



Monetary Policy In Nigeria; Naira Redesign And Its Impact On The Economy

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Abstract- In October 2022, the former governor of the Central Bank of Nigeria (CBN) issued directives regarding introducing new naira notes to replace the current denominations of 200, 500, and 1,000 naira notes. This policy, implemented in January 2023 brought about a significant impact on the Nigerian economy. The paper employed a qualitative approach, utilizing secondary data from a comprehensive review of academic journals, case reports, and other online sources. This work adopted the Rational choice theory and the Quantity theory of money to explain the situations around the the naira redesign and recommended that for monetary policy to be effective a well structured implementation plan should be set in place and strengthen the financial infrastructure.

Keywords; Monetary policy, Naira redesign, Economy.

I. Introduction

From inception, back to precolonial days, Nigeria has used different currencies as a means of exchange. So, the currency has gone through series of phases in terms of redesign just as its done in other climes. After colonial leadership, the naira has been changed quite a number of times as a result of many reasons some of which are strategic, political etc. for instance, as opined by Ige (2023), the first time that the naira would be redesigned was when Nigeria became a republic in 1962 hence, the notes had to change to reflect that transition.

In 1968 the decision to change the naira yet again surfaced, but the decision was no longer on the need to reflect that Nigeria has become a Federal Republic, but as a result of the abuse of the currency during the Civil war. It was an opportunity to use it as a strategic tool to fight the opposing civilians during the war. In 1973, there was another change in the currency which was launched by Shehu Shagari and this time around, it was about the decimalization of the country's monetary system thereby introducing naira/kobo, which was then used to replace the Nigerian pound having used British Pound Sterling in the past.

According to CBN, (2023), in telling the history of Nigerian currency, it was observed that on 11th February 1977, new bank notes with the value of twenty naira was issued being the highest denomination the country ever had from the phases of the currencies. Again, it was the first currency that had the portrait of Late General Murtala Muhammed – former Nigerian head of state who was assassinated on 13th February, 1976. Hence, the currency was issued on the 1st anniversary of his assassination. Subsequently, one naira, five naira, and ten naira notes were issued on 2nd July, 1979. In 1984, during the Buhari-Idiagbon led administration made a move to redesign the naira notes (the colours) to address issues of corruption and currency trafficking prevalent in the country.



Another major change took place again in 2007 when twenty-naira note was printed in polymer substrate, while the fifty, ten and five naira notes including the coins were also redesigned. In 2009, the newly redesigned currencies (fifty, ten and five naira) were converted to polymer substrate just like the twenty naira. The CBN although wasn't necessarily as a result of political or economic strategy, also changed the design of both hundred naira and fifty naira note in 2010 and 2014 to reflect the commemoration of the country's 100 years of existence. All these activities were carried out by the CBN as the Apex Bank in Nigeria with the mandate (CBN Act of 2007).

It is pursuant to this mandate that the CBN made a move in October 2022 to redesign the currency of Nigeria. The thrust of the policy is in two poles: The desire to achieve full liquidity of the money supply (M1) in circulation, and on the need to check vote buying behavior which is considered very inherent in the political space of Nigeria. According to CBN Update, (2022), the Apex Bank also adduced that the currency redesign would help to effectively manage and mop up the currency in circulation, curb racketeering and counterfeiting, as well as hamper ransom payment to terrorists and kidnapers.

Going by the above premise, the President of Nigeria – Muhammadu Buhari, GCFR through the CBN on November 23rd, 2022 announced the birth of the policy, reeled out the aim, and unveiled it while encouraging the populace to embrace the policy wholeheartedly for the common good of all. Going by the close timeliness of the implementation phase, many Nigerians already predicated a failure of the policy ahead considering the fact the it was also an electioneering period. However, the CBN management were very confident that the policy was going to be implemented with ease and there was a need for all Nigerians to be confident too.

II. 2.0 Literature Review

2.1 Conceptual Review

2.1.1 Monetary Policy

The term monetary policy refers to the combination of measures and actions designed to regulate the value, volume and cost of money in the economy in consonance with the expected level of economic activity. That is, the main essence of monetary policy entails the use of discretionary measures (by the Central Bank, CBN in Nigeria) to equate money supply to the demand for it at a level compatible with expected tempo of economic activities in a given period of time. It can also be seen as a guide to action which attempts at influencing economic activities by the variation in the supply of money, availability of credit or the interest rates. In other words, it is centered on the control of the availability of credit relative to demand, volume of money supply, cost of borrowing and the general liquidity of the economy for the purpose of achieving certain broad economic objectives (Ekweozor 2023).

Monetary policy has thus been known to be a vital instrument that a country can deploy for the maintenance of domestic price and exchange rate stability as a critical condition for the achievement of a sustainable economic growth and external viability. Monetary policy may be inflationary or deflationary depending upon the economic condition of



the country. Contractionary policy is enforced to squeeze down the money supply to curb inflation and expansionary policy is to stimulate economic activity to combat unemployment in recession.

Monetary policy consists of government's formal efforts to manage the money in its economy in order to realize specific economic goals. There are three basic kinds of monetary policy decisions made about the amount of money in circulation, the level of interest rate and the functions of credit markets and the banking system. The combination of these measures according to, is designed to regulate the value, supply and cost of money in an economy, in line with the level of economic activity. Excess supply of money will result in an excess demand for goods and services; prices will rise and balance of payments will deteriorate. Worthy of note also is that a not well thought out monetary policy could have negative effects on the real sector of the economy and bring about lower outputs, tax revenues and employment as a result of high real interest and uncompetitive exchange rates (Ekweozor 2023).

During a period of high inflation, contractionary monetary policy is used to reduce the amount of money in circulation while expansionary monetary policy is used when economic conditions are weak. Depending on the level of financial development of a country, monetary policy is usually implemented through the banking system and financial markets. Implementing monetary policy involves interactions between the monetary authorities and financial intermediaries, using tools of monetary policy including reserve requirements, open market operations, and the policy rate, amongst others. Various frameworks of monetary policy have been used including monetary targeting, exchange rate targeting and inflation targeting, etc. In recent times, unconventional (non-standard) monetary policy has been implemented to address substantial economic meltdown due to adverse global financial conditions (CBN 2017). Monetary policy has thus been known to be a vital instrument that a country can deploy for the maintenance of domestic price and exchange rate stability as a critical condition for the achievement of a sustainable economic growth and external viability.

Monetary policy may be inflationary or deflationary depending upon the economic condition of the country. Contradictory policy is enforced to squeeze down the money supply to curb inflation and expansionary policy is to stimulate economic activity to combat unemployment in recession (Ekweozor 2023).

2.1.2 Naira Redesign

Currency restructuring entails the overhauling of all or some of the constituents that define a country's legal tender. Currency restructuring is also likened to the introduction of a new currency. The Nigeria currency Naira, which was introduced on January 1, 1963 was as a result of the decision made by the Nigerian government to change from the metric to the decimal. 'The Naira' would serve as a rebirth from the imperial system inherited from the British Colonial administration. Through these years, Naira has evolved and so its redesign. In 1968, during the war, there were abuse of currency and trafficking as a result of the conflict and so the Naira was redesigned again.



Obafemi Awolowo in 1973 supervised the creation of our indigenous currency. On July 2, 1976, the Naira had three denominations, which were; ₦1, ₦5 and ₦10. The notes whereof the same size, that is, $151 \times 78\text{mm}$ and by 1977, the ₦20 note was introduced making it the highest naira denomination, it was in memory of our fallen leader Murtala Muhammed who was mowed down by Colorist on the 13th of February 1976. The Naira notes had different designs and colors to differentiate them and facilitate identification. In 1991, ₦50 was created and ₦100 was introduced in 1999. ₦200 and ₦500 were created in years 2000 and 2001 respectively. In the year 2005, ₦1,000 was introduced under the administration of Charles Chukwuma Soludo as Governor of Central Bank of Nigeria. The ₦20 was redesigned on February 28, 2007 as Polymer Substrate and there was also the redesigning of the ₦50, ₦10, ₦5. The success of the ₦20 note which was made from Polymer led to the redesigning of the ₦50, ₦10, ₦5 notes which meant that every banknote denomination was printed in the Polymer Substrate.

On 29th September, 2010, the Central Bank of Nigeria (CBN) in honor of Nigeria's 50th anniversary issued a new ₦50 Commemorative banknote which was still made out of Polymer Substrate and eventually issued a ₦100 Commemorative banknote on December 19, 2014.

The former governor of Central Bank of Nigeria Godwin Ifeanyi Emeziele announced the redesigning of Naira which was carried out from November 23rd, 2022. The ₦200, ₦500 and ₦1000 have been redesigned and launched and the sole reason for this exercise according to the Governor of the CBN is to control the supply of money and aid security agencies in tackling illicit financial flows. Currency redesigning have been employed by various countries to maintain their monetary sovereignty and also to boost the confidence citizens have for their national currency so as to prevent dollarization or an increase in the demand for another country's currency which could lead to depreciation of such country's currency as a result of low demand for it.

2.2 Empirical Review

Iwedi, Wachuku, & Court, E. R. (2023) in their work theoretically examines the effect of Naira redesign on economic growth in Nigeria.

The objective of the study is to determine the economic implications of Naira redesign, reasons for redesigning Naira and the proposed relevance of Naira redesign policy of the Central Bank of Nigeria. The study discovered that the key rationale for currency redesign were to reduce the level of hoarding of money by affluent Nigerians, to mitigate counterfeiting of the currency and to control the amount of money in circulation with the view of controlling the rate of inflation in Nigeria. The study also discovered that there are both positive and negative sides to Naira redesign which includes the fact that Naira redesign could lead to reduction in the level of cash insecurity and money laundering, huge deficit cost to the economy, a rise in price level and the mitigation of counterfeiting in the economy.

Ototoju, Dirisu, Ojokojo & Abdul(2023) in ththeir work used the empirical information gathered are from research works by some analysts across the country, press briefings by the Apex Bank, Government Ministries, Agencies and Departments (MDAs),



Presidency, newspaper reviews, etc. Findings from the study showed that the policy was well conceived considering the various opportunities that come with it. Notably, the fact that it reduced the number of unbanked population to an extent, increased employment generation through the influx of mobile banking operators and Point of Sale (POS) agents. However, it was generally opined that the policy implementation timeline was ill-advised. Due to the attendant consequences of the policy which made life somewhat unbearable for most citizens during the period, it was recommended that there be synergy between the three tiers of government (Executive, Legislature and Judiciary) while prioritizing stakeholders' engagement and public awareness.

Emordi, Sule, Ezek., Olokpa & Utulu (2024) their findings revealed that introducing the new naira notes generated many reactions among political elites and citizens. While some argued that the policy would help curb vote buying, others argued that it would only make buying votes more difficult and expensive. The findings also revealed that despite the significant reduction in the rate of vote buying in the 2023 general elections, vote buying persists, however there was an increase in the economic hardship before, during and after the elections.

Ariyo (2024) in his study is a qualitative analysis of the policy framework on naira redesign in Nigeria with the inherent challenges, The study recommends the need to sensitise citizens on the time lag for redesigning new notes and the use of old notes to prevent the nation from being plugged into inflation.

Ozioko, Ozioko & Ugwu (2025) using the mixed method approach concluded that the Naira redesign policy has contributed to the dynamics of Nigeria's economy, but its effects are nuanced, the study recommended that the government and the central Bank of Nigeria should implement robust monetary policies aimed at cubing inflation thereby increasing economic growth.

Akingbade, Salvation, Esekhaagbe & Joshua (2025) in their work the Impact of Naira redesign on Nigeria's economic productivity using primary sources, and descriptive statistics were used to analyze data, their findings shows that Naira redesign has unfavorably affected the economic productivity in Nigeria, dampened the confidence of investors and reduced the purchasing power of consumers.

2.3 Theoretical Framework

This work is anchored on two theoretical lenses;

Rational Choice Theory

Rational Choice Theory, a dominant framework in Political Science and Economics, provides a systematic approach for understanding how individuals and institutions make decisions based on calculated self-interest. The theory assumes that actors are rational and will choose options that maximize their benefits while minimizing costs. This framework is particularly useful in analyzing public policy decisions and their outcomes, such as Nigeria's naira redesign policy examined by Ariyo (2024).

The naira redesign policy, introduced by the Central Bank of Nigeria, was aimed at addressing key economic and political challenges, including inflation control, reduction



of illicit cash circulation, and curbing electoral malpractice. From a Rational Choice perspective, policymakers adopted the policy based on the expectation that its anticipated benefits such as improved monetary control and enhanced political accountability would outweigh the associated costs, including logistical difficulties and public resistance (Ariyo, 2024).

However, as highlighted by Ariyo (2024), the implementation of the policy was fraught with significant challenges. Rational Choice Theory helps to explain these challenges as the result of divergent interests among various actors, each acting to maximize their own utility.

Firstly, political elites responded to the policy in ways that reflected their strategic interests. Some political actors supported the naira redesign because it had the potential to reduce vote buying by limiting access to large sums of cash during elections. Others, however, opposed the policy because it threatened their established political advantages and financial networks. This divergence illustrates a core assumption of Rational Choice Theory: that political actors prioritize personal and group interests over collective welfare. As noted by Anthony Downs (1957), political behavior can be understood as a rational pursuit of self-interest, particularly in electoral contexts.

Secondly, the response of Nigerian citizens to the policy can also be explained through cost-benefit analysis. The redesign led to widespread cash shortages, long queues at banks, and disruptions to economic activities. For many individuals, the immediate costs of complying with the policy such as time lost, inability to access funds, and reduced income far outweighed any perceived long-term benefits. Consequently, resistance, frustration, and adaptive behaviors (such as reliance on informal financial systems) emerged as rational responses to the situation (Ariyo, 2024).

Thirdly, financial institutions operated within the constraints of institutional rationality. Banks sought to comply with directives from the Central Bank while managing operational limitations, including insufficient supply of new currency notes and increased customer demand. Their actions reflected a balancing of competing interests: avoiding regulatory penalties on one hand and maintaining customer satisfaction on the other. This further underscores the Rational Choice assumption that institutions, like individuals, act strategically to optimize outcomes within given constraints.

Despite its explanatory power, Rational Choice Theory has certain limitations when applied to the naira redesign policy. The theory assumes that actors are fully rational and have access to complete information, which is often not the case in real-world scenarios. Emotional responses, misinformation, and structural inequalities also influenced behavior during the policy implementation, factors that the theory does not adequately capture. Additionally, broader systemic issues such as weak institutional capacity and economic inequality played a significant role in shaping outcomes, suggesting the need to complement Rational Choice analysis with other theoretical perspectives.

In conclusion, applying Rational Choice Theory to the analysis of the naira redesign policy in Ariyo (2024) reveals that the policy's challenges were not merely technical or



administrative failures but were deeply rooted in the strategic interactions of self-interested actors. The lack of alignment between government objectives and the interests of political elites, citizens, and financial institutions contributed significantly to the policy's mixed outcomes. This demonstrates the importance of considering individual and institutional incentives in the design and implementation of public policies.

Quantity Theory of Money

The Quantity Theory of Money remains a foundational framework in economics for analyzing the relationship between money supply and price levels. The theory, expressed as $MV = PT$, posits that the money supply (M) multiplied by the velocity of circulation (V) equals the price level (P) times the volume of transactions (T). Classical economists such as Irving Fisher (1911) argue that, assuming velocity and output remain constant, changes in money supply have a direct and proportional effect on price levels. Later scholars, including Milton Friedman (1968), reinforced this view by emphasizing the role of money supply in determining inflation in the long run.

This theoretical perspective provides a useful lens for analyzing Nigeria's naira redesign policy implemented by the Central Bank of Nigeria between 2022 and 2023. The policy aimed to reduce excess liquidity, curb inflation, limit illicit financial flows, and promote a cashless economy (Ariyo, 2024; Central Bank of Nigeria, 2022).

From the standpoint of the Quantity Theory of Money, the naira redesign policy represents a contractionary monetary policy designed to reduce the effective money supply (M). By withdrawing old currency notes and restricting cash circulation, the Central Bank sought to: reduce cash hoarding outside the banking system, improve monetary control stabilize prices.

According to monetarist arguments (Friedman, 1968), controlling the growth of money supply is essential for achieving price stability. Thus, the policy aligns with the theoretical expectation that a reduction in M would lead to a decrease in inflationary pressures.

In practice, however, the immediate effects of the policy deviated from theoretical expectations. The sudden scarcity of cash led to a decline in economic activities, particularly in Nigeria's cash-dependent informal sector. Within the $MV = PT$ framework:

M = declined sharply due to currency withdrawal.

V = also fell as transactions slowed.

T = (output and exchange activities) contracted.

This resulted in reduced consumer spending, disruptions in trade, and liquidity constraints. As noted by John Maynard Keynes (1936), changes in money supply can have significant short-term effects on output and employment, especially when liquidity constraints exist. This suggests that the naira redesign policy had unintended contractionary effects on the real economy.



While the policy aimed to control inflation, its outcomes were mixed. The Quantity Theory predicts that reducing money supply should lower prices, but in Nigeria's case: inflationary pressures persisted supply-side constraints (e.g., production inefficiencies, import dependence) remained.

According to International Monetary Fund (2023), inflation in developing economies is often driven by structural factors beyond money supply, including exchange rate volatility and supply shocks. This indicates that the Quantity Theory, while useful, may oversimplify inflation dynamics in complex economies like Nigeria.

The informal sector, which constitutes a significant portion of Nigeria's economy, was disproportionately affected. Many small-scale traders and rural dwellers rely heavily on cash transactions and have limited access to digital financial services. The reduction in money supply effectively reduced their participation in economic activities, leading to; income losses, reduced market transactions, increased poverty levels. From a theoretical perspective, this reflects a decline in both V (velocity) and T (transactions), amplifying the contractionary effects of reduced money supply. Empirical studies (e.g., World Bank, 2022) emphasize that financial exclusion can significantly weaken the transmission of monetary policy in developing countries.

Although the Quantity Theory of Money provides valuable insights into the relationship between money supply and economic activity, its application to the naira redesign policy reveals several limitations; it assumes constant velocity (V), which proved unrealistic, it overlooks behavioral responses and institutional constraints, it underestimates the role of structural economic factors.

As argued by Keynes (1936), money demand and economic behavior are influenced by uncertainty and expectations, factors that are not fully captured by the classical quantity framework.

The naira redesign policy in Nigeria can be understood as a monetary intervention consistent with the principles of the Quantity Theory of Money, particularly in its attempt to reduce money supply and control inflation. However, its real-world impact—characterized by reduced transactions, economic disruptions, and limited inflation control—demonstrates the limitations of relying solely on monetary measures in a structurally complex economy. The experience highlights the need for a more comprehensive policy approach that integrates monetary, fiscal, and institutional reform.

III. 3.0 Methodology

This study employed the qualitative explanatory research approach, utilizing secondary data from a comprehensive review of academic journals, books, government reports, and news articles. The data selection process was based on the following criteria: relevance to the research topic, source credibility, and fulltext availability (Ezeibe, Aniche, & Iwuoha 2015).



The selected information was systematically reviewed and analysed using thematic analysis. The following factors informed the decision to rely on secondary sources of data: The availability of a wide range of relevant and high-quality secondary data on the research topic.

The desire is to gain a comprehensive understanding of the naira redesign policy and its implications, which could be best achieved by synthesizing the findings of multiple studies.

However, by employing a qualitative analysis of secondary data, this study aims to comprehensively understand the implications of the CBN's Naira redesign policy on the economy and propose evidence-based solutions to address future occurrences in Nigeria's economy

IV. 4.0 Literature Review

Reasons for the Redesigning of Naira

Following the redesigning of the naira, the Central Bank of Nigeria has come up with reasons why naira has been redesigned (Iwedi, Wachuku, & Court, 2023);

i. Control of the Money Supply: The Central Bank of Nigeria will use the redesigning of naira as a tool for controlling the supply of money in circulation. If the demand for naira rises, then its value will rise too reducing the high rate of inflation and price level of goods and services in Nigeria. According to the Governor of Central Bank of Nigeria, currency outside the banking system grow by 133.04 percent to ₦2.68 trillion in August, 2022 from ₦1.15 trillion in 2015 as the current Nigeria president, Mohamadu Buhari just assumed leadership. The amount of money in circulation also increased by 108.44 percent from ₦1.54 trillion in 2015 to ₦3.21 trillion in August, 2022. The CBN's statistics shows that the supply of money in Nigeria increased to ₦3.21 trillion in August, 2022 which represents 0.43 percent rise from ₦2.78 trillion in August, 2021. The redesigning of naira would also mop up much liquidity in circulation used to fund terrorists and other crime related activities like kidnapping, banditry etc.

ii. Reduction in hoarding: According to the former Governor of the Central Bank of Nigeria, Godwin Emefiele, 80 percent of the naira currencies are outside the vaults of commercial banks. And with the redesigning of the currency, hoarding of banknotes by Nigerians, especially politicians and drug lords, will be reduced to the barest minimum.

iii. Proper Management and Increase in the number of Naira in bank Vaults: One important reason for the redesigning of the naira is to ensure better and proper management of the currency and to increase the number of naira in bank vaults. With people having to put their physical cash in the bank so as to get the new currency note. This will help reduce the amount of money in circulation and increase the amount of money in the commercial bank vaults. This could in turn encourage lending or lead to fall in interest rate as banks would increase their level of lending to the general public.



iv. Reduction of Inflation rate in the Economy: With the redesigning of naira, the rate of inflation is expected to fall resulting from a decrease in the amount of money in circulation which would be inevitable since people would have to deposit their monies at the bank to get the new naira notes. With a fall in the amount of money in circulation, the price level of goods and services will eventually fall as a reaction to the low amount of money in supply. This in turn will reduce the rate of inflation in the economy.

v. Reduction of Corruption and Embezzlement of Funds: According to the former Chairman of the Economic and Financial Crimes Commission (EFCC), Abdulrasheed Bawa, the redesigning of naira notes would help in ensuring that hidden public funds are returned by fraudulent politicians thereby reducing the level of corruption and embezzlement of funds in Nigeria.

vi. The redesigning of naira is long overdue following the global best practices, every country should redesign their currency every 5-8 years and the last time Nigeria redesigned her currency was over 20 years ago. This means Nigeria has to redesign her currency.

Relevance of Naira Redesign On Nigeria Economy

According to the Central Bank of Nigeria, the redesigning of the naira banknotes is for the potential benefit of the economy as well as to improve on the level of security. The following are considered the relevance or importance of the redesigning of the naira currency (Iwedi, Wachuku, & Court, 2023):

i. The Control of Money in Circulation and Promotion of E-naira: The redesigning of the naira banknotes would mean people would have to put their old notes in the bank to enable them get the new notes. This in turn reduces the amount of money in circulation thereby reducing the rate of inflation. Since people would be forced to put their monies in the bank, it would encourage the cashless agenda complemented by a rise in use of the e-naira. According to Mr. Godwin Emefiele, the former Governor of the Central Bank of Nigeria, over 85 percent of the naira in circulation was outside the banking system and this was affecting the monetary policies of CBN which had to be put under control to ensure that the rate of inflation does not spike or rise uncontrollably.

ii. The Mitigation of Counterfeit: According to the former Governor of the Central Bank of Nigeria, Nigeria has failed to adopt the global practice of redesigning, producing and circulating their country's currency after every 5-8 years as the naira has not been redesigned for over 20 years. As a result of this, it has given room for counterfeiting of the naira currency. According to the Governor, the recent photographic technology and advancements in printing devices have made counterfeiting relatively easier. The CBN recently recorded an increase in level of counterfeiting practices particularly in higher denominations like N500 and N1000 banknotes. In most cases, top government officials have been known to have illegally printed naira notes in large amounts and secretly kept them in warehouses, septic tanks, farms, underground places in their homes, among other secret places.



The activities of currency hoarders have become evident as very dirty, smelly Naira notes have been in circulation, especially since political activities heightened across the country-an indication that such notes must have been hoarded in damp places and for a long period of time.

iii. The reduction in the level of cash insecurity and money laundering: According to the Central Bank of Nigeria, redesigning of the country's currency would reduce the level of cash insecurity as it would encourage and advance the cashless policy which is believed to thwart the activities of criminals like kidnappers who demands cash to set their victims free. At first, cash would not be available to pay the ransom thereby reducing the level of cash insecurity. On the other hand, redesigning of the naira could be the government's ticket in reducing and even curbing money laundering in Nigeria. It is arguably true that some members of the public just move about with huge amounts of ill-gotten money they cannot invest or deposit into the banks because they are scared of getting caught by the authority. With the introduction of a new naira design, these money launders would be at a loss because since they cannot make deposits in the bank, in due time the money with them will be rendered useless.

Challenges And Economic Implications of the Naira Redesign

The idea of redesigning naira might have its benefits in the economy but still might be faced with little challenges for it to be affected. Some of these challenges includes (Iwedi, Wachuku, & Court, 2023):

i. Huge deficit cost to the economy: The redesigning of naira will impose huge cost on the economy with the Federal Government already struggling with a huge debt deficit and may likely have to borrow more money from external sources to completely fund the redesigning of the naira currency. This would increase the pressure on the economy. It will also cost billions and billions on taxpayer's naira. There is a high cost of redesigning the naira, the logistics and printing. This would increase budget deficit, and lead to a high debt rate. In 2020, the cost of printing banknotes was over N58,613.50 million compared to now, the cost of logistics and printing would have doubled or even tripled.

ii. Rising Prices: As a result of hoarding of money by politicians, they might try converting the naira notes to property since they cannot risk getting caught by the authorities depositing the notes at the bank. They would rather purchase luxury goods like cars, gold, make FOREX transactions that could inflate the economy. The redesigning of naira itself is not a remedy to rising inflation rate in Nigeria because, the Central Bank of Nigeria backing alone has no way of appreciating the value of naira in real sense.

iii. Aid Financial inclusion: At first, financial inclusion of rural dwellers who do not have banks located in their area would find it difficult to go to banks to dump the old notes in order to acquire the new notes. As a result of the non-existence of banks in these rural places, the people would have to go to urban areas where banks are located and this would lead to long queues at the banks, or delay before getting the new notes. Although, financial analysts are optimistic about this as it would lead to unbanked people entering into the banking sector by opening bank accounts with the banks. That is, it would introduce banking activities to the rural dwellers.



iv. **Deadline of making deposits:** One major problem associated with the redesigning of naira is the fact that only 45 days from the day the new notes were introduced have been given to the people to make their deposit before the banknotes in their hands are rendered useless.

v. **Absence of Banks in Rural Areas:** The people who live at rural places, where there are no banks established may find it difficult to make deposits at the bank. In most cases, they might have to travel out of those rural places to urban areas where banks are located which will lead to overcrowding at those banks making it more difficult and strenuous for the bankers and even the people. Owing to the short time given to make deposits in the bank, those without accounts might become victims of losing their monies. In this case, it would be advisable for the banks to allow for over-the-counter exchange of old notes for new ones.

vi. **Fall in level of consumption:** The fall in the amount of money in circulation as a result of redesigning the currency following the current economic condition in Nigeria would have a negative impact on the economy as the level of consumption would fall leading to a production decline and eventually, unemployment would rise since a larger percent of the Nigerian population are self-employed and require money (cash-based economy) to run their day-to-day businesses.

V. 5.0 Conclusion

The naira redesign policy implemented by the Central Bank of Nigeria represents one of the most significant monetary interventions in Nigeria's recent economic history. Conceived as a strategy to control excess liquidity, reduce illicit financial activities, and promote a cashless economy, the policy was grounded in sound monetary objectives. However, its overall impact reveals a complex mix of intended benefits and unintended consequences.

In the short term, the policy produced severe economic disruptions, particularly due to the sudden contraction in cash availability. Economic activities especially within the informal sector were significantly constrained, leading to reduced transactions, declining productivity, and widespread hardship among citizens. The scarcity of new currency notes and the limited capacity of financial institutions further intensified these challenges, undermining public confidence in the financial system.

From a theoretical standpoint, the policy aligns with the Quantity Theory of Money, as it sought to reduce money supply in order to control inflation. However, the real-world outcomes demonstrated that monetary policy effectiveness depends not only on controlling money supply but also on factors such as financial infrastructure, public preparedness, and structural economic conditions. Inflationary pressures persisted, indicating that deeper issues within the economy were not fully addressed.

At the same time, the policy yielded some long-term potential benefits, including increased awareness and adoption of digital payment systems. This shift, if properly supported with infrastructure and financial inclusion policies, could strengthen Nigeria's transition toward a more formal and transparent economy.



Overall, the naira redesign policy highlights the importance of careful policy design and implementation. While its objectives were commendable, inadequate planning, poor timing, and weak institutional capacity limited its effectiveness. For future monetary reforms, policymakers must adopt a more gradual, inclusive, and well-coordinated approach that takes into account the realities of Nigeria's economic structure.

In conclusion, the naira redesign policy had a mixed impact on Nigeria's economy—achieving some strategic goals while simultaneously exposing structural weaknesses. Its legacy serves as a critical lesson on the need to align monetary policy with institutional readiness, economic inclusiveness, and effective implementation strategies.

VI. 6.0 Recommendation

Based on the economic outcomes and implementation challenges of the naira redesign policy introduced by the Central Bank of Nigeria, the following recommendations are proposed to improve future monetary reforms and strengthen their impact on the economy:

1. **Gradual and Well-Planned Implementation:** Future currency redesign or cash-related reforms should be implemented gradually rather than abruptly. A phased transition period would reduce economic shocks, allow adequate cash circulation adjustments, and prevent disruptions in both formal and informal sectors.
2. **Strong Public Sensitization and Communication:** There should be early, clear, and consistent public awareness campaigns before policy implementation. Citizens and businesses must be fully informed about timeline, procedures, and objectives to reduce panic, misinformation, and resistance.
3. **Strengthening Financial Infrastructure:** The government should invest in improving: banking network capacity ATM availability and cash distribution systems digital payment infrastructure This will ensure that monetary policy changes do not disproportionately affect rural and informal sector participants.
4. **Expansion of Financial Inclusion:** Since many Nigerians operate outside the formal banking system, policies should prioritize financial inclusion by simplifying account opening processes expanding mobile banking access reducing transaction costs. This will enhance the effectiveness of monetary policy transmission.
5. **Better Policy Coordination:** There is a need for stronger coordination between the Central Bank of Nigeria, fiscal authorities, and commercial banks. Poor coordination during the redesign period contributed significantly to cash shortages and implementation inefficiencies.
6. **Strengthening Economic Data and Planning:** Policy decisions should be based on reliable economic data and forecasting models. This will help ensure that money supply



adjustments do not unintentionally trigger liquidity crises or disrupt productive sectors of the economy.

7. Balancing Monetary Policy with Structural Reforms: Monetary reforms such as currency redesign should be complemented with broader structural reforms, including: improving productivity in the real sector stabilizing inflation through supply-side policies strengthening governance and anti-corruption systems . This ensures that monetary interventions achieve sustainable outcomes.

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