Research Paper

The Implications Of Naira Redesign On Citizens' Per Capital Income Of Civil Servants Inogun State

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ABSTRACT
To many Nigerians, the 2022 Currency Redesign Programme of the Central Bank of Nigeria (CBN) came through as disruptive and unnecessary. This is more so because the programme attempted to force Nigeria's jump into a cashless economy, creating an artificial cash crunch, unprecedented in the country's history. This paper attempts to review the implications of the Naira redesign on the citizens' Per Capita Income. It demonstrates the historical transformation of modern currency in Nigeria since the country's independence in the year 1960, examining the effects of the redesign on the income of citizens and also on the prices of goods and services. The paper, nonetheless, analyzes how the programme, which was meant to ensure effective currency management, paradoxically became devastating to the local economy within a very short time span. The paper is based on primary and secondary sources of historical data.
KEYWORDS: Currency Redesign, Central Bank, Banknotes, Money Laundering and Counterfeit.

I. INTRODUCTION

On 1stJanuary 1973, the Central Bank of Nigeria introduced notes for 50 kobo, ₦1, ₦5, ₦10 and ₦20: in April 1984, the colours of all naira banknotes were changed in an attempt to control money laundering. In 1991, ₦50 notes were issued, while the 50 kobo and ₦1 notes were replaced by coins in 1991. This was followed by ₦100 in 1999, ₦200 in 2000, ₦500 in 2001 and ₦1,000 on October 12th, 2005 (Wikipedia).

On 28th February 2007, new versions of the ₦5 to ₦50 banknotes were introduced. Originally the ₦10, ₦20 and ₦50 were to be polymer banknotes,but the ₦5, ₦10 and ₦50 were delayed to late 2009 and only the ₦20 was released in polymer. The notes are slightly smaller (130 × 72 mm) and redesigned from the preceding issues. In mid-2009 when Sanusi Lamido Sanusi took over as CBN Governor,The Central Bank of Nigeria changed the ₦5, ₦10 and ₦50 to polymer notes (Wikipedia).

On 12th November 2014, the Central Bank of Nigeria issued a ₦100 commemorative note to celebrate the centennial of Nigeria's existence. The notes are similar to its regular issue with the portrait of Chief Obafemi Awolowo on the front, but are redesigned to include a new color scheme, revised security features, and the text "One Nigeria, Great Promise" in micro printing. On the back is a quick response code (QRC) which when scanned leads users to a website about Nigeria's history (Wikipedia).

In 2022, the Central Bank of Nigeria (CBN) under President Muhammadu Buhari led administration expressed the decision to redesign the naira as a statutory responsibility and a way to curb the increased circulation of counterfeit notes in the country.The CBN governor, Mr. Godwin Emefiele expressed that the approval for the redesign was granted by the president of the country in fighting corruption, terrorism, kidnapping and other unlawful practices. He said the higher naira denominations have been the denomination mostly used by the perpetrators of the acts which includes ₦200, ₦500 and ₦1,000 notes.President Muhammadu Buhari officially unveiled the new notes at the state house after 19 years since the naira was redesigned.The newly redesigned naira notes were planned to be printed by The Nigerian Security Printing and

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Minting Company Limited which will make the country one out of the four Africa countries who print their currencies locally and not import from foreign countries (Wikipedia).

In November 2022, CBN, Nigeria's apex bank, informed the citizens that the new notes will be issued from 15th December 2022 onward, and that old naira notes need to be returned to the banking system before 31st January 2023 when they will cease to be legal tender.The deadline to exchange banknotes was extended to February 2023 (Wikipedia).

Statement of the Problem

The redesigning of the Naira came with so many social and economic problems. Akinlo&Odusola (2023) believed it affected real sector of the economy. So many small-scale industries and businesses went insolvent and then liquidated. During this period, sellers and service providers used the opportunity to double – even triple – the costs of their wares or services. This was mostly the case where buyers presented the old currency notes other than the scarce new notes. Refusal to abide by this trending exchange condition meant going home empty handed. Inflationary trends were high. Akinlo & Odusola (2023) quipped that price and currency fluctuations really affected the real sector of the economy. The specific problems which this study tends to address are as follows:
  i. The negative implications of the Naira redesign on citizens' per capita income.
 ii. The inadequacy of the supply of the new Naira notes.
iii. The negative influence of the Naira Redesign on the price of goods and services.

Research Objectives

The objectives of this study are as follows:
  i. To determine the implications of the Naira redesign on citizens' per capita income.
 ii. To find out how the adequacy of the supply of the new Naira notes affected the economy.
iii. To determine the influence of the Naira Redesign on the price of goods and services.

II. LITERATURE REVIEW

Mr.GodwinEmefiele,CBNGovernor,gavereasonsforredesigningandswappingtheaffectedcurrency notes.MakingareferencetotheCBNActof2007(asamended),hesaiditwastheresponsibilityofthe apexbankto'issueandmanagethecountry'slegaltendercurrency–Naira,kobo,eNaira".(CBN,2007). CBN'sotherreasonsweretheevidenceofnairahoardingbythepublic,whichledtoseriousshortage; increaseinthelevelofnairacounterfeiting;and,finally,ithadbeenalongtimethenairawaslastredesigned – anexercisewhichshouldtakeplaceevery5to8years.Inhisownreason,theEFCCboss,Abdulrasheed Bawa,saidthenairaredesignwasnecessarybecausepoliticianswerehoardingtheoldnotestobuyvotes forthe2023elections.(Tori,2023).Ontheexpectedbenefitsofredesigningthenaira,CBNsaiditwould checknairacounterfeiting,strengthentheeconomy,reducecashmanagementexpenditure,promote financialinclusionandenhanceCBN'svisibilityofcashsupply.

However,manycriticswereoftheopinionthattheCBN'sacclaimedbenefitsandobjectivesofthe redesignednairawereatotalfiasco.GovernorGandujeofKanoStateextoledthepolicyas"*agoodonebut theimplementationispoorlyexecutedandill-timed.Thepoorimplementationiseitheradisplayofincapacity and / or a sign of sabotage*." (Muntari, 2023). Another weakness of the currency redesign was the resultant low socio-economic activities and the untold hardship it brought to Nigerians, including political parties. ThisDay (2023) also noticed that "the exercise brought so much hardship, confusion, apprehension, rancor, despondency".

Olokor (2023) did not keep mute over the failure of the naira redesign. He accused federal government and CBN of "*withdrawing over 2trillion naira from circulation and then went ahead printing only 300billion naira*". He blamed this as the cause of the crisis that gulped the country during the period. Isenyo (2023) remarked that this imbalance in the amount withdrawn from circulation and the one pushed into circulation led to serious dearth of naira notes. He also accused that it was a plot to "*disrupt the forthcoming general elections*." Baiyewu (2023) equally supported that the policy was "*capable of frustrating the forth coming 2023 general elections*."

In Nigeria, the Central Bank of Nigeria (CBN) is responsible for the design, production, and distribution of the country's currency. Ogundipe, A. O. (2022) identified some of the existing policies and regulations related to currency redesign in Nigeria, which include:Currency Review,CurrencyDesign,CurrencyProduction,Counterfeit Detection and Currency Exchange.

Thesepoliciesandregulationsareessential inensuringthesecurityandauthenticityofthe country'scurrency,andinpromotingpublictrustandconfidenceinthecurrency.

Per capita income is often used to measure a sector's average income and compare the wealth of different populations. It is also often used to measure a country's standard of living. It is usually expressed in terms of a commonly used international currency, such as the euro or United States dollar, and is useful because it is widely known, is easily calculable from readily available gross domestic product (GDP) and population

estimates, and produces a useful statistic for comparison of wealth between sovereign territories. This helps to ascertain a country's development status. It is one of the three measures for calculating the Human Development Index of a country. Per capita income is also called average income (Afolabi, Y. O. 2020).

Theoretical Framework

The quantity theory of money (QTM) also assumes that the quantity of money in an economy has a large influence on its level of economic activity. So, a change in the money supply results in either a change in the price levels or a change in the supply of goods and services, or both. In addition, the theory assumes that changes in the money supply are the primary reason for changes in spending.

One implication of these assumptions is that the value of money is determined by the amount of money available in an economy. An increase in the money supply results in a decrease in the value of money because an increase in the money supply also causes the rate of inflation to increase. As inflation rises, purchasing power decreases. Purchasing power is the value of a currency expressed in terms of the amount of goods or services that one unit of currency can buy. When the purchasing power of a unit of currency decreases, it requires more units of currency to buy the same quantity of goods or services.

The Keynesian Theory of Income, Output and Employment

In the Keynesian theory, employment depends upon effective demand. Effective demand results in output. Output creates income. Income provides employment. Since Keynes assumes all these four quantities, viz., effective demand (ED), output (Q), income (Y) and employment (N) equal to each other, he regards employment as a function of income.

According to Keynes, employment can be increased by increasing consumption and/or investment. Consumption depends on income C(Y) and when income rises, consumption also rises but not as much as income. In other words, as income rises, saving rises.

Empirical Framework

Nwaezeihenatuoha, Peter Chukwughalum (2023) revealed that the real intentions of CBN for redesigning the naira were a complete debacle, disaster, and tragedy.

AkinleyeOluniyiSoji (2023) revealed that currency redesign can have significant political implications by promoting national identity and a sense of patriotism among the population.

Pillah, Tyodzer& Patrick (2023) revealed that a cycleofbanknoteredesignassistsacountryin the fight against corruptionas suchexercisewouldreininthehigherdenominationusedforcorruption,andhence,the movementofsuchfundsfromthebankingsystemcouldbetrackedeasily.

III. METHODOLOGY AND ANALYSIS OF DATA

This study is based on analytical and descriptive research in which simple random techniques were used in the collection of data from respondents. The total population of the study comprised all civil servants in Ogun state.A sample size of 50 civil servants at different levels in Igbesa was selected randomly. Data were analyzedemploying analysis of variance (ANOVA).

TABLE 1: SEX OF RESPONDENTS

		Frequency	Percent	Valid Percent	Cumulative Percent
			SEX		
Valid	Male	28	56.0	56.0	56.0
	Female	22	44.0	44.0	100.0
	Total	50	100.0	100.0	

Source: SPSS version 29

Table 1 indicates that 22 (44%) of the respondents are female while 28 (56%) are Male.

TABLE 2: AGE OF THE RESPONDENTS

		Frequency	Percent	Valid Percent	Cumulative Percent
			AGE		
Valid	18-30years	28	56.0	56.0	56.0
	31-40years	16	32.0	32.0	88.0
	41-50years	2	4.0	4.0	92.0
	51-60years	3	6.0	6.0	98.0
	Above 60years	1	2.0	2.0	100.0
	Total	50	100.0	100.0	

Source: SPSS version 29

According to Table 2, 28 (56%) of the respondents were between the ages of 18-30years, 16(32%) were between the ages of 31-40years, 2(4%) were between 41-50years, 3(6%) were between the ages of 51-60years and 1 (2%) were above the ages of 60years.

TABLE 3: CADRE OF MANAGEMENT
CADRE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Administrative	12	24.0	24.0	24.0
	Executive	5	10.0	10.0	34.0
	Professional	30	60.0	60.0	94.0
	Clerical	1	2.0	2.0	96.0
	Auxiliary	2	4.0	4.0	100.0
	Total	50	100.0	100.0	

Source: SPSS version 29

According to Table 3, 12 (24%) of the respondents are in the Administrative Cadre as a Civil Servant, 5(10%) are in the Executive cadre, 30(60%) are in the Professional cadre, 1(2%) are in the Clerical cadre and 2 (or 4%) are in the Auxiliary cadre.

TABLE 4: EDUCATION QUALIFICATION OF THE RESPONDENTS
EDUCATION

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	O'level	1	2.0	2.0	2.0
	ND/NCE	15	30.0	30.0	32.0
	HND/BSc	28	56.0	56.0	88.0
	MSc/MBA	6	12.0	12.0	100.0
	Total	50	100.0	100.0	

Source: SPSS version 29

According to Table 4, 1 (2%) have an O'level, 15 (30%) have ND/NCE degree, 28(30%) have HND/BSc degree, and 6 (12%) respondents have other MSc/MBA degree.

TABLE 5: WORK EXPERIENCE
EXPERIENCE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5 years	31	62.0	62.0	62.0
	6-10years	14	28.0	28.0	90.0
	11-15years	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

Source: SPSS version 29

According to Table 5, 31 (62%) have 1-5years work experience, 14 (28%) have 6-10years work experience, and 5 (10%) respondents have 11-15years work experience.

TABLE 6: CORRELATION ANALYSIS
Hypothesis 1

H_0 –There is no significant relationship between Naira redesign and citizen per capital income.
H_1- There is significant relationship between Naira redesign and citizen per capital income.

Symmetric Measures

		Value	Asymptotic Standard Error[a]	Approximate T[b]	Approximate Significance
Interval by Interval	Pearson's R	-.283	.137	-2.043	.047[c]
Ordinal by Ordinal	Spearman Correlation	-.267	.142	-1.918	.061[c]
N of Valid Cases		50			

a. Not assuming the null hypothesis.
b. Using the asymptotic standard error assuming the null hypothesis.
c. Based on normal approximation.

Source: SPSS version 29

Table 6 results indicate that the p-value (0.047) is less than (0.05) (p-value<0.05). We reject H_1, and thereforesuggest that there is no significant relationship between Naira redesign and citizen per capital income.

TABLE 7: CHI-SQUARE ANALYSIS

Hypothesis 2

H_0 –The supply of new naira notes during the redesign was not adequate.

H_1- The supply of new naira notes during redesign was adequate.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	26.951[a]	12	.008
Likelihood Ratio	22.395	12	.033
Linear-by-Linear Association	13.672	1	<.001
N of Valid Cases	50		

a. 17 cells (85.0%) have expected count less than 5. The minimum expected count is .08.

Source: SPSS version 29

Table 7 results indicate that the p value (0.008) is less than (0.05) (p value <0.05). We reject H_1, and therefore suggest that the supply of new naira notes during redesign was not adequate.

TABLE 8 CORRELATION ANALYSIS

Hypothesis 3

H_0 –There is no significant relationship between naira redesign and price of goods and services.

H_1- There is significant relationship between naira redesign and price of goods and services.

Symmetric Measures

		Value	Asymptotic Standard Error[a]	Approximate T[b]	Approximate Significance
Interval by Interval	Pearson's R	.392	.110	2.951	.005[c]
Ordinal by Ordinal	Spearman Correlation	.430	.124	3.300	.002[c]
N of Valid Cases		50			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Source: SPSS version 29

Table 8 results indicate that the p-value (0.005) is less than (0.05) (p-value<0.05). We reject H_1, and thereforesuggest that there is no significant relationship between the naira redesign and the price of goods and services.

IV. SUMMARY, CONCLUSION AND RECOMMENDATION

This study is on the implications of the Naira redesign policy on citizens' per capita income, using the civil servants of Ogun state as the case.

This study revealed that there is no significant relationship between Naira redesign and citizen per capital income. Also, there is no significant relationship between the naira redesign and the price of goods and services. The outcome of this study shows that there is no significant evidence that there is a relationship between Naira redesign and citizen per capital income. This is not to say that Naira redesign has no effect on the citizens' per capita income but to say the impacts it has are not significant enough to conclude otherwise.

The study also concluded that there is no significant relationship between naira redesign and the price of goods and services. Although the prices of goods were not stable during the Naira redesign, there is no evidence that this instability was a result of the Naira redesign. There is a high rate of inflation in the country already and this could have resulted in the hike in the price of goods and services before, during, and after the Naira redesign.

Based on the findings of the study, here are some recommendations for policymakers in Nigeria:

i. **Invest in improved security features:** To combat counterfeiting, policymakers should invest in improved security features for the currency. This can include features such as holograms, watermarks, and other technologies that are difficult to replicate.

ii. **Buildpublic trust and confidence:** This can include educating the public about the reasons for the redesign and the benefits it will bring to the economy.

iii. **Monitor the impact on inflation:** This can involve tracking changes in the money supply and inflation rates to ensure that the redesign is not having any unintended consequences.

iv. **Ensure inclusivity and representation:** This can include featuring images of prominent Nigerian figures and cultural symbols on the currency to foster a sense of national identity and promote social cohesion.

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