

Electronic Payment System Challenges in Gombe State: Evidences from the Office of the Accountant General of Gombe State, Nigeria

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Abstract - *The study investigates the challenges of electronic payment system in Gombe state, evidences from the office of the accountant general in Gombe state with a view to provide solutions to the problems so identified, In carrying out the study, four hundred and five (405) staffs of the office of the accountant general of Gombe formed the population with a total of hundred respondents sampled through purposive sampling method and the analysis is principally based on the Primary data collected from the respondents in the study area. Simple descriptive statistics such as means, percentages and frequencies were used to analyze the data collected from respondents. The study identified problems associated with electronic payment system such as: network failure which leads to failure in capturing variations (personnel update) between platforms and banks, problem in attaching special allowance to a specific pay group (grade level), problem of system maintenance among others. On the basis of the above, it is recommended here that: In spite of the problems militating of the against the effectiveness implementation of the electronic payment system, the office of the accountant general in Gombe state should address the problem of network for effective smooth of the system, there should be put in place, maintenance structure which will keep the system functioning smoothly, the office of the accountant general in the state should continue retraining their staff to be familiar with the new system of payment and provide adequate and up-to-date working facilities to achieved the objective of implementing the new system of payment. There is no doubt that, this will go a long way in making the government to reasonable achieve its objectives, such as improving the socio-economic life of the state and the country at large.*

Keywords: *Electronic payment system, Challenges of EPS, office of the accountant general*

I. INTRODUCTION

The study is about challenges of electronic payment system in Gombe state evidences from the office of the accountant general. In pursuant of the objective of the Central Bank of Nigeria to develop an enduring framework to ensure that all organizations in Nigeria with more than 50 employees make salary/pension payments electronically by direct payment into beneficiary's account by December, 2010, this lead to the implementation of electronic payment system in Gombe state.

The office of the accountant general in the state adopted the e-payment system in July 2013 by the used of Remita. A Remita is an electronic courier service that rides on secured electronic highways to deliver funds to bank accounts and associated schedules to relevant bodies in recipient specified formats. Remita comprises of salary payments, vendor payment, payroll and biometrics and lastly collections. The payroll payments consist of salaries payment, pension to PFAs/PFCs, PAYE taxes to SIBR, the vendor payment recognizes VAT and WHT elements for automatic and synchronized payments, and the collections includes premium, subscription and loan repayment (muhammadu, 2015).

According to CBN (2011), an effective and modern payment system is positively correlated with economic development and is a key enabler for economic growth, though this has not been supported by empirical evidence in the case of Nigeria due to many problems hindering the smooth operation of the system with lead or brought the idea of this research.

E-payment provides means of transacting business and settling financial commitment electronically without necessarily touching cash in a cashless society. E-Payment system involves the transfer of monetary value from one person to the other, meaning that the payment system consist of mechanism which include institution, people, rules, and technologies that make the exchange of payment possible (Dankwanbo, 2008).

Electronic payment system refers to automated process of exchange monetary values, among parties in business transaction and transmitting this value over the information and communication technology net work (Nwankwo, 2013).

Electronic payment system is the ability of organizations and individuals to pay suppliers, contactors, vendors and staff electronically at the touch of a button. All payment instructions and feedback are received electronically (Dankwanbo, 2013).

Electronic payment system in Gombe state in particular is faced with challenges ranging from lack of adequate legal backing, governance issues, failure in capturing variation, integrity of data transmitted, lack of infrastructures, interconnectivity and interoperability (Chibueze , 2006).

The policy has been condemned by all and sundry for lack of planning, inefficiencies and delay in the payments of salaries and pension in Gombe state, hence this article extends and contributes to the body of knowledge to assess the implementation and constraints of the system with a view to proffering solutions to them.

II. PROBLEM STATEMENT

E payment 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, 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 meet because of challenges that the system faces.

Gombe State Government adopted the system of electronic system in its Ministries to eliminate the unacceptable delay in the payment of government salaries, pension and contractors who have been certified to have either partly or totally completed contracts awarded to them and are due for payment; and minimize interaction between contractors and government officials who have roles to play in the payment of contractors; check corruption because transaction of government can easily be traced from one source to another, introduce and institutionalize financial probity in the activities of government (Dankwambo, 2013).

According to Chibueze (2006), every new technology, when exposes and comes to the public, it faces so many difficulties. It takes time that people getting familiar with it. The other point is that since the technology like electronic payment system is new, there should be so many thing invented and prepared as a base for expanding of it. Most of equipment of e-transactions is expensive and not easy and simple to anybody to apply them.

Gombe state government has for a long period been incapable to accomplish its objectives and goals for implementation of electronic payment system in the state. The methods adopted by the state are orthodox in nature. The problems related to the system are primarily associated with network failure as at the particular time when the research was conducted there were no network for almost two weeks in the office of the accountant general of Gombe state and this lead to difficulty in capturing variation i.e. personnel update (Field Survey,2015).

The system which is still in its early stage in the state requires a lot of information and education of the staffs of the accountant general office to enable them appreciate the laudable programmes 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.

The researchers noted some of the problems with e-Payment in the office of the accountant general in Gombe state, 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 some ministries is the fact that the e-Payment has not been as fast as should be (Field Survey, 2015).

Therefore, in respect to the identified problems this study provided the solutions to the questions that disturb the operation of electronic payment system in Gombe state. And also the study proposed feasible ways of improving the electronic payment system in the study area .

Objectives of the study

1. To examine the effectiveness of electronic payment system in office of the accountant general in Gombe state.
2. To identify major challenges of electronic payment system in office of the accountant general in Gombe state.
3. To provide solution/recommendations to the above identified challenges of electronic payment system in office of the accountant general in Gombe state.

Research Questions

1. How effective is the electronic payment system in office of the accountant general in Gombe state?
2. What are the major challenges of electronic payment system in office of the accountant general in Gombe state?
3. What are the ways of improving electronic payment system in office of the accountant general in Gombe state?

Literature Review

The Concept of electronic payment system

According to kulkarni (2004) e-payment is the payment system consisting of electronic machines which make the exchange of payment possible. In other, word that it is a payment or monetary transactions made over network of computers. Wassenaar, D.A. (1990) defines e-payment as alternative cash or credit payment method using various electronic technologies to pay for goods and services in electronic commerce. According to Anyanwaokoro (1991) in the theory and policy of money and banking, a payment system is defines as a system where settlement of financial obligations are done by the use of credit cards or even pressing some bottoms that transfer the amount in their bank to account of another person through the computer. Clive (2007) define electronic banking as a form of banking in which funds are transferred through an exchange of electronic signal between financial institutions, rather than an exchange of cash, cheque or other negotiable instrument.

Greenspan (1996) views EPS as a set of mechanisms which can only provide the necessary infrastructure when coupled with appropriate rules and procedures. Therefore having the technology, systems, or instruments such as debit/credit cards without the supporting rules and arrangements between the institutions involved, may not necessarily present a safe and working payment system. There may be a need for a platform of collaborative arrangements for the mechanism.

CPSS (2006) therefore views the payment system as comprising all institutional and infrastructure arrangements in a financial system for initiating and transferring monetary claims in the form of commercial bank and central bank liabilities. A national payment system therefore includes a country's entire matrix of institutional and infrastructure arrangements and processes.

Types of e-Payment

Dankwambo [2013] stated that there are two types of e-Payment in the Nigerian context. These are:

1. End to End Processing
2. 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 (Ovia, 2002). 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 (Agba, 2010).

Features of a Good Electronic payment system

An ideal e-Payment system should posses the good point as identified by Dankwambo (2013).

1. Easy tracking of payments to beneficiaries' account hence it will assist audit trail.
2. It reduces cases of corruption
3. It will assist corruption fighting agencies like the **EFCC** and **ICPC** in cases of investigation.
4. It is the beginning of a cashless society
5. Overall increase in the efficiency of operation
6. Reduced transactions of very low value

Electronic Payment System in Gombe State

According to the e payment guidelines (2013) as set out in the memo of the Gombe state Accountant- General to all ministries, departments and agencies, the areas where e payment should covers are as follows:

1. Transactions covered by the e-payment: The e-payment regime covers all payment from any Government Fund.
2. Format of Instructions to the CBN and Commercial banks: There will be a mandate with such details as well as particulars of the beneficiaries such as unique number, date, account name and number, bank and branch, amount and purpose of payment.
3. Medium: the medium of sending instructions to the CBN and commercial Banks will be electronic, i.e. soft copy in form of non-rewritable CD with a hard copy conveying the approval.
4. Data Integrity: The integrity of the system is assured by the combined use of electronic copy of the mandate as well as the hard copy which acts as a confirmation, since it will contain the authorized signatures of officers in the ministries, departments and agencies. In addition, each MDA should appoint authorized Bank

Relationship Officers and forward their identification particulars (signature and passport photograph) to the banks.

5. Bank statements: Monthly bank statements must be ready for collection by the MDAs on or before the end of the first week of the following month. MDAs are encouraged to subscribe to on-line banking facilities offered by banks to enable them access their statements on-line.

6. Elimination of Delays: For the purpose of avoiding delays in the payment processes, the mandates to effect payments must reach the paying banks within twenty-four (24) hours after approval for payment by the Accounting officer.

7. Correct account number of beneficiaries: MDAs must insist that the account numbers of the contractors must be clearly stated on the invoices submitted.

Benefits of electronic payment system to Gombe State Government

According to muhammadu (2015) the following are the benefits of electronic payment system to Gombe state Government :

1. One payment solution for personnel record management, payroll and e payment.
2. Storage and validation of biometric data.
3. Efficient processing and payment of salaries and other payments.
4. End to end supplier payment management system.
5. View consolidated bank balances on a single screen.
6. No additional investment in IT infrastructure

Empirical Evidence

In Nigeria and beyond, some researches were conducted on the challenges of electronic payment system. The results of those researches created doubt in the minds of different researchers on the challenges of electronic payment system. Some researchers are of the opinion that the power failure and management attitude are the challenges of electronic payment system. To others, illiteracy, political instability and user acceptability.

Nwankwo (2013) studied the problems and prospect of electronic payment in cashless economy of Nigeria and found that electronic payment system has great implication on cashless economy of Nigerian but it will lead to significant decrease in deposit mobilization and credit extension by Nigerian deposit money banks.

Similarly, Echekoba et al (2011) examined user acceptability and problems of electronic retail payment systems in Nigeria and found that cash usage is still very high in Nigeria despite efforts of CBN towards the adoption of electronic payment system. The study identified challenges such as inadequate power supply, shortage of critical technological infrastructures, lack of socio-cultural support and absence of regulatory framework that are required to operate seamless and effective electronic payment system.

Newstead (2012) examined cashless payments and economic growth and found a link between cashless payment and the pace of economic growth. The study revealed that cashless payment volumes are growing twice as fast in developing economies as they are across the world. Similarly, World Payments Reports (2012) explored the state and evolution of global non-cash

payments and found that non-cash payments make it easier and quicker for people and businesses to buy goods and services, pumping money into the system faster and contributing to GDP. The result of the study was similar to Hasan, Renzis and Schmiedel (2012) who explored fundamental relationship between electronic retail payment and overall economic growth using data from across 27 European markets over the period 1995-2009 and found that migration to efficient electronic retail payment stimulates overall economic growth, consumption and trade.

III. METHODOLOGY

The study consists of a survey that was administered to gather information on the implementation of the Gombe state e-payment system and its constraints with a view to providing solutions to the constraints so identified.

Population of the study

The population of the study comprises of all the staffs of the office of the accountant General in Gombe state. The office of the accountant General in Gombe state has four hundred and five (405) staffs. The study sampled one hundred (100) staffs using purposive sampling technique to give their responds to the study. The hundred staffs selected were : four (4) directors, eight (8) chief accountants, ten (10) staffs from payroll unit, seven (7) staffs from joint account unit, ten (10) from sub-treasury where four (4) from Gombe local Government, two (2) from kaltingo, two (2) from Dukku and two (2) from Billiri local Government, ten (10) staffs from central account payroll, ten (10) from final account unit, six (6) from Local government payroll unit,

eight (8) from expenditure control unit, ten (10) staffs from sub account department seven (7) from reconciliation department and ten (10) staffs from internal audit department.

Study Area

The State is located between Latitudes 9°30’ and 12°30’N, and Longitudes 8°5’ and 11°45’E. It lies in the centre of North East geopolitical zone of Nigeria and shares boundaries with all other states in the zone; Adamawa and Taraba in the South-south, Bauchi in the West, Borno in the east and Yobe in the North-east. The population of Gombe State in 2006 Census stood at about 2,365,040. The State has an average population density of 130/km² (NPC, 2006).

Sources of Data

The study made used of both primary data. The data was collected by administering questionnaire to a sampled of 100 staffs of the office of the accountant general in the study area. Out of the 100 questionnaire only 75 were filled and returned.

Results and Discussion

An analysis of characteristics of the respondents is presented on table 1. The results shows that more than half 66.67% of the respondents were males and only 33.33% were females. This implies that both sexes participated in giving information on this study and men engage more in giving the information.

The table shows that majority of the respondents representing 40% obtained diploma , followed by 26.67% of the respondents obtained secondary certificates and bachelors degree where as only 6.67% of the respondents obtained masters and PhD.

Table 1 further shows the distribution of respondents according to their working experience in the office of the accountant general, the table Revealed that the highest percentage of the respondent with 36% has spent 11-15 years working, followed by 26.67% of the respondents with 6-10 years of experience 20% of the respondents with 0-5 years and lastly 17.33% for 16 and above years in the ministries.

Table 1: Distribution of socio economic characteristics of Staffs in the office of Gombe State Accountant General

No.	socio economic variables	Frequency	Percentage (%)
1.	Sex		
	Male	50	66.67
	Female	25	33.33
2.	Educational status		
	Secondary school certificate	20	26.67
	Diploma/ HND	30	40
	Bachelors	20	26.67
	Masters and PhD	5	6.67
3	Working experience		
	0-5 years	15	20
	6-10 years	20	26.67
	11-15 years	27	36
	16 and above	13	17.33

Source: Field survey, 2015

Table 2 reveals that majority 33.33% of the respondents stated that the major problems of EPS faced by the office of the state accountant general are: network failure. And 20.0% of the respondents stated that network failure leads to the second problem which is difficulty in capturing variation (personnel update) between banks and multi platforms where as 13.33% of the respondent stated that a lot of difficulties was experienced in attaching special allowance to a specific group , 10.67% are on the view that migrating from the old manual system of payment to the new payment system is another major problem faced by the state office of the accountant general in the study area ,9.33% of the respondents stated that problem of facilities maintenance is also a big problem, 8.0% of the respondents stated that the Government fail to provide the office of the accountant General with working materials such as computer and lastly 5.33% of the respondents are of the view that power failure is another challenge faced by the office of the accountant general of the state in the study area.

Table 2: Distribution of the Problems of E payment system in the office of Gombe state Accountant General

No.	Problems category	Frequency	Percentage (%)
1.	Network problem	25	33.33
2.	Failure in capturing variation (personnel update)	15	20.0
3.	Problem of attaching special allowance to a pay group(grade level)	10	13.33
4.	Problem of migrating from manual system to the electronic system	8	10.67
5.	Problem of system maintenance	7	9.33
6.	Working materials	6	8.0
7.	Power failure	4	5.33

Source: Field survey, 2015

IV. CONCLUSION AND RECOMMENDATIONS

The study concludes that, several problems associate electronic payment system in the study area. The study identified problems associated with electronic payment system are: network failure which leads to failure in capturing variations (personnel update) between platforms and banks, problem in attaching special allowance to a specific pay group (grade level), problem of system maintenance among others. On the basis of the above, it is recommended here that: In spite of the problems militating of the against the effectiveness implementation of the electronic payment system, the office of the accountant general in Gombe state should address the problem of network for effective smooth of the system , there should be put in place, maintenance structure which will keep the system functioning smoothly, the office of the accountant general in the state should continue retraining their staff to be familiar with the new system of payment and provide adequate and up-to-date working facilities to achieved the objective of implementing the new system of payment . There is no doubt that, this will go a long way in making the government to reasonable achieve its objectives, such as improving the socio-economic life of the state and the country at large.

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