

Socio-Economic and Political Implications of Currency Redesign In Nigeria

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ABSTRACT

The need to strengthen domestic currency purchasing power and guide against counterfeiting calls for periodic redesigning of the local legal tender by Central Banks of the concerned nation to achieve the overall macroeconomic objectives.

This study examined the influence of the 2023 CBN monetary policy of naira redesign on the socio-economic and political landscape in Nigeria. The study employed content analysis to analyze the views of the respondents towards the structured questionnaire. The results indicated that the naira redesign policy in Nigeria was more effective in terms of political landscape than any other objectives adopted in the research (especially during the 2023 general election which shows a significant reduction in vote buying and gave chances to people's choice to some extent). In addition, the policy hasn't successfully and efficiently addressed the targeted aims of the CBN in the area of strengthening the naira value, reducing inflation, increasing the well-being of the citizens, and socio-economic improvement, rather it aggravates the burden on the citizenry. It therefore recommends that monetary policy implementation be carried out with proper consideration of societal peculiarities.

KEY WORDS; Currency redesign, Socio-economic, Counterfeiting, purchasing power, Citizens Wellbeing

I. INTRODUCTION

Currency, despite numerous means of electronic payment systems still retains its position as the most important means of payment in some countries especially developing economies. The presence of counterfeiting in virtually all nations of the world currencies at the domestic and international levels calls for periodic changes in the

features of the existing currencies in circulation. Every currency of the World increasingly encountered sophisticated counterfeiting attacks and threats that carefully put the central banks of all nations of the World on their security alerts. In achieving the Central Bank of Nigeria (CBN) roles of currency management and protection of integrity of the local legal tender as stipulated in Section 2(b) of the CBN Act 2007, and following the global practice of 5-8 years mandatory central banks to redesign currency, Nigeria with 19 years of overdue, coupled with other social maladies ravaging the country's economy, ranges from proliferation of counterfeiting naira notes, banditry and ransom-taking with cash, unstable exchange rate, and unproductive holding of naira notes by the citizens. Data from the Central Bank of Nigeria (CBN) has shown that 85% (amounted to 2.7 trillion out of 3.23 trillion naira) of currency in circulation are out of banks leaving 500 billion naira in the banking system as of October 2022 (Emefiele, 2023; Onimisi, 2023 and Otitoju, Sunday, Abiola, and Abudu, 2023). CBN in October 2022 sought approval from the Federal Government of Nigeria to redesign some higher Nigerian banknotes to mitigate the unfortunate maladies domicile within the economy.

Historically, currency redesign started in Nigeria following the effort of the pre-colonial government for the unification of currency of different currencies attached to differences in culture begotten in the 1880s by colonial ordinance by introducing shilling and pence as the legal tender currency in British West Africa, managed by Bank of England. Following the establishment of the West African Currency Board (WACB) between 1912 and 1959 saddled with the responsibility of issuing banknotes to specific West African countries; like Nigeria, Ghana, Sierra

Leone, and the Gambia issued the first banknote with the highest banknote denomination of one pound, and one shilling coin as highest coin denomination. To this end, the studies have shown diverse relationships between currency redesign and the economy. Onimisi, 2023 and Otitoju, et. al. 2023 revealed a bi-effect (positive and negative) of currency redesign on the Nigerian economy. According to (Dada 2023 and Olalunle 2023) currency redesign has an inverse short-term effect on industrial performance.

II. LITERATURE REVIEW

Conceptualizing currency redesign means different things to different people depending on its reflections to an individual. Akinleye (2023), sees currency redesign as a process of changing the design, security features, and other characteristics of a country's currency. CBN defines currency redesign as a government effort at making the local tender more secure; enhancing durability to last longer in circulation and streamlining its aesthetic and security features.

Redesigning the currency was viewed as a government effort to reclaim its control over the currency. Currency redesign policies (sometimes called demonetization policies) are designed by countries to strengthen the performance of key macroeconomic parameters and equally combat social improprieties. Essentially, it is expected to reduce the amount of cash in the underground or illicit economy, truncate the activities of racketeers, and obliterate rent-seeking businesses in the black market. Reducing currency outside banks, will shrink money stock and accordingly lower the long-run path of inflation. The ensuing deflationary pressure could elicit interest rate cuts that will in the short- to medium-term boost economic activities, spur aggregate demand, and enhance economic growth.

The relationship between currency redesign and economic growth has been both empirically and theoretically examined Dada, (2023), examined currency redesign policy implementation and manufacturing performance in Nigeria. In his findings, it was revealed that the policy implementation has a negative short-term effect on industrial performance. In the long run, the study also showed a positive impact leading to reduced currency counterfeiting and many other vices. Akinleye (2023), revealed that currency

redesign has a significant impact on inflation, exchange rate, and monetary policy.

III. METHODOLOGY

The research design used in this study is a case study approach, focusing on currency redesign policy in Nigeria. The case study design allows for an in-depth exploration of the policy implications of currency redesign, drawing a range of data sources to provide a comprehensive analysis.

Data collection for this study involved both primary and secondary sources. Primary data was collected through semi-structured interviews with key stakeholders involved in the currency redesign process in Nigeria. The stakeholders included officials from the Central Bank of Nigeria, representatives from the Federal Ministry of Finance, and other experts in the field of currency redesign. The interviews were conducted in person, over the phone, and via email, also, structured questionnaires were developed to extract needed information depending on the availability and choice of the respondents.

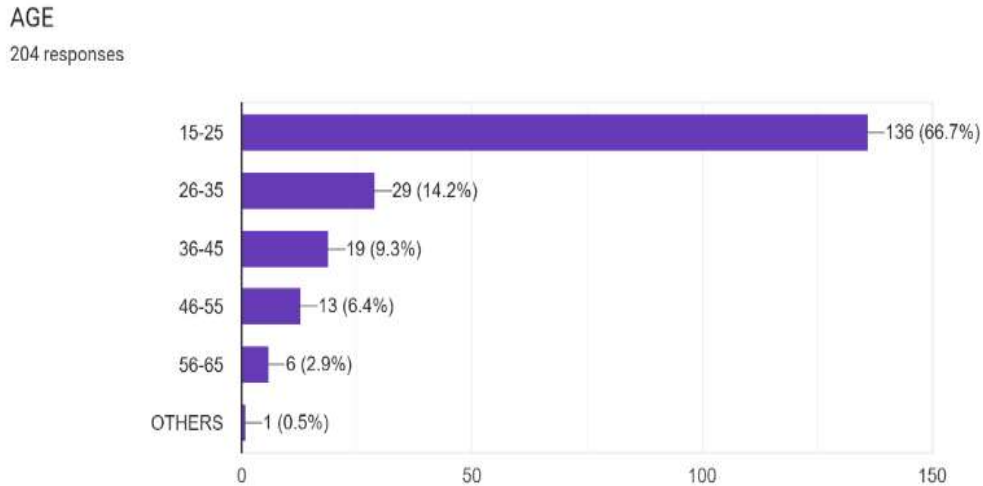
Secondary data was collected from various sources, including government publications, reports from international organizations such as the International Monetary Fund and the World Bank, academic journals, and other relevant sources. The secondary data was used to provide a comprehensive overview of the subject matter and to compare Nigeria's policy with policies in other countries.

The data collected was analyzed using content analysis, which involves systematic identification of patterns, themes, and meanings in qualitative data, also gives a chance to identify the commonalities and differences in the responses of the study participants and provides insights into the policy implications of currency redesign in Nigeria.

IV. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

To adequately sample the opinion of the Nigerian citizens on the subject matter a structured questionnaire was designed and distributed using online Google sampling techniques. A total of 204 respondents reacted to the questions during the period under consideration.

FG 4.1 Age Distribution of the Respondents

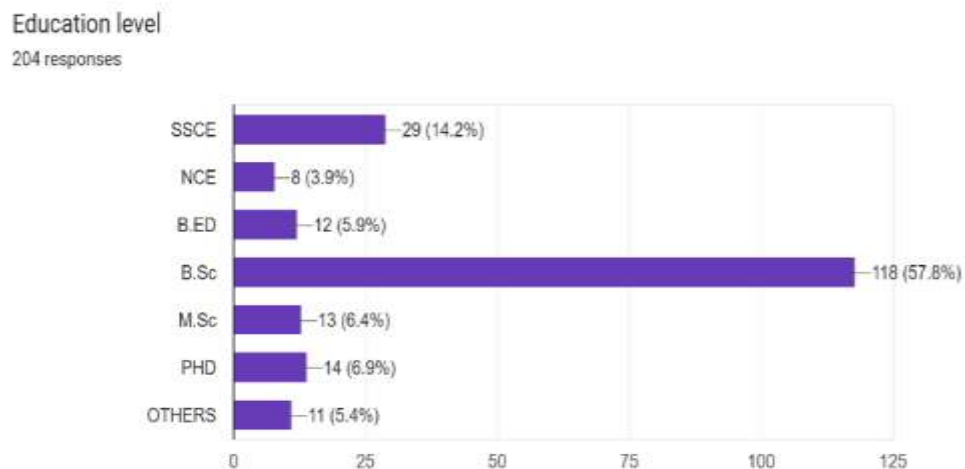


Source: Author’s Computation 2024

Figure 4.1 shows the age distribution of the respondents to the questionnaire which ranges from 15 to 65 years and above, out of the total 204 respondents, ages 15 to 25 accounted for 136 responses amounting to 66.7% of the total sampled population, followed by age 26-35 with 29 made up 14.2%, age 36-45 showed 19 respondents as 9.3%,

46-55 recorded 13 respondents which is 6.% of the total sampled population, also age 56-65 recorded 6 respondents with 2.9% of the total sampled population, and finally age 66 and others with just a respondent to claim .5% of the total sampled population.

FG. 1.2 Educational Distribution of the Respondents



Source: Author’s Computation 2024

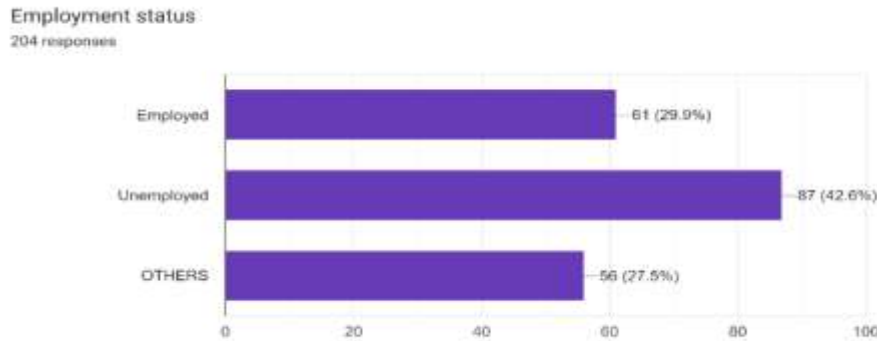
Figure, 4.2 displays the educational level of each respondent ranging from Secondary School Certificate Examination (SSCE) to Ph. D. and others. B.sc and B.ED holders get the highest

number in the chart with 63.7% of 118 people followed by SSCE holders with 14.2% of 29 people followed by PH.D holders with 6.9% of 14people then master’s degree holders with 6.4% of 13

people followed by, people with others degree not listed in the questionnaire takes 5.4% if 11 people

lastly NCE holders with 3.9% of 8people.

F.G 1.3 Employment Statuses of the Respondents



Source: Author’s Computation 2024

Figure 1.3; shows the employment status of the respondents in this survey. Unemployed citizen takes the lead with 87 respondents marked 42.6% of the total sample population followed by

employed numbering 61 respondents stands for 29.9% of the sample population while other categories’ accounted for 27.5% of the total sampled populations with 58 respondents.

4.1 RESULTS ANALYSIS

Table 4.1: Currency Redesign and Citizens Wellbeing

QUESTIONS	SA (%)	A (%)	N (%)	D (%)	SD (%)
Trade has been easier since the redesign of Naira	1.5	8.3	13.7	49.8	26.8
Naira redesign made naira very accessible and easier to use	2.0	6.8	9.8	48.3	33.2
Naira redesigns increase personal saving and investment	6.8	15.1	15.6	43.9	18.5
Naira redesign affects the wellbeing of Nigeria	33.7	34.6	9.8	17.1	4.9

Source: Author’s Computation 2024

Table 4.1 shows the responses of the Nigerian populace towards the recently concluded naira redesign and the citizen’s well-being. Four questions were generated to sample the opinion of the respondents towards their well-being during the process of 2023 redesigning of the three highest (₦200, ₦500, and ₦1000) denominations of Nigeria currency, these tend to analyze the following; ease of doing business (trade), naira accessibility, personal savings and investment, and general wellbeing For WELQ1, Q2, Q3 and Q4 which is Trade has been easier since the redesign of Naira, Naira redesign made naira very accessible and easier to use, Naira redesigns increase personal saving and investment, Naira redesign affects the

wellbeing of Nigeria. 26.8%, 33.2%, 18.5% 4.9% strongly disagree with this statements respectively, while 49.8%, 48.3%, 43.9%, 17.1% disagree to the statements respectively, 13.7%, 9.8%, 15.6%, 9.8% neither agree nor disagree to the statements, 8.3%, 6.8%, 15.1%, 34.6% agree to the statements and 1.5%, 2.0%, 6.8%, 33.7% strongly agree to the statements respectively.

Regarding ease of doing business 49.8% and 26.8% of the respondents disagreed with the assertion that trade has been easier to carry out than the pre-policy implementation which signifies trading activities were relatively hurt and unfavourable during and after the naira redesign policy implementation. In the same vein

accessibility to the naira for transactional motives, personal savings, and investment was seriously

battered during the process of the policy implementation.

Table 4.2: Currency Redesign and Political Situation

QUESTIONS	SA (%)	A (%)	N (%)	D (%)	SD (%)
Naira redesign have impact on political situation in Nigeria	19.0	48.3	13.2	15.1	4.4
Naira redesign help to reduce vote buying during the last general election	17.6	40.5	14.6	17.6	9.8
Naira redesign increase confidence in government economic policies	5.4	20.5	19.0	38.0	17.1

Source: Author’s Computation 2024

Table 4.2 X-ray of the impact of the naira redesign on political perceptiveness in Nigeria, highlighted the general political sphere, electoral conduct in the last general election, and government policies in support of the economy in general, the results as stipulated in the questions Q1, Q2, Q3 states that Naira redesign has an impact on the political situation in Nigeria, Naira redesign help to reduce vote buying during the last general election, Naira redesign increase confidence in government economic policies. 4.4%, 9.8%, and 17.1% strongly disagree with these statements respectively, 15.1%, 17.6%, and 38.0% disagree

with these statements respectively, 13.2%, 14.6%, 19.0% neither agree nor disagree with this statements, and 48.3%, 40.5%, 20.0% agree to this statements respectively, 19.0%, 17.6%, 5.4% strongly agree in this statements respectively. From the outcome of the response, it was shown that the political shape of Nigeria was drastically affected during the process, especially the just concluded 2023 general election. It was discovered from the view of the respondents that the naira redesign reduces vote buying in some parts of the country to allow the will of the people to prevail.

Table 4.3: Currency Redesign and Nigeria Economy

QUESTIONS	SA (%)	A (%)	N (%)	D (%)	SD (%)
Redesigned Naira has improved the overall economic growth in Nigeria	3.9	8.8	12.7	42.9	31.7
Naira redesign has had impact on the perception of our country's economy in Nigeria and easier to use	9.8	9.8	23.4	27.8	29.3
Naira redesign increase the standard of living	6.8	9.8	6.8	44.9	31.7
Naira redesign has positively enhanced wealth distribution	3.4	10.2	15.1	44.4	26.8

Source: Author’s Computation 2023

Table, 4.3: analyze the impact of the Naira redesign policy on the economic growth in Nigeria during and after the 2023 Naira redesign policy implementation. Based on the quizzes in the questionnaire ranging from economic perception, standard of living, wealth distribution, and economic growth. From the outcome of the respondents, the results were shown as follows: Redesigned Naira has improved the overall economic growth in Nigeria by 3.9%, 8.8%, 12.7%, 42.9%, and 31.7% for strongly agree, agree, neutral, disagree and strongly disagree respectively; from this result it was seen that 42.9

and 31.7 percent amounted to the 74.6% of the total respondents disagreed with the assertion that naira redesign improve overall economy in Nigeria.

Currency redesign had an impact on the perception of our country's economic growth in Nigeria 9.8%, 9.8%, 23.4%, 27.8%, and 29.3%; Also the responses of the respondents followed the pattern in the above showing that 57.1 percent combined disagreed to the statement that perception of the economy of the nation was altered by the naira redesign, this validates the fact that changing colour and characteristics do not change the purchasing power of the currency.

Naira redesign increased the standard of living the results indicated as follows 6.8%, 9.8%, 6.8%, 44.9%, and 31.7%; in the same vein, the response of the respondents subscribe to the high percentage of disagreement totaling 76.6 of the total sampled population, this revealed that

redesigning of local currency does not translate to increase or improvement in economic activities. The Naira redesign has positively enhanced wealth distribution, the respondents' outcome follows as 3.4%, 10.2% 15.1%, 44.4%, and 26.8%

Table, 4.4 Currency Redesign and Citizen's Social Status

QUESTIONS	SA (%)	A (%)	N (%)	D (%)	SD (%)
Social activities increase during the naira redesign	5.9	14.6	16.6	38.5	24.4
Naira redesign increase income inequality	12.2	30.2	20.0	22.9	14.6
Naira redesign increase confidence and trust in Nigeria currency	4.9	11.7	15.6	46.3	21.5
Naira redesign affect consumer behavior positively	14.1	31.7	11.2	27.8	15.1

Source: Author's Computation 2024

Table 4.4; explains the reaction of the respondents to the naira redesign policy in line with citizens' social inclination during the period under consideration. The questions were centered on social activities, income inequality, confidence and trust in the naira value, and consumer behavioural pattern. By the specification, the reaction is presented as follows: Social activities increase during the naira redesign, 5.9%, 14.6%, 16.6%, 38.5% and 24.4%; Naira redesign increase income inequality 12.2%, 30.2%, 20.0% 22.9% and 14.6%; Naira redesign increase confidence and trust in Naira value 4.9%, 11.7% 15.6%, 46.3% and 21.5%; and Naira redesign affect consumer behavior positively 14.1% 13.7%, 11.2%, 27.1%

and 15.1%. The results from Table, 4.4 revealed that social activities were dampened in the course of the implementation of the naira redesign policy of the Central Bank of Nigeria due to the non-availability of new naira notes in circulation. Some of the social and entertainment investors (industry) were unable to meet their target during the implementation process due to the paucity of funds in circulation. In addition, the reaction of the respondents shows that the naira redesign further widens the income gap among the populace; this implies the rich are getting more income due to the local trading of naira for naira. To this end, one of the major aims of CBN was to keep the dignity of the naira and reduce the rate of naira hoarding

Table, 4.5; Currency Redesign and Inflation in Nigeria

QUESTIONS	SA (%)	A (%)	N (%)	D (%)	SD (%)
Can naira redesign curb or reduce inflation in Nigeria	5.9	20.0	20.0	34.6	19.5
Naira redesign increase purchasing power of the citizen	5.9	18.0	13.2	42.4	20.5
Naira redesign promote deflation	8.3	26.3	19.0	23.4	22.9

Source: Author's Computation 2024

Table, 4.5; reveals the respondent's perspective of the naira redesign on the inflationary trend in Nigeria, the outcome shows that the majority of the respondents were not in support of the positive interaction between the inflationary trend and the naira redesign policy. For example, the first question states can naira redesign curb or reduce inflation in Nigeria? The response indicated as follows; 5.9%, strongly agree, 20.0%, agree,

20.0% are undecided, 34.6% disagree and 19.5% strongly disagree. From this analysis totality, 54.1% of the sample population disagreed with the assertion that the naira redesign may lower inflation in the Nigerian economy. While the second question claimed that the Naira redesign increased purchasing power of the citizen, 5.9%, strongly agreed, 18.0%, agree, 13.0% were undecided, 42.4% disagreed and 20.5% strongly

disagreed. It was clear that 62.9% of the respondents filtered that purchasing power had drastically decreased rather than appreciated, this implies the naira value has weakened over time, that is number of goods and services the naira commands in the market is getting smaller daily. The upward inflation trend in Nigeria from January 2023 to date corroborated and validated respondents' opinion in disagreeing that the naira redesign curbs or reduces inflation in Nigeria. The inflation trend in Nigeria since January 2023 has shown a 21.82 increase to 22.22 in April 24.08 in July and 26.72 in September 2023. CBN,

4.3 DISCUSSION OF FINDINGS

The study investigates the socio-economic implication of the 2023 naira redesign policy in Nigeria on the citizens. The required information was gathered using a structured questionnaire through the electronic means of administering the questionnaire. To articulate the socio-economic effect of the naira redesign policy of the CBN on Nigerian citizens, the study was segmented into five categories which include citizens' well-being, politics, economics, social status, and inflation.

Demographically it was noted that 204 respondents in total attended to questionnaire electronically, age distribution revealed that age 15-25 accounted for 136 responses amounted to 66.7% of the total sampled population, followed by age 26-35 with 29 made up 14.2%, age 36-45 showed 19 respondents as 9.3%, 46-55 recorded 13 respondents which is 6% of the total sampled population, finally, age 56-65 recorded 6 respondents with 2.9%. The age distribution outcome showed that a larger percentage of the respondents fall within the labour force which felt the effect of the monetary policy on their daily activities. In addition, educational distributions showed that 94.6% of the total samples were educated with a minimum of secondary school certificate examination. Conversely, the employment status of the respondents in this survey showed that unemployed citizens took the lead with 87 respondents marked 42.6% of the total sample population followed by employed numbering 61 respondents standing for 29.9% of the sample

population while other categories' accounted for 27.5% of the total sampled populations with 58 respondents.

Naira redesign and citizens' well-being demonstrated an inverse relationship which significantly reduced the growth rate of the Nigerian economy. This was attributed to the hardship went through by the citizens during the implementation of the CBN monetary policy. It was in contrast with the assertion of Andrea (2021) stating that human well-being is one of the yardsticks of measuring a nation's development. In terms of Nigeria's political landscape, it was shown from the result that the naira redesign has a significant positive effect on individual decision-making, particularly during the 2023 general election by streamlining vote buying. In the same vein socio-economic activities also demonstrated negative effects with the Naira redesign policy implementation of the federal government which adversely affects the economic growth.

According to the former governor of the Central Bank of Nigeria Godwin Emefiele (2023), the aims of the CBN for naira redesign were to reduce inflation, increase financial inclusion, and support the efforts of our security agencies in combating banditry and ransom-taking in Nigeria, however, the reverse was the case during the implementation as there was shortage naira in circulation, it increases the general price of goods and services which cause hyperinflation. In the First quarter of 2023, Nigerians experienced a shortage of cash in circulation due to the naira redesign policy (Olakunle, 2023). Furthermore, the policy negatively affects virtually all sectors of the Nigerian economy including the informal sector, such as local retail shops, artisans, and commercial bus drivers. Trading activities for small-scale manufacturers were also affected. The cash circulation shortage experienced in the first quarter of 2023 translated to an internal currency exchange rate in which those who possessed naira in cash sold with interest to the users. The impacts of the naira redesign policy show a need to revive the cashless policy for small businesses to address cash scarcity.

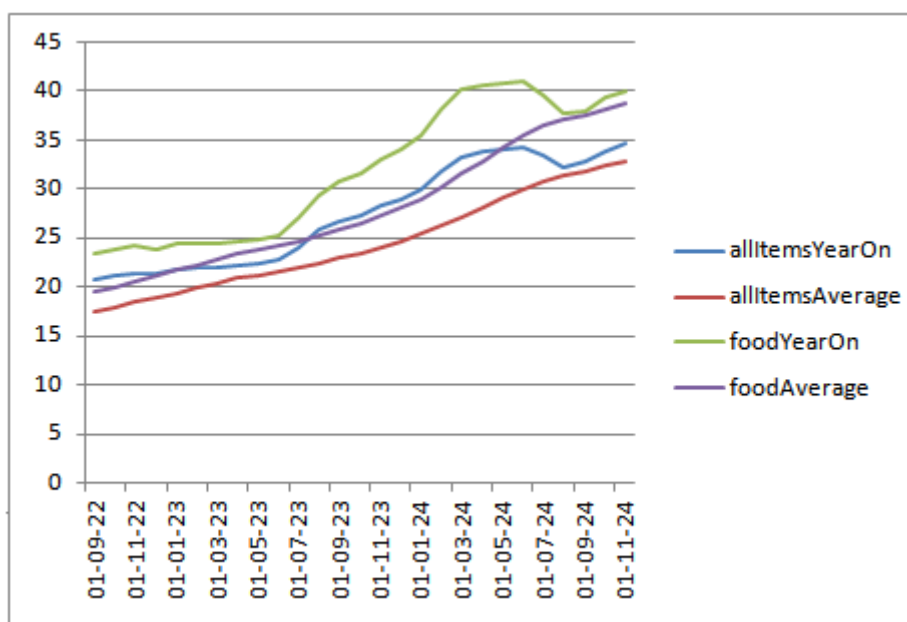


Figure 1.4 Inflationary Trends in Nigeria

Source CBN, 2025.

Figure 1.4 shows the monthly inflationary trends in Nigeria between September 2022 to November 2024 as a sterilize fact in arguing/corroborating the outcome of this research work on the aftermath of naira redesign policy in Nigeria. In the fourth quarter of 2022 (pre currency redesigned era) inflation rate in Nigeria was stood at average of 20% on all items year on year while food items year on year was at 23%

From the first three quarters of 2023, there is an indication that inflation in Nigeria increases on monthly average changes of all items. Annual inflation raise to 26% on year on change, this acceleration was attributed to multiple policies combination by federal government at a time which includes naira redesign, cashless policy, second-round effects of the fuel subsidy removal and the devaluation of the naira against other currencies on both the official and parallel markets. Prices of food, which is the most essential commodity to all citizen in the Consumer Price Index basket, jumped to 30.6% in September,

V. CONCLUSION

Based on the foregoing analysis, this study concludes that the naira redesign policy in Nigeria was more effective in terms of political landscape than any other objectives adopted in the research (especially during the 2023 general election it significantly reduced vote buying and gave chances to people's choice to some extent). The policy hasn't successfully and efficiently addressed the

targeted aims of the CBN in the area of strengthening the naira value, reducing inflation, increasing the well-being of the citizens, and socio-economic improvement, rather it aggravates the burden on the citizenry. This was based on the inability of the government agents to take into consideration the Afrocentric thinking of the populace in combining several monetary policies at the same time.

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