



## Implications of Naira Redesign on Citizens' Per Capita Income of Civil Servants in Ogun State

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### Abstract

**Research Purpose:** Amidst controversy surrounding the 2022 Currency Redesign Programme by the Central Bank of Nigeria (CBN), this paper delves into the implications of the Naira redesign on the per capita income of civil servants in Ogun State. It aims to assess the impact of the redesign on citizens' income and the prices of goods and services.

**Methodology:** Utilising both primary and secondary sources of historical data, this paper reviews the historical transformation of currency in Nigeria since independence in 1960. It analyses the effects of the Naira redesign on citizens' income and the local economy.

**Findings:** The study reveals that the Currency Redesign Programme, intended to enhance currency management, paradoxically led to adverse effects on the local economy. It caused disruptions in citizens' per capita income and escalated the prices of goods and services within a short timeframe.

**Conclusion:** The paper concludes that despite its intended purpose of effective currency management, the Naira redesign had detrimental consequences on the economy, particularly impacting citizens' income and the cost of living.

**Recommendations:** To mitigate the negative effects of currency redesigns in the future, policymakers should conduct thorough assessments of potential impacts on citizens' income and the economy. Additionally, measures should be implemented to ensure smoother transitions and minimal disruption to the local economy.

**Key words:** *Currency Redesign, Central Bank, Banknotes, Money Laundering, Counterfeit.*



## **1.0 INTRODUCTION**

On 1st January 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 colour 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 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 the 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.

### **2.0 LITERATURE REVIEW**

Mr. Godwin Emefiele, CBN Governor, gave reasons for redesigning and swapping the affected currency notes. Making a reference to the CBN Act of 2007 (as amended), he said it was the responsibility of the apex bank to 'issue and manage the country's legal tender currency – Naira, kobo, eNaira'. (CBN, 2007). CBN's other reasons were the evidence of naira hoarding by the public, which led to serious shortage; increase in the level of naira



counterfeiting; and, finally, it had been a long time the naira was last redesigned – an exercise which should take place every 5 to 8 years. In his own reason, the EFCC boss, Abdulrasheed Bawa, said the naira redesign was necessary because politicians were hoarding the old notes to buy votes for the 2023 elections. (Tori, 2023). On the expected benefits of redesigning the naira, CBN said it would check naira counterfeiting, strengthen the economy, reduce cash management expenditure, promote financial inclusion and enhance CBN's visibility of cash supply.

However, many critics were of the opinion that the CBN's acclaimed benefits and objectives of the redesigned naira were a total fiasco. Governor Ganduje of Kano State extolled the policy as *"a good one but the implementation is poorly executed and ill-timed. The poor implementation is either a display of incapacity 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, rancour, despondency".

Olokor (2023) did not keep mute over the failure of the naira redesign. He accused the federal government and CBN of *"withdrawing over 2 trillion naira from circulation and then went ahead printing only 300 billion 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 forthcoming 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, Currency Design, Currency Production, Counterfeit Detection and Currency Exchange.

These policies and regulations are essential in ensuring the security and authenticity of the country's currency, and in promoting public trust and confidence in the currency.



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.

Akinleye Oluniyi Soji (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 cycle of banknote redesign assists a country in the fight against corruption as such exercise would rein in the higher denomination used for corruption, and hence, the movement of such funds from the banking system could be tracked easily.

### **3.0 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 analysed employing analysis of variance (ANOVA).

*TABLE 1: SEX OF RESPONDENTS*

		SEX			
		Frequency	Percent	Valid Percent	Cumulative Percent
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*



		AGE			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-30 years	28	56.0	56.0	56.0
	31-40 years	16	32.0	32.0	88.0
	41-50 years	2	4.0	4.0	92.0
	51-60 years	3	6.0	6.0	98.0
	Above 60 years	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 18-30 years, 16(32%) were between the ages of 31-40 years, 2(4%) were between 41-50 years, 3(6%) were between the ages of 51-60 years and 1 (2%) were above the ages of 60 years.

**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 another 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
	6-10 years	14	28.0	28.0	90.0
	11-15 years	5	10.0	10.0	100.0
	Total	50	100.0	100.0	

Source: SPSS version 29

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

**TABLE 6: CORRELATION ANALYSIS**

Hypothesis 1

$H_0$  – There is no significant relationship between Naira redesign and citizen per capita income.





H<sub>1</sub>- There is a significant relationship between Naira redesign and citizen per capita income.

Symmetric Measures

		Value	Asymptotic Standard Error <sup>a</sup>	Approximate T <sup>b</sup>	Approximate Significance
Interval by Interval	Pearson's R	-.283	.137	-2.043	.047 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	-.267	.142	-1.918	.061 <sup>c</sup>
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<sub>0</sub>, and therefore suggest that there is no significant relationship between Naira redesign and citizen per capita income.

TABLE 7: CHI-SQUARE ANALYSIS

Hypothesis 2

H<sub>0</sub> – The supply of new naira notes during the redesign was not adequate.

H<sub>1</sub>- The supply of new naira notes during redesign was adequate.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	26.951 <sup>a</sup>	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 a significant relationship between naira redesign and price of goods and services.

#### Symmetric Measures

		Value	Asymptotic Standard Error <sup>a</sup>	Approximate T <sup>b</sup>	Approximate Significance
Interval by Interval	Pearson's R	.392	.110	2.951	.005 <sup>c</sup>
Ordinal by Ordinal	Spearman Correlation	.430	.124	3.300	.002 <sup>c</sup>
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 therefore suggest that there is no significant relationship between the naira redesign and the price of goods and services.

#### **4.0 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 capita 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 capita 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. Build public 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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