

THE IMPACT OF NAIRA REDESIGN IN 2023 ON THE INFORMAL SECTORS IN RURAL AREAS IN ANAMBRA STATE

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Abstract

The Naira redesign of 2023 was implemented by the Central Bank of Nigeria (CBN) under the directive of President Muhammadu Buhari. Though this was not meant to place the country at a disadvantage, the scarcity the country's legal tender (naira) which is a consequence of the Naira redesign took a negative toll on the socio-economic life of citizens. Therefore, this study examined the effect of naira redesign on the informal sectors in rural areas in Anambra state. The system theory of Ludvig von Bertalanffy served as the theoretical foundation of this study because it describes how society's constituent elements connect and influence each other. The study identified the rural areas in Anambra state and selected Anam using a probability sampling technique. Also, Umueze, Umuikwu and Iyiora were selected to represent the entire communities in Anam using a probability sampling technique. The study used a sample size of 122 and adopted the snowballing sampling technique in selecting respondents. Data was collected using non-participant observation and questionnaire and analysed using simple percentages. Findings revealed that the Naira redesign failed to reduce the misuse of Naira notes, eliminate money corruption and curb hoarding and security threats in the country. It was also revealed that, the Naira redesign of 2023 disrupted the social and economic life of citizens. Therefore, the study recommends that, the government put in place, all logistics necessary for the printing and circulation of the new currency before enforcing the deadline on old Naira notes.

Keywords: CBN, Currency, Informal Sector, Naira, Rural Area.

1. Background to the Study

Despite being unstructured, the informal sector's contribution to socio-economic growth cannot be overstated or understated. According to Becker (2004), it is a sector of the economy that the government has not codified or governed. It includes any economic operations carried out by workers and economic entities that are not adequately or not at all covered by formal agreements. This can include wage earners and entrepreneurs.

Its low entry barrier and minimal funding requirements are its defining characteristics. However, despite having a low capital requirement, the informal sector has continued to act as a link between producers and consumers, making goods and services widely accessible to individuals at reasonable costs. The country's GDP has benefited greatly from the informal sector, which has also increased employment opportunities and reduced poverty.

In an unexpected turn of events, the Central Bank of Nigeria (CBN) implemented a "naira redesign policy" that attempted to transit residents from an economy that was largely based on cash to one that was cashless. The initial deadline, for which the redesigned N200, N500 and N1000 banknotes (old notes) would cease to be legal tender, was extended from January 31, 2023, to February 10, 2023. Prior to this, the CBN had, in collaboration with Super Agents and Deposit Money Banks ("DMBs"), launched a cash-swap programme in rural and underserved areas to exchange the old banknotes for the new banknotes or their equivalent value in the smaller denominations unaffected by the redesign policy (Banwo & Ighodalo, 2023).

Citizens continued to bemoan their difficulty to get the new note (legal money), particularly from banks despite the CBN's efforts to mitigate the effects of the "Naira redesign". Since the majority of people in the informal sector depend on the daily profits from their businesses for the survival of their businesses and families, this may have also dealt a significant blow to the informal sector due to a decline in patronage that went along with the absence of legal tender (new naira note).

Although the redesign of the naira in 2023 was not the first in Nigerian history, it did seem to be the most contentious, probably as a result of the impact it had on residents' social and economic lives. According to Sherifdeen (2023), individuals who deal in perishable commodities and do not know how to use POS or fund transfers are the most affected because they often mark up their prices absurdly low in order to prevent losing everything. In some circumstances, buyers have had to pay more to suppress the bank deductions made from sellers during the transfer.

All of these raised the demand for fresh notes, which were either scarcely or completely unavailable; as a result, the practice of purchasing "Naira" with "Naira" became popular. This study examined how the entire trend affected the informal sector. Although previous studies like; Ahmed (2022) and Pillah's (2023) have concentrated on the evaluation of the Naira/currency reform this study aimed at investigating the impact of the naira redesign in 2023 on businesses in the informal sector in rural areas.

2. Statement of the problem

The CBN is charged with the responsibility of regulating monetary policies in Nigeria. It has the responsibility of producing the legal tender and terminating it under the directive of the president; Muhammadu Buhari. In line with its jurisdictional duty, the CBN redesigned the country's legal tender and gave a deadline for the use of old naira notes as legal tender.

The initial deadline, for which the redesigned N200, N500 and N1000 banknotes (old notes) would cease to be a legal tender, was extended from January 31, 2023, to February 10, 2023. But even with this extension, citizens were unable to access the redesigned naira notes (new notes) as well as old notes. While it was argued that the CBN failed to print enough naira notes perhaps due to insufficient resources, some individuals argued that the available new naira notes were sold by some corrupt bank officials to POS operators who in turns charge citizens exorbitant prices to make withdrawals. However, even though these constituted threat to social stability, the

major challenge of Naira redesign was the scarcity the country's legal tender (naira); which took a negative toll on the socio-economic life of the masses.

No doubt, the vision to redesign Naira has good prospects for the Nigerian economy. But, Nigeria seems not to be ready for such drastic change considering the available infrastructure like electricity, internet facilities and allied gadgets. This study was guided by the following questions;

1. What are the reasons for Naira redesign in Nigeria in 2023?
2. What is the impact of naira redesign in 2023 on businesses in the informal sector in rural areas?
3. How best can businesses in the informal sector in rural areas prepare for such change?

3. Literature review: An overview of naira redesign in Nigeria in 2023

The Central Bank of Nigeria (CBN) announced on October 26, 2022 that it intended to redesign the three highest denominations of the Nigerian currency: the 200, 500, and 1000 (CBN, 2022 a). Nigerians responded in a variety of ways to this move since it caused an unprecedented cash constraint. While some residents thought the policy was unneeded, others thought it was just a rehash of the previous one and not a redesign (Nwanma, 2023).

The CBN defended this policy, however, by claiming that it would reduce security threats, such as money laundering, kidnapping, and terrorism in the nation, improve system health, track the flow of funds in the nation, and collect the enormous amount of cash that is currently estimated to be outside of the banking system, which is 2.73 trillion and accounts for about 85% of the total amount of cash in circulation (CBN, 2022). Additionally, this strategy aims to strengthen the banking system's level of financial inclusion in order to expand credit availability and productive activity, implement a better cashless policy, and constrict the money supply to fight inflation (Vanguard, 2022).

According to Muhammad and Abdulmajeed (2022), the policy will stabilize the economy, lower inflation, stop money corruption, ensure a smooth transition to a cashless society, lessen the abuse of Naira notes, and increase the value of the Naira (Olujobi, 2022). While the apex bank claims that the new naira was explicitly intended to focus on eradicating illicit market monies from the system, however Pedro and Adesina-Uthman (2022) expressed the opposite opinion. They said that by disrupting business transactions, raising the cost of production, and promoting counterfeiting, the redesign of the Naira may have harmed the country's economy.

They list these negative consequences in the following order:

1. **Disruption of Business Transactions:** The redesign of the naira made it more difficult for retailers to collect payments and generated confusion, particularly among those who were not familiar with the new approach.
2. **Increase in Counterfeit Activity:** Because most people might not be familiar with the new note, the likelihood of counterfeiting increases.
3. **Rising Production and Printing Costs:** This increased the nation's level of spending, which put the economy at risk and created inflation.

4. **Discomfort for travelers:** Business transactions could be challenging because of potential uncertainty caused by currency exchange.
5. **Decline in Consumer Confidence:** This causes consumers to have less faith in the nation's economy, which lowers demand for goods and services. It resulted in decreased GDP as well as decreased economic activity.

4. Theoretical framework

The system theory of Ludvig von Bertalanffy served as the theoretical foundation of this study because it describes how society's constituent elements connect and influence each other. According to this view, society is composed of numerous smaller components that work together to form a complex system. Although this idea has come under fire for pointing out issues without proposing solutions, it is appropriate to understand how the redesign of the Naira has affected enterprises in the informal sector.

Based on this theory, the CBN is a part of social structure as well as the informal sector. Therefore the actions and inactions of CBN tend to affect the other parts of the social structure. In the same vein, the Naira redesign by the CBN affected the circulation of money thereby, affecting the ability of traders in the informal sector to purchase goods. Also, it may have affects the level of patronage due to the unavailability of a means of payment. These lapses could be as a result of the CBN and perhaps to government being unable to envisage the changes that may halt the migration into a cashless economy in the country. Thus, they may have been overwhelmed by these challenges that surfaced and were unable to tackle them leading to the negatives implications that manifested in the informal sector.

5. Methods

The study focused on the impact of Naira redesign on businesses that are unstructured in places that are not urbanized. These places are characterized by their agrarian economy, low population density, small choice of businesses, inadequate infrastructure and lots of natural resources. The study adopted a survey research design because relied on first-hand data that is, the use of questionnaire. The study identified Anam, Anyamelum, Otoochoa, Nzam, Ogwuanaocha and Ogwu-ikpele as the rural areas in Anambra state. Thus, these places were written on a sheet of paper, put in a container and shuffled. Anam was selected using this method; a simple random sampling technique. Being a community in Anambra west LGA, Anam is made up of eight villages namely; Umueze, Umuoba, Mmiata, Iyiora, Umuikwu, Umudora, Oroma-Etiti, and Umuwelum.

Out of these eight villages, Umueze, Umuikwu and Iyiora were selected using a stratified random sampling technique. In the absence of a population data on Anam, the population of Anambra west LGA was used to derive a sample population of the study.

City population (2023) estimated the population of the LGA as 238, 400 as at 2022. Thus, using a sample calculator of 80% confidence level, margin of error of 5, population proportion of 70 and a population size of 238, 400, a sample population of 138 was derived for this study 46 in each of the selected villages. The researcher

adopted a snowballing sampling technique in selecting respondents for this study. This non-probability sampling technique ensured that all the respondents are businessmen/women in the informal sector. Respondents comprised of male and female inhabitants of the village, from various social background, religion and educational characteristic who are literate.

The research data were derived using non-participant observation and questionnaire. The research questionnaire comprised of close ended so as to guide respondents towards the research objective. Data derived from this study were presented in tables and analysed using descriptive statistics.

6. Results

Table I: distribution of questionnaire

S/N	Villages	Number of questionnaire distributed	Number of questionnaire returned	Percentage
1.	Umueze	46	38	31.1%
2.	Umuikwu	46	41	33.6%
3.	Iyiora	46	43	35.2%
Total		138	122	100%

Source: Fieldwork, 2023.

The table above shows that the sample size of this study is 122. It also revealed most of the responses came from Iyiora while the least of the responses came from Umueze.

Table II: Reasons for Naira redesign in Nigeria in 2023.

S/N	Questions	Agreed	Disagreed	Don't know	Total
1.	The Naira redesign curbed security threats	57 46.7%	65 53.3%	-	122 100%
2.	The Naira redesign curbed hoarding	34 27.9%	81 66.4%	7 5.7%	122 100%
3.	The Naira redesign ushered in the cashless economy	46 37.7%	76 62.3%	-	122 100%
4.	The Naira redesign eliminated money corruption	22 18.0%	89 73%	11 9.0%	122 100%
5.	The Naira redesign reduced the misuse of Naira notes	44 36.1%	73 59.8%	5 4.1%	122 100%
6.	The Naira redesign caused the Naira to appreciate	21 17.2%	92 75.4%	9 7.4%	122 100%

Source: Fieldwork, 2023.

The above table shows that the Naira redesign failed to reduce the misuse of Naira notes, eliminate money corruption and curb hoarding and security threats in the country. It also did not aid the transition into a cashless economy or caused Naira to appreciate.

Table III: Impact of naira redesign in 2023 on businesses in the informal sector in rural areas

S/N	Questions	Agreed	Disagreed	Don't know	Total
7.	The naira redesign disrupted business transaction	87 71.3%	35 28.7%	-	122 100%
8.	The naira redesign led to the widespread of counterfeit money	61 50%	53 44.4%	8 6.6%	122 100%
9.	The naira redesign led to an increase expenses in the country	73 59.8%	44 36.1%	5 4.1%	122 100%
10.	The naira redesign led to a reduced confidence in government	81 66.4%	41 33.6%	-	122 100%
11.	The naira redesign led to low patronage	88 72.1%	34 27.9%	-	122 100%
12.	The naira redesign led to difficulty in purchasing goods for sell	58 47.5%	64 52.5%	3 2.5%	122 100%

Source: Fieldwork, 2023.

The table above shows that the naira redesign disrupted business transaction, increased the spread of counterfeit money and the rate of expenditure in the country, reduced patronage and confidences in the country. However, it did not affect the purchase of goods.

Table IV: Better ways in which businesses in the informal sector in rural areas and the government can prepare for such change

S/N	Questions	Agreed	Disagreed	Don't know	Total
13.	Traders in the informal sector should endeavor to opening a functional bank account	69 56.6%	53 43.4%	-	122 100%
14.	The federal government should ensure that the logistics needed for the printing and circulation of the new currency are put in place before enforcing the deadline.	77 63.1%	38 31.1%	7 5.7%	122 100%
15.	Traders in the informal sector should get enlightenment and be informed about doing transfers and internet banking.	61 50%	59 48.4%	2 1.6%	122 100%
16.	The deadline for the use of old currency should not be enforced within a short period of time.	95 77.9%	27 22.1%	-	122 100%
17.	The new and old naira notes should be allowed to coexist until the old notes are completely retrieved through deposit.	101 82.8%	21 17.2%	-	122 100%

Source: Fieldwork, 2023.

The table above shows that if traders in the informal sector open a functional bank account and acquire knowledge about transfers and internet banking, it will help them to prepare against such eventuality. It also show that if the ban on old currency is not enforced within a short period of time, if the federal government put in place, all logistics needed for the printing and circulation of the new currency before enforcing the deadline and allow for the coexistence of old and new notes, it will help businesses in the informal sector prepare for such change.

7. Findings from observation

It was observed that traders in the informal sector relied on cash to do their business and will only do business with those with cash. While some of these individuals do not have a functional bank account, some others had no bank account. Though some of these traders eventually began to accept transfer from some people who they are familiar with, these individuals had to use the bank account of friends and relatives and will sometimes ask you to add ₦50 or ₦100 for bank charges.

One of the challenges identified in the course of this transaction is poor bank network which could delay or reverse the money sent thereby, leading to bad debt and making the trader to incur loss.

8. Discussion

The research finding revealed the aim of the Naira redesign was defeated perhaps due to the inability of the federal government to properly put in place, the system that is necessary for a cashless economy. Thus, the Naira redesign failed to reduce the misuse of Naira notes, eliminate money corruption and curb hoarding and security threats in the country. Contrary to the CBN, it also failed to aid the transition into a cashless economy or caused Naira to appreciate.

Nevertheless, the Naira redesign disrupted the social and economic life of citizens. It disrupted business transaction, increased the spread of counterfeit money as most citizens may not have been familiar with the new currency. This also increased the rate of expenditure in the country obviously as the government shouldered the cost of printing the new currency. In addition to this, the level of patronage reduced drastically and the confidences in the country and the federal government reduced greatly due to the unavailability of cash (legal tender). But, it did not affect the purchase of goods among informal traders in rural areas.

Findings showed that some of the traders in the informal sector in rural areas do not have a functional bank account, some others had no bank account and relied on physical cash for the smooth functioning of their business. Thus, it was revealed that if traders in the informal sector open a functional bank account and acquire knowledge about transfers and internet banking, it will help them to prepare against such eventuality and curb some of the challenges they encountered. It was further revealed that if the deadline for old currency is not enforced within a short period of time, if all logistics needed for the printing and circulation of the new currency are put in place, before enforcing the deadline and if old and new notes are allowed to coexist, it will help businesses in the informal sector prepare for such change.

9. Conclusion

Naira redesign has been part of Nigeria's history. But, the 2022/2023 Naira redesign seems to be the most memorable in the history of Nigeria basically because it ushered in an era where Naira was to purchase Naira. This was due to the inability to access physical cash even when there is money in one's bank account.

Though, the Naira redesign came with a lot of prospects which was declared by the CBN, it failed to achieve any of these prospects. Rather, it disrupted the social and economic activities in the country. Obviously, the CBN as well as the federal government failed to envisage the challenges that will face the transition into a cashless economy and thus, did not put in place any measure to mitigate these challenges.

The basic challenge which has to do with the printing of sufficient new notes to serve the entire population and the availability of bank network to enable cash transfer was not given the much needed attention. This made it almost impossible to effectively carryout social and economic activities.

Therefore, while the redesign of Naira may have been a step in the right direction, the numerous challenges that followed it altered the value of this change. Thus, before the enforcement of the ban on old Naira note in subsequent time, there is need to provide all the logistics needed for the printing and circulation of the new currency and also, aiding transfers.

10. Recommendation

Based on the finding of this study, the following recommendations were made. They are;

1. Traders in the informal sector should open a functional bank account and acquire knowledge about transfers and internet banking.
2. The ban on old currency should not be enforced within a short period of time.
3. The federal government should put in place, all logistics needed for the printing and circulation of the new currency before enforcing the deadline on old Naira notes.
4. Old and new Naira notes should be allowed to coexist until old naira notes completely fissile out through bank deposit to the CBN.

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