International Journal of Economics and Development Policy (IJEDP)
Vol. 5 No. 2, December, 2022
Print - ISSN: 2651-5644
Online - ISSN: 2651-5644

A Review of Central Bank of Nigeria (CBN) Currency Redesign: Opportunties and Chellenges

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Abstract

The Nigerian currency, especially the higher denomination, is faced with challenges which include counterfeiting, hoarding, and stale in nature, which resulted in the need for a redesign. Against this backdrop, this paper seeks to examine the opportunities and challenges of the CBN currency redesign. The study, which was a content analysis, revealed that the opportunities include; checking inflation, financial inclusion, increased patronage of the eNaira, and preventing corruption, counterfeiting, and insecurity, among others. Furthermore, the challenges are capital intensive, dollarizing the economy, inadequate financial access, and low level of awareness, to mention but a few. The study concluded that the policy is a good initiative because it will sanitize the financial landscape and give a good image of the economy which will invariably attract investors and lead to growth. Recommendations were suggested to be implemented, including an intensive campaign on the policy and the use of eNaira, a synergy between state governments to re-open their state Microfinance banks to boost access, and empowering agents to boast the drive in mopping these funds.

Keywords: Currency, Redesign, eNaira, Nigeria, Central Bank of Nigeria
JEL Classification: E5, E51, E50, E52

Contribution to/Originality Knowledge
The study has contributed to the body of knowledge by providing fresh insight in the area.

1.0 Introduction

Globally, the role of currency in facilitating exchange in any economy cannot be relegated to the background from which Nigeria can be exempted. In Nigeria, before the colonial era, trade by barter was highly practiced for the purpose of exchange alongside the use of cowries, manilas, beads, and salts, among others. But this exchange system is bedeviled with challenges which include double coincidence of wants, lack of deferred payment, the problem of divisibility and unit of measure, to mention a few (Anyanwu, 1993; Ekezie, 2006).

However, addressing these bottlenecks faced by the barter system created the need for a currency. As such, the first currency was issued following the colonial ordinance of 1880 in which the shilling and pence functioned as a legal tender which was managed by the Bank for British West Africa until 1912. Subsequently, from 1912-1959, the West African Currency Board (WACB) issued another variant of currency in pounds and shilling for Banknotes and Coins, respectively (Central Bank of Nigeria, 2022d).

Subsequently, in 1959, the Central Bank of Nigeria issued a Nigerian Currency and, as such, led to the withdrawal of the banknotes of WACB. Since then, the Central Bank of Nigeria has been issuing different currency denominations over time. However, the development recorded in Information and Communication Technology (ICT) led to the advent of digital currency. As a result, the Central Bank of Nigeria's Digital Currency, popularly called the eNaira, was launched, which is to be operated alongside the traditional Bank notes (Central Bank of Nigeria, 2022c).

Although, the bank notes, generally referred to as Naira in Nigeria, are solely issued by the Central Bank of Nigeria as enshrined in Section 2(b) of the CBN act of 2007. Deducing from this section, the CBN has, over the years, especially in 1984 and 2006, redesigned the existing notes as witnessed during the Buhari and Soludo administration, respectively. However, the current challenges faced in currency management include; High volume of hoarding of Bank notes which, reveals that about N2.73Trillion out of the N3.23Trillion currency as of September 2022 in circulation is out of the Deposit Money Banks vaults (Central Bank of Nigeria, 2022a).

Additionally, there are high cases of mutilated and counterfeit notes. Furthermore, the existing notes, specifically the N200, N500 and N1,000 denominations, have spent over 20 years in circulation, contrary to global best practice that stipulates a period of 5-8years. It is in lieu of these issues that necessitated the need for the redesign of the concerned currency (ies) by the Central Bank of Nigeria. Although, similar development was recently experienced in the Indian economy under the policy of “Demonetization" in 2016, which recorded a huge "success" in some quotas and according to the Reserve Bank of India annual report, about 99.3% of the Bank notes which is equivalent to Rs15.31 lakh crore were re-injected back into the circulation (Central Bank of Nigeria, 2022a; Reserve Bank of India, 2018).

Thus, by redesigning the currency, it captures the activities of a sovereign state through its monetary authorities to change the appearance or contents of banknotes, especially in terms of its security features and quality, among others, to achieve certain macroeconomic goals. Therefore, it is against this background that created the need for this paper to examine the opportunities and challenges of the currency redesign in Nigeria. However, the paper is structured into five (5) sections. Section one covers the introduction while section two and three address the literature review where a conceptual as well as empirical review was carried out and the methodology. Section four and five captures the opportunities and challenges involved in the CBN currency redesign as well as conclusion and recommendations.

2.0 Literature Review

2.1 Conceptual Review

This sub-section captures a review of the definition of key concept(s) relevant to the study presented by different authors based on their different perspective.

2.1.1. Currency Redesign

Currency redesign as a concept can also be referred to as the demonetization of currency technically. According to the ArifShaikh (2017), it can be defined as discontinuing a particular currency from circulation and replacing it with new ones. Deepak and Amisha Goel (2022) see it as the cancellation of the legal tender status of a particular currency or banknotes in circulation to achieve some economic objectives. Similarly, Uke (2017) defined it as "act of replacing the existing market currencies in full or part of it with the new ones". More so, it is considered as an effort to stop the circulation of a specific currency and replace it with a new one (Jaiswal and Jagtap, 2017).

Likewise, Kumar (2017), refer demonetization as the withdrawal or removal of a currency's legal tender rights, the currency units will no longer be treated as legitimate currency (Kumar, 2017). Also, it is seen as the process of removing currency from the monetary system by either ending its status as legal tender which means that banks and businesses do not have to accept it or in other words simply ceasing to print the currency but still accepting it (Marisa, 2017). Despite these various definitions presented, the study adopted the one presented by both ArifShaikh (2017).

However, currency redesign in the context of Nigeria is solely coordinated by the Central Bank of Nigeria and this power emanated from Section 2b, Section 17 of the CBN act which gives the CBN the sole right to issue and re-issue bank notes and coins throughout Nigeria. In addition, section 18 of the same act gave the CBN the power to print banknotes and mint coins. Although, in executing this powers the apex body put into consideration so many factors which include inflationary rate, Gross Domestic Product (GDP), buffer stock, replacement rate from currency disposed and among others (Central Bank of Nigeria, 2022).

Subsequently, the Central Bank of Nigeria is still bestowed with powers to end the existence of banknotes and coins as enshrined in section 20 (3) which states that "*Notwithstanding sub-section (1) and (2) of this sections, the Bank shall have powers, if directed to do so by the President and after giving reasonable notice in that behalf, to call in any of its notes or coins on payment of the face-value thereof any note or coin with respect to which a notice has been given under this sub-section, shall, on the expiration of the notice cease to be a legal tender but subject to section 22 of this Act, shall be redeemed by the bank upon demand*".

Consequently, the intended objectives the Central Bank of Nigeria set to achieve from the currency redesign policy include; checking of counterfeiting, strengthen the economy, reduce cash management expenses, promote financial inclusion and enhance CBN visibility of the money supply (Central Bank of Nigeria, 2022f)

2.2 Empirical Review

However, different countries across the globe adopted this strategy in Nigeria inclusive in 1984, but to some, it was successful, while to others, it was a failure. Countries recorded failure includes the Soviet Union, Ghana, Britain, Congo, Myanmar and North Korea. In contrast, it was successful in European Union, Australia, Pakistan, the United Kingdom, Zimbabwe and the Philippines.

However, Deepak and AmishaGoel (2022), in their study on demonetization and its impact on the Indian economy while focused on the Indian banking sector. By so doing, secondary data was employed, and it was descriptive in which, by implication, the study revealed that terror financing, corruption, digitization, fake currency, and black and fake currency were among the factors that created the need for the policy. Its impacts on the banking sector capture the operations, deposit, cost of replacement, and the workload on bank employees. The study concluded that it brought a mixed effect on the economy.

Litwack and Sutherland (2000) in a related study on the Russian economy particularly to the causes and policy options arising due to demonetization. By extension, the study stressed that the causes of demonization include inherited soviet institutions which covers the tradition of barter, non-cash monetary circuit for industrial transactions. Also, review of macroeconomic policies, delays in structural reforms, regulation of natural monopolies and taxation were also considered among causal factors. The study further revealed that the policy option include barter system should be minimized, state organs should be held accountable for the expenditures arrears, adjustment in accounting policies in natural monopolies is required and among others. The study concluded that financial discipline is required on loss-making ventures and acceleration of reforms is cogent to mitigate the impact of demonetization.

More so, Marisa (2017) studied the economic and financial effect of demonization while making reference to different countries such as USA, Indian, Venezuela, Zimbabwe, Japan, and Australia. The study stress that demonetization is implemented by different countries at various times is aimed towards achieving specific objectives. The USA for instance, ceased the production of bill greater than USD100 during the World War II, accepts it but do not re-circulate it by banks, all in the name of addressing the country's recession as against checking counterfeit, inflation because they are minimal. Although, countries like Zimbabwe, Venezuela, Australia, Japan and Indian adopted this policy in order to specifically combat hyperinflation and black money which is some quotas was successful while unsuccessful in some other countries. Consequently, general findings from the study revealed that the policy of demonetization will address inflation, black markets, stimulate the economy, and reduce counterfeit, increased transaction cost among others. By so doing, the study concluded that despite the good intention surrounding the policy, if not properly implemented could destabilize the financial market as well as the economy at large.

Subsequently, a similar study was carried out by Nerkar (2016) impact of demonetization on the Indian economy; the study revealed that such a policy would reduce black money and, by extension, terror funding, among others. However, on the contrary, the study stressed that it is capital-intensive and has succeeded in creating resentment among common people in the Indian society. Also, Ahuja and Anand (2017), in their study on the impact of demonetization on India's economy, applied secondary data but were descriptive. They stressed that the policy has a significant impact on black money, corruption, GDP, lending rate, inflation, tourism, real estate, and banks, among others and by implication, they concluded that in the long run, the policy has a positive impact on the economy because its positive effects outweigh the negative impact in such a period.

Sahil and Ratemo (2019) reviewed the impact of demonization on Kenya economy and it was carried out on key objectives which include establishing the meaning and reasons for demonetization, determining sector-wise impact of demonetization and establishing positive and negative effects of demonetization in Kenya. By so doing, the study employed the use descriptive study which was supported with secondary data. Findings revealed that the policy would enhance the physical and security features of the currency, curb black money, terrorism and corruption especially in key sectors like real estate and property sector, retailing sector, banking sector and digital payment platforms which by extension would have impacts on tax filing and collections, SMEs growth and output.

According to the Central Bank of Philippines Report (2010) on the Demonetization of the Old Banknote Series stressed that the existing banknotes and coins has been in circulation since1985 or 30 years ago which has exceeded the global practice of 10years limit of circulation, Thus, needed to be replaced by the New Generation Currency (NGC) series. The Reserved Bank further stressed that cogent reasons for the policy includes to prevent counterfeits, benchmark with other countries, protecting the value of the currency amidst the hyper-inflation, A change in the type or form of government and among others.

ArifShaikh (2017) reviewed the demonetization and its impacts on the Indian economy which by so doing it was descriptive but secondary data were employed to aid the analysis. As a result, a comparative study was carried out on countries that have used this policy which recorded success while those it failed. However, the processes for the policy were further reviewed, and it shows that the policy has an impact in the following areas, which include fake currency, unaccounted wealth, cashless policy, and working population, among others. Consequently, the study concluded that despite the positive impact, the policy alone is insufficient in bringing evaders whose names appeared in the Panama papers.

Also the State Bank of Pakistan (2015) stressed that the issuance of adequate and quality bank notes is part of core mandate as enshrined in the SBP act, therefore the retrieval of mutilated notes and consequent replacement is cogent especially if the series have spent between 10-15years, thus necessitate the need for the demonetization policy. Therefore, the SBP argued that the policy will go a long way in check counterfeiting and restoring the integrity of the currency in circulation and among others. In a related study conducted by Marcus (2010) on the North Korea's failed currency reform stressed that the policy was aimed at burgeoning private markets and reviving socialism coupled with the fact that the state can no longer fulfill her obligation. Findings revealed that the policy was an impromptu with limited time and as such it resulted to panic buying of foreign exchange & physical goods which invariably resulted to the decline in the value of the currency amidst short supply. More so, the study stressed that the protest by the people resulted the government to backtrack, remove all restriction and pay compensation in form of wage increases and as a result the study concluded that the policy was a failure owing to the fact that the intended objectives was not realized.

Omanga (2021) examined the effect of demonization and COVID 19 on Mobile Money Transactions in Kenya and by so doing event study methodology was employed for a period between April 2017 and May 2019 (25 observations) and May 2019 and June 2021 (25 observations). Findings shows that demonetization, through a money supply shock can will spur use of other non-cash forms of money, ensure currency digitization and also increase in mobile money transactions attributed to demonetization which was largely attributed to the fact that the . The study concluded that measures on mobile money taken by the Kenyan government to buffer her populace against the effect of COVID-19 have little or no effect between demonetization and mobile money transactions.

Furthermore, a similar study was carried out by Getachew (2022) in Ethiopia on the review of the effect of demonetization and by so doing content review method was employed. The history of currency and exchanged rate system in Ethiopia was reviewed as well as experiences from other nations were noted for the analysis. Findings of the study reveal that the policy has effect on the country's savings and investment; it will reduce illegal activities, inflation, control counterfeiting, smuggling activities, terrorism financing, capital flights, tax evasion, and return cash back to the banking system. On the contrary, the policy will result to high cost to the government, shortage of cash. Furthermore, the findings revealed that the COVID-19 and misconceptions is considered as the major challenges. The study concluded that despite been a good policy with intended objectives but a synergy among stakeholders is required for it to successful.

Additionally, other similar studies include Singh (2017), Katke, Kamat and Kalal (2017), Kumari and Zaidi (2017), Prabhu, Girish and Mamatha (2017), Veerakumar (2017), Shirley (2017), Narsaiah (2019), Singh and Singh (2018) among others focused on the impact of the policy on the Indian economy. Consequently, a review of these various works shows that they were mostly carried out in India, Kenya, Philippines, and North Korea among others as little or none has been conducted in Nigeria. Therefore, it will not be fair to generalize the outcome of these studies to Nigeria context owing to country-specific factors and, as such, created the need to carry out this study.

3.0 Methodology

This study employed a desk research method, specifically the content analysis techniques, hinged on secondary data sources. These data were obtained from Central bank of Nigeria (CBN) manuals/Guidelines, National Bureau of Statistics Publications, Journals and relevant textbooks, among others. More so, the study employed deductive approaches or techniques to systematically analyze the data from which conclusions are drawn.

4.0 Opportunities and Challenges of Currency Re-design in Nigeria

4.1 Opportunities of CBN Currency Re-design

Control Inflation: There is hardly any economy without inflation but what matters is its magnitude. This is an economic ill that is referred to as the persistent and consistent increase in the prices of goods and services in any economy. The trajectory of inflation in Nigeria is alarming as the inflation rate of Nigeria stood at 20.77% as at the end of September 2022 as against 19.64% and 20.52% in July and August 2022 (CBN, 2022b), respectively, which is 17years high. Despite reviewing the monetary policy instruments such as bank rate, liquidity ratio, and cash reserve ratio, among others, the inflation rate is still upward at various times. However, among factors that have contributed to the failure of these monetary policy tools towards addressing inflation is the too much money in circulation without a corresponding increase in productivity. This is against the backdrop that about 80 per cent of the total money in circulation is not accounted for by commercial banks (CBN, 2022a); hence any assumption upon which the monetary instruments are built will be faulty. Thus, the need to redesign the naira; Therefore, with the redesign, it will greatly assist in mobbing up the unaccounted money in circulation to the commercial banks' vault, hence giving the CBN a better estimate of the total money in circulation in the economy with the hope of manipulating the monetary policy instruments aimed controlling inflation as obtained in the works of Ahuja and Anand (2017).

Financial Inclusion: Financial inclusion has been an issue of concern which has made the Central Bank of Nigeria introduces programs and strategies such as the National Financial Inclusion Strategy 2020 aimed at improving the country's inclusion rate. Although this has yielded significant success, the designed target is yet to be achieved. The Enhancing Financial Innovation and Access report (2020) revealed that out of the 106 million adults, about 35.9 per cent representing 38.1 million adults, are financially excluded, implying they lack financial access. This is considered a contributory factor to the country's poverty and unemployment level. Consequently, with the naira redesign, it will spur financial inclusion in the account opening, especially among those living in the suburb area because those funds unaccounted for will, in one way or another, find their way to the bank through an account. This development will invariably reduce the level of financially excluded persons in the country, and the set target will be achieved.

Patronage of e-Naira: The eNaira, also called the Central Bank Digital Currency, was launched in 2021 termed as "Project Giant", which is to be operated parallel with the traditional Bank notes. This refers to an electronic naira or a digital form of naira issued by the Central Bank of Nigeria as a legal tender (Central Bank of Nigeria, 2021). Although, acceptance and patronage have been an issue. An available report from the Central Bank of Nigeria reveals that eNaira has recorded about 200,000 users with a value of about N4 billion (CBN, 2022). However, compared with the total adult population of 106 million (EFInA, 2021), there is still a gap. But with the introduction of the redesigned banknotes, which will be limited in supply in the interim, economic agents, specifically households and firms will have no option but to patronize the eNaira to meet their needs. Consequently, it will increase the number of eNaira users and its patronage, which, by extension, supports the cashless policy drive of the Central Bank of Nigeria. This outcome further corroborates with the works of Arif Shaikh (2017).

Effective Monetary Policy Implementation: Monetary policy is considered a deliberate effort by the Central Bank to control the cost, volume and direction of money and credits in any economy to achieve macroeconomic objectives. This policy is applicable through its instruments, as earlier mentioned, giving the apex body the power to increase or decrease the money supply. However, this monetary policy is faced with challenges, especially in a condition where national output does not vary alongside the change in money supply; huge hoarding of the currency has become the other of the day, which has resulted in about 2.7trillion unaccounted for by the commercial bank (CBN, 2022a) and among others. This has affected the effective implementation of the monetary policy because it has not yet achieved the desired targets in terms of the various macroeconomic indicators. Therefore, with the currency design, the Central Bank of Nigeria will to a large extent, have adequate control and estimate of the money supply in circulation, thus giving it the edge to properly manipulate the monetary policy instruments, which will invariably have a strong impact on the economy thereby making such the policy to be well transmitted and effective.

Check Corruption: The Transparency International Report (2021) on the corruption perception index revealed that corruption is on the increase in the country Nigeria is scored 24 out of 100 points, thus rank as 154 out of 180 countries as against 149 in 2020. Across West Africa, Nigeria is ranked as the most corrupt country after Guinea. A cursory look at this ranking does not portray a better image of the country. However, the currency redesign will go a long way to checkmate corruption at all levels because, directly or indirectly, corrupt proceeds will find their way to commercial banks. Corrupt practices, especially in contract kickbacks, and vote buying, among others, will be reduced to the barest minimum because the release of new currency will be limited in circulation in the interim. Therefore, individuals will have no choice but to use e-wallets as an alternative. By so doing, all transactions will be properly monitored; as such, corruption will be highly checked and reduced to the barest minimum. This aligns with Deepak and AmishaGoel (2022) works and Ahuja and Anand (2017), which emphasized that the policy would reduce or curb black money and corruption.

Tackle Counterfeits: Collins Dictionary sees counterfeit as “to make an imitation of (money, pictures etc.) usually to deceive or defraud individuals". The Central Bank of Nigeria, in its clean notes policy, defines counterfeit currency as an imitation of currency produced without the legal sanction of the state or government. However, the rate of counterfeiting money in circulation is alarming, especially among higher denominations (CBN, 2022a). This is attributed to the development and access to photographic technology printing devices by these fraudulent individuals, and taking into cognizance it’s long overdue in circulation allowed them to specialize in currency counterfeiting. Such an act will gradually erode the confidence and security of the banknotes. The available report revealed that the N1000 and N500 denominations were the most counterfeited, accounting for 69.06 and 30.79 per cent, respectively (CBN, 2020). Therefore, the redesign of the currency and the withdrawal of the old ones in circulation will go a long way to tackling the issue of counterfeit currencies in circulation or warehoused, thereby making them null and void. Additionally, the redesigned currencies will be released along with their new security features, which will take time before they can be compromised in the future. As a result, this will gradually restore the confidence of the various economic agents in the country's currency, which tallies with the works of Deepak and AmishaGoel (2022) and ArifShaikh (2017).

Reduce Currency Abuse: The naira has been faced with a series of abuse which includes spraying on occasion, writing on it, stapling, tearing, soiling, and sales mutilation, among others (Central Bank of Nigeria, 2022). This has succeeded in creating or worsening shortage of clean notes in circulation, which invariably has a reputational risk on the image as well as the financial stability of the country. Consequently, redesigning the new notes and withdrawing the old currencies from circulation will restore the negative perception of the currency because new and clean notes will be issued. Additionally, since the new notes will be limited in circulation in the interim, the eNaira will be an alternative. As such, the issue of currency abuse will be remote and gradually eradicated.

Check Insecurity: The security condition of the country has been deteriorating over time with the declining activities of the Boko-haram insurgency in the North East and the increasing activities of bandits and kidnappers in the North West and other parts of the country. This has resulted in the loss of lives and properties of Nigerians. However, their activities are centred on ransom collection in cash from victims' relatives and affiliated bodies/organizations. This has raised an unanswered question as thus; where is such a huge amount of ransom delivered to the bandits or kidnappers taken to? Therefore, with the currency redesign and the subsequent withdrawals of the old notes in circulation, it will directly or indirectly make such funds find their way into the commercial bank through an account. Furthermore, with the limited new notes and the use of eNaira, it will check the activities of the group of individuals because such transactions will be monitored and traced in the future. This is in line with the works of Deepak and Amisha (2022), which stressed that the policy would check terror funding and anti-social activities.

Strengthen the Naira: The strength or power of the naira has been put to test over time, especially in the face of high inflation, and exchange rate instability, among others. This has caused the naira to lose its value or purchasing power relative to goods and services. Consequently, the currency redesign and the withdrawal of the old banknotes in circulation; it will, in the medium and long term, strengthen the value of the naira. For instance, most of these individuals who hoard the old notes would convert them to hard currency (dollars, euros or pounds) in order to further warehouse it, and by so doing, it will increase the demand for these hard currencies while its supply is limited; by default, it will certainly result to an increase the exchange rate in the short-run but in the medium and long-term period it will records a decline. This is because the political elites will be forced to release their hoarded currencies for electioneering due to limited new notes. As a result, the supply of foreign currencies will increase more than its demand, resulting in a decline in the exchange rate of foreign currency. By extension, this will further have a spillover effect, specifically a reduction in the price of imported goods and services, thus improving the worth of the naira in terms of exchange compared with other currencies from the importing country.

Sanitize the Financial System: The challenges currently being faced that necessitate the need for the redesign capture the following; hoarding of the currency, unaccounted funds not captured by the Commercial Bank vaults, dirty notes, and high rate of counterfeiting, among others. All these have serious implications and risks for the financial system, especially its stability. Therefore, with the redesign and withdrawal of the old banknotes from circulation, it will go a long way to sanitize the system because all these challenges will be brought to the barest minimum and coupled with the need to patronize the eNaira arising from the limited new notes, all transactions will be adequately and comprehensively monitored and controlled.

4.2 Challenges of CBN Currency Re-design

Capital Intensive Nature: This is considered a challenge or problem because currency printing is capital intensive. For instance, between 2018 and 2019, the apex bank spent about N64.04 billion and N75.5 billion, respectively. More so, in 2020, the cost of printing 2.5 billion banknotes stood at N58.6 billion, valued at N1.067 trillion (CBN, 2020). However, with the redesign, these various denominations, which is the first print, will have their new template, materials and possible additional security features; thus, the cost will be high compared to when it's a reprint of the existing notes. Therefore, the current condition the country is facing, especially with her declining resources, high rate of poverty, and unemployment, among others. These funds used in printing the new notes would have been channelled in the form of intervention funds to address critical issues; therefore, the idea might be well conceived, but the timing is not appropriate. This finding is in tandem with the works of Deepak and Amisha Goel (2022), which stress that the policy is highly associated with cost, especially in printing new notes, supplying them and retrieving old notes, among others.

Dollarization of the Economy: Dollarization of the Nigerian economy is eminent in this situation but in the short-run, especially during the electioneering period. This is against the backdrop that the CBN is poised to ensure usage or patronage of the eNaira, and as such, the redesigned notes supplied will not be proportional to the ones withdrawn. As a result, for instance, the political class, would have limited new notes for electioneering which is further complemented by the new CBN policy on cash withdrawal, and by implication, they would not be comfortable using the eNaira because of its audit trail; Thus, they would be left with no choice other than to use their warehoused hard currencies which by extension would result to the massive circulation of dollars in the economy.

Inadequate Financial Access: The level of financial access by individuals, especially those living within the rural areas in the Northern part of the country, is worrisome. This is largely attributed to their level of financial literacy, religious reasons and level of insecurity. However, the level of insecurity has made most financial institutions, specifically Microfinance banks to close shop. This has further worsened the level of financial access and as such, increased the rate of financially excluded persons. Therefore, with this policy of currency redesign, these excluded and included individuals from these rural areas are now expected to mop up the affected notes at their disposal and lodge them in their respective bank accounts, but with the absence of bank branches at their locality, they will have no choice than to travel to the capital city for possible deposit lodgement. By so doing, there will be volatile to so many risks, which include theft, robbery, and fraudsters, among others.

Low-level of Awareness: This is considered a challenge in the drive for the redesign of the bank notes because the awareness is still at its low ebb, especially in the rural areas where most of them still adopt the traditional method of keeping money at home. The awareness needs to be carried out at all levels through the use of social media platforms, radio and television stations, and community and traditional leaders, especially on the pros and cons of the policy, the processes involved, and the implications if they fail to oblige which should be done in different dialects. If the awareness is not done properly, these rural dwellers will be volatile to fraudsters because they will take advantage of their low literacy level and defraud them of their hard-earned money or even lose the money completely if official time lapses.

Stringent Policy: The policy or guideline as per deposit threshold of N5 million and N50 million for new and existing accounts is considered a challenge as this could frighten those involved in hoarding the said notes because they might have unanswered question of what could be the reasons or intention behind the deposit threshold if the aim was to mop the bank notes from circulation?. And by implication, they might be forced to convert the hoarded notes into foreign currency, precious stones, among others. More so, this threshold might not favour some rural businessmen who carry out large volumes of their transactions in millions of naira, usually cash. This category of persons does not patronize banks for their businesses. Consequently, the way and manner deposit fee was waived to encourage this drive; the deposit threshold should be waived as this could attract more deposits into different new accounts, which could spur inclusion rather than existing accounts recording inflows only.

Time Line: The January 31st, 2023 deadline for the old notes to cease as a legal tender is a challenge, as should be given a second thought. This is because the period might be short to mop about N2.7 trillion from circulation from among various individuals (CBN, 2022a). This could result in panic buying of foreign currencies, food items, and precious stones, and as a result, it could trigger price increase. Therefore, the period should be extended to accommodate and address some of the teething issues involved in replacing the old notes.

Untold Hardship to Certain Individuals or Businesses: The policy of redesigning the currency could result in asset loss to certain individuals, especially to those within the suburb areas who might not be aware of the policy. More so, these rural dwellers could be victims to robbers in the course of moving the said funds to banks from their remote areas due to lack of presence of banks or encounter fraudsters who might take advantage of them. Additionally, some category persons might also incur losses arising from the decline in the price of foreign currencies, and precious stones, among others. More so, agriculture and small businesses that are usually cash-oriented could face high liquidity shocks within the time lag because the circulation of the new notes will be less, which the eNaira will complement. This could disrupt their supply chains across their respective value chains, which will invariably lead to a reduction in demand for capital and consumer goods. Consequently, this might further result in unemployment owing to a decline in sales revenue and on the aggregate; it could affect the country's Gross Domestic Product (GDP).

4.3 Summary of Review

This review paper was conducted to x-ray the opportunities and as well as the challenges of the currency redesign while drawing lessons learnt from other countries that have implemented similar policy in the past. However, the opportunities Nigeria stand to gain from the policy is multi-dimensional which could be in the short, medium or long run period. This can be economical, political and socially but this review is skewed towards the economic opportunities which include curtailing inflation, checking currency abuse, counterfeiting, increase financial inclusion, ensuring effective monetary policy implementation, strengthen the naira and the economy at large which is at convergence with countries that have implemented similar policy. Although, despite these numerous opportunities, they are challenges that are encountered which are peculiar to countries but the issues of awareness, capital intensive nature, time line, untold hardship on some individuals and businesses tends to be generic across different countries which Nigeria is not an exception while other specific ones include dollarization of the economy and inadequate financial access among others.

5.0 Conclusion and Policy Recommendations

Redesigning the currency is a welcome idea, but the timing is faced with mixed feelings from relevant stakeholders. However, the study concluded that the action of the Central Bank of Nigeria towards the currency redesign would bring about a sound and stable financial system because the opportunities outweigh the challenges, especially in the areas of ensuring effective monetary policy implementation, curbing inflation, checking insecurity, counterfeit and among others which by implication, will attract more foreign investors and invariably spur growth.

Therefore, the following recommendations were suggested to be implemented; Firstly, the monetary authorities (CBN) should remove the deposit threshold as this would go a long way to attract more individuals to open an account and existing ones will attract more deposit funds because it will allay their fears surrounding the reason for the threshold. Secondly, the CBN should liaise with the Commercial banks to empower their bank agents to accept huge deposits, especially from the rural areas, to address the issue of financial access. Thirdly, the CBN should partner with the state government to urgently re-open closed microfinance institutions in the various local governments and equip them with adequate security. Fourthly, the CBN and other relevant stakeholders must intensify efforts to increase public awareness on the policy of currency redesign. Fifthly, the campaign for using eNaira should be encouraged, and its enrolment should be user-friendly to fit the rural communities where internet service is not stable or unavailable. Sixthly, the CBN should consider creating a window in by extending the time limit, probably after the general election, to ensure that the old notes are properly mopped out from circulation. Lastly, synergy is highly required between BDCs, Precious material dealers, FMCG manufacturers and Wholesalers on the need to tackle individuals who intend to engage in hoarding through their channels which will spike price increase.

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