 Page | 27

# Assessing the Impact of Naira Policy Redesign on Nigeria's Economic Development

[1]Nwobodo, Chidalu Nkemjika, [2]Uzoma, Friday Christopher and [3]Ekoh, Livinus Akajife

[1]Department of Economics Enugu State University of Science and Technology Agbani.
[2]Department of Banking & Finance, Enugu State University of Science and Technology, Agbani, Nigeria
[3]Department of Educational Foundations, Nnamdi Azikiwe University, Awka, Nigeria
Email: la.ekoh@unizik.edu.ng; nkemjikachidalu@gmail.com, fridaychris90@gmail.com

## ABSTRACT

This research investigated the impact of the Naira Redesign Policy on Nigeria's Economic Development by administering structured questionnaires to 800 participants across 3 Deposit Money Banks and 3 Tertiary institutions in the South East region of Nigeria. Of these, 160 respondents, representing 20%, either did not return or submitted incomplete questionnaires. Utilizing Cluster Mean Analysis based on Likert's Five Point Scale, the study addressed its research inquiries. Additionally, it critically reviewed existing theoretical analyses related to the subject matter. The results indicate that the Naira redesign policy did not curtail illegal activities or corruption, stabilize exchange rates, facilitate easy access to production and investment loans, prevent vote buying or monitor campaign funding, lower interest rates, or increase financial inclusion while reducing the unbanked population. However, the policy did reveal currency holdings previously outside commercial bank vaults, aided security agencies in combating banditry and ransom incidents, but contributed to low savings and investment, resulting in citizen poverty. The study recommends a necessary redesign, production, and circulation of the Naira, aligning with globally accepted Central Banking standards. This call is particularly crucial considering the lack of such an exercise by the CBN for almost two decades. Moreover, this redesign process should occur concurrently with the withdrawal of the old currency.
**Keywords**: Naira Redesign, Likert's Five Point, Cluster Mean Analysis, Economic Development.

## INTRODUCTION

It could be recalled that on October 26, 2022, Emefiele, governor Central Bank of Nigeria (CBN), announced the introduction of new redesigned naira notes to replace the current N200, N500 and N1000 notes in circulation with a deadline of 31th January, 2023 within which all old notes would be deposited in the banks [1]. He hinge such action on fighting corruption, currency fraud, tackling growing menace of kidnapping for ransom and to address the problem of too much money in circulation. Other reasons adduced were to prevent counterfeiting, encourage a cashless economy and financial inclusivity in the country. [2] observes however that Nigeria had gone through this route in the past but never in the annals of the nation's political history has such an exercise brought so much hardship, confusion, apprehension, rancor and despondency as was witnessed and experienced this time around.

Amongst the changes in the past, apart from redesign were in the area of inscription, from metal to paper type, color or artistic inclusion [3]. It could be remembered that in the year 1962 for instance, Nigeria had changed her currency by adding the inscription "Federal Republic of Nigeria" to replace the word "Federation of Nigeria" that was there hitherto but however retained the name "Pound" on the notes. In 1973, there was a total change in the nomenclature of the currency in the unit from "Pound and Shillings" to "Naira and Kobo". Four years down the line in 1977, the military regime under General Olusegun Obasanjo brought into circulation a new 20 naira note denomination with the image and inscription of a late Nigeria military Head of State Multala Muhammad as the highest currency. Again, in 1979, Obasanjo, now as the Civilian President introduced three new denominations of bank notes: N1, N5, and N10 with artistic images reflecting the culture of the country. Not yet done, Obasanjo again brought into circulation N100, N200, N500 and N1000 denominations of banknotes in the years 1999, 2000, 2001, 2005 respectively to facilitate trade and expand the economy [3].

Other changes in the naira were in the color. First was in April 1984, the reason adduced for the change was to arrest the currency trafficking that was said to be prevalent at the time [4]. The second change was in the year 2009 when N5, N10 and N20 in polymer notes were introduced and in 2010 when N50 polymer note was issued to celebrate Nigeria's 50th independence anniversary. Again in 2014, N100 note denomination was redesigned to celebrate the 100th year of the amalgamation of the Northern and Southern protectorates. However, Central Bank of Nigeria, (CBN) under Buhari argues that the latest policy change became necessary to manage inflation, halt distortion in the financial policy and control money in circulation the volume of which at the inception of the administration in 2015 was said to have risen from N1.4 trillion to N3.23 trillion in 2022 and out of which only N500 billion was said to be within the commercial bank vaults. It went further to predict that the naira redesign policy would strengthen Nigerian macroeconomic parameters in the short to long term; reduce broad money supply and decelerate the velocity of money in the economy; collapse illegal activities and help stem corruption and acquisition of money through illegal ways; stabilize exchange rate; provide easy loans and lower interest rates. Also, that the policy will provide greater visibility and transparency of the financial actions translating to efficient enforcement of ant-money laundering legislations and minimize the influence of money politics; leading to free and fair democratic elections in 2023. It went further to predict that the policy would lead to a successful retrieval of about N2.1 trillion (representing 80% of fund hitherto held outside the banking sector) and unavailable for economic activities. Other arguments adduced were that the policy coming close to the general elections might have positive effect on inflation and better adoption of digital payment; help Independent National Electoral Commission (INEC) monitor campaign funding and restrict incidences of vote buying which has become a menace to Nigeria's electoral system; plug fiscal leakages; boost government revenues; aid economic empowerment of vulnerable Nigerians and benefit the country as a whole. It was also argued that it was to mitigate the hardships and place the economy on the side of growth and development that President Buhari approved the new redesign naira notes policy to circulate alongside the old banknotes till 31st January 2023 when the old notes would cease to be legal tender. However, till date, the old note is yet to cease to be a legal tender while the new one has gone into oblivion [5].

However, there were debates on the desirability of this policy now that the 2023 electoral activities were on hand. Those on the other side of the divide maintain that Nigeria had gone through this route before without much success, wondering how same treatment to an ailment will produce different results. For instance, [6] argues that the policy has caused banknote scarcity with associated hardship to millions of citizens. [3] argues that the back and forth in naira redesign policy has led to violent protests across several parts of the country; result to cash scarcity and increased fuel prices and led to a loss of about N20 trillion due largely to fuel subsidy removal which is an offshoot of naira redesign policy. Again that mining activity and agriculture, Nigeria main activities and sources of revenue were relegated to the back ground due largely to the policy and insecurity in the country. Also that Nigeria's oil an important contributor to its economic success between 2001 and 2010 that contributed immensely to her becoming one of the countries with the highest GDP growth worldwide has declined largely to corruption associated to the policy. It was argued that it declined from3.11% in the first quarter of 2022 to 3.52% in the fourth quarter of 2022 [4]. Going further, [5] maintains that naira redesign policy even gave birth to disobedience to court orders; pitching states against the federal government; resulting to unimaginable angst and in wanton destruction of lives and properties of financial institutions.

All these coming a few days to the general elections they argue have obvious negative consequences on the standard of living of the citizens and on the polls. Unarguably, unemployment was a major contributing factors to poverty and was made possible by high cost of living, resulting to downward in the standard of living of the citizens. [6] summed it up by saying that "nearly two-thirds of Nigeria's 200 million people now live on less than $2 a day". While Poverty Index Survey (2022) has it that 63% of persons living within Nigeria (133 million people} are multi dimensionally poor. The 1991 Human Development Index which is a summary measure of a

country's average achievements in three basic aspects of human development: health knowledge and standard of living places Nigeria in the 32nd position from bottom amongst 160 countries in terms of Human Development. In other words, Nigeria is ranked one of the poorest of 32 nations of the world [5]. Nigeria's value by HDI remains unchanged with 0.535 while its life expectancy is placed 52.7 years in 2021. Her expected years of schooling is 10.1, and its income per capita hits $4.790 in 2021 (https:// business day.ng> news 8 sept 2022). Nigeria is also said to be a weak performer in terms of its knowledge infrastructure as it ranks 124th out of 154 countries in the Global knowledge index 2021 and 5th out of 27 countries with low human development (https:// knowledge 4 all.com>…PDF).  Knowledge in HDI measures the expected years of schooling for children of school entering age) and average years of schooling (for adults aged 25 and older). Supporting, Chukwu and Asheloge (2023)argues that the naira redesign policy as recently introduced has increased inflation following the scarcity of new notes; leading to banks rationing money to their customers even as Christmas festivities approach. Bureau of Statistics in its consumer price index shows that Nigeria's inflation has hit 28.20% as at November 2023, the highest in the recent past while food inflation was at 32.84% within the same period.

### Theories of Development
### i. Vicious Circle Theory:

This theory explains that the causes of a country not developing stems from a vicious circle the economy is run which tend to move in a merry go round manner. For instance, low income among citizens creates a situation of low savings among the citizens which leads the citizens to make low investments and low output or productivity when the low output is sold and argues that countries could save more, invest more, produce more and generate higher income only when this vicious circle is broken.

### ii. Dualistic Economic Theory

This theory by J. H. Borke posits that double standard prevents a country from developing. For instance, urban development and rural area quota system and merit system, banking habit versus non-banking habit among Nigerian traders distort effectiveness of policy to control money supply.  These theories would be adopted in this work.

### 3. Methodology

This study employed qualitative survey method using structured questionnaires to elicit responses from a total of 800 conveniently selected respondents from the staff and students of Nnamdi Azikiwe university Awka, Enugu State University of Science and Technology and University of Nigeria Nsukka. The study also complimented the work with responses from the staff of Zenith bank, Access bank and Fidelity bank, Enugu due to their knowledge on the subject matter. Out of this number, a total of 640 (80%) questionnaires were completely filled and returned. Those filled and returned questionnaires will form the bases for the analysis and would represent the outcome of the research work.

### Sample and Sampling Techniques

A sample of 800 respondents as represented in the Cluster Table below will be utilized for the work and complimented by percentages and table ratings.

### Instruments for Data Collection

Data for this work will be collected using Structured Questionnaires. The questionnaires would be prepared following the Likert's Five Point Scale. This method was adopted because it is the best and most accurate measuring scale to understand the respondents' attitudes and level of agreement with a survey question. It also tells the level of agreement users have with our statements. Also, a Likert scale is easy to launch and operationalize and allows respondents to be neutral if they do not want to express strong disagreement or agreement [4]. There shall be specifications for:

**SA = Strongly Agree**

**A = Agree**

**SD = Strongly Disagree**

**N = Neutral**

**D = Disagree**

### Methods and Techniques for Data Analysis

The collected data will be accurately grouped, arranged, analyzed and presented with reasonable conclusion drawn as the outcome of the research work. Cluster Mean analysis will be utilize to answer research questions. According to Adobe (2021), this exploratory data analysis in which observations are divided into groups that share common characteristics are deployed to compare and contrast with other groups to derive information about the observations. This will be complimented by percentages and table rating.

## Data Analysis and Findings

This section will be based on the responses from the eight hundred questionnaires distributed out of which six hundred and forty were collected, duly answered, returned, collated and arranged. All the findings and discussions were based on the responses from these respondents.

## Responses\Answers to Research Questions

As mentioned earlier, Cluster Mean analysis was used to answer the research questions following Likert 5- point scale. The responses were ranked as follows:

| | | |
|---|---|---|
| **SA** | **=** | **5 points** |
| **A** | **=** | **4points** |
| **N** | **=** | **3 points** |
| **SD** | **=** | **2 points** |
| **D** | **=** | **1point** |

A cut-off is to be determined by finding the Mean of the nominal values assigned to the options in each questionnaire items using the formula:

Where:

| | | |
|---|---|---|
| Mean (X) | = | Score |
| N | = | Number of the items |
| X | = | 5 + 4+3 +2 +1/5 |
| X | = | 3 |

## Respondents Characteristics
### Table 1: Respondents Characteristics. Table 1: Cluster Mean Analysis

| S/N | A: Vicious Circle Theory<br>This theory explains that the reason a country could not develop stems from a vicious circle the economy is run which tend to move in a merry go round manner. | SA | A | N | D | SD | MEAN CLUSTER | A/R |
|---|---|---|---|---|---|---|---|---|
| 1. | To what extent do you agree that naira redesign policy collapsed the illegal activities and stemmed corruption in the economy? | | | | | | | |
| 2. | Do you agree that this policy brought exchange rate stability in the economy? | | | | | | | |
| 3. | To what extent do you also agree that naira redesign policy made available easy loans for production and investment? | | | | | | | |
| 4. | Is it true that naira redesign policy helped to disrupt vote buying, monitor campaign fundings as its introduction was close to 2023 general elections? | | | | | | | |
| 5. | Do you agree that this policy helped to unearth currency hitherto hoarded outside the vaults of commercial banks? | | | | | | | |
| 6. | How true is the assertion that naira redesign policy supports efforts of the security agencies to combat banditry and ransom – taking in Nigeria? | | | | | | | |
| 7. | Do you agree that the policy increased financial inclusion and reduced unbanked population? | | | | | | | |
| 8. | Is it also true that the policy contributed to low output, low savings and investment and resulted to poverty of the citizens? | | | | | | | |
| 9. | Naira redesign was also said to have brought down interest rates and inflation but increased visibility and transparency of financial actions | | | | | | | |
| 10. | Do you agree that the implementation of the naira redesign policy contributed to the poverty of its citizens? | | | | | | | |
| | Source: Researcher' compilation 2020 | | | | | | | |

**Table 2: Clauster Mean Analysis. Theories of Development**

| S/N | A: Vicious Circle Theory  This theory explains that the reason a country could not develop stems from a vicious circle the economy is run which tend to move in a merry go round manner. | SA | A | N | D | SD | Mean Cluster | A/R |
|---|---|---|---|---|---|---|---|---|
| 1. | To what extent do you agree thatnaira redesign policy collapsed the illegal activities and stemmed corruption in the economy? | 500 | 400 | - | 600 | 140 | 2.6 | R |
| 2. | Do you agree thatthis policy brought exchange rate stability in the economy? | 300 | 320 | - | 600 | 200 | 2.2 | R |
| 3. | To what extent do you also agree it made available easyloans for production and investment? | 450 | 480 | - | 360 | 250 | 2.4 | R |
| 4. | Is it true that naira redesign policy helped to disrupt vote buying, monitor campaign fundingsas its introduction was close to 2023 general elections? | 750 | 600 | - | 160 | 260 | 2.8 | R |
| 5. | Do you agree that this policy helped to unearth currency hitherto hoarded outside the vaults of commercial banks? | 600 | 1000 | - | 160 | 190 | **3** | A |
|  |  | SA | A | N | D | SD | MEAN CLUSTER | A/R |
| 6. | Do you agree that the policy increased financial inclusion and reduced unbanked population? | 600 | 400 | - | 540 | 150 | 2.6 | R |
| 7. | Is it true that naira redesign policy contributed to low output, low savings and investment and resulted to poverty of the citizens? | 900 | 600 | - | 480 | 70 | 3.2 | A |
| 8. | Naira redesign was also said to have brought down interest rate, inflation and increased visibility and transparency of financial actions | 600 | 360 | - | 360 | 250 | 2.5 | R |
| 9. | Do you agree that implementation of the naira redesign policy contribute to the poverty of its citizens? | 900 | 800 | - | 100 | 260 |  | A |

**Breakdown of Required Responses**

| | |
|---|---|
| Number of questionnaires distributed | 800 |
| Number of questionnaires returned/usefully filled | 640 |
| Error Margin (default) | 160 (20%) |
| % of returned/useful and analyzed questionnaire | 80% |

**Research Question**

To what extent do you agree that naira redesign policy could collapse illegal activities and stem corruption in the economy? To this question 100 representing 16%of the respondents strongly agree that naira redesign policy can collapse illegal activities and stem corruption in the economy. Another 100 representing 16% agree, 300respondents representing 47% strongly disagree while 140 respondents representing 22% disagree. We therefore do not accept that naira redesign policy could collapse illegal activities and stem corruption in the Nigerian economy.

**Research Question**

Do you agree that this policy brought exchange stability in the economy?
To this question, sixty respondents representing 9% strongly agree, fifty respondents representing 8% agree, 300 respondents representing 47% strongly disagree while 200 representing 31% disagree. We therefore do not accept that naira redesign policy brought exchange rate stability in the Nigerian economy. The result is however not in agreement with the position of [5] which sees objections to CBN policies as those who currently benefit from the rot in the system.

**Research Question**

To what extent do you also agree naira redesign policy made available easy loans for production and investment?
To this question, 90 respondents representing 14% strongly disagree, 120 respondents representing 19% agree, 180 respondents representing 28% strongly disagree while 250 respondents representing 39% disagree. We therefore refuse to accept that naira redesign made available easy loans for production and investment. The result agrees with the position held by Emejo (2023) that the policy had further impoverished Nigerians and create unemployment in the financial value chain.

**Research Question**

Is it true that naira redesign policy helped to disrupt vote buying, monitor campaign fundings as its introduction was close to 2023 general elections? To this question 150 respondents strongly agree, 150 respondents agree, 80 respondents strongly disagree, 260 respondents disagree. These figures represent 23%, 23%, 13% and 41% respectively. We therefore refuse to accept that naira redesign policy helped to disrupt vote buying, monitor campaign fundings in the 2023 Nigeria general election. The result is in tandem with the position of Christopher (2022) that the naira redesign policy coming close to the general elections might disrupt vote buying.

**Research Question**

Do you agree that this policy helped to unearth currency hitherto hoarded outside the vaults of commercial banks? To this120respondents representing 19% strongly agree, 250 representing 39% agree, 80 representing 13% strongly disagree while 190 representing 29% disagree. We therefore accept that naira redesign policy unearthed currency hitherto kept outside the vaults of commercial banks. The result again tallies with the position of Emefiele, governor CBN that the policy was to significantly stop hoarding of banknotes, 80% of which are outside the vaults of Commercial banks.

**Research Question**

How true is the assertion that naira redesign policy supports efforts of security agencies to combat banditry and ransom-taking in Nigeria?
To this 200 representing 31% strongly agree, 150 representing23% agree, 95 representing 15% strongly disagree while 160 representing 25% disagree. We therefore accept that naira redesign supports efforts of security agencies to combat banditry and ransom-taking in Nigeria. The result agrees with the position held by Emefiele (2022) that the policy has led to a reduction in banditry and kidnappings which were rampant in the recent past.

**Research Question**

Do you agree that the policy increased financial inclusion and reduced unbanked population?
In answering this question 120 respondents representing 19% strongly agree, 100 respondents representing 16% agree, 270 respondents representing 42% strongly disagree while 150 respondents representing 23% disagree. We therefore refuse to accept that the policy increased financial inclusion and the reduction of unbanked population. The result again agrees with the position held by Emefiele that the policy aimed at increasing financial inclusion and the reduction of the number of the unbanked population.

Nwobodo *et al.*, 2023

## Research Question

Is it true that naira redesign policy contributed to low output, low savings and low investment by the citizens?
To this 180 representing 28% strongly agree, 150 representing 23% agree, 240 representing 38% strongly disagree while 70 representing 11% disagree. We therefore accept that naira redesign policy contributed to low output, low investment and also resulted to poverty of the citizens.

## Research Question

Naira redesign was also said to have brought down interest rates and inflation but increased visibility and transparency of financial actions. To this 120 respondents representing 19% strongly agree, 90 respondents representing 14% agree, 180 respondents representing 28% strongly disagree and 250 respondents representing 39% disagree. We therefore refuse to accept that naira redesign also brought down interest and inflation rates but increased visibility and transparency of financial actions. The result is in agreement with the position of [5] that instead of naira redesign policy curbing inflation, it increased it to 21.82% in January 2023 and 21.9% in February as people resorted to on line transactions following the scarcity of the new notes.

## Research Question

Do you agree that the implementation of the naira redesigned policy contribute to the poverty of its citizens? To this180 respondents strongly agree, 200 respondents agree, 100 respondents strongly disagree while 160 disagree. These represent 28%, 31%, 16% and 25% of respondents respectively. We therefore accept that naira redesign policy contributed to poverty of the citizens. The result therefore is in agreement with the position earlier held the National Bureau of Statistics Nov. 18, that nearly two-thirds of Nigeria's 200 million people now live on less than $2 a day.

**Table 3: Socio -Demographic Characteristic of Respondents for Questionnaires Administration**

| Variables | Categories | Frequency | % |
|---|---|---|---|
| Sex | Male | 260 | 41 |
| | Female | 380 | 59 |
| **Total** | | **640** | **100** |
| Marital Status | | | |
| | Single | 420 | 66 |
| | Married | 220 | 34 |
| **Total** | | **640** | **100** |
| Educational Qualification | Graduate/Above | 460 | 72 |
| | Under graduate | 180 | 28 |
| **Total** | | **640** | **100** |

## SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### Summary of Findings

Findings show *that:* the naira redesign policy did not collapse illegal activities and stemmed corruption; did not bring exchange rate stability in the economy; did not make available easy loans for production and investment; did not help to disrupt vote buying, monitor campaign funding; did not increase financial inclusion and the reduction of unbanked population; and did not increase visibility and transparency of the financial actions; did not bring down interest rate and inflation rate. The study however accept that the naira redesign policy helped to unearth currency hitherto hoarded outside the vaults of commercial banks; supports the efforts of security agencies to combat banditry and ransom – taking; contributed to low savings and investment and also resulted to poverty of the citizens;

## CONCLUSION AND RECOMMENDATIONS

The study concludes that they is a need for the naira to periodically be redesigned, produced and circulate periodically in line with the approved global standard practices for Central Banks more so since CBN is yet to carry out such exercise for close to 20 years now. However, such important assignment should be carried out simultaneously as the old ones were being withdrawn.

## REFERENCES

1. Olaniyan, O., & Alimi, R. (2019). "Exchange Rate Policy and Economic Growth in Nigeria: Evidence from ARDL Bound Testing Approach." Cogent Economics & Finance, 7(1), 1-20.
2. Ogunnaike, O. (2020). "Impact of Exchange Rate Policies on Economic Growth in Nigeria." Journal of Economics and Sustainable Development, 11(19), 77-85.
3. Adediran, O. A., & Ogunmuyiwa, M. S. (2018). "Exchange Rate Volatility and Economic Growth in Nigeria." Cogent Economics & Finance, 6(1), 1-16.

Nwobodo *et al.*, 2023

4.  Adebayo, S. B., & Adetoba, O. J. (2021). "The Effect of Exchange Rate Policy on Economic Growth in Nigeria." Academic Journal of Economic Studies, 7(3), 97-108.
5.  Ajide, K. B., & Raheem, I. D. (2020). "Exchange Rate Variability and Economic Growth in Nigeria: A Bayesian Markov Switching Approach." Cogent Economics & Finance, 8(1), 1-19.
6.  Akinlo, A. E., & Asongu, S. A. (2019). "Exchange Rate Volatility and Economic Growth: Do Credit Constraints Matter?" Journal of African Business, 20(3), 357-372.