



# **The Impact of Naira Redesign on Residents of Yenagoa, Bayelsa State**

**Odoh Prince**

**Department of Sociology,  
Federal University Otuoke, Bayelsa State, Nigeria  
[princeodoh4christ@gmail.com](mailto:princeodoh4christ@gmail.com) 08087747105**

## **ABSTRACT**

This paper is an exertion to examine the money update and mechanical suggestion. In other to satisfy this objective, this paper checked on the impacts of comparative arrangement on the Nigerian economy over a long time by utilizing a clear approach of examination utilizing rates. The analyst utilized the survey strategy to get data without affecting the respondents for fittingness. The results concludes that money storing, forging is one of the major reasons for money change. The paper further notes that the impacts of cash update are multidimensional and seem to appear questionable particularly at the early stage far reaching effects, by compelling more individuals to utilize bank accounts. This arrangement resulted in increased bank account proprietorship and higher utilization of accounts by improving people's spending behavior. However, the study also found that financial go getter are crashing the exertion of naira overhaul by charging over the top expenses. The study subsequently suggests that updating monetary forms ought to be driven by the crave to progress a currency's security.

**Keywords:** Currency Reform, Naira Redesign, CBN, Nigeria

## **INTRODUCTION**

The currency of every nations has a tremendous effect on the economy and remains of those distinguishing features of a Nation. The effective management and the distribution, trade, as well as consumption goods and services depend largely on the effectiveness of a nation's currencies. According to Njoku (2009), in a monetize economy as it is the case with Nigeria: money is a viable tool for the successful performance of any industry, growth and progress. The optimal distribution economic resources and the efficient functioning of modern economic system would not be possible without the monetary apparatus which, by and large enable the government to provide the governed the basic amenities and performance other related functions for the benefits the country. According to the Central Bank of Nigeria (CBN), diverse societies employed various goods as methods of trade throughout the precolonial era. Cowries, manilas, beads, bottles, and salts are just a few examples. The CBN further states that the initial currency issuance in Nigeria was undertaken in accordance with the colonial edict of 1880, which established shillings and pence as West African legal tender money. The unit of currency maintained by the Bank of England was one shilling and one penny, and they were supplied to a private bank of British West Africa (citation).

Nigeria began utilizing its own currency, dubbed Naira by Chief Obafemi Awolowo, on January 1, 1973. Naira/Kobo banknotes and coins were introduced into the Nigerian economy. The Nigerian Central Bank has altered the naira notes on several times to suit various events. On September 30, 2009, for example, the redesigned 50 naira, 10 naira, and 5 naira banknotes were switched to polymer substrate. Following on from the success of the 20 naira (polymer bank notes). As part of the CBN's tribute to the nation's 50th anniversary of independence and 100 years of existence as a nation, the 50 naira commemorative polymer banknotes were printed on September 29, 2010, and the 100 naira commemorative banknotes were issued on December 19, 2014.

It is in view of the constant currency redesign in Nigeria that this study seeks to establish the effect of naira redesign and industrial relations. Specifically, the study addresses the following research questions;

1. Has the redesign of the naira halted inflation?
2. To what extent do naira redesign boast CBN cashless policy?
3. Have the redesign of the naira improved money supply?
4. Has naira redesign helped counter counterfeiting of the naira currency?

### **Currency Reform**

A currency change is a planned redenomination or change in the currency, which may include confiscatory components. Currency reforms can be implemented as part of a deflationary stabilization program, when geographical or political developments necessitate the emergence of a new currency, or when a nation enters a currency union. Currency change can help achieve or maintain stability in the economy, but the success of the reform is dependent on the new currency's acceptability and legitimacy. The intricacies of a currency reform's execution, particularly the associated policy measures, are critical for an effective currency reform.

Over a long time, Nigeria has experienced the presentation and updating of her monetary forms in circulations with the CBN playing turned parts in ensuring its solidness (Naseem, '2012). The Primary major transcendent cash issue in Nigeria was embraced, amid the pre-colonial period taking after the colonial statute of 1880 which present the shillings and pence as lawful delicate where diverse societies utilized a assortment of things as implies of trade, which incorporates Cowries, Manilas, globules, bottles and salt among others. The Units of coins overseen by the Bank of Britain were one shilling,  $\frac{1}{2}$ , one penny  $\frac{1}{2}$

From 1912 to 1959, the West African Cash, currency Board (WACB) issued the primary set of bank notes and coin in Nigeria, Ghana, Sierra Leone. The most elevated banknote category was one pound and the 1 shilling coin was the most noteworthy in coin groups, on July 1st, 1959 CBN issued Nigerian cash Banknotes and coins were pulled back. It was until 1962 that the cash was changed to reflect the country's "republican status" absent from it starting engraving of "Federation of Nigeria to bear "Federal Republic of Nigeria" engraving.

Following the intense abuse of the currencies banknotes that bedeviled Nigeria's civil war, as well as the government's decision to change her currency digit from the metric system to decimal, the designation of the Nigeria currency was modified in January 1973 from the primary unit of currency of £1 ceased to exist and one naira corresponding of ten shillings turned the major unit, while the minor unit was called the Kobo; which hundreds of it made one naira.

In 1977, a new banknote with a face value of twenty naira was issued; it was the biggest denomination created at the time due to the expansion of the economy and the increased preference for payments in cash and the need for greater convenience; it bears an image of one of Naira's prominent Heads of State "Murtala, Muhammed (1938-1976)". In addition, three new currency denominations of 1, 5, and 10 were launched in 1979, and for easier identification, separate colors were chosen for the different denominations, all of which contain images of notable eminent Nigerians. To address the challenges of money trafficking and capital flight that were prevalent at the time, the colors of all banknotes in circulation were altered in 1984, with one exception of the 50kobo bill. As part of the economic reforms of expansion and increase in economic activities of wealth creation and efficient payment system the currencies were re-modified and issued in polymer substrate and in the celebrations of Nigeria's independence and her centenary years of existence as nation, both ₦50 polymer & ₦100 as commemorative note.

### **Naira Redesign**

The Central Bank of Nigeria (CBN) Governor, Godwin Emefiele, has issued a statement concerning the institution's policy to introduce redesigned naira notes by the 15th of December 2022. This, he said, is a result of the continuous rise in the inability of banks to control the circulation of Nigeria's naira notes, which poses as incompetence on the side of the banking sector as well as a causative factor to why the naira keeps decreasing in value.

Mr Emeliefe mentioned that, amongst the many other reasons behind this new policy, the mass hoarding of banknotes by members of the public and an increasing shortage of banknotes that are

standard and clean, which has heightened the ease in the production of counterfeit currencies in the country are notable reasons for this development.

Although some top figures in the country have objected to the new policy, including the Minister of Finance, Budget, and National Planning, Zainab Ahmed, who stated that she and the ministry were unaware of any plan by the CBN to redesign the banknotes as well as complained that it is ill-timed, the President has expressed his support for the plan.

For the banking sector, which has reportedly lost control of over 80% of the money in circulation, it will help them regain it. Mr Emefiele said that, as of September 2022, the CBN had released N3.23 trillion, and N2.73 trillion is said to be outside the bank vault.

This development is a negative one for the banking sector as it weakens her monetary policy. If control is regained, it will go a long way to help curb the inflation rate, which is currently over 20%.

However, within the time of the new note's release on the 15th of December and the date of expiration for the old one, which will be after the 31st of January, there will most likely be a lot of money in circulation as those who hoard cash will be compelled to spend it on purchases, and some will also exchange it for other currencies. When this happens, the naira is likely to fall the most, but however, with time, when the CBN takes back control of the money in circulation, the economy will smile again. Some persons have also expressed concerns about the cost of printing this new currency, going by what it cost them to print the ones printed in 2020. Questions have been asked if this is really a good time to do this, considering the various crises surrounding the nation's economy, including the debt crisis, poor revenue, underfunded government projects, etc.

On average, an alarm has also been raised concerning the effect of this on the price of commodities in the market, especially now that the festive period is around the corner. People are worried and pleading that adjustments are made, or other measures are taken to achieve the same thing other than totally clearing the old currency within such a short time and notice.

**Table 1: Currency redesigned & inflationary trends in Nigeria since 1959**

Annual Inflation Rates (%)	Years	Currency	
		Old	New
2.06%	1912-1959	West African Currency Board (WACB)	Federation of Nigeria
-0.48%	1962- 1968	Federation of Nigeria	Federal Republic of Nigeria
5.40%	1973	Pound (£1)	Kobo
15.09%	1977	(₦20)	New banknote Naira (₦) was introduced
11.71%	1979		₦1, ₦5 and ₦10
17.82%	1984	Banknotes in circulations	Re-modified & colored
13.01%	1991	50k and ₦1	Coined
17.86%	1999-2005	₦100, ₦200, ₦500 and ₦1000	Were introduced
5.39%	2007	₦20 ₦50, ₦10 ₦5 and ₦1, and 50k	Issued in Polymer substrate Re-issued in New designs
12.55%	2009	₦50, ₦10, ₦5	Redesigned were converted to polymer substrate
13.72%	2010-2014	₦50, ₦100	Were issued in polymer Banknotes
20.77%	2022	₦100, ₦200, ₦500, ₦1000	Redesign to

**Source: Authors computations (Guardian 2023)**

*Effects of Adopting The Policy of Currency Redesign on The Nigerian Industrial Relation*

From the available statistic, prior to the introduction of the N20 naira note in 1973, the country was experiencing a high inflation rate which stood at 5.40% in 1973. Immediately after the introduction of this currency the country witnessed a drastic decrease in the rate of inflation. As at 1978, the inflation rate stood at 15.09% while in 1991 the inflation rate fell further to 13.01%, indicating a positive impact of such policy on the Nigerian economy. However, the inflation rate rose to 17.8% in 1999 which call for the introduction of new currency denomination since money is the measure of value. In October 1984, the currency was re-modified by coloring. At the end of that year the inflation rate stood at 17.86%, higher than previous years. Nevertheless, the rate fell to 5.72% in 1986.

However, when the Structural Adjustment Programmed (SAP) was introduced same year and after the inflation rate doing this period. In 1988 and 1989 the inflation rate stood at 54.51% and 50.47% respectively. This called for another introduction of new currency denomination and as a result the N50 note was introduced in 1991. Unlike previous experience of the country, this policy did not yield a desirable result or the impact of this policy on the economy was not as expected. For after the introduction of the new currency, the inflation rate sky rocketed to 72.84% in 1995. During the period 1992 to 1995, of around (57.08%-72.84%) the country experienced high inflation rate which has never occurred in the history of the country Three years after, the N100, N200 and N500 naira was introduced in November 1999, November 2000 and April 2001 respectively. Immediately after the introduction of these currencies, the inflation rate which was single digit in 2000 (6.94) became double digit throughout the period 2001 to 2005. This further attracted the adoption of policy restructuring in October 12, 2005 and this gave birth to the N1000 note or led to the introduction of the N1000 note. The resulting effect of this on inflation rate is that it turned into a single digit in 2006 and 2007 (8.24 and 5.36 respectively) but became double digit ever since, even between the period 2008, 2010 till date as shown in the below diagram which shows how inflationary induced the policy

**METHODOLOGY**

This study used descriptive research design. Kothari (2004), posit that descriptive research design seeks to establish factors associated with certain occurrences, outcomes, conditions or types of behavior. This method was preferred because it sought to identify and describe how the independent factors influenced the dependent variable. The researcher used the questionnaire method to obtain information without influencing the respondents for appropriateness, the questionnaire was given to the researchers colleagues and fellow entrepreneur for verification and this was further protested to ensure reliability and validity. The questionnaire utilized for this study is in three (3) parts. The first part was a covering letter, the second part focused on socio demographic of the respondent such as age, gender, occupation, educational qualification, marital status. The third part of the questionnaire measured the effect of naira redesign and industrial relations.

The population of study includes male and female living in Yenagoa. They include indigenes and non-indigenes, employees of private and public organizations, students and business owners. The 2006 Census placed the population of Yenagoa as 352,285. However, according to a projected population by the United Nations Development Programme (UNDP), Yenagoa has a total population of 510,109 as at the year 2020. This served as the population for this study. The purposive sampling technique was adopted and a sample size of 420 was determined using Taro Yamani, from the seven districts in Yenagoa. The numbers of retrieved and usable questionnaire were 406.

**RESULTS**

**Table 2: Demographic Characteristics of the Respondents**

<b>Age Distribution</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
18-25	132	32.51	32.51
26-30	149	36.70	69.21
31-45	74	18.23	87.44
Above 45	51	12.56	100
<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Male	159	39.16	39.16
Female	247	60.84	100
<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Single	241	59.36	59.36
Married	165	40.64	100
<b>Educational Qualification</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
O <sup>o</sup> Level	64	15.76	15.76
ND/NCE	97	23.89	39.65
HND/B.Sc./BA	176	43.35	83.00
Postgraduate	69	17.00	100
<b>Occupation</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Student	125	30.79	30.79
Self Employed	113	27.83	58.62
Civil Servant Private Sector	106 62	26.11 15.27	84.73 100
<b>Income Level</b>	<b>Frequency</b>	<b>Percentage</b>	<b>Cumulative Percentage</b>
Below 50,000	129	40.15	40.15
50,000-100,000	163	31.77	71.92
100,001-150,000	68	16.75	88.67
Above 150,000	46	11.33	100

**Source: Field work, (2023).**

According to the table above, the majority of respondents in this survey are young people aged 18-25 and 25-30, accounting for 32.51% and 36.70%, respectively. 18.23% of those polled are between the ages of 31 and 45. While 12.56% of all responders are over the age of 45.

It can be determined that females outnumber males, with females accounting for 60.84% of total respondents, while males account for 39.16% of total respondents. According to Table 4.2, 241 of the sampled respondents who participated in this study are single, accounting for 59.36% of the total respondents, while 165 are married, accounting for just 49.64% of the total respondents.

The distribution of sampled respondents' educational qualifications demonstrated that 15.76% have at least an O Level certificate, 23.89% have a national diploma, 43.55% have an HND or a BSc/BA, and 17% have a graduate degree or are postgraduate students. This study's respondents are educated in excess of 80%.

The table above shows that a high proportion of this study's respondents come from the working class. Students/unemployed respondents account for 30.79% of all respondents, while those who are self-employed, civil servants, or work in a private firm account for 27.83%, 26.11%, and 15.27%, respectively, implying that 69.21% of all respondents are working class, while 30% are students/unemployed.

Finally, respondents' income levels are distributed. According to Table 4.2, a considerable majority of the respondents in this study earn less than 50,000 naira, accounting for 40.15% of the total sampled respondents. Respondents earning between 50,000 and 99,999 naira come in second, accounting for 31.77% of the total. While 16.75% of respondents earn between \$100,000 and \$149,999. Then, just 11.33% of all responders earn more than \$150,000 each year.

When the researcher was gathering data from respondents, he discovered that the majority of the respondents have either an HND or a BSc and earn more than \$50,000. This is why the majority of responders earn less than 50,000 Naira.

**Table 3: Naira redesign on Residents of Yenagoa**

S/N	Statement	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Total
1	The redesign of the naira has halted inflation	34 (8)	25 (6)	16 (4)	150 (37)	181 (45)	406 (100)
2	Naira Redesign has boasted CBN cashless policy	251 (62)	110 (27)	15 (4)	17 (4)	13 (3)	406 (100)
3	The redesign of the naira has improved money supply.	80 (20)	61 (15)	20 (5)	114 (28)	131 (32)	406 (100)
4	Naira redesign has helped counter counterfeiting of the naira currency	275 (68)	100 (25)	25 (6)	6 (1)	- (0)	406 (100)

**Source: Authors Survey, (2023)**

Table 3 shows that many respondents are disagree that the redesign of the naira has stopped inflation. They allege that the shortage of the new naira currency has boosted the price of goods and services, therefore contradicting the Central Bank of Nigeria's goal of decreasing inflation. The table also reveals that respondents believe that the redesign of the naira note has emphasized the Apex Bank's cashless policy, since they are obliged to utilize mobile or online banking to pay for products and services. According to the research, the redesign of the naira will boost money supply by allowing the CBN to govern money in circulation. The respondents believe that the redesign of the Naira has also helped to combat phony naira notes.

### **DISCUSSION OF FINDINGS**

The result of this study shows naira redesign has impacted on the everyday lives of Nigeria. The effects of currency reform are multifaceted and may appear unknown, particularly at this early stage when its annoyance is prevalent.

By encouraging more individuals to utilize bank accounts, this program will boost bank account ownership and usage by improving people's saving habits. It may encourage some formerly informal company operators to formalize their transaction patterns and use more official settlement mechanisms.

Furthermore, as the cashless policy drives more economic agents to create bank accounts, the short-term drop in cash holding and increasing formalization of commercial activity would benefit fiscal policy. As more transactions pass through e-channels and bank accounts, more agents enter the government's tax net. This broadens the base of taxable activity and improves the likelihood of increased tax revenues by various levels of government.

Long-term, the approach raises the sophistication of tax collection and, without a doubt, reduces tax evasion and avoidance. As previous experiences have demonstrated, good currency redesign may assist regulatory reform, expanded legislative reach, and integrated fiscal and structural policies.

In summary, the general advantages of a currency redesign are as follows:

1. Reduction in Broad Money Supply: The currency redesign policy will result in a decrease in money supply. This will result in a decrease in the value of money in circulation and a slowing of the velocity of money in the economy, resulting in less pressure on domestic prices.
2. Lowering Inflation: The approach is projected to produce market deflation since reduced cash holding decreases currency outside banks and slows money circulation.
3. Simple Loans: Loans will become simpler, and interest rates may fall. Because banks will have more money, more loans will be made, increasing the market's money supply and causing inflation.

### **CONCLUSION**

Finally, the CBN emphasizes the availability of sufficient money (redesigned N200, N500 and N1, 000 denominations, as well as current N100, N50, N20, N10, and N5 denominations) to facilitate economic activity.

The bank is working with the entire financial ecosystem, including DMBs, OFIs, MMOs, Super Agents, MFBs, Payment System Providers, and the EFCC, ICPC, and other law enforcement agencies, to ensure that Nigerians have a variety of options for financial transactions, including electronic channels and, in exceptional circumstances, cash.

The general population is thus encouraged not to hoard the new notes, so limiting their circulation in the economy. Monetary stored at home will not circulate, but it may feed a scarcity impression, leading to stronger demand for the currency, signaling to people who do not have an urgent or immediate monetary need to hold cash.

### **RECOMMENDATIONS**

The following recommendations are therefore made based on the findings of the study;

- Nigeria should increase manufacturing production and exports.
- Money redesign should be motivated by a desire to improve money security by enabling governments to reduce counterfeiting to a minimum and remain ahead of any counterfeiting danger.
- Nigerians should refrain from exploiting the transition by charging high fees for withdrawals through POS agents.

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