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Structure and Governance of Central Banking in Nigerian Democracy

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ABSTRACT

The central bank of Nigeria came into existence with the enactment of the Central bank of Nigeria Act 1958, but the real central banking activities commenced on July 1959 when the central bank issued the its first currency. The major object of this paper is to critically x-tray the structure and governance of the central bank of Nigeria. The paper also evaluated the performance of the central bank of Nigeria. The study adopted doctrinal research method using both primary and secondary materials. The primary data was sourced specifically from the central bank of Nigeria Act and its various amendments; while the secondary sources of materials were the opinions of various writers and authors in journal articles, newsprints, textbooks, central bank of Nigeria statistical bulletins, newsletters and periodicals. In addition, related data gathered from the internet, print and electronic media. Also datas in web-based sources were also incorporated in the study. Data collected were subjected to content analysis. The findings revealed amongst others that the central bank of Nigeria since inceptions has recorded some achievements as well as failures, but prominent amongst the failures was the inability of the central bank to maintain price and monetary stability which is one of its major objectives. The study concludes by urging the Bank to ensure the monetary policy that will maintain single digits' inflation and interest rate as well as stabilizing the value of naira.

KEYWORDS: Central bank of Nigeria; Structure; Governance; Inflation; Exchange Rate; Interest Rate.

1. INTRODUCTION

The central bank is usually a government owned institution which helps to control and supervise the entire monetary and financial system of an economy. Central banking is a topical global macroeconomic policy issue. In practice, the most relevant monetary authority of every nation is the central bank, which is also the sole money issuing authority; the banker to the government; in charge of the monetary policy amongst others. The central bank and other government's regulatory bodies are particularly important for ensuring an efficient and stable financial system; little wonders that where to find the most important macroeconomics policy makers today is at the central bank.

The central banks in general have two main responsibilities. Firstly, they are responsible for the monetary policy, which means that a country's central bank determines how much money circulates in the economy. Secondly, along with other government agencies, central banks in general have important responsibilities for the oversight and regulation of financial systems and markets. In particular, central banks play important roles during period of crisis in financial markets. Central bank balance sheet resembles the balance sheet of a commercial bank, with one key difference. A central bank cannot go bankrupt; it can always create new cash. Hence, it can never run out of money (Onwudinjo 2024).

At present, there is practically no country in the world that does not have a central bank. Cauvery et al (2013) maintained that "it was the International Financial Conference held at Brazil in 1929 which passed a resolution that all countries which did not have central banks then should do so". At present with the International Monetary Fund insisting upon it, there is practically no sovereign country in the world which does not have a central bank irrespective of the level of her development in monetary and financial matters. Hence, today, every country of any size has a central bank, as most governments through their apex banks placed more emphasis on monetary policy.

Before the establishment of central banks in English-speaking West Africa countries, the West Africa Currency Board (WACB) was in operation in these countries. But, the West Africa Currency Board was not a real central bank in earnest since it was performing a skeletal and limited central banking function. It was a money-changer, and merely changed the then British pound to the West African pound, and vice versa. However, with the dawn of independence in West Africa, most West African countries started to establish their central banks to help in managing their economies. Following this, 'the central bank started operations in Ghana in 1957, in Nigeria in 1959, in Sierra Leone in 1964, and the Gambia in 1971' (Anyanwuocha 2010). Thus, the bill that established the central bank of Nigeria was passed by the Nigerian House of Representatives in 1958, but the real central banking started in July 1959.

Following this introduction, section 2 dealt with the historical overview of the Central Bank of Nigeria, section 3 on the law governing the operations of the central bank of Nigeria, section 4 on the management and organization of the central bank of Nigeria, section 5 on the evaluation of the central bank of Nigeria, while section six concludes the paper and made some recommendations.

2. THE HISTORICAL OVERVIEW OF CENTRAL BANKING IN NIGERIA.

Before the establishment of central banks in English-speaking countries of West Africa, the West Africa Currency Board (WACB) was in operation in these countries. 'WACB was established by the British colonial government in 1912 to serve the four British territories of Nigeria, Gold Coast (now Ghana), Sierra Leone, and Gambia. The head office was in London, and it performed some of the functions of a central bank for those British colonies. Its major function was to issue and operate a uniform currency in British West Africa. It was a money-changer, and merely changes the British pound to the West African pound, and vice versa. The West Africa Currency Board was not a real central bank since it performed a limited role, and had many shortcomings.'

Some of the perceived defects of the West Africa Currency Board according to Anyanwuocha (2010) include:

(a) The existence of the WACB was a symbol of political domination, representing British interests and imperialism in West Africa;

(b) the Board exercised little or no control over commercial banks and other financial institutions in West Africa, thereby neglecting one of the major functions of central banking which is banking supervision and control;

(c) The board was not in control of the money supply in the then British West African region. The supply of money in the then British West African countries was influenced by the demand for and the supply of the pound sterling. It merely changed the pound sterling to the West African pound, and vice versa;

(d) The WACB did not develop the financial markets, and so little capital was mobilized for the economic development of the sub-region;

(e) Indigenous manpower was not trained in the art of monetary theory and management.

Following the defects of the West African Currency Board which include amongst others as enumerated above; that rather than being a monetary authority, it was merely an exchange mechanism which had nothing to do with money supply, banking supervision, monetary management, and the development of financial market; there became an **urgent need** for the establishment of the central bank in Nigeria and other British West African colonies with the aim to eliminate some of the observed disadvantages of the West African Currency Board and other reasons stated below as:

(i) There was a need to establish central banks in the sub-region as a complement to the independent status of the various countries. Hence, with the dawn of independence, many West African countries established their own central banks to get rid of the last symbol of colonialism and to demonstrate their political autonomy;

(ii) There was need to establish central banks to control and direct the activities of commercial banks and other financial institutions. This would make them conform to government economic policies and help in maintaining monetary stability, thereby speeding up much needed economic development in the country, as the WACB had no control over the banks and non-bank financial institutions;

(iii) There was the need to establish central banks to help formulate and implement the monetary and fiscal policies of the government, as the erstwhile WACB could not control the money supply nor carry out any other governmental monetary policies. But with the establishment of the central banks, it became possible to formulate and implement government monetary regulations, such as to increase or contract money supply as the needs arises;

(iv) Central banks were required to foster the development and operations of the financial systems of the various countries to speed up economic development. During the existence of the WACB, the financial market was poorly developed and that resulted in the sluggish economic progress;
(v) The central banks were established to help to train indigenous personnel in the art of monetary management. This would enable them to manage their economies after independence.

Following the urgent needs for the establishment of central banks in the English speaking West African sub-region as enumerated above, the Federal Government of Nigeria then invited several financial experts to study and deliberate on the possibility of setting up a central bank in Nigeria. According to Ebiefie (2016), "some of the experts bluntly rejected the idea of establishing the central bank for no other reason than lack of effective infrastructure for the operations of the bank. It was only the report of J.B Loynes submitted in August, 1957 that recommended the establishment of the Central Bank in Nigeria for a rapid growth of the Nigerian economy".
'The bill establishing the Central Bank of Nigeria (CBN) was passed in the Nigerian Federal House of Representatives in 1958 based on the report of J.B Loynes. On the day the central bank bill was passed, the then governor of the Bank of England, Sir Cameron Cobbold, was there to hear its passage and to see the newly appointed Nigerian Prime Minister, Alhaji Sir Abubakar Tafawa Balewa. However, real central banking operations did not start in Nigeria until July, 1959. It was also a symbol of independence to have a central bank for the country. The CBN was therefore established on the eve of Nigeria's independence which came on 1st October, 1960.

Mr. R.P Fenton arrived in Lagos in 1959 on secondment from the bank of England to preside over the newly established Nigerian central bank. The then Nigerian Prime Minister, Alhaji Sir, Abubakar Tafawa Balewa, joined by the then Nigerian Federal Minister of Finance, Chief Festus Okotieboh, spoke at the opening ceremony. The Prime Minister emphasized that:

> 'the act of creating a central bank is a very important stage in the country's emergence as a sovereign independent nation, providing the sound financial framework required for future development; the Nigerian government would still bear the responsibility for development of the country, but through giving of technical advice and its own activities, the central bank would have considerable contributions to make in assuring the continued prosperity of Nigeria.'

Clark (1991), noted that at inception, 'the central bank of Nigeria was an autonomous statutory instrument deliberately divorced from political control, but the close connection between the central bank's monetary policy and government's fiscal economic policies would demand intimate cooperation based on mutual respect and understanding.' However, not long after the beginning of the operation of the central banking in Nigeria, still in 1959, Alhaji Abubakar promoted his then parliamentary secretary, Alhaji Shehu Shagari to the ministry of economic and natural resources, a backwater overshadowed by the ministry of finance and the central bank.

The principal stated objectives of the central bank of Nigeria (CBN) at inception were to issue currency, maintain external reserves, safeguard the international value of the currency, promote monetary stability and a sound financial structure, and act as a banker and financial adviser to the Federal Government. The CBN has the sole right to currency issues in the country. Ebiefie (2016) opined that 'before the establishment of the Central Banks in the former British West Africa colonies, the West Africa Currency Board was the sole authority for the issue of legal tender in the area. But when Ghana became independent, she withdrew from the arrangement. So, when the CBN was established, the then Nigerian Federal Minister of Finance, Chief Festus Okotie-Eboh made it clear to the country and the entire world that the first and foremost responsibility of the central bank was to issue currency in Nigeria, and consequently the CBN issued its first currency, the Nigerian pound in July, 1959.

Following the CBN's assumption of sole issuer of the legal tender currency in Nigeria, all bank notes and coins issued by the WACB were replaced with Nigerian pound in July 1959. Consequently, the CBN issued Nigerian notes in the denominations of five (5) Shillings, ten (10) Shillings and one (1) pound in 1959. The issuance of legal tender currency still remains one of the core mandates of the CBN as provided in section 2(b), of the CBN Act 2007. This mandate vests the responsibility of managing the quantity, quality, denominational mix of the currency in circulation to the central bank of Nigeria. Over the years, the Nigerian currency has evolved with the introduction of Nigerian pounds, shillings and pence since 1959. However, in 1973, Nigeria decimalized her currency and replaced the pounds, shillings and pence with naira and kobo. The four denomination banknotes issued were 50k, ₦1, ₦5, and ₦10, while the coins series were 25k, 10k, 1k, and ½ kobo. Over the years, the naira notes have undergone several redesigns aimed at enhancing currency management, reducing the cost of currency printing and fostering improvements in the payment system. It is pertinent to point out that over the years; some of the denominations have been demonetized and withdrawn from circulation. Thus, the ₦20 note was issued in 1977, the ₦50 note in 1991, the ₦100 note in December 1999, ₦200 note in November 2000, ₦500 note in April 2001, while the ₦1000 note was introduced in October 2005. On February 28th 2007, the ₦50, ₦20, ₦10 and ₦5 as well as ₦1 and 50k coins were redesigned and issued into circulation, while ₦2 coin was introduced. The ₦20 was however printed on polymer note and launched into circulation as a pilot project; the essence being to elicit the merits and demerits, and confirm public acceptance of polymer relative to paper substrate. Other objectives of the policy included reduction in the cost of currency production, making the notes more secured to deter counterfeiters and enhanced durability to sustain the clean note policy of the bank.

On 30th September 2009, the redesigned ₦50, ₦10, and ₦5 were all converted into polymer substrate following the successful performance of the ₦20 denomination. Thus, all lower denomination bank notes were printed on polymer substrates. Furthermore, the CBN, as part of its contribution to mark Nigeria's 50th independence anniversary and 100 years of existence as a nation, issued ₦50 commemorative polymer on 29th September 2010, and ₦100 commemorative notes on 19th December, 2014.

However, on October 26, 2022, the immediate past governor of central bank of Nigeria, Godwin Emefiele, announced that a new naira notes would be introduced to replace the current 200, 500, and 1000 naira notes. He also stated that the redesign will take effect from Thursday, December 15, 2022. He said further that the existing notes would seize to be regarded as legal tender by January 31, 2023. Godwin Emefiele gave reasons why the CBN decided to redesign the naira notes to be that:

(a) The naira notes would be redesigned to address the issue of individuals who have made currency fraud their main source of income. According to him, people who have hidden money they have stolen, would either find a way to change it by taking the money out or would not need it again given the change in the value of naira;

(b) The currency changes also aimed to deal a fatal blow to the growing kidnapping and ransom industry, and thus help to stem to tide insecurity in the country;

(c) The change in notes was also aimed to aid in lowering the rate of inflation in the country;

(d) The change in naira notes was also intended to control the amount of money in circulation.

(e) The CBN governor further disclosed that over 80 percent of the total cash in circulation in Nigeria was outside the banking system, while the apex bank would not allow it to continue.

(f) The CBN governor emphasized that the decision to redesign the currency would also impact the value of the naira.

To be specific, as at the end of September 2022, the available data at the CBN indicated that about ₦2.73 trillion out of ₦3.23 trillion in circulation exists outside the vault of commercial banks across the country and supposedly held by members of the public. On December 15, 2022 the newly redesigned ₦200, ₦500, and ₦1000 were issued into circulation by the CBN with a special directives from the apex bank to the deposit money banks and general public that the old ₦200, ₦500, and ₦1000 would ceased to be legal tenders on 31st January 2023, later extended to February 10, 2023, while only the N200 note was again extended to re-circulate till April 10, 2023. But, following a court action instituted by some All Progressive Action (APC) challenging the way and manner the naira redesign policy was introduced to the country; on March 3, 2023 the Supreme Court of Nigeria in a unanimous decision ruled that all the 200, 500, and 1000 naira notes should continue to be used as legal tender till 31st December, 2023.

Interestingly, in his inaugural address on May 29, 2023 the newly elected President of Federal Republic of Nigeria, Bola Ahmed Tinubu condemned the way and manner the redesigned policy was introduced to the country and lamented on the suffering and hardships it inflicted to Nigerians which it was meant to serve; he therefore promised to revisit the policy. Still on this, on Friday June 9, 2023 President Tinubu suspended the CBN Governor Mr Godwin Emefiele, and directed the CBN deputy Governor Operations Directorate Mr Folashodun Adebisi Shonubi to act as the CBN Governor pending the investigation of Emefiele and his office as CBN Governor. Around 2am on Saturday 10th June, 2023 Emefiele was arrested by the men of Directorate of Security Services (DSS) for interrogation and investigation on the 10 count charges leveled against him, and he is still in detention as at the time this book was going to the press.

Dr. Olayemi Michael Cardoso, a former Chairman of Citibank, a Financial and Development expert, a United Kingdom trained economist cum banker and former Commissioner of Economic Planning and Budget in Lagos State was later nominated by President Bola Tinubu as the new CBN governor. He was confirmed by the Nigerian Senate to become the CBN Governor since October, 2023. Cardoso led CBN has since maintained that the newly redesigned N1000, N500, N200 should be used alongside the old counterparts till further notice.

The Central Bank of Nigeria Act has undergone a series of amendments. Each of the amendments to the CBN landmark Act of 1958 has defined and re-defined who controls the monetary policy and the operations of the CBN. Just three years after its establishment in 1962, the CBN Act was slightly amended. According to Ebiefie (2016), "the 1962 amendment was made to increase the effectiveness of the controlling powers of the central bank over the commercial banks. The amendment also gave the bank power to fix the parity of the Nigerian currency independently and notify the International Monetary Fund. Other alterations to the original Act include the reduction of the ratio of the foreign exchange reserves to demand liabilities from 60 to 40 percent; the widening of assets; giving of more power to the bank to control financial institutions by introducing more monetary policy instruments; permitting increases in long-term Government securities which the bank could hold". With economic liberalization and deregulation, following the Structural Adjustment Programme of 1986 in Nigeria, the CBN Act No 24 of 1991, which was enacted to repeal the CBN Act 1958 conferred on the CBN instrument autonomy for the effective discharge of its core mandate and expanded its powers to oversee the increased number of players in the banking and other financial sectors among others.

A major relief was brought about by the CBN Decree 1991, and that was when the CBN was freed from the supervision of the Federal Ministry of Finance. This major amendment came forth in 1991. The said Decree was explicit regarding who controls the monetary and banking policies in Nigeria. Specifically, section 8(1) of the CBN Decree 24of 1991 provides that 'the governor of CBN shall keep the President informed of the monetary and banking policy pursued or intended to be pursued by the bank'. While section 8(2) of the said Decree confirmed the president's veto power as it states that 'the president after due consideration may in writing direct the bank as to the monetary and banking policy pursed or intended to be pursued and the directive shall be binding on the board which shall forthwith take all steps necessary or expedient to give effect thereto'. On the impact of the said Decree to the Nigerian economy, Nnanna & Nnanna (2012) opined that "as the central bank operated under the said decree and while the oppressive decree lasted, Nigerian economy witnessed unprecedented episode of inflationary pressure, low growth in gross domestic product (GDP), dwindling external reserves, huge domestic and foreign debt, high unemployment, banking sector distress and bank failures amongst others."

Consequently, the CBN Act 1991 subsequently witnessed a number of amendments some of which related to the essence of the establishment of the bank. For instance, the amendment of 1997 brought the bank back under the supervision of the Federal Ministry of Finance reversing the autonomy granted to the Bank under the 1991 CBN Act. A year after, another CBN (Amendment) Act No 37 of the 1998 enacted under the same military government of General Sani Abacha reversed most of the amendments of 1997 and restored the operational autonomy of the bank. The Act also expanded the membership of the Board of Directors of the CBN and made the Board the final authority of the bank with clearly defined functions.

The CBN (Amendment) Act No. 41 of 1999 further strengthened the Bank's autonomy. The amendment gave the Board of the bank the power to consider and approve the annual budget of the bank and to "make and alter rules and regulation for the good order and management of the bank". This is an affirmation of the autonomy of the CBN. The then Nigerian Head of State, General Abdusalam Abubakar played a significant role in nurturing the modern independent CBN. General Abubakar clearly appreciated the technical nature of central banking especially, and allows the technocrats in the central bank to perform the bank's statutory functions without interference. Thus, the passage of Decree 41 of 1999 granted the CBN limited autonomy and represented a step in the right direction. In practical terms, it meant that the CBN will no longer be directed by either the presidency or the Federal Ministry of Finance on monetary policy. More importantly, it also meant that government borrowing and demand for the printing of money can be legally restricted by the CBN, and CBN Governor now has the legal power to say no to either the Minister of Finance or the President.

Following demand by stakeholders in the Nigerian Financial System, the Central Bank of Nigeria (CBN) Act 2007 came into being on 25th May, 2007 to repeal the Central Bank of Nigeria Act 1991, and to re-enact the CBN Act. The most remarkable of the changes to the CBN's legal instrument came forth in 2007, which fully established both the instrument and operational autonomy of the bank. In the words of Soludo (2007), 'the Bank's legal and regulatory framework was strengthened with the enactment of the new Central Bank of Nigeria act (CBN) Act in 2007.'

With the CBN Act of 2007, the responsibility for policy and general administration of the affairs of the CBN rests with the Board of Directors. Specifically, section 6 of the CBN Act 2007 established the Board of Directors which shall be responsible for the policy and general administration of the affairs and the business of the Bank. Section 6(2) of the said Act provides for the composition of the Board to include: "a Governor who shall be the chairman, four deputy Governors, the Permanent Secretary Federal Ministry of Finance, five Directors, and the Accountant General of the Federation.

The first Governor of the central bank of Nigeria was Mr, Roy. P Fenton who was seconded to the Central Bank of Nigeria by the Bank of England. Mr Fenton laid the groundwork for the growth of the CBN but returned to the Bank of England in 1963. The first Indigenous Governor of CBN was Malam Mai Bornu, who retired in 1967 and was succeeded by another indigenous Governor, Dr, Clement.N.Isong. Dr, Isong was replaced in 1975 by Malam Adamu Ciroma. Mr, Ola Vincent replaced Malam Ciroma in 1977, while Malam Abdulkadir Ahmed replaced Ola Vincent in 1982. Mr, Paul Ogwuma became the CBN Governor in 1993 and was replaced by Dr, Joseph Sanusi in 1999. Professor Charles Soludo became the Governor of the Central Bank of Nigeria in 2004 and was replaced by Malam Sanusi Lamido in 2009. Godwin Emefiele, the immediate past CBN Governor, became the Governor of the Central Bank of Nigeria on July, 2014. However, on Friday June 9, 2023 President Tinubu suspended the CBN Governor Mr Godwin Emefiele, and directed the CBN deputy Governor (Operations Directorate) Mr Folashodun Adebisi Shonubi to act as the CBN Governor pending the investigation of Emefiele and his office as CBN Governor. Dr Olayemi Michael Cardoso, a former Chairman of Citibank, Financial and Development expert, a United Kingdom trained economist cum banker and former Commissioner of Economic Planning and Budget in Lagos State having been nominated by President Bola Tinubu and confirmed by the Nigerian Senate as the new CBN governor. He formally assumed duty in acting capacity on Friday, September 22, 2023 as the Governor of Central Bank of Nigeria even before his confirmation by the senate. On Thursday October 5 2023, the Nigerian Senate confirmed Cardoso as the substantive CBN Governor alongside four Deputy Governors of CBN; Enem Usoro, Muhammed Abdullahi-Dattijo, Philip Ikeazor and Bala Bello (Onwudinjo 2024).

3. THE LAW GOVERNING THE OPERATIONS OF CENTRAL BANK OF NIGERIA.

The Central bank of Nigeria was a creation of the law. The bill that established the Central Bank of Nigeria (CBN) was passed in the Nigerian Federal House of Representatives in 1958 based on the report of J.B Loynes. However, the Central Bank Act 1958 has undergone a series of amendments. Each of the amendments to the CBN landmark Act of 1958 has defined and re-defined who controls the monetary policy and the operations of the CBN. Just three years after its establishment and kick-starting of the CBN in 1962, the CBN Act was slightly amended. According to Ebiefie (2016), "the 1962 amendment was made to increase the effectiveness of the controlling powers of the central bank over the commercial banks. The amendment also gave the bank power to fix the parity of the Nigerian currency independently and notify the International Monetary Fund. Other alterations to the original Act include the reduction of the ratio of the foreign exchange reserves to demand liabilities from 60 to 40 percent; the widening of assets; giving of more power to the bank to control financial institutions by introducing more monetary policy instruments; permitting increases in long-term Government securities which the bank could hold".

With economic liberalization and deregulation, following the Structural Adjustment Programme of 1986 in Nigeria, the CBN Act No 24 of 1991, which was enacted to repeal the CBN Act 1958 conferred on the CBN instrument autonomy for the effective discharge of its core mandate and expanded its powers to oversee the increased number of players in the banking and other financial institutions sectors among others.

A major relief brought about by the CBN Decree 1991 enacted under the military government of General Ibrahim Babangida, was that it was then that the CBN was freed from the supervision of the Federal Ministry of Finance. This major amendment came forth in 1991. The said Decree was explicit regarding who controls the monetary and banking policies in Nigeria. Specifically, section 8(1) of the CBN Decree 24 provides that 'the governor of CBN shall keep the President informed of the monetary and banking policy pursued or intended to be pursued by the bank'. While section 8(2) of the said Decree confirmed the president's **veto power** as it states that 'the president after due consideration may in writing direct the bank as to the monetary and banking policy pursed or intended to be pursued and the directive shall be binding on the board which shall forthwith take all steps necessary or expedient to give effect thereto'. "As the central bank operated under the said decree and while the oppressive decree lasted, Nigerian economy witnessed unprecedented episode of inflationary pressure, low growth in gross domestic product (GDP), dwindling external reserves, huge domestic and foreign debt, high unemployment, banking sector distress and bank failures amongst others" (Nnanna & Nnanna, 2012).

Consequently, the CBN Act 1991 subsequently witnessed a number of amendments some of which related to the essence of the establishment of the bank. For instance, the amendment of 1997 brought the bank back under the supervision of the ministry of finance reversing the autonomy granted to the bank under the 1991 CBN Act. A year after, another CBN (Amendment) Act No 37 of the 1998 enacted under the same military government of

General Sani Abacha reversed most of the amendments of 1997 and restored the operational autonomy of the bank. The Act expanded the membership of the Board of Directors of the bank and made the Board the final authority of the bank with clearly defined functions (Onwudinjo 2022).

The CBN (Amendment) Act No. 41 of 1999 further strengthened the Bank's autonomy. The amendment gave the Board of the bank the power to consider and approve the annual budget of the bank and to "make and alter rules and regulation for the good order and management of the bank". This is an affirmation of the autonomy of the CBN. The then Nigerian Head of State, General Abdusalam Abubakar played a significant role in nurturing the modern independent CBN. General Abubakar clearly appreciated the technical nature of central banking especially, and allows the technocrats in the central bank to perform the bank's statutory functions without interference. Thus, the passage of Decree 41 of 1999 granted the CBN limited autonomy and represented a step in the right direction. In practical terms, it meant that the CBN will no longer be directed by either the presidency or the Federal Ministry of Finance on monetary policy. More importantly, it also meant that government borrowing and demand for the printing of money can be legally restricted by the CBN, and CBN Governor now has the legal power to say no to either the minister of Finance or the President. The Central Bank of Nigeria Act 2007 did not come easily. The struggle for it was protracted and involved the combined influence of Nigeria's development partners, especially the Bretton Wood Institutions and domestic progressive stakeholders such as the Bankers' Association, the Labour Union, and the academia represented by the Nigerian Economic Society to convince the then democratically elected government of President Olusegun Obasanjo that it was in its enlightened interest to grant CBN autonomy.

Following the demand by stakeholders in the Nigerian financial system, the Central Bank of Nigeria (CBN) Act 2007 came into being on 25th May, 2007 to repeal the Central Bank of Nigeria Act 1991, and to re-enact the CBN Act. Before the 2007 CBN Act, the landmark 1958 CBN Act which led to the establishment of Central Bank of Nigeria in 1959 has witnessed four major amendments. This was because while the CBN Act institutionalized banking supervision, there were still gaps in the administrative arrangements as the Federal Ministry of Finance shared the responsibility for banking supervision with the CBN. Under the arrangement, the examination department of the ministry of finance conducted an on-sited examination while the scrutiny and supervision of the CBN were carried out off-site supervision. However, each of the four amendments to the CBN original Act tends to define and re-defined who controls the monetary policy and operations of the CBN. The most remarkable of the changes to the CBN's legal instrument came forth in 2007, which fully established both the instrument and operational autonomy of the CBN. In the words of the then governor of the Central Bank of Nigeria, Prof Charles Chukwuma Soludo (2007), 'the Bank's legal and regulatory framework was strengthened with the enactment of the new Central Bank of Nigeria act (CBN) Act in 2007.'

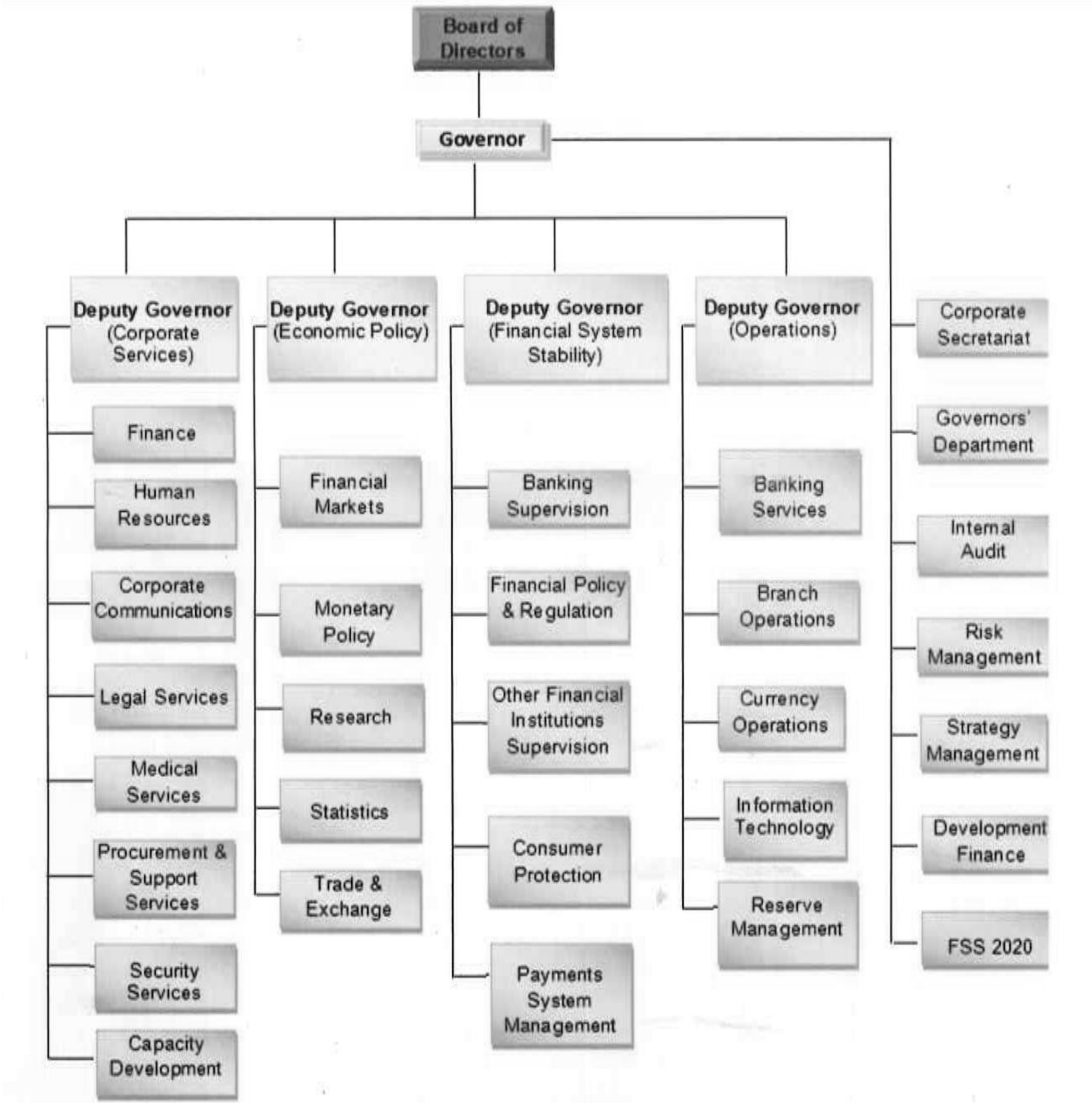

Figure 1: Organization and Management of Central Bank of Nigeria.
Source: CBN 2018.

4. ORGANIZATION AND MANAGEMENT OF CENTRAL BANK OF NIGERIA.

The principle objects of the CBN, as contained in section 2 of the CBN Act, 2007, are to: ensure monetary and price stability; issue legal tender currency in Nigeria; maintain external reserves to safeguard the international value of the legal tender; promote a sound financial system in Nigeria; and act as banker and provide economic and financial advice to the Federal Government of Nigeria. By section 3 of the Act, the Bank shall have its head office in any location which is by law the capital of the Federal Republic of Nigeria and may open branches in any part of Nigeria and appoint agents and correspondents abroad in accordance with the decisions of the board. Based on the above, the head office of Central Bank of Nigeria is in Abuja as the Corporate Head office is located at 33 Tafawa Balewa Way Central Business District Garki Abuja. The CBN also has branches and currency offices across the 36 states of the federation. To perform these statutory functions, the Act also provided for and empowers some bodies to execute the functions, and some of bodies are as discussed below.

4.1: Board of Directors

The General Management of the Bank as contained in section 6(1) of the Act is in the hands of the 12-member Board of Directors, which shall be responsible for the policy and general administration of the affairs and business of the bank.
The compositions of the Board as provided by section 6(2) of the Act are:
(a) a Governor who shall be the chairman;

(b) four Deputy Governors;
(c) the permanent secretary, Federal Ministry of Finance;
(d) five Directors and
(e) Accountant-General of the Federation

The Governor and Deputy–Governors pursuant to section 8(1) and (2) of the Act are appointed by the president for a renewable period of five years' subject to confirmation by the Nigerian upper legislative chamber, the Senate. By section 10(1) of the Act, the five Directors of the Bank shall be appointed by the President for a renewable period of four years' subject to confirmation by the Senate and in appointing the five external Directors of the bank, the president shall have due regard to a fair representation of the financial, agricultural, industrial and commercial interests and the principle of Federal Character. A director appointed pursuant to this section shall be a person of recognized standing and experience in any of economics, law, public administration, business administration, accounting, banking and finance [section 10(2)]. The two other members of the Board of Directors; the Permanent Secretary Federal Ministry of Finance, and the Accountant-General of the Federation are there pursuant to the office they are occupying at the particular point in time.

The inclusion of the permanent secretary of the Federal Ministry of Finance and Accountant General of the Federation is meant to ensure synergy between monetary and fiscal policies for the maintenance of macroeconomics stability in the system. In addition, by section 14 of the CBN Act, the Board shall have a secretary who shall be appointed by the Board. The secretary shall be a lawyer, with at least, 10 years' cognate experience.

At the pinnacle of the entire system is the Governor who is also the Chairman of the Board of Directors. He is very ousting among the board members and the most powerful member among all the officials of the Central Bank of Nigeria at any point in time. The Governor is nominated by the President and confirmed by the Senate for a renewable five-year term. He is the Chairman of the Board of Directors, as well as the Chairman of the Monetary Policy Committee; Financial Services Regulations and Coordinating Committee and Committee of Governors. He is the most outstanding figure of the CBN, and exercise enormous power over monetary policy. The Governor of CBN is assisted by four Deputy Governors. By section 7(1) of the Act, the Governor or in his absence, one of the Deputy Governors nominated by him, shall be in charge of the day-to-day management of the Bank and shall be answerable to the Board for his acts and decisions.

By section 13(1) of the Act, the Board of Directors should meet at least six times in every financial year of the Bank and pursuant to section 13(2) of the same law; the Governor shall preside at every meeting of the Boards and in his absence, a Deputy Governor designated by him, shall preside at such meeting.

4.2: Monetary Policy Committee:
The Monetary Policy Committee is the highest policy making committee of the CBN with the mandates to: review economic and financial conditions in the economy; determine appropriate stance of policy in the short to medium term; review regularly the CBN monetary policy framework and adopt changes when necessary. Furthermore, section 12(1) of the Act provides that in order to facilitate the attainment of the objective of price stability and to support the economic policy of the Federal Government of Nigeria, there shall be a committee of the Bank known as the Monetary Policy Committee (MPC). Going further by section 12(2) of the Act, the MPC shall consist of:
a) The Governor of the Bank who shall be the chairman;
b) The four Deputy Governors of the Bank;
c) Two members of the Board of Directors of the Bank
d) Three members appointed by the President, and
e) Two members appointed by the Governor

The MPC by section 12(3) shall have responsibility within the Bank for formulating monetary and credit policy. The main policy tool employed by the MPC is the Monetary Policy Rate (MPR), which signals the stance of monetary policy and anchors short-term market interest rates to achieve the primary objective of price stability. In exceptional times and under unusual circumstances, the MPC may announce additional macro-prudential policy measures in addition to its regular interest rate decision. These measures usually involve the utilization of other monetary policy tools at the disposal of the central bank, such as moral suasion and open market operation. These instruments may be deployed to address perceived structural bottlenecks to current policies to avoid burdening the extent of use of the MPR which may have unintended consequences on the real economy. Typically, the MPC meets six (6) times in a year, which implies that six MPR decisions are announced in a year.

Pursuant to the second schedule of the Act which provided for the proceedings of the monetary policy committee;

The MPC shall meet at least four times in a year, which implies that at least four MPR decisions are announced in a year; and the Governor or in his absence, the Deputy Governor responsible for monetary policy may summon a meeting on giving not less than 7 days' notice. The Quorum shall be six members, two of whom shall be the Governor and the Deputy Governor responsible for monetary policy. Decisions shall be taken by a vote of all those present at the meeting, and in the event of a tie, the chairman shall have a second or casting vote. The MPC shall submit periodic report of its meetings and activities for the Board of Directors of the Bank.

4.3: Committee of Governors

By section 11(1) of the first schedule of the Act which provides for the proceedings of the Board, the Board shall, from time to time as it deems fit, delegate some of its responsibilities to the Committee of Governors. By section 17 of the first schedule, "Committee of Governor means a Committee of the Governor and the Deputy Governors of the Central Bank of Nigeria.

By section 11(2), the "formal meetings of the committee of Governors shall take place as often as may be required but not less than once a month. The Governor shall preside over every meeting but in his absence, a deputy Governor designated by him shall act in his place, and in the absence of both the Governor and any such designated Deputy Governor, one of the other Deputy Governors present shall act as a chairman (section 11:4).

4.4: Departments of the CBN and their locations.

1. Governor – Corporate Secretariat, Governors' department, internal audit, Risk Management, strategy management, Development Finance.
2. Deputy Governors (Corporate services): Department under this are finance, Human Resources, Cooperate Communications, legal services, medical services; procurement and support services, security services, capacity development.
3. Deputy Governor (Economic Policy): Department under this are; financial markets, monetary policy, research, statistics, trade and exchange.
4. Deputy Governor (Financial System Stability): Departments under this are Banking supervision, Financial Policy & Regulation, other financial institutions supervisions, consumer protection, payments system management.
5. Deputy Governor (Operations): Departments under this are banking services, branch operations, currency operations, information technology, and reserve management.

4.5: Financial Services Regulating Committees

Section 43(1) of the Act, provided for the establishment of a Financial Services Regulation and Co-ordinating Committee for the purpose of co-ordinating the supervision of financial institutions. By composition, section 43(2) provides that the committee should consist of:

a) The Governor of the Bank who shall be the chairman;
b) The managing Director, Nigerian Deposit Insurance Cooperation
c) The Director-General Securities and Exchange Commission;
d) The Commissioner for Insurance;
e) The Registrar-General, Corporate Affairs Commission; and
f) A representative of the Federal Ministry of Finance not below the rank of a Director

By section 44 of the Act, the objectives of the Committee shall be to: -

a) Coordinate the supervision of financial institutions especially conglomerates;
b) Cause reduction of arbitrage opportunities usually created by differing regulation and supervision standards amongst supervisory authorities of the economy;
c) Deliberate on problems experienced by any member in its relationship with any financial institution.
d) Eliminate any information gap encountered by any regulatory agencies in its relationship with any group of financial institutions;
e) Articulate the strategies for the promotion of safe, sound and efficient practices by financial intermediaries; and
f) Deliberate on such other issues as may be specified from time to time.

5. EVALUATION OF THE CENTRAL BANK OF NIGERIA.

Since its inception, the Central Bank of Nigeria has played an important role in the country's economy. It is necessary to evaluate the functions of CBN as stated below.

5.1: Achievements of the Central Bank of Nigeria.

1. The Central Bank of Nigeria has followed so far a mixed monetary policy, even though every now and then, the CBN has changed the bank rate in accordance with the changing economic situations;
2. By following the minimum reserve system in the note issue policy, the CBN keeps a sufficient degree of elasticity in the note issue of the country. It has proved to be very useful for a developing country like Nigeria.
3. The Central Bank of Nigeria from time to time has tried to control the inflationary situation in the economy through its selective credit control measures. Even though the CBN has not been successful in its efforts, the inflationary situation would have been worse if the bank has not taken efforts to curb it.
4. The Central Bank of Nigeria has tried to maintain stability in the interest rates by the expansion and contraction of credit according to the commercial requirements of the country.
5. As an agent, adviser and banker to the government, the CBN efficiently manages the public debt. It has saved the Government from financial crises by lending short term loans from time to time.
6. As the lender of the last resort, the CBN has also extended its help to the commercial banks.
7. The Central Bank of Nigeria arranges finance to large scale, medium scale and small scale industries. It has rendered financial and organizational assistance in the establishment of Bank of Industry, Bank of Agriculture and the National Export-Import bank in Nigeria.
8. The CBN's role in the provision of agricultural finance is noteworthy. It can be said that it has achieved reasonable success in the agricultural field. Further the apex bank has taken efforts in re-organizing and reinforcing the cooperative movement in different states by encouraging grants and soft loans to cooperative societies. Special mention may be made about the setting up of ANCHOR borrowers and the Nigeria incentive-based risk sharing system for agricultural lending (NIRSAL) for the provision of agricultural finance for agribusiness.
9. Cheap remittance facilities are also provided by the CBN to the Government, and deposit money banks which have facilitated the easy transfer of funds from one place to another.
10. Through its credit control measures the CBN has tried to control and regulate the volume of credit in the country. The selective credit controls have discouraged the speculative activities in agricultural products to a certain extent.
11. The CBN through the commercial bank's consolidation policy came up with very strong commercial banks in Nigeria that the total assets of deposit money banks in Nigeria stood at N87, 25 trillion as at March 31, 2023.
12. The CBN bank consolidation policy has laid the foundation for a well-organized banking system in the country. It has taken efforts to strengthen the banking structure by encouraging mergers of strong and weak banks.
13. The CBN has tried to improve the confidence and stability of the banking system in Nigeria by establishing the Asset Management Corporation of Nigeria (AMCON).

l4. The Bank has made provision for clearing arrangements in many areas in Nigeria. This has facilitated inter-bank transactions in the country.

l5. The CBN has provided the way for e-banking in Nigeria

16. The CBN periodically publishes statistical reports pertaining to money, credit, banking, corporation, agricultural and industrial production. This has greatly helped the government in analyzing and solving the economic problems of the country.
17. Many Nigeria banks are listed among the first 1000 banks in the world, making Nigerian deposit money banks global banks

5.2: Failures of Central Bank of Nigeria.

Even though, the central bank of Nigeria has been successful in its functioning there are certain drawbacks also. They are as follows:

1. The CBN is unable to establish coordination in the various segments of the money market, even today many non-banks financial institutions are outside the purview of the CBN surveillance and supervision.
2. Even though the CBN claims that it tries to maintain stability in interest rates, a great diversity exists in different parts of the country, while the differences between prime lending and deposit rates continue to widen. The interest rate spread shows that the savings deposit rate is as low as less than 5 percent, while the lending rate is as high as 30 percent and above for some commercial banks.

3. Inspite of the efforts taken by the central bank of Nigeria, there has not been sufficient development of the bill market in the industry.
4. By taking into account the huge size of the country and its population, expansion of the banking facilities is not sufficient. Even today there are places where banking is conspicuously absent. Thus, many Nigerians are still suffering financial exclusion. Many local governments in Nigeria don't have a single commercial bank.
5. One of the greatest failures of the central bank of Nigeria is its inability to stabilize the internal value of the Naira. Due to constant inflation in the country over the past several years there has been rapid rise in the price level and a sustained decline in the internal value of the naira. Nigeria inflation as at December 31 2023 was 28.92%, even though it is nose-diving recently, but it is still above 20 percent. In spite of the anti-inflationary measures taken by the CBN, no significant improvement has been made so far.
6. The CBN has failed to secure an equitable share in the foreign exchange business for the commercial banks in Nigeria.
7. Naira continues to depreciate against other major currencies of the world. For instance as at January 24, 2024 the foreign exchange rate of naira to dollar was N1000 to one US Dollar, while in the parallel market it was above N1300 to a dollar; and recently it is above N1500 to a dollar..
8. The developmental role of the CBN has not been felt by Nigerians.
9. Depleting foreign reserves: Nigeria foreign reserve as at the third quarter of 2023 stood at 33.23 Billion, and recently it increased to about 40 billion US Dollars; a reserve that was about 89 Billion Dollars about 20 years ago in July 2006.
10. Poor banking supervisions: Failure of deposit money banks to lend to the critical sectors of the economy; the exorbitant lending rates the banks are charging to borrowers; together with some obnoxious and illegal service charges meted to the bank customers can be attributed to supervisory laxity on the part of the CBN.
11. Dualistic banking system: Urban areas dominate the banking systems in Nigeria, as many local government areas in Nigeria have no banks; and these are where rural dwellers like farmers that mostly need funds reside.
12. Dualistic Pricing system: There are always inflation in urban areas, and deflation in rural areas, making the rural farmers and other investors not to recover the cost of their productions, where as the urban dwellers mostly public servants and other workers' earned are been eaten up by inflationary pressures in the cities.
13. Poor Management of Money Supply: The central bank supposed to be in control of the money supply at every point in time, but this is not always the case. For instance, to be specific, the former CBN governor Godwin Emefiele affirmed that as at September 2022, the available data at the CBN indicated that about N2.73 trillion out of the N3.23 trillion in circulation exists out of the vault of the commercial banks (Onwudinjo 2024).
14. Despite the efforts of the CBN to reduce the lending rates as to increase lending to the productive sectors of the economy, the stakeholders in the Nigerian economy are still worried that their efforts are yet to make positive impacts on the economy.

6. CONCLUSION AND RECOMMENDATIONS.

The Central bank and other regulatory bodies are the government establishments particularly important for ensuring efficient and stable financial system, and without these arrangements, macroeconomic stability will be difficult. As the apex bank, the central bank determines the level of short-term interest rates and lends money to other financial institutions. In most countries, the apex bank's central goals are to ensure low inflation, steady growth in national output, low unemployment, and orderly financial markets amongst others. In Nigeria, the key mandates of the central bank of Nigeria (CBN) pursuant to section 2 of the CBN Act 2007 are to "(a) ensure monetary and price stability, (b) issue legal tender in Nigeria, (c) maintain external reserves to safeguard the international value of the legal tender currency, (d), promote a sound financial system in Nigeria, and (e) act as banker and provide economic and financial advice to the federal government". From the assessment made above, the CBN has not lived up to expectations in delivering the key mandates as provided in the CBN Act. Based on this, the following recommendations are made;

Firstly, the central banks of Nigeria must think outside the box to bring down the lending rates to single digit, or at worst lower double digit. The management of the CBN should as a matter of policy maintain single digit interest rate. About ten years ago, Ekpo (2014), opined that "the real sector of the economy in Africa is dead, as the lending rate hover around 25 percent. Thus, the central banks need to address the issue of investment climate as well as the issue of the welfare of the citizens, vis-a-vis the economic and demographic settings as well as the

foundation that was laid for economic reform in the various countries. The high lending rate does not favor the real sector, and this may be responsible for the paradox of jobless growth in Africa's economy.
Secondly, central banks of Nigeria should strive for a single digit inflation. One of the mandates of the central bank of Nigeria is price stability, but in inflation is the order of the day in the country always above 20 percent. In USA, opinion polls often find that inflation is the economy's enemy number one; as economic growth is strongest in countries with low inflation, while countries with high inflation or deflation tend to grow more slowly. Most economists agree that predictable and gently rising price level provides the best climate for healthy economic growth. The cost of extremely high inflation is easy to see, as the money lubricates the economy. Price stability is crucial for many reasons; it results in macroeconomic stability, which in turn is better for the entire economy. Thus, the monetary authorities are under statutory obligations to tame the tides of inflation ravaging her economy. Thus, the CBN should as a matter of emergency key into the inflation targeting.
Thirdly, the central banks of Nigeria should put every policy at its disposal to stabilize the value of naira which is stubbornly depreciating in relation to other currency across the globe.
Finally, the CBN should enhance its supervisory role of the entire Nigerian Financial system for optimum performance, and economic growth and development of the country.

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