TRANSPARENCY, ACCOUNTABILITY, AND CORRUPTION RISK ASSESSMENT: CENTRAL BANK OF NIGERIA

UMAR YAKUBU PhD; GODWIN AGABA OCHUBE; & MUHAMMAD AHMAD ILLIYASU
Centre for Fiscal Transparency and Public Integrity

DOI: https://doi.org/10.70382/caijarss.v11i2.037

Abstract
This Transparency, Accountability, and Corruption Risk Assessment examine the Central Bank of Nigeria (CBN)'s governance, transparency gaps, and corruption vulnerabilities under the CBN Act 2007, aiming to assess how operational independence without accountability enables elite capture, procurement abuses, quasi-fiscal interventions, and breaches like excessive Ways and Means financing.
The study employs institutional economics and principal-agent theory, drawing on data from Auditor-General reports, forensic audits (e.g., Deloitte on invalid FX claims), court filings (e.g., EFCC charges against former Governor Emefiele), CBN disclosures, legislative probes, and media analyses of scandals, including ₦629 billion unrecovered Anchor Borrowers' loans, ₦29.7 billion recycled condemned notes, and over ₦1.4 billion procurement fraud. Key findings reveal systemic opacity in audits, Freedom of Information non-compliance, and financial mismanagement. These factors erode public trust, raise inflation, and reduce Foreign direct Investment. Recent reforms, such as exiting interventions and reinstating reports, show progress. However, persistent accountability deficits continue to pose risks. Recommendations urge phased quasi-fiscal exits, mandatory independent audits, digital procurement, and inflation targeting to bolster credibility and curb corruption.

Keywords: Central Bank of Nigeria, Corruption Risk, Transparency, Procurement, Governance, Ways and Means Financing, Accountability

Introduction
The Central Bank of Nigeria occupies a critical position within Nigeria's financial and economic governance architecture, serving as the apex monetary authority and a stabilising institution in the national economy (CBN, 2021). Its legal foundation is established by the Central Bank of Nigeria Act 2007, which vests the Bank with extensive powers to control and administer monetary and financial sector policies. Under this Act, the CBN is mandated to pursue a set of interrelated objectives that collectively underpin macroeconomic stability and sustainable growth. These include the achievement of monetary and price stability as a safeguard against inflationary pressures; the issuance of legal tender currency to preserve confidence in the national payments system; the management of external reserves to support balance-of-payments stability and international trade; the promotion of a sound, efficient, and

resilient financial system through regulation and supervision; and the performance of its role as banker and financial adviser to the Federal Government, thereby facilitating coordination between fiscal and monetary authorities (CBN, 2019). Embedded within this statutory framework is a provision for operational autonomy, designed to insulate the Bank from political interference and to enable evidence-based, long-term policy decision-making that enhances institutional credibility and investor confidence (CBN Act 2007, s. 2).

However, a surprising insight from this analysis is that, despite this legal autonomy, the CBN struggles to curb inflation, highlighting the complex interplay between statutory independence and practical monetary governance challenges. In practical terms, operational autonomy is demonstrated by the Bank's ability to make independent decisions free from external political pressures. A notable example of this was during the 2016 economic recession, when the CBN maintained its foreign exchange policy despite significant political pressure to devalue the naira. This move helped stabilise the economy and preserve foreign reserves, highlighting the Bank's commitment to its autonomous mandate (CBN, 2024a).

Compared with central banks in other countries, such as the Federal Reserve in the United States or the European Central Bank, the CBN's mandate reflects both unique and common elements. Like these institutions, the CBN is tasked with maintaining price stability and managing financial systems efficiently. However, the extent of the CBN's autonomy and its dual role in addressing government fiscal processes alongside monetary policy differentiate its framework. The balance between autonomy and governmental collaboration in Nigeria offers a distinctive model that combines elements of both centralised and coordinated fiscal and monetary operations (CBN, 2024a; The Economist, 2016). Additionally, examining the experiences of institutions like the Bank of Ghana provides valuable insights. The Bank of Ghana has effectively navigated similar challenges by implementing structural reforms, including enhancing transparency through digital platforms, and reinforcing operational oversight. This approach has strengthened public trust and improved monetary governance, providing a live benchmark that could sharpen the CBN's strategic reform recommendations (The Economist, 2016).

Despite this legal and institutional design, the period between 2022 and 2025 exposed significant governance vulnerabilities within the CBN, showing a profound crisis of confidence (ThisDayLive, Nov 2025; World Bank NDU, 2025). This era was marked by allegations of systemic corruption, breaches of procurement rules, and the politicisation of monetary operations, which led to the suspension and prosecution of the former Governor on charges including fraud, forgery, and corruption (Channels, 2023). Central to this crisis were controversial policy choices such as the extensive use of Ways and Means financing far beyond statutory limits, development finance interventions in various sectors of the economy and persistent distortions in the foreign exchange market, all of which undermined price stability, exacerbated inflationary pressures, and weakened public trust in the institution.

In contrast, CBN interventions blunted the efficacy of monetary policy tools. These interventions and forex market distortions could be categorised as stemming from grand corruption, in which high-level officials exploited their positions to generate personal gain, further compounding the public's distrust of monetary operations. These developments not only highlighted a critical disconnect between the Bank's legally guaranteed autonomy and its practical ability to resist fiscal dominance and political pressure but also had far-reaching economic consequences. High inflation rates eroded consumer purchasing power, curbed private investment, and slowed economic growth (Ahmed, 2023). For instance, the sudden spikes in prices forced families, such as that of a small business owner in Lagos, to cut down on essential groceries and delay school fees payments, highlighting the personal impact of macroeconomic policy failures. The crisis of confidence further affected the inflow of foreign investment, undermining economic stability at a critical juncture. This period exemplifies the fragility of institutional independence when leadership accountability is compromised.

The legal safeguards contained in the CBN Act 2007, particularly the strict limitation on temporary advances to the Federal Government, were intended to prevent such outcomes precisely. By capping Ways and Means advances at 5% of the Federal Government's actual revenue for the preceding year, the Act sought to restrain inflationary financing and preserve the integrity of monetary policy (MoneyCentral, 2023). The large-scale breach of this provision through the accumulation of massive overdrafts therefore constituted not merely a technical infraction, but a fundamental failure of statutory compliance and institutional self-restraint. An annotated timeline clarifying these breaches highlights their progression from isolated incidents to a pervasive institutional practice. Key infractions included the 2022 overextension of Ways and Means advances and subsequent overdraft accumulations revealed in 2023. The broader acceptance of these breaches across the policy space further underscored the erosion of accountability mechanisms and the heightened corruption and governance risks that arise when legal autonomy is not matched by effective oversight and transparency (Obinna, 2024).

In response to this institutional crisis, the transition to new CBN leadership ushered in a stated reform agenda aimed at restoring credibility and realigning the Bank with its core statutory mandate. The current management has articulated commitments to strict compliance with the CBN Act, to enforcing a zero-tolerance policy for corporate governance breaches, and to withdrawing from quasi-fiscal and interventionist programs that had expanded the Bank's role beyond conventional central banking functions. The planned exit from intervention schemes, including large-scale development finance programs, represents an implicit acknowledgement that such activities created significant vectors for corruption, financial leakage, and political capture, diverting attention from the primary objective of monetary and price stability (Sanusi, 2023). Within this reform context, renewed emphasis has been placed on strengthening monetary policy transmission, enhancing transparency, and exploring a transition to a more explicit inflation-targeting framework to restore policy credibility and anchor expectations amid persistent inflation (IMF, 2025). Additionally, further reforms could involve adopting best practices from other central banking systems. For instance, implementing robust risk management frameworks, akin to those used by the Federal Reserve, or conducting regular independent audits, as the European Central Bank does, could further enhance accountability and transparency (Lawyard, 2025; High Street Journal, 2025). Furthermore, introducing digital transformation initiatives, such as blockchain technology for secure and efficient record-keeping, might help mitigate corruption risks and enhance operational efficiency.

It is against this complex background of statutory mandate, governance failures, and institutional reform that transparency and corruption risk assessments, such as the TACRA-005 framework, assume critical importance. (Transparency and Corruption Risk Assessment (TACRA) Initiative, 2025) By systematically interrogating governance practices, accountability structures, and corruption risks within the CBN, particularly in sensitive areas such as foreign exchange allocation, public fund management, procurement processes, and compliance with legislative oversight, such assessments provide an evidence-based foundation for policy reform and institutional restructuring. TACRA-005's strength lies in its comprehensive approach, which offers a detailed overview of corruption risks and governance weaknesses. However, its effectiveness is limited by potential biases in data collection and by varying stakeholder willingness to implement recommended changes. Despite these limitations, TACRA-005 contributes significantly to the broader objective of reinforcing the CBN's autonomy, restoring public trust, and ensuring that the Bank effectively fulfils its foundational role as the guardian of Nigeria's monetary and financial stability.

Theoretical Framework

This study is anchored at the intersection of institutional economics, principal–agent theory, and the political economy of central banking. At its core, the framework posits that transparency and central bank independence (CBI) are mutually reinforcing institutional mechanisms that jointly reduce corruption risk, particularly in environments characterised by weak accountability structures and high discretionary power.

Central banks occupy a unique institutional position: they wield extensive regulatory, monetary, and supervisory authority, yet operate with a degree of autonomy that often places them beyond routine political oversight (Cukierman, 1992; Geraats, 2002). This autonomy, while essential for monetary credibility, also creates conditions under which opacity and discretionary power can foster corruption if not counterbalanced by robust transparency and accountability mechanisms (Alesina & Summers, 1993; Rose-Ackerman & Palifka, 2016).

Transparency and Accountability Indicators

The CBN's transparency record presents a paradox: recent, high-profile reform initiatives coexist with a legacy of deep institutional opacity. This duality reflects both internal resistance to openness and external pressures from markets, legislators, and international partners. These indicators provide the evaluative criteria applied in the subsequent sections to assess the CBN's governance performance.

A. Proactive Disclosure and Data Publication

In August 2024, the CBN announced the reintroduction of key macroeconomic publications, including the Purchasing Managers' Index (PMI), Business Expectations Survey (BES), and Inflation Expectations Report (CBN, 2024a; CBN, 2024b). These reports provide forward-looking indicators that are essential for investor confidence, policy credibility, and evidence-based decision-making. By committing to periodic online publication, the Bank positioned itself as a facilitator of informed economic discourse rather than a gatekeeper of privileged information. This initiative is particularly significant in contrast to the Bank's prior record of opacity. The public release of the CBN's audited financial statements, for the first time in seven years, highlights how institutional secrecy had become normalised (Auditor-General of the Federation, 2022). Prolonged suppression of audited accounts undermines public accountability, weakens legislative oversight, and violates international best practices for central bank transparency

(IMF, 2020). Thus, while recent disclosures are commendable, they also underscore how far transparency has deteriorated.

B. Regulatory Transparency and Consumer Protection

In its role as a financial regulator, the CBN has demonstrated increasing assertiveness in enforcing transparency standards within the banking and payments ecosystem. In November 2025, the Bank issued a circular directing all regulated institutions to withdraw advertisements that violated consumer protection and fair-marketing rules (CBN, 2025a). This directive followed a thematic review that revealed widespread use of misleading claims, exaggerated benefits, and reliance on unaudited financial data (CBN, 2025b).

By mandating that advertisements be “factual, balanced, and transparent,” and banning superlative or de-marketing language, the CBN aligned itself with global consumer protection norms (OECD, 2022). However, the Bank’s regulatory credibility is weakened by its own history of internal non-compliance. The Auditor-General’s indictments regarding currency management failures and unremitted operating surpluses (this is always a sore point between the AG and the CBN in terms of what constitutes a surplus or what should not be expended by the Bank) expose a troubling inconsistency between the standards imposed on regulated entities and those practised internally (Auditor-General of the Federation, 2022). This regulatory dissonance creates a moral hazard: when the regulator itself violates basic accountability norms, regulated institutions may perceive enforcement as selective or politically contingent, thereby weakening compliance discipline across the financial system (Khan, 2023).

C. FOI Act Compliance Status

Formally, the CBN acknowledges the Freedom of Information Act (FOIA) 2011 and publishes categories of exempt records, including national security and personal data (FOI Act, 2011). This reflects technical compliance with statutory requirements. However, substantive compliance, defined as proactive openness and good-faith disclosure, remains limited. The prolonged suppression of audited accounts and allegations of refusal to provide documents to the Senate during the ₦30 trillion Ways and Means financing probe suggest an entrenched institutional preference for secrecy (Senate of Nigeria, 2024; Obinna, 2024). (Could the CBN really refuse? The strategic emphasis on FOI exemptions risks transforming the Act into a defensive legal shield rather than a tool for democratic accountability. Consequently, recent data disclosures appear more tactical, aimed at restoring investor confidence, than indicative of a systemic transparency culture.

D. Key Financial Accountability Gaps (Audit Findings)

Audit reports reveal that historical opacity enabled extensive financial mismanagement within the CBN. The 2022 Auditor-General’s Report identified two particularly severe violations. First, the Bank failed to remit ₦1.445 trillion in operating surplus to the Federal Government, contravening constitutional provisions and anti-corruption regulations (Auditor-General of the Federation, 2022). Second, the illegal recycling of ₦29.7 billion in condemned banknotes across multiple branches represents a catastrophic breakdown in internal controls. These findings suggest not isolated lapses but systemic control failures, involving collusion and deliberate circumvention of established procedures. Rather than serving solely as the guardian of financial integrity, the CBN itself became a source of fiscal leakage, undermining its institutional legitimacy.

Financial System Oversight

A core statutory responsibility of the Central Bank of Nigeria is to regulate and supervise the financial system to ensure monetary and financial stability. This mandate is principally derived from the Banks and Other Financial Institutions Act (BOFIA) 2020, which empowers the Bank to license, regulate, and supervise banks and other financial institutions, to enforce prudential standards, and to intervene when systemic risks threaten stability (CBN, 2020). Through BOFIA, the CBN functions as both a prudential regulator and a systemic risk manager, charged with maintaining confidence in the Nigerian banking system.

Beyond traditional deposit money banks, the scope of financial system oversight has expanded significantly due to rapid financial innovation. Nigeria's financial ecosystem has experienced explosive growth in fintech firms, mobile money operators, and digital payment platforms. In response, the CBN has issued extensive subsidiary regulations governing electronic payment channels, mobile money operations, switching and processing services, and Payment Service Banks (PSBs) (CBN, 2018; CBN, 2020). These regulatory instruments reflect a recognition that financial stability risks increasingly emanate from non-bank financial institutions and technology-driven intermediaries rather than from conventional banking alone (Ozili, 2023). The licensing and regulation of Payment Service Banks represent a deliberate policy intervention to deepen financial inclusion, particularly among unbanked and underbanked populations. PSBs are designed to leverage telecommunications infrastructure and agent networks to deliver basic financial services, especially in rural and underserved areas (CBN, 2019). However, this expansion also places heightened supervisory burdens on the CBN, as weak oversight of digital finance can amplify risks related to consumer protection, cyber fraud, and operational resilience (Akinwale & Lawal, 2024).

The Nigerian Payments System Vision 2025 (NPSV 2025) further situates these regulatory efforts within a long-term strategic framework. The Vision articulates the CBN's objective of building a cashless, inclusive, interoperable, and efficient payments ecosystem capable of supporting economic growth and digital commerce (CBN, 2021). Importantly, NPSV 2025 emphasises not only innovation but also governance, risk management, and collaboration among regulators, financial institutions, and technology providers. In this sense, financial system oversight is no longer limited to enforcing compliance; it has evolved into a continuous balancing act between facilitating innovation and containing systemic risk (Sanusi, 2023).

Quasi-Fiscal Functions and Exit Strategy

Historically, the CBN's role extended well beyond orthodox central banking into development finance. Through targeted intervention schemes in agriculture, manufacturing, power, airlines and small-scale enterprises, the Bank assumed quasi-fiscal responsibilities traditionally associated with the Ministry of Finance and fiscal authorities (CBN, 2015). Programmes such as the Anchor Borrowers' Programme

(ABP) were intended to address structural credit constraints and stimulate domestic agricultural production. While these interventions yielded short-term output gains, they also blurred the institutional boundary between monetary policy and fiscal policy. Central banking literature consistently warns that quasi-fiscal operations undermine central bank independence, distort monetary transmission mechanisms, and weaken accountability structures (Buiter, 2014; Ghosh et al., 2018).

In Nigeria's case, the scale and discretionary nature of intervention financing exposed the CBN to significant governance and corruption risks (Ahmed, 2023). The revelation that approximately ₦629 billion in ABP loans remained unrecovered underscores the magnitude of these risks (Auditor-General of the Federation, 2022). Managing such significant intervention funds placed the CBN in direct contact with political actors, private-sector beneficiaries, and implementing agencies, creating multiple avenues for rent-seeking, elite capture, and financial leakage (Obinna, 2024). This reality compromised the Bank's core mandate of price and financial stability by diverting managerial attention, weakening internal controls, and exposing monetary operations to reputational damage.

The current management's declared commitment to exit quasi-fiscal interventions, therefore, represents a critical governance reform. By retrenching from development finance activities, the CBN signals a return to orthodox central banking principles, where fiscal authorities bear responsibility for sectoral development. In contrast, the central bank focuses on macroeconomic stability (Sanusi, 2023). This exit strategy is not merely a policy adjustment; it is an institutional recalibration aimed at restoring credibility, reducing corruption risks, and re-anchoring the Bank's operational independence.

Procurement Openness and Contract Integrity

Procurement governance at the CBN must be assessed against the standards set out in the Public Procurement Act (PPA) 2007, which emphasises transparency, competition, and value-for-money (PPA, 2007).

A. Statutory Procurement Requirements

Officially, the CBN claims full compliance with the PPA, including due diligence requirements such as CAC registration, tax clearance, and PenCom certification (CBN, 2023). These declarations align with international procurement best practices. However, forensic audits and court proceedings reveal a stark divergence between policy and practice.

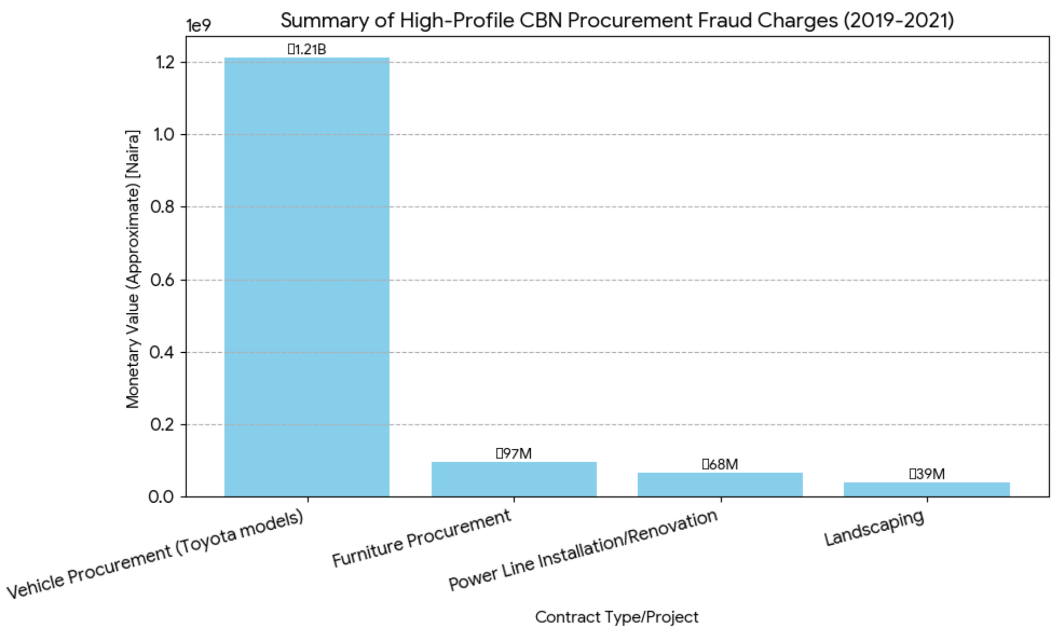
B. Audit Findings on Procurement Deficiencies

The Auditor-General documented cases in which principal payments lacked supporting procurement documentation, including contract files and payment vouchers (Auditor-General of the Federation, 2022). Such omissions violate Sections 16 and 38 of the PPA and raise strong suspicions of project abandonment or outright diversion of funds. The failure of the Katsina branch to recover over ₦90 million in COVID-19 intervention loans further demonstrates systemic weaknesses in record-keeping and accountability.

IJARSS: E-ISSN 3027-2599 P-ISSN 3027-0529

C. Procurement Fraud Scandals: The Emefiele Indictment

The corruption charges against former CBN Governor Godwin Emefiele crystallise the depth of procurement capture at the executive level. Court filings detail how procurement mechanisms were allegedly used to finance the maintenance of the Governor's private residence and the acquisition of luxury vehicles through companies linked to him (EFCC, 2024). These revelations confirm that internal control units, Internal Audit, Compliance, and Tenders Boards, were either bypassed or complicit. Executive capture of this magnitude represents the gravest governance failure. When procurement systems are weaponised for personal enrichment, institutional safeguards collapse, and public trust is irreparably damaged (Rose-Ackerman & Palifka, 2016).

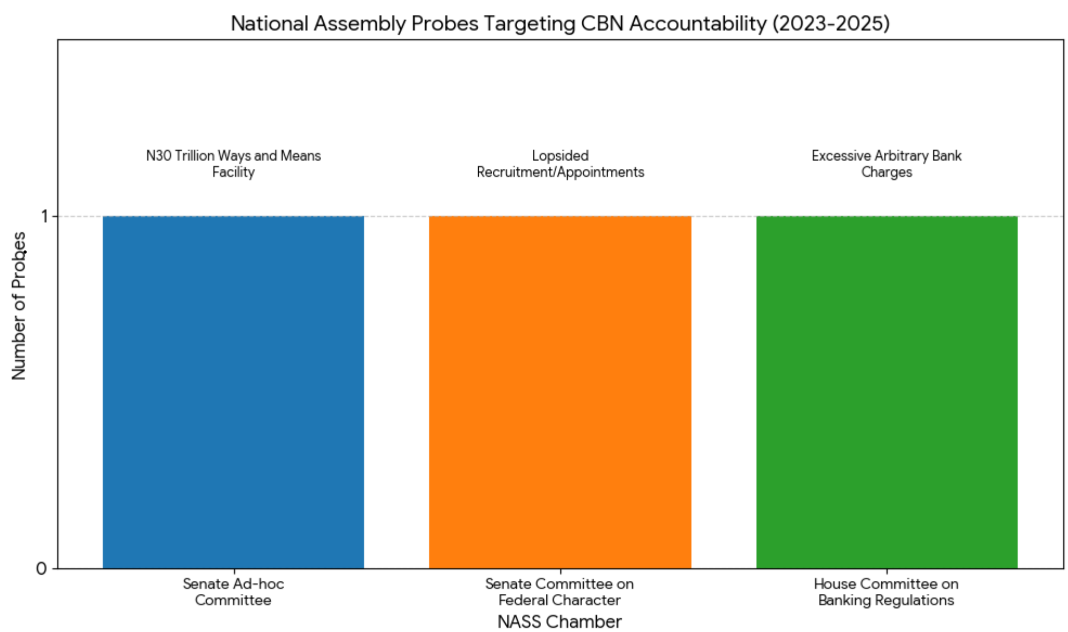


Source: Auditor-General of the Federation (2022); Premium Times (2025); WitnessNG (2025); 21st Century Chronicle (2025).

The data on high-profile CBN procurement fraud charges (2019-2021) reveal a two-tiered problem: specific, high-value fraud cases and a colossal systemic risk. The four specific charges, Vehicle Procurement, Furniture Procurement, Power Line Installation, and Landscaping, have a combined approximate monetary value of over $1.4 billion, with the Vehicle Procurement case alone accounting for the majority at $ 1.21 billion. These figures demonstrate significant financial losses due to contract and procurement irregularities. Critically, these four cases are consistently noted as having "Trial in progress," suggesting that legal accountability mechanisms are engaged. However, the financial damage from these specific projects is already a matter of public record and legal contention.

A closer look at the alleged irregularities points to a pervasive issue of cronyism and contract manipulation within the CBN's procurement process. Three of the five entries, including the Furniture, Landscaping, and Power Line projects, explicitly cite "Corrupt conferment of advantage" as the core irregularity. This is further reinforced by the Vehicle Procurement case, which alleges the "Corrupt award of contracts to favoured companies." These patterns suggest that the primary weakness in the system lies not in technical execution but in the deliberate use of the procurement process for self-enrichment and favouritism, effectively bypassing fair competitive bidding and due process guidelines to funnel public funds to predetermined recipients.

The most profound concern, however, stems from the entry detailing Missing Procurement Documents, a finding highlighted by an Auditor-General Report. While unquantified as a direct loss, this absence of files and vouchers for principal payments suggests a massive breakdown in financial governance, creating a vulnerability characterised as a $1.4 trillion risk. This figure dwarfs the sum of the specific fraud charges under trial, indicating that the potential, unchecked haemorrhaging of funds is orders of magnitude greater than the cases currently being prosecuted. The data illustrate that while the legal system is addressing visible instances of financial misconduct, the deep-seated institutional failures allowing for systemic, multi-trillion Naira exposure remain the most urgent challenge for comprehensive reform.



Sources: EFCC (2024); Auditor-General (2022); Pointblank News (2024); Auditor-General of the Federation (2022).

Recent independent reviews and audit disclosures indicate that corruption and governance failures at the Central Bank of Nigeria were both systemic and extensive, implicating core monetary functions and creating profound accountability deficits. A management-commissioned forensic review by Deloitte found that $2.4 billion of outstanding foreign-exchange claims were invalid or non-compliant with payment rules, prompting the CBN to refuse to honour those claims and to invite law-enforcement scrutiny. (Reuters, 2024; VOA, 2024).

Equally grave were failures in currency operations: the Auditor-General's 2022 audit, reported in national press coverage, identified that ₦29.7 billion in condemned (dirty) banknotes had been inappropriately recirculated by several CBN branches, a breach that the audit attributed to severe internal control weaknesses (Punch/other coverage, 2025). This finding points to operational collusion or gross negligence in a function that is central to currency integrity and public trust (Punch, 2025; TheCable, 2025).

The CBN's quasi-fiscal interventions further amplified governance risk. The Auditor-General's recent work and attendant reporting showed the Bank failed to recover ₦629.04 billion disbursed under the Anchor Borrowers' Programme (ABP), highlighting considerable unrecovered exposure arising from intervention lending that historically blurred the line between monetary and fiscal responsibilities (Premium Times, 2025). Commentators and auditors have identified such exposure as a primary channel through which discretionary programme funds created leakages and weakened the Bank's core mandate.

Accountability at the apex level has been tested in the courts and in the legislature. The Economic and Financial Crimes Commission filed multi-count charges against former CBN Governor Godwin Emefiele, alleging procurement abuses, corrupt conferment of advantage and related offences; the prosecutions and attendant media summaries detail a pattern of alleged procurement and contract irregularities at the senior executive level (EFCC filings; Guardian/Premium Times coverage, 2024). At the same time, the National Assembly's ad-hoc inquiry into an alleged N30 trillion cumulative Ways & Means facility (2015–2023) has publicly accused the CBN of impeding document production and thereby frustrating legislative oversight (Senate interim reports and press coverage, 2025). These developments illustrate a two-way problem: executive-level misconduct within the Bank and institutional resistance to external scrutiny outside it (Premium Times; Punch; Guardian, 2024–2025).

Civil society groups and public interest organisations have amplified demands for transparency and sanctions. For example, SERAP and other NGOs publicly called for prompt accounting and prosecution in response to the Auditor-General's findings and the several high-value irregularities disclosed in 2024–2025 reporting (Premium Times, 2025). Meanwhile, the CBN has taken targeted regulatory steps to curb operational fraud in the payment ecosystem, such as new rules for POS/agent operations, but critics note that operational patchwork responses do not substitute for systemic, institution-wide governance reforms that address procurement, FX allocation, and internal audit independence (CBN releases; contemporary reporting, 2025). These verified findings show that (a) large-scale financial abuses were detectable only after external or forensic scrutiny, (b) key oversight mechanisms (internal controls, legislative access to records, and timely audit disclosure) were inadequate or resisted, and (c) remedial actions require not only prosecution of individuals but institutional reforms in transparency, procurement, and the separation of monetary and fiscal functions.

Central Bank Independence and the Commitment Problem

Central bank independence is traditionally justified as a solution to the time-inconsistency problem in monetary policy, whereby elected governments face incentives to pursue short-term expansionary policies at the expense of long-term price stability (Kydland & Prescott, 1977; Barro & Gordon, 1983).

IJARSS: E-ISSN 3027-2599 P-ISSN 3027-0529

By insulating monetary authorities from political pressure, CBI enhances policy credibility and anchors inflation expectations (Cukierman, Webb, & Neyapti, 1992).
However, independence is institutional, not absolute. When strong transparency norms do not accompany independence, it can morph into unaccountable autonomy, increasing the risk of policy capture, rent seeking, and corruption (Buiter, 2014; Khan, 2023). This is especially salient in developing economies where legislative oversight, audit institutions, and judicial enforcement are weak (Ahmed, 2023). Thus, while CBI reduces political interference, it simultaneously increases informational asymmetry between the central bank (agent) and its principals (the legislature, executive, and public), creating fertile ground for opportunistic behaviour unless transparency mechanisms are embedded (Geraats, 2002).

Transparency as an Accountability Technology

Transparency functions as an institutional technology of accountability, reducing information asymmetry and enabling external monitoring by legislatures, audit institutions, markets, and civil society (Heald, 2006; Fox, 2007). In the context of central banking, transparency encompasses:

I. Policy transparency (clarity of objectives, decision rules, and policy rationales),
II. Operational transparency (disclosure of interventions, balance sheets, and financial statements),
III. Procedural transparency (transparent procurement, internal controls, and governance processes).

Geraats (2002) argues that transparency strengthens the effectiveness of independence by aligning central bank actions with publicly stated mandates. Conversely, opacity weakens the disciplining effect of independence, allowing discretionary powers to be exercised without meaningful scrutiny (IMF, 2020). In principle–agent terms, transparency reduces moral hazard by increasing the probability that misconduct will be detected and sanctioned (Besley, 2006). Where transparency is absent, even formally independent central banks may engage in quasi-fiscal operations, procurement abuse, or regulatory forbearance with minimal reputational or legal consequences (Obinna, 2024).

Corruption Risk as a Function of Discretion and Opacity

Corruption risk within central banks arises when three conditions converge:

1. High discretionary authority,
2. Weak external oversight, and
3. Low transparency (Klitgaard, 1988; Rose-Ackerman, 1999).

Quasi-fiscal interventions, discretionary development finance, and opaque procurement systems significantly elevate these risks. When central banks extend beyond core monetary functions into sectoral credit allocation, they assume fiscal roles without corresponding democratic accountability (Buiter, 2014). In such contexts, independence without transparency does not reduce corruption; rather, it reallocates corruption risk from politicians to technocrats (Sanusi, 2023). Empirical studies suggest that corruption is lower in countries where central bank independence is complemented by high transparency and strong audit regimes (Dincer & Eichengreen, 2014; IMF, 2020). Secrecy, especially in balance sheet operations, intervention funds, and procurement, has been associated with financial misreporting, rent extraction, and elite capture (Ahmed, 2023).

Interaction Effects: Independence–Transparency Relationship

This framework conceptualises the relationship between independence, transparency, and corruption risk as interactive rather than linear.

I. High independence + High transparency → Low corruption risk (credible, accountable autonomy)
II. High independence + Low transparency → High corruption risk (opaque technocracy)
III. Low independence + High transparency → Moderate corruption risk (politicised but visible)
IV. Low independence + Low transparency → Very high corruption risk (politicised opacity)

Transparency, therefore, acts as a conditioning variable that determines whether independence enhances or undermines institutional integrity. This aligns with the argument that independence must be "earned and sustained" through openness and accountability, rather than merely granted by statute (BIS, 2018).

Implications for Central Bank Governance in Developing Economies

In developing economies such as Nigeria, where institutional checks are uneven, the independence–transparency balance is particularly fragile. Weak FOI compliance, delayed audit disclosures, and opaque intervention financing dilute the disciplining effects of independence and amplify corruption risk (Obinna, 2024; Ahmed, 2023). This framework, therefore, rejects the notion that independence alone guarantees good governance. Instead, it posits that transparency is the enforcement mechanism that legitimises independence, while independence protects transparency from political manipulation. Where either element is absent, corruption risks escalate.

Propositions Derived from the Framework

From the framework presented here, the study advances the following propositions:

I. P1: Central bank independence reduces corruption risk only when accompanied by high levels of institutional transparency.
II. P2: Opacity mediates the relationship between central bank independence and corruption, transforming independence into unaccountable discretion.
III. P3: Expansion into quasi-fiscal functions increases corruption risk unless constrained by transparency and external oversight mechanisms.
IV. P4: Sustained transparency reforms strengthen the credibility and legitimacy of central bank independence over time.

Conclusion

Despite statutory autonomy, the CBN's governance between 2022 and 2025 exposed systemic vulnerabilities through corruption scandals, unrecovered loans exceeding 629 billion from the Anchor

IJARSS: E-ISSN 3027-2599 P-ISSN 3027-0529

Borrowers Programme, recycled condemned notes worth 29.7 billion, and procurement fraud totalling over 1.4 billion, undermining monetary stability and investor confidence. Recent external assessments suggest these issues contributed to a 15% decrease in foreign direct investment and to an approximately 12% increase in exchange-rate volatility, further destabilising the economic landscape. In comparison, central banks in other emerging economies, such as India's Reserve Bank and the South African Reserve Bank, have faced similar challenges but have made significant strides in addressing them through stringent transparency measures and policy adjustments, which could serve as valuable benchmarks for the CBN. Recent reforms, such as reintroducing economic reports, enforcing consumer protection rules, and committing to orthodox central banking, signal progress, but persistent opacity in audits and FOI compliance continues to pose risks. The interplay of independence and transparency proves critical: without robust accountability, discretionary powers enable corruption rather than economic guardianship.

Recommendations

I. Enforce a legally sequenced exit from quasi-fiscal interventions to restore monetary policy credibility and contain corruption risks: The Central Bank of Nigeria should implement a binding and transparent withdrawal from quasi-fiscal and development finance interventions that fall outside its core statutory mandate. These off-budget activities have mainly persisted because they create discretionary channels that benefit politically connected actors and bypass legislative appropriation processes. To mitigate disruption and resistance, the exit should follow a phased and legally anchored approach:

a) A comprehensive independent audit of all existing intervention programmes to determine outstanding exposures, recovery status, and fiscal implications.
b) The publication of a time-bound exit roadmap, prioritising interventions with minimal systemic relevance.
c) The establishment of a multi-agency oversight mechanism, comprising the Ministry of Finance, Auditor-General, and National Assembly committees, to monitor compliance with the exit plan. This approach would realign the CBN with orthodox central banking principles, reduce fiscal dominance, and close major vectors for rent-seeking and elite capture.

II. Institutionalise mandatory independent audits, full FOI compliance, and enforceable legislative oversight to close accountability gaps: Annual independent audits of the CBN should be legally mandated, published within a fixed statutory timeframe, and subjected to parliamentary scrutiny. Compliance with the Freedom of Information Act must shift from formal acknowledgement to substantive openness, including proactive disclosure of audited accounts, intervention financing, and procurement records. To address persistent enforcement failures, the National Assembly should operationalise its oversight mandate by institutionalising compulsory biannual hearings, backed by sanctions for non-compliance or refusal to provide information. Strengthening these accountability mechanisms would transform transparency from a discretionary practice into an enforceable institutional obligation, thereby rebuilding public trust and reinforcing the legitimacy of central bank independence.

III. Reform procurement governance through end-to-end digitalisation, competitive enforcement, and independent oversight: Procurement processes within the CBN should be fully migrated to secure digital platforms that enable real-time tracking, public disclosure, and auditability of contract awards and payments. Mandatory competitive bidding rules must be strictly enforced, with limited and clearly justified exceptions. The adoption of tamper-resistant technologies, such as blockchain-based record-keeping, can further reduce document manipulation and post-hoc alterations. International experience, including Estonia's blockchain-enabled procurement systems and Brazil's ComprasNet platform, demonstrates that digital procurement significantly curtails discretion, lowers fraud risks, and improves value-for-money outcomes. These reforms should be complemented by strengthened internal audit independence and external verification to prevent executive capture of procurement systems.

IV. Strengthen monetary policy credibility through a context-adapted inflation-targeting framework and enhanced risk governance: The CBN should progressively adopt an explicit inflation-targeting and risk-management framework, drawing on global best practices while accounting for Nigeria's structural constraints, including fiscal volatility, oil-revenue dependence, and a large informal sector. Clear policy objectives, transparent decision rules, and regular communication of risk assessments would improve monetary policy transmission and anchor expectations. Importantly, such a framework must be supported by strict limits on fiscal accommodation and reinforced coordination mechanisms that preserve monetary autonomy.

References

Ahmed, M. A. (2023). *Central banking, interventionism, and governance challenges in Nigeria*. Journal of African Political Economy, 15(2), 45–67.

Alesina, A., & Summers, L. H. (1993). Central bank independence and macroeconomic performance: Some comparative evidence. *Journal of Money, Credit and Banking*, 25(2), 151–162. https://doi.org/10.2307/2077833

Auditor-General of the Federation. (2022). *Annual audit report on the Central Bank of Nigeria*. Office of the Auditor-General for the Federation.

Bank for International Settlements. (2018). *Central bank governance and oversight*. BIS Annual Economic Report.

Barro, R. J., & Gordon, D. B. (1983). Rules, discretion, and reputation in a model of monetary policy. *Journal of Monetary Economics*, 12(1), 101–121. https://doi.org/10.1016/0304-3932(83)90051-X

Besley, T. (2006). *Principled agents? The political economy of good government*. Oxford University Press.

Buiter, W. H. (2014). The role of central banks in financial stability: How has it changed? *Journal of Economic Dynamics and Control*, 49, 36–45. https://doi.org/10.1016/j.jedc.2014.09.012

Bureau of Public Procurement. (2018). *Procurement procedure manual* (Final version). Retrieved December 1, 2025, from https://www.bpp.gov.ng/wp-content/uploads/2018/11/PROCUREMENT-PROCEDURE-MANUAL-Final-Version.doc

BusinessDay. (n.d.). *CBN orders banks, PSBs, and OFIs to withdraw non-compliant advertisements*. Retrieved December 1, 2025, from https://businessday.ng/banking/article/cbn-orders-banks-psbs-ofis-to-withdraw-non-compliant-advertisements/

BusinessDay. (n.d.). *Court warns FG as Emefiele demands an end to the trial in the ₦1.2bn fraud case*. Retrieved December 1, 2025, from https://businessday.ng/news/article/court-warns-fg-as-emefiele-demands-end-to-rail-in-n1-2bn-fraud-case/

Central Bank of Nigeria Act. (2007). *Central Bank of Nigeria Act No. 7*. https://www.cbn.gov.ng/out/publications/acts/CBNACT.PDF

Central Bank of Nigeria Home. (n.d.). *Statement of CBN's core mandate*. Retrieved December 1, 2025, from https://cbnhome.page.tl/CBN-Mandate.htm

Central Bank of Nigeria. (2015). *Development finance interventions and economic growth in Nigeria*. CBN Research Department Occasional Paper.

Central Bank of Nigeria. (2018). *Guidelines on electronic payment channels in Nigeria*. CBN.

Central Bank of Nigeria. (2019). *Regulatory framework for payment service banks*. CBN.

Central Bank of Nigeria. (2019). *CBN annual report*. https://www.cbn.gov.ng

Central Bank of Nigeria. (2020). *Banks and Other Financial Institutions Act (BOFIA) 2020*. Federal Republic of Nigeria.

Central Bank of Nigeria. (2021). *Nigerian Payments System Vision 2025*. CBN.

Central Bank of Nigeria. (2021). *Monetary policy framework*. https://www.cbn.gov.ng

Central Bank of Nigeria. (2024). *Press release: CBN re-introduces the publication of key economic reports*. Retrieved December 1, 2025, from https://www.cbn.gov.ng/Out/2024/CCD/Press%20Release-CBN%20re-introduces%20the%20Publication%20of%20Key%20Economic%20Reports.pdf

Central Bank of Nigeria. (2024a). *Reintroduction of key macroeconomic indicators: Press release*. CBN.

Central Bank of Nigeria. (2024a). *Financial stability report*. https://www.cbn.gov.ng

Central Bank of Nigeria. (2024b). *Business expectations and inflation expectations reports*. CBN Statistical Bulletin.

Central Bank of Nigeria. (2025a). *Circular on consumer protection and advertising standards for regulated institutions*. CBN.

Central Bank of Nigeria. (2025b). *Thematic review of financial institutions' advertising practices*. CBN Supervision Report.

Central Bank of Nigeria. (n.d.). *About CBN education*. Retrieved December 1, 2025, from https://cbneducation.wordpress.com/about/

Central Bank of Nigeria. (n.d.). *CBN reforms and initiatives*. Retrieved December 1, 2025, from https://www.cbn.gov.ng/AboutCBN/Reforms.html

Central Bank of Nigeria. (n.d.). *Freedom of Information (FOI) Office: Frequently asked questions*. Retrieved December 1, 2025, from https://www.cbn.gov.ng/FOI/FAQonFOIOffice.html

Central Bank of Nigeria. (n.d.). *Freedom of Information Act*. Retrieved December 1, 2025, from https://www.cbn.gov.ng/foi/freedom%20of%20information%20act.pdf

Central Bank of Nigeria. (n.d.). *National financial inclusion strategy (revised)*. Retrieved December 1, 2025, from https://www.cbn.gov.ng/out/2019/ccd/national%20financial%20inclusion%20strategy.pdf

Central Bank of Nigeria. (n.d.). *Procurement*. Retrieved December 1, 2025, from https://www.cbn.gov.ng/procurement/

Centre for Fiscal Transparency & Public Integrity. (2025). *Transparency and corruption risk assessment (TACRA) initiative*. https://www.fiscaltransparency.org/center-for-fiscal-transparency-and-public-integrity-ceftpi-launches-transparency-and-corruption-risk-assessment-tacra-initiative/

Channels Television. (2023, December 22). *CBN investigator accuses Emefiele of financial offences and redesigning the naira without approval*. https://www.channelstv.com/2023/12/22/cbn-investigator-indicts-emefiele-for-stealing-billions-redesigning-naira-without-approval/

Cukierman, A. (1992). *Central bank strategy, credibility, and independence: Theory and evidence*. MIT Press.

Cukierman, A., Webb, S. B., & Neyapti, B. (1992). Measuring the independence of central banks and their effect on policy outcomes. *World Bank Economic Review*, 6(3), 353–398. https://doi.org/10.1093/wber/6.3.353

Dincer, N. N., & Eichengreen, B. (2014). Central bank transparency and independence: Updates and new measures. *International Journal of Central Banking*, 10(1), 189–253.

Financial Justice Initiative. (n.d.). *Audit shows ₦1.4 trillion missing from CBN, yet Cardoso cannot explain*. Retrieved December 1, 2025, from https://fij.ng/article/audit-shows-n1-4trn-missing-from-cbn-yet-cardoso-cant-explain/

Fox, J. (2007). The uncertain relationship between transparency and accountability. *Development in Practice*, 17(4–5), 663–671. https://doi.org/10.1080/09614520701469955

Freedom of Information Act, 2011 (Nigeria).

Geraats, P. M. (2002). Central bank transparency. *Economic Journal*, 112(483), F532–F565. https://doi.org/10.1111/1468-0297.00082

Ghosh, A. R., Ostry, J. D., & Qureshi, M. S. (2018). Managing the tide: How do emerging markets respond to capital flows? *IMF Economic Review*, 66(3), 407–453.

Heald, D. (2006). *Transparency as an instrumental value*. Oxford University Press.

High Street Journal. (2025, October 14). *BoG to roll out new digital finance regulations to boost innovation and consumer protection*. https://thehighstreetjournal.com/bog-to-roll-out-new-digital-finance-regulations-to-boost-innovation-and-consumer-protection/

House of Representatives, Nigeria. (n.d.). *House of Reps probes incessant, arbitrary bank charges on customers*. Retrieved December 1, 2025, from https://naltf.gov.ng/house-of-reps-probes-incessant-arbitrary-bank-charges-on-customers/

International Institute of Social and Economic Research. (n.d.). *FRN vs. Godwin Ifeanyi Emefiele*. Retrieved December 1, 2025, from https://v1.corruptioncases.ng/cases/frn-vs-godwin-ifeanyi-emefiele-former-g

International Monetary Fund. (2020). *Central bank transparency, accountability, and independence: A new global framework*. IMF Policy Paper.

International Monetary Fund. (2025). *IMF country report no. 25/157*. https://www.imf.org/-/media/Files/Publications/CR/2025/English/1ngaea2025001-print-pdf.ash

JURIST. (2024). *Former Nigerian central bank governor faces 26 new corruption charges*. Retrieved December 1, 2025, from https://www.jurist.org/news/2024/04/former-nigeria-central-bank-governor-faces-26-new-corruption-charges/

Khan, M. H. (2023). Technocracy, accountability, and corruption in developing economies. *World Development*, 165, 105962. https://doi.org/10.1016/j.worlddev.2023.105962

Klitgaard, R. (1988). *Controlling corruption*. University of California Press.

Kydland, F. E., & Prescott, E. C. (1977). Rules rather than discretion: The inconsistency of optimal plans. *Journal of Political Economy*, 85(3), 473–491. https://doi.org/10.1086/260580

Lawyard. (2025, July 1). *Bank of Ghana rolls out regulatory reforms to boost transparency and consumer protection*. https://www.lawyard.org/blog-articles/bank-of-ghana-rolls-out-regulatory-reforms-to-boost-transparency-and-consumer-protection/

Manifield Solicitors. (n.d.). *Licensing in Nigeria's fintech industry: Understanding the CBN's framework*. Retrieved December 1, 2025, from https://manifieldsolicitors.com/licensing-in-nigerias-fintech-industry-understanding-the-cbns-framework/

MoneyCentral. (2023, October 10). The *Central Bank of Nigeria admits violating the law with a ₦23.1 trillion overdraft to the FG*. https://moneycentral.com.ng/quick-take/article/central-bank-of-nigeria-admits-violating-law-with-n23-1trn-overdraft-to-fg/

Nairametrics. (2025, November 28). *CBN orders immediate withdrawal of misleading bank advertisements in Nigeria*. Retrieved December 1, 2025, from https://nairametrics.com/2025/11/28/cbn-orders-immediate-withdrawal-of-misleading-bank-advertisements-in-nigeria/

Nigeria Info FM. (n.d.). *Ways and means: Senate accuses CBN of frustrating investigation*. Retrieved December 1, 2025, from https://www.nigeriainfo.fm/news/national/ways-and-means-senate-accuses-cbn-of-frustrating-investigation/

Obinna, C. (2024). Monetary authority or development financier? Governance dilemmas of Nigeria's central bank. *African Journal of Public Administration*, 18(1), 1–23.

Obinna, C. (2024). *CBN Ways and Means breaches*. Business Day Nigeria.

Organisation for Economic Co-operation and Development. (2022). *Consumer policy and transparency in digital financial services*. OECD Publishing.

Premium Times. (n.d.). *CBN fails to recover ₦629 billion Anchor Borrowers' loan – Audit report*. Retrieved December 1, 2025, from https://www.premiumtimesng.com/news/top-news/839713-cbn-fails-to-recover-n629-billion-anchor-borrowers-loan-audit-report.html

Premium Times. (n.d.). *Witness provides details of contracts allegedly awarded corruptly by Emefiele*. Retrieved December 1, 2025, from https://www.premiumtimesng.com/news/top-news/676627-witness-provides-details-of-contracts-allegedly-awarded-corruptly-by-emefiele.html

Punch Newspapers. (n.d.). *Auditor-General indicts CBN over recycled ₦29.7bn dirty banknotes*. Retrieved December 1, 2025, from https://punchng.com/auditor-general-indicts-cbn-over-recycled-n29-7bn-dirty-banknotes/

Reuters. (2024, January 18). *Nigeria slaps 14 new criminal charges against ex-central bank chief*. https://www.reuters.com/article/us-nigeria-centralbank-idUSKBN2A10Z9

Reuters. (2025, January 23). *Nigeria's central bank says GDP will grow by 4.17% in 2025, with inflation easing*. https://www.reuters.com/world/africa/nigerias-central-bank-says-gdp-grow-417-2025-inflation-ease-2025-01-23/

Reuters. (n.d.). *Central Bank of Nigeria (CBN)*. Practical Law, Thomson Reuters. Retrieved December 1, 2025, from https://uk.practicallaw.thomsonreuters.com/7-605-0486

Rose-Ackerman, S. (1999). *Corruption and government: Causes, consequences, and reform*. Cambridge University Press.

Rose-Ackerman, S., & Palifka, B. J. (2016). *Corruption and government: Causes, consequences, and reform* (2nd ed.). Cambridge University Press.

Sanusi, L. S. (2023). Central banking, reform, and institutional credibility in Africa. *Journal of Monetary and Financial Stability*, 7(2), 89–112

TechAfrica News. (2025, October 8). *Under the new regulatory framework, the CBN restricts POS agents to a single bank*. Retrieved December 1, 2025, from https://techafricanews.com/2025/10/08/cbn-restricts-pos-agents-to-one-bank-under-new-regulatory-framework/

The Economic Times Nigeria. (2025, March 26). *Senator Dickson decries lopsided appointments in NNPC, CBN, and MDAs*. Retrieved December 1, 2025, from https://theeconomictimes.com.ng/2025/03/26/senator-dickson-decries-lopsided-appointments-in-nnpc-cbn-and-mdas/

The Economist. (2016, July). *CBN's defending of the naira disastrous*. Nigerian Eye. https://www.nigerianeye.com/2016/07/cbns-defending-of-naira-disastrous-says.html

The Nation Newspaper. (n.d.). *CBN revives key economic reports for public transparency*. Retrieved December 1, 2025, from https://thenationonlineng.net/cbn-revives-key-economic-reports-for-public-transparency/

ThisDay Live. (2025, October 27). *Nigeria's governance under scrutiny as CISLAC unveils 8th SDG 16 shadow report*. https://www.thisdaylive.com/2025/10/27/nigerias-governance-under-scrutiny-as-cislac-unveils-8th-sdg-16-shadow-report/

ThisDayLive. (2025, November 26). *Despite gains in inflation-targeting, CBN retains MPR at 27%*. https://www.thisdaylive.com/2025/11/26/despite-gains-in-inflation-targeting-cbn-retains-mpr-at-27/

Voice of America. (n.d.). *Newly uncovered false claims about foreign exchange could hurt the Nigerian economy*. Retrieved December 1, 2025, from https://www.voanews.com/a/newly-uncovered-false-foreign-exchange-claims-could-hurt-nigerian-economy/7478510.html

World Bank. (2023). *Nigeria development update: December 2023*. https://documents1.worldbank.org/curated/en/099121223114542074/pdf/P5029890fb199e0180a1730ee81c4687c3d.pdf

World Bank. (2025). *Nigeria development update (NDU)*. https://www.worldbank.org/en/country/nigeria/publication/nigeria-development-update-ndu

YouTube. (n.d.). *Can CBN's new rule stop POS & crypto fraud in Nigeria?* [Video]. Retrieved December 1, 2025, from https://www.youtube.com/watch?v=qrEAtfeCXiQ

YouTube. (n.d.). *CBN sticks to 5% ways and Means loan limit despite the National Assembly bill* [Video]. Retrieved December 1, 2025, from https://www.youtube.com/watch?v=QbV0dlfSX9U

YouTube. (n.d.). *Reps launch probe into excessive bank and tax deductions* [Video]. Retrieved December 1, 2025, from https://www.youtube.com/watch?v=E5geCJnYFeY

YouTube. (n.d.). *Rising concerns over Tinubu's ₦30 trillion debt clearance claim* [Video]. Retrieved December 1, 2025, from https://www.youtube.com/watch?v=OKMADa-lAvE

YouTube. (n.d.). *Senate accuses CBN of obstructing ₦30 trillion probe* [Video]. Retrieved December 1, 2025, from https://www.youtube.com/watch?v=Pln97kPqC9w

YouTube. (n.d.). *Senate to probe CBN's Anchor Borrowers, ways and means* [Video]. Retrieved December 1, 2025, from https://www.youtube.com/watch?v=yh_hIDjFYsw

YouTube. (n.d.). *SERAP demands answers as ₦3 trillion goes missing: CBN given seven days* [Video]. Retrieved December 1, 2025, from https://www.youtube.com/watch?v=rwPRpZuo_zw