

## E-Payment: Prospects and Challenges in Nigerian Public Sector

Peter M Ogedebe<sup>1</sup> Phd, Babatunde Peter Jacob<sup>2</sup> MSc.

<sup>1,2</sup>Computer Science Department, Faculty of Science and Technology, Bingham University, Karu, Nasarawa State, Nigeria

**Abstract:** This study presents E-payment system as means of fast tracking the implementation of government policies through the elimination of delays in government payment system and minimizing interactions between government officials and contractors to eliminate opportunity for corruptive tendencies. This is with the view of achieving economic and efficient transactions in government finances and improve quality of reporting system in the Nigerian public sector. Though the e-payment system is faced with challenges, like public acceptability, lack of uniform platform being operated by the banks, lack of adequate infrastructure and issues of security, with the proper use of the E-payment system, corruption which is a cancer in the public sector will be adequately addressed.

**Keywords:** Corruption E-Payment, Nigeria, public sector,

### I. Introduction:

Trade normally involves exchange of goods and services and equivalent abstract value such as money [1]. Money has been in use as an abstract way of representing value and a system for making payments. With development, new and abstract way of representing value were introduced [2]. They also observed that “a corresponding progression of value transfer system starting from barter through bank notes, payment order, cheques and later of credit cards has finally culminated in electronic payment system”. A payment system is a system used for transferring money. It is a system that utilize cash substitutes, traditional able payment systems are negotiable instruments such as draft ( eg cheques) and documentary credits such as letter of credit.

The advent of computers and information technology has made it possible to have alternative electronic payment systems like debit cards, credit cards, electronic fund transfer, direct credits, internet banking and e-commerce payment systems. Payment systems may be physical or electronic and each has her own procedures and protocols. Generally speaking, e-payment can refer to a payment system for buying and selling goods or services offered through the internet or any type of electronic fundtransfer.

Nigeria was drifting towards anarchy because of the high level of corruption at all levels in public sector of the nation. Worried by this trend, the President during the presentation of the 2009 Budget to the National Assembly announced a number measures aimed at addressing this cankerworm. One of the measures was the unveiling of e-payment regime, this involve directing that, all financial transactions of the Federal Government be made electronically effective from 1st January 2009.

Many people see e-payment in different perspectives. To the contractor, he is only interested in payment for the services he has rendered immediately the services are

delivered and certified. The civil servant is only interested in the prompt payment of his or her salary at the end of the month.

But academically and generally speaking, what do we really understand by the term “e-payment”? Some expert described e-payment as a subset of e-governance which is the application of electronic means of effecting payments by government to civil servants and contractors. It is a form of direct payments and banking without physical appearance at the Ministries, Departments and Agencies (MDA) or bank through the means of electronic interactive communication channels and other technology infrastructure [3].

E-payment according to Agba [4] is a method of effecting payments from one end to another through the medium of the computer without manual intervention beyond inputting the payment data.

### II. Statement of the problem:

There are unacceptable delays in the payment of government contractors in Nigeria. Most of these delays are as a result of bureaucracy within government circle. The high level of corruption in the public sector due to the interaction between the government contractors and government officials is another major issue of concern. Most government officials usually ask for gratification to facilitate payments. Payment of workers’ salaries is usually delayed because of the same issue of bureaucracy. E – Payment offer many advantages over the usual manual payment. Some of the advantages include, making payment swiftly and remotely, easy tracking of payment to beneficiaries account to assist in audit trail. These often proof very helpful to corruption fighting agencies like Economic Financial Crime Commission (EFCC) and Independent Corrupt Practices Commission (ICPC) in cases of investigation.

### III. Objectives of the study:

The study specifically identifies the following objectives [5] and highlight how e-payment can help to eliminate the following:

1. The use of cash in government transactions in order to speed up payment for all government activities.
2. Minimize the interactions of government officials and contractors in order to reduce or eliminate corrupt tendencies.
3. Many risks that is associated with carrying large sum of money, these include threat from armed robbers, fraud, thefts and others.
4. Enhance real time reporting and improve quality of financial reporting system in the public sector.
5. Achievement of economy and efficiency in government financial transactions.

#### IV. Types of e-Payment

Dankwambo [5] stated that there are two types of e-Payment in the Nigerian context. These are:

i. End to End Processing

Here, all the processes from approvals to the receipt of value by the beneficiary are done electronically.

ii. Manual e-Payment or use of Mandate.

It is the mixture of manual and electronic process where the available infrastructures cannot support the End to End processing.

There are however many forms of e-payments, these include cards, internet mobile payment, financial services kiosks, biometric payments, electronic payment networks [2]. Many of these payment systems have become globally available; these include credit card and Automated Teller Machine (ATM) are other specific form of payment for financial transactions for products in the equity market, bond markets, currency markets, future markets, derivative markets, option market and for transfer of funds between financial institutions both domestically using clearing and Real Time Gross Settlement (RTGS) system and international issuing SWIFT network [6]

An ideal E-payment means that the Ministries, Departments and Agencies (MDA) issuing payment instruction(s) follow an electronic process within establishment. The payment moves electronically from desk to desk for approval before it gets to the bank and approval(s) also must be given electronically. Instructions and then sent to their banks electronically who in turn effect to all the banks of which the accounts of their beneficiaries are domiciled from the comfort of their office. Thereafter, associated schedules are immediately made available to third parties receiving the payment. Thus, they are able to view all account balances across banks on one screen, monitor the status of all instructions and are able to see why any instruction has not been effectively carried out.

However, what is presently in operation is "manual e-Payment". The government's road map shows clearly that the ultimate method is the "End -to- End Processing". When will Nigeria attain the goal or road map? Only time will tell!

#### V. Prospects

An ideal e-Payment system should possess the good point as identified by Dankwambo [3].

- Easy tracking of payments to beneficiaries' account hence it will assist audit trail.
- It reduces cases of corruption
- It will assist corruption fighting agencies like the EFCC and ICPC in cases of investigation.
- It is the beginning of a cashless society
- Overall increase in the efficiency of operation
- Reduced transactions of very low value
- Increase convenience of payments
- Payment can be made swiftly and remotely using various devices
- Accountants will appreciate IT more and this will improve the quality of financial reports generated by MDAs.
- Economic Growth and Development as Transparency and Accountability improve.
- Real Time Reporting and

- Eliminate writing of cheques

The risk associated with cheques been stolen, forging of signature and disparity between amount in words and figures has been totally eliminated.

#### VI. Challenges

The problems militating against e-Payment as listed by Sumanjeet [7] generally revolve around.

- Integrity: to ascertain that transmitted financial information is unchanged in transit.
- Non-repudiation: to ascertain that all parties have non-deniable proof of receipt.
- Confidentiality: to ascertain that transactions are protected from possible eavesdroppers.
- Reliability: to ascertain that there is reduced possibility of failure.
- Authorization: to ascertain that individuals are recognized and granted the desired rights and privileges.

##### Public Education and Acceptability

The system which is still in its stage requires a lot of information and education of the public to enable them appreciate the laudable programme put together by government to protect their interests. The banks also need to be carried along in the implementation. If they are properly and adequately educated. Then the chances of the total acceptable of the programme can be assured. Furthermore, many see e-Payment as an imposition.

##### 6.1 Lack of Uniform Platform by Banks and MDAs

There is no compelling law mandating the banks to use common software platform. Every bank is left to use whatever platform that they felt will perform the e-Payment services on behalf of the clients. There is the problem of switches in effecting transfer from one bank to another. Interconnectivity has been a problem. No uniformity of account numbers since different banks different numbering systems. Happily enough, the Federal Government according to Dankwambo through the Office of Accountant General of the Federation will be rolling out a common platform configuring soon.

##### 6.2 Lack of adequate Infrastructure

As noted earlier, the e-Payment system is being partially implemented. If it is to be fully implemented, a number of IT infrastructures will have to be put in place. These include but not limited to Laptop, desktop, scanners, good internet connectivity, training and global software. The provision of basic Information Technology infrastructures according to Ovia [8] is a major challenge.

##### 6.3 Platform Security

As rightly pointed out by Atanbasi [9], the major challenges of e-Payment in the country is security. Security in terms of platform, hackers and virus attacks. This will ensure that output from the system are reliable and accurate. The MDAs still carry their schedule(s) to the banks through the banks through Compact Disks (CDs), Flash Drives or e-mail attachments.

#### 6.4 Lack of Seriousness by Banks

While a number of banks have deployed the necessary infrastructure in place to ensure effective implementation, it is sad to note that some banks are still not fully ready for this new payment regime.

#### 6.5 Resistance to changes in technology among customers and staff due to:

- Lack of awareness on the benefits of new technologies
- Fear of risk
- Lack of trained personnel in key organizations
- Tendency to be content with the existing structures, and
- People are resistant to new payment mechanisms
- Security- where disclosed of private information, counterfeiting and illegal alteration of payment data may be rampant [3].

Omogui-Okauru [10], noted some of the problems with e-Payment at the Federal Inland Revenue Services (FIRS), among others, have to do with reconciliation; being able to reconcile what is paid, what the banks received and ultimate basic account. The complaints and constraint facing accountant in FIRS is also the fact that the e-Payment has not been as fast as should be.

#### VII. Evaluation of E-Payment in Nigeria

Looking at the objectives for introducing e-Payment in the public sector in Nigeria, one can state very categorically that only few of the objectives have been met. These are:

- Eliminate many risks associated with carrying large sums of money such as armed robbery, fraud theft and others.
- At least government organizations no longer pay cash to “contractors” and civil servants.
- Elimination of the use of cash to facilitate speedy payments for all transactions. But to a very large extent, the following objectives have not been met.
- Fast tracking the implementation of government policies through the elimination of delays in government payment system. There are still instances of delay in payment to contractors who are not ready to play ball. There has been a complaint from some contractors handling projects in the rural areas over difficulties associated with the e-payment model.
- Minimize interaction of government officials and contractors to eliminate opportunity for corruptive tendencies. It will be difficult to eliminate this as interaction at which ever level will continue formally or informally if Nigerians are to be honest with themselves. In which ever case, there is need to ask the question. Who are the contractors? Is the due process of government working or not? Who are the officials subverting this and other laudable programmes of government? Can corruption really be stamped out of the system?
- Achievement of economy and efficiency in government financial transactions. For as long as corruption remains within the polity, there can be no efficiency in the system. The EFCC and the judiciary will have to find a common ground to tackle this cankerworm that has defiled all solution. China’s example could be the

best solution. However, this may also not work because of religious and tribal sentiment among some Nigerians.

- Enhance real time reporting and improve quality of financial reporting system in the public sector. It has been observed that since the implementation of the policy, there have been late returns or no response in respect of unapplied funds. The existing system cannot guarantee real-time reporting of finances. As result there can be no good financial reporting.

#### VIII. Conclusion,

E-payment exist in various forms. These include the use of cards, internet mobile payment, financial services like kiosk, end to end processing and the use mandate. Its proper implementation will help to speed up payments in government transactions, fast track implementation of government policies by eliminating delays in payment, reduce corruption by minimizing interaction of government officials with contractors. The system also has the prospect of helping to achieve economic and efficient government financial transactions and enhancement of real-time reporting and improvement of quality of financial reporting system in the public sector. Whatever may be the shortcomings of this system thus far, it is better started than waiting to evolve an efficient system before putting the system into use. The government deserves kudos in its efforts to rid the society of corruption. The expectation of Nigerians on the war against corruption is no doubt very high.

#### References

- [1] Sadeghi, A., Schneider, M., "Electronic Payment Systems", in Becker, E., et. al., (eds.), *Digital Rights Management*, (2003), p.121.
- [2] T O Asaolu, T J Ayoola & E Y Akinkoye. Electronic Payment System in Nigeria: Implementation, constraints and solutions. *Journal of Management and Society*.1 (2), 2011, pp. 16-21
- [3] I. HDankwambo, Understanding the e-payment system. Paper at the workshop on In Abuja 30<sup>th</sup> March 2009
- [4] D. Agba, (2010), Implications and challenges of E-payment System. Retrieved from <http://www.itnewafrica.com>. [Accessed on 20<sup>th</sup> November, 2010]
- [5] O. I Osibote, , E-payment System: Processes, Procedures, Challenges and Prospects. Paper at the workshop on In Abuja. (2010). Accessed on 5<sup>th</sup> May 2010 from. <http://financial.tmcnet.com/mergers-acquisitions/news/2010/10/18/5073144.htm>
- [6] Payment system. Retrieved from [http://en.wikipedia.org/wiki/Electronic\\_payment](http://en.wikipedia.org/wiki/Electronic_payment).
- [7] S. Sumanjeet. Emergence of payment systems in the age of electronic commerce: The state of art, *Global Journal of International Business Research* 2(2), 17-36.
- [8] J Ovia, Payment System and Financial Innovations. A paper presented at the Annual Policy Conference, Nov. 2002
- [9] L A Atabansi. We can grow our Technology. Retrieved from: <http://theeconomyng.com/interview16.html> (Accesed on 10th July, 2012).
- [10] I Omogui-Okauru, FIRS Calls for improved E-payment system by Director General of the Federal Inland Revenue Board. Retrieved from <http://www.vanguardngr.com/2010/03/firs-calls-for-improved-e-payment-system> (Accessed 10th July 2012)