaction adopted by the Federal government will reduce the volume of currency circulating outside the banking system adding that this was necessary for the advent of a more effective monetary policy management. (CBN, 2009) According to the report, the introduction of the e-payment systems would drastically reduce money laundering and other financial crimes, like diversion and misappropriation of public funds. In the last few years, a number of electronic payment system has been identified, Murthy (2002) is of the opinion that at least a dozen electronic payment systems are in already in use today. Such as online credit card payment system, electronic cheque system, electronic cash system, and smart card based electronic system.

METHODOLOGY

The methodology adopted in this study is a combination of desktop study, information gathered from official documents, media commentaries and from scholarly writings on electronic payments or E-transactions and e-governance in Nigeria, and good practices drawn from other countries, Thus the approach is an exploratory research design

RESULTS AND DISCUSSION

Being an exploratory research exercise, the fundamental discussions on the issue in question are discussed along with sub-headings as enumerated below.

Electronic Payment/Transaction System in the Nigerian Public Sector

The challenge of transformation and the need to modernize administrative practices has become a major goal to government worldwide. For effective implementation of e-transaction, information and communication technology has to be a pre-requisite. Information and communication technology (ICTs) is an important ingredient for development and this requires government initiative to fully harness its potential. The inherent advantages in the introduction of e-transaction system in public sector cannot be overemphasized. Olekake (2009) stressed that, the new payment system will reduce the cost of minting, circulating, processing and replacement of large amount of currency notes as well as the risk associated with movement of large amount of cash from one place to another. Central Bank of Nigeria (CBN) report (2009) noted that, the mode of payment adopted by the government will reduce the volume of currency in circulation outside the banking system. The CBN further averred that, the introduction of the e-payment or transaction systems would drastically reduce money laundering and other financial crimes, like diversion and misappropriation of public funds. The strategy for e-payment management in the economy will consist of some time-bound initiatives which will focus on payment of salaries, pensions, bills, government contractors, suppliers and all forms of government revenue. In addition, the beneficiaries (contractors, suppliers, civil servant and pensioners) are expected to supply adequate account details in order to drastically reduce reject rate in the operation of the electronic system.

Effect of Electronic Transactions on public sector performance in Nigeria

Effect can generally be seen as a condition or situation and or occurrence that happens because of a cause or combination causes or consequences of an action. In other words, it can be referred to, as any behaviour or event that can reasonably be said to have been influenced by some aspect of the project or the introduction of a policy or programme within an economy. Considerably, it is imperative to infer that, since the introduction of e-payment or transactions in the public sector of the Nigeria economy, its effect has manifested in various ways;

(i) Effects on the Central Banks and Monetary Policies

The bitcoin transaction is an unexplored zone for global central banks. From a money supplier's perspective, international transaction decreased money supply from one country and increase the money supply in another country. These transactions actualized without the use of global central banks and intermediaries. The only records of the transactions are in the block chain, but the block chain does not show whether the transaction crossed national borders or not. (Kelly, 2014)

(ii) Uncontrolled or illicit movement of money;

By the use of bitcoin and other transactions, money changes its position. It becomes "money without government" and "money without borders". Users can send their money to anywhere in the world just like sending an email. In case of crises and money control, electronic payment system is becoming much more popular. It is common practice of recent to state that, the use of e-transactions by individuals, groups and organizations globally has come to stay than the conventional money.

(iii) Velocity of money:

Furthermore, another claim is velocity of money which is supported by Quantity Theory of Money. The theory's equation is; $MONEY * VELOCITY = PRICE * TRANSACTION$. This theory claims that, if both the velocity of money and the real output of an economy is constant, ceteris paribus, an increase in the money supply produces an increase in the price level, invariably indicating inflation, without any effect on the real economy (Franco, 2015)

Challenges of e-payment implementation in public sector

In more advanced economies of the world, like Japan, China, Europe and America, the system has been operationalized several years ago and the people are savoring the advantages inherent in the use of such technology. However, with all its enormous advantages in the economy, the e-payment is faced with challenges like public acceptability, lack of uniform platform being operated by all agencies of government. In another development, other profound challenges of e-payment is the human factor. Months after the introduction of the system, most individuals are still not at home with e-payment system. According to Omouigo (2010), the sharp practices among banks, as well as problem from inter-switches in effecting transfer from one bank to another are major reasons why government is yet to reap the benefit of the e-payment system. The diversion of some of the e-payment account as well as the banks inability to quickly reconcile the accounts when the need arises was a challenge. Another possible challenge is the diversion of e-payment of taxes to accounts other than those designated at the bank. As noted by Osibote (2010) some of these challenges have been traced to problem of interconnectivity, non-uniformity of account numbers, as a result of differences in number of digits as well as lack of regulatory framework on e-payment, were other factors affecting the success of the scheme? Technology has its own risk, such as system crash, lack of connectivity, delay due to queuing up of transaction, internet-based attack, file corruption, system compromise due to virus attacks. Lack of technological infrastructure and issues of security, with the proper use of e-payment system, corruption which has also become a norm in government arena has been another hinge in the appropriate implementation of the e-payments or transactions in the Nigeria public service which has impeded the full implementation of the e-payment system. Most rural areas where government Agencies are located with no access to internet facilities might stall the smooth running of these operations.

Prospects of e-transaction system

The central Bank of Nigeria has not recorded a decrease in currency in circulation followed by an increase in the use of e-payment products, instead, it is recorded that, between 2009 and 2019, the value of currency in circulation grew by about 97.18%. As part of the on-going government reform effort to begin the implementation of an integrated financial management information system for the public sector, which would facilitate the end-to-end processing of e-payment initiatives. The end-to-end payment initiative implies that all departments, parastatal and agencies of the government will be making payment directly to the beneficiaries from the infrastructure installed in their offices.

The e-payment system and the financial reporting system will serve as a tool for achieving transparency in government. The system will aid in the computerization of public financial management processes from budget preparation and execution to accounting and reporting, with the help of an integrated system for financial management of line ministries and other public sector operations. Despite the bottleneck associated with the mode of payment, the scheme has recorded huge success. Achinuvu (2010) maintained that, the e-payment system has helped to minimize the interaction between contractors and government officials thus eliminating corrupt tendencies. To ensure an uninterrupted connectivity of the system, CBN has taken the responsibility of running the national switch in order to provide seamless interconnectivity for all banks. This system has also fast tracked the process of implementation of government activities and removal of unnecessary bottleneck and ensured that audit trails of all payment can easily be traced to relevant accounts of individuals or companies that operate them. By so doing, it will bring about elimination of use of cash to facilitate speedy payments for all transaction, fast tracking the implementation of government policies through elimination of delays in government payment system. Enhance transparency and efficiency in government financial transaction among others.

Benefits of Using E-Transaction in The Nigeria Public Sector Performance

The following are possible benefits of the appropriate usage and application of the e-transaction in the Nigeria Public service performance/activities.

Better Decision- making Capabilities

Sound financial management packages can provide both short term report as well as detailed reports necessary for a long - term strategic planning.

Improved Cash Flow

Cash management is essential for all businesses including that of the government. Integrated billing, Inventory, Accounts receivable, and accounts payable which allows for efficient and effective public service performance and to manage the valuable cash more easily. It is also imperative to incline that, better cash management provides an organization with more options for revenue-generating campaigns and long-term growth

More accurate information

It is important to opine here that, fully integrated financial or e transaction software, the users and activities of the performance in the civil service would have more information at their fingertips, would also access to more accurate information.

More Control

Integrated financial management software or e-transaction provides real time access to an establishment's critical financial information.it provides the establishment with wit greater control and the ability to more efficiently manage he various components of the entire activities.

A foundation for Growth

The right financial management or e-transaction package can create room for more expansion. This allows the establishment for additional users, increase in diverse ideas and ideologies, create more vacancies for more employees, and offering the kinds of reports and other business intelligence data.

In addition to the above benefits of e-transaction on public sector performance in Nigeria, we can confidently infer that, the following benefits also accrue to appropriate usage and application of the e-transaction system.

- a) Getting quicker information on financial position of the government establishment by just pressing /touching a button
- b) Ascertain with accuracy the revenue of government generated by any establishment on daily, monthly, quarterly or annual basis with ease
- c) Provide detailed expenditure information to aid the management in cost control and facilitate in quick decision- making.
- d) Aids in appropriate budgeting and forecasting
- e) Reduce clerical and administrative overheads or bottleneck
- f) It allows for critical project monitoring and variance analysis
- g) Proper implementation of e-transaction in the performance of activities leads to prevention of fraud
- h) Eliminate drudgery in financial planning
- i) Getting timely report and financial statement after every transaction
- j) Audit trail and alarm for use as security proof to deter an unauthorized user

Generally, there are various reasons which most organizations seek to indulge in information technology; amongst these are; Increased efficiency, Costs Reduction – time costs can cut into half or may be less even, Elimination of human error – can reduce the risk of error to almost nil; Reports Generation- implies that, you no longer have to wait for a whole day to get reports or results; and to know your position – that is, you are constantly aware of all the transactions being processed in the system.

Financial accountability is critical to development, not only transparency and management of public performance, but also for discipline and democratic growth of all the Developed nations that have at one time or another imbibe the concepts of accountability as a framework that guides the behaviour of people in public life. It is equally important in public and private sector organizations as these intertwined in the national economic systems.

Hence the emergence of e – transaction becomes very sacrosanct to nation building. It is indeed a shame that, many countries, particularly African countries have not embraced the essence of electronic payment to foster a more robust, disciplined, effective and efficient manner.

CONCLUSION AND RECOMMENDATION

A developing country such as Nigeria needs information technology to reduce administrative difficulties, so as to obtain better value for internally generated revenue. The public service is complex with bureaucratic delays and corruption resulting in slow and ineffective output. The e-payment has been suggested to play a key role in enhancing government business. Over the past few years as a result of the development of IT sector, the life habits have changed. These changes also include methods and techniques of commercial activity. Since the introduction of trade, face to trade and forms of payments have been applied, however, the development of the electronic forms of payment, it is replaced by free agent pickup, no commission and remote shopping. It is recommended that infrastructure funding will be crucial to the smooth operation of e-payment system in the country. The government should systematically expand the necessary infrastructure by promoting and developing technologies, recruiting IT experts, and expanding high speed information interconnectivity network. This will foster a strong foundation for e-payment system in the public sector.

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