

An Analysis of The Impact of Naira Redesign and Cashless Policy on Economic Development of Nigeria

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Abstract:

This study investigates the effects of implementing a cashless policy and redesigning naira currency on Nigeria economic development. The study obtained data from the Central Bank of Nigeria (CBN) Statistical Bulletins and the National Bureau of Statistics (NBS). The study employed quantitative data analysis to establish the correlation between Nigeria's cashless policy and naira redesign, and economic growth (GDP as proxy of economic development). The findings indicate the presence of a causal association between the cashless policy and naira redesign, and economic growth in Nigeria. However, based on the conclusion and findings, some of the following recommendations were made. The government should focus on implementing policies and initiatives, such as technological advancements, to promote the adoption of e-payment methods in the country. This will result in more individuals accessing banking services and bringing more people into the formal (financial) sector. Additionally, it will enhance efficiency and effectiveness in trade and business, ultimately leading to economic growth. The government should strictly implement the Naira redesign decision through the Nigerian central bank on a regular basis in order to have a healthier economy and better monetary policy. This will prevent the counterfeiting of Naira notes, withdraw about 80% of Naira currency held outside of money deposit banks, and lower the inflation rate that has contributed to Nigeria's recession. Also, old and new Naira notes should be allowed to coexist until old Naira notes completely fissile out through bank deposit to the CBN.

Keywords: Cashless Policy, Currency Redesign, Economic Growth, Economic Development, Naira Redesign, Demonetization.

1.1 Introduction

Following the last episode in Nigeria, the Central Bank of Nigeria (CBN) announced that it will redesign the ₦200, ₦500, and ₦1, 000 notes and begin circulating the new notes on the 15th of December, 2022. This was as a result that Godwin Emefiele, the governor of Central Bank of Nigeria noted excess inflationary pressure in the country and decides basically to reduce the inflationary pressure on the currency. According to him, the suggested changes will boost the value of the naira and assist reduce inflation in the Nigerian economy. The Central bank has therefore

given the 1st of February, 2023 as ultimatum for all old naira notes to be returned to banks else, they would cease to be legal tender. Prominent Nigerians and experts alike have responded differently to the policy shift. Thus, the CBN has received both praise and criticism.

More importantly, to be fair, though Nigeria isn't the first country to try such policy. For those who have tried it before, though, how well did it work? For instance, India is the last major emerging market economy to make this sort of policy shift. The Reserve Bank of India implemented its demonetization program in 2016, which resulted in the temporary elimination of R500 and R1,000 banknotes from circulation for a period of six months. India's previous Prime Minister, Narendra Modi, has previously stated that the country's corruption was directly proportional to the amount of cash in circulation. Back then, he claimed the use of illicitly obtained funds exacerbates inflation. Such monetary policy will hit the poor hardest in the economy. India purchasing power of the lower and middle classes will be directly impacted.

For knowing these ugly conditions, still the Indian government declared on November 8th, 2016, that the R500 and R1000 currency notes would cease to be legal tender as of that day in an effort to reduce corruption and black money in the country. What this meant was, the citizens will no longer be able to use these notes for transactions. Individuals with anti-national and anti-social agendas will soon be left with worthless stacks of 500-rupee notes. It's part of the government's effort to "strengthen the hands of the common citizens in the fight against corruption, black money, and fake currency," as the Indian government adopts such policy. Although it was tough for low-income Indians to wait in long lines to have their banknotes exchanged, the Central Bank of India deemed the initiative a "success" because 99.3% of the banknotes were returned. Although it was tough for low-income Indians to wait in long line to have their banknotes exchanged, the Central Bank of India deemed the initiative a "success" because 99.3% of the banknotes were returned.

According to Bloomberg (2012), however, the scheme had the opposite effect, freezing "agriculture and small businesses with a liquidity shock, putting people through unnecessary hardship, disrupting supply chains, and destroying demand for everything from autos to property, the result can't be such a gigantic anticlimax: 107 billion rupees (\$1.5 billion) weeded out of a \$2.5 trillion economy."

However, one year after demonetization in India, India's net savings were 50% lower than the five-year average preceding the policy change. This indicates that India's strategy did not result in a surplus of household savings at the banks, which could have been lent to the economy's productive sectors. When the demonization was announced, Bloomberg Data showed that there were 18 trillion rupees in circulation in India. The figure jumped to 20 trillion rupees in a little over a year. Also, in terms of gross domestic product, India's economy slumped to a four-year low of 6.5% in 2017-2018, down from 7.1% in 2016-2017 due to lost man productive hours. At least 1% of India's GDP and 1.5 million jobs were lost as a direct result of the demonetization exercise. Deducing these conditions to Nigeria scenario, Nigeria's currency has undergone several changes since 1973. As the central bank is responsible for issuing and withdrawing a nation's currency. In 2022, the Central Bank of Nigeria (CBN) declared that it had finalized preparations to revamp the Naira currency. Olujobi (2022), argued that the Central Bank of Nigeria's (CBN) currency redesigning and cashless policy is a strategy to decrease the surplus of money in circulation and enhance the effectiveness of monetary policies in controlling inflationary pressures (Magaji, El-yaqub & Musa 2024). In addition, it aims to improve the CBN's exchange rate policy and increase liquidity.

Based on those aforesaid policies, the CBN Governor cited money concealment, inflation, and counterfeiting as the primary factors behind the unconventional decision. The Central Bank of Nigeria (CBN), announced that around ₦2.73 trillion out of the total ₦3.23 trillion in circulation in Nigeria is not stored in bank vaults. This represents approximately 85% of the overall money supply. In addition, the Naira's security is compromised due to the relative ease with which the ₦200, ₦500, and ₦1000 denominations can be counterfeited. Replacing the old currency with the new currency would deter the practice of hoarding by obliging citizens to justify possessing unlawfully acquired funds; otherwise, the hoarder would incur financial penalties (Magaji, Anthony & Adegioriola, 2018). Redesigning a nation's official currency enables it to mitigate counterfeiting effectively and proactively address potential counterfeiting risks (Aroghene&Imene, 2023).

More so, to achieve efficient financial intermediation in Nigeria, the existing deposit money banks may face limitations in their ability to handle the electronic system. To address this, there is a need for significant expansion of ATMs, Point of Sales systems, mobile banking, and other mediums to cover at least 80% of the entire country (Rueben & Anyanwaokoro, 2019). Customers often report network outages in addition to ATM malfunctions (Magaji, Sani & Abubaka, 2013). Rueben & Anyanwaokoro (2019), suggested that both the network and the ATMs need significant improvements to facilitate smooth financial transactions.

The point of departure, taking India as a benchmark nation, the Central Bank of Nigeria's policy of redesigning the naira currency and cashless policy may as well be fruitless. Hence, the most defenseless members of society (those without bank accounts) will be hit hardest. Therefore, Nigeria needs to take precautions to ensure that she doesn't experience the same fate as India. However, it is against this backdrop that this study tries to investigate and proffer solutions to the ugly menace that might arise.

1.2 Objectives of the Study

The main objective of this study is to assess the impact of naira redesign and cashless policy on Nigeria's economic development. The specific objectives include:

- 1) To evaluate the impact of Naira redesign and cashless policy on Nigeria's economic growth.
- 2) To investigate the effects of Naira redesign and cashless policy on Nigeria's economic growth.

1.3 Research Questions

- 1) What is the impact of Naira redesign and cashless policy on Nigeria's economic growth?
- 2) What are the effects of Naira redesign and cashless policy on Nigeria's economic growth?

1.4 Research Hypothesis:

H₀₁: There is no significant impact of Naira redesign and cashless policy on Nigeria's economic growth.

H_{A1}: There is significant impact of Naira redesign and cashless policy on Nigeria's economic growth.

H₀₂: There is no significant effects of Naira redesign and cashless policy on Nigeria's economic growth

H_{A2}: There is significant effects of Naira redesign and cashless policy on Nigeria's economic growth

2.0 Literature Review

2.1 Conceptual Framework

2.1.1 The Concept of Cashless policy

The cashless policy encourages electronic payment alternatives and decreases cash transactions within an economy (Musa, El-yaqub & Magaji, 2024). The objective is to augment financial inclusivity, amplify transparency, diminish corruption, and promote transactional efficiency. According to Woleola (2017), there are several worldwide methods of conducting banking transactions without using physical cash. The methods encompass mobile banking, online banking, telephone banking, electronic cards, implants, Point of Sale (POS) terminals, and Automated Teller Machines (ATMs) (Abdullahi, Magaji & Musa, 2024). Furthermore, Tan (2002) underscores the ease of ATMs, which enable clients to promptly get their funds as required.

The launch of a new series took place on October 26, 2022. The internationally accepted timeframe for revising a nation's currency is typically between 5 to 8 years, indicating that the Naira is significantly overdue for a redesign. The decision by the Central Bank of Nigeria (CBN) to redesign three-naira denominations is not targeted at any particular group or individual. This new policy aims to combat counterfeiting, enhance the economy, lower cash management expenses, encourage financial inclusion, and enhance the CBN's oversight of the money supply (CBN, 2022). Moreover, reintegrating substantial sums of money presently kept outside of banking institutions into the financial system might alleviate inflationary forces, enhance financial accessibility, and promote the adoption of cashless policies (CBN, 2022; El-yaqub, Musa & Magaji, 2024).

2.1.1.1 Internet Banking

Internet banking enables customers to perform banking transactions online through electronic devices, such as computers, without visiting a physical bank branch (Eke, Magaji, Musa & Obi, 2023). It significantly simplifies e-commerce and depends on the electronic card system to process payment instructions and facilitate the exchange of goods and services between merchants and customers over the Internet (Woleola, 2017; El-yaqub, Musa & Sule, 2024).

2.1.1.2 Point of Sale (POS)/Point of Purchase (POP) Terminals

A POS or POP terminal combines hardware and software for conducting transactions, much like an electronic cash register (Woleola, 2017). This software enables salespeople to efficiently oversee the sales process using an intuitive interface and produce transaction records (Musa, Magaji & Salisu, 2023).

2.1.2 The Concept of Naira Redesign Policy

Over time, Nigeria has experienced the introduction and circulation of different units of currency in response to two factors, the prevailing political and economic conditions. However, the former factor appears to have always weighed higher. For example, from the 1970s when the penchant for graduated higher currency denominations got on the increase in the country, the policy has always favored a display of the portraits of the country past political leaders on the currencies so introduced. Perhaps, this has been done to appease their ethnic groupings (Chukwu, 2010). For example, by the 1880 ordinance, which introduced the first set of British Coins in the country, the 1-shilling Coin was the highest denomination 1-shilling Coin. In 1913, the 2-shilling Coin became the highest denomination. This was so until 1919, when the 10-shilling Coin and £5 note were introduced into the economy. In each of these cases the currency units introduced were probably

designed to meet the political and economic needs of the period (Chukwu, 2010). Since Nigeria's Independence in 1960, there have been different governments, constitutional reforms, change in economic policies and banking reforms, mainly directed at enhancing social welfare and achieving key macroeconomic objectives but Nigeria is still categorized as Less Developed Country. This calls to question the effectiveness of macroeconomic policies.

Moreover, Nigeria is a highly import-dependent nation which gradually erodes the strength of the naira relative to other currencies. In addition, the major function of central banks is to achieve price and exchange rate stability. However, Nigeria has not fared well in this regard. Once again, there arises the need to critically evaluate the new currency redesigning exercise of the Central Bank of Nigeria. Currency redesign was seen as a means by which government attempt to reassert monetary sovereignty. In other words, if citizens lose confidence in the national currency, they may begin to use foreign currencies. This process is popularly referred to as 'dollarization'. Little wonder why the Central Bank of Nigeria initiated a new currency redesigning exercise, tagged "Naira Redesign" However, several scholars have attempted to analyze the effect of currency redesign and dollarization. Only a few papers have presented a comprehensive evaluation of large-denomination notes and currency conversion, particularly in developing countries. Although, this study focuses on the potential implications of the recent currency redesigning exercise in Nigeria, it also provides an insight into redenomination effect in other selected countries. To understand the potential effects of 'Project cure', it is necessary to initially explain the term, 'dollarization'.

The concept of Dollarization and Currency redesign According to Kessy (2011), dollarization is a generic term used to characterize the use of any foreign currency that effectively serves as a replacement for national currency. The substitute currency is typically the currency of a major trading partner or an industrial power with a reputation of sound monetary policy. Notwithstanding, there exist three types of dollarization as noted by Meyer (2000).

First is official dollarization which means a complete replacement of the domestic currency by a foreign currency. In this case the chosen foreign currency becomes a legal tender, and plays the three fundamental roles of domestic currency namely, store of value, means of payment and unit of account. Examples of countries which have abandoned their local currency and adopt another currency include Panama and Ecuador.

Second is official semi dollarization which refers to a situation where both domestic and foreign currencies are freely used in the domestic economy, the foreign currency becomes a legal tender but the country also issues its own currency. This is for instance the case with Lesotho and Swaziland, where South African rand is officially accepted as legal tender alongside with domestic currencies. Most of countries that opt for official or semiofficial dollarization are either small countries that rely on large neighboring economies for much of their income and their imports (Swaziland and Lesotho) or countries that suffer from macroeconomic mismanagement leading to hyper-inflation rates (Ecuador and Zimbabwe). There is a consensus in the literature that both official dollarization and official semi-dollarization can succeed in fighting hyper-inflation and bring about economic stabilization. For example, in Ecuador annual inflation rate declined from over 90% in 2000 when the country officially replaced its currency with the U.S. dollar, to a single digit in 2002. Similarly, following the adoption of South African Rand and the US dollar as a legal tender in Zimbabwe in January 2009, inflation rate declined from 231,150,889 % in January 2008 to an annual average of 6.5% in 2009.

In case of full dollarization, where foreign currency replaces the domestic currency, authorities can no longer finance Government deficit through money printing (a major source of inflation) while for semi dollarization (as it is the case with currency board arrangement), the ability of the monetary authority to print more money is highly limited because an increase in the domestic money supply must be backed by foreign currency reserves. In this case, domestic monetary authorities can only increase money supply if they generate more foreign exchange by running a balance of payments surplus. With official dollarization, all seignior age revenue accrues to the issuer of the currency, while official semi-dollarization arrangement allows monetary authorities to earn some seignior age in addition to interest income on the foreign currency reserves that back the domestic currency issue.

The third form is unofficial dollarization which means that foreign currency is widely used in private transactions (as a unit of account, a medium of exchange and as a store of value) but the local currency remains the only legal tender. Many countries, including Nigeria, fall into this category. De Nicolo et al. (2005), further classifies unofficial dollarization based on the three functions of money:

- i) Transaction dollarization (also known as currency substitution) which is the use of foreign currency for transaction purposes.
 - ii) Financial dollarization (also referred to as asset substitution) which consist of residents' holdings of financial assets or liabilities in foreign currency
 - iii) Real dollarization which is the indexing of local prices and wages to the foreign currency.
- Studies such as Leijonhufvud (2000) and Mas (1995), use the terms-currency reform and "redenomination" interchangeably. However, Bernholz (2005) used the former to refer to exchange rate-based liberalization while the latter was defined as the specific act of removing zeros from a currency. Currency redesign, then, is a means by which governments can attempt to reverse this currency substituting behavior: if citizens are confident that the new 5000 naira note will hold its value, they may be willing to shift from using euros and dollars to using naira. While the act of dividing a currency's value by a factor of ten is somewhat symbolic, it also can help to convince citizens of a currency's worth (Mosley, 2003).

2.1.3 Changes in Nigeria's Currency from 1960 – 2025.

Redesigning bank denominations as a measure of currency management has been a long-standing tradition in Nigeria's financial history since independence, and the 2022 Naira redesign effort was a continuation of that practice. After the union of the Southern and Northern Protectorates in 1914, the country was founded as a British colony, and the achievement of independence in 1960 marked a turning point in its history. The leaders of the Nigerian nationalist movement engaged in a fierce struggle that contributed to the achievement of independence, among other things (Crowder, 1978). As part of the nation's independence preparations, the conflict sparked the creation of numerous institutions. The CBN was one of these organizations and was founded in 1959 (Abubakar & Wuam, 2021). The CBN's main responsibility was to create the nation's legal cash. In addition to its other duties, the CBN was charged with preserving Nigeria's foreign exchange reserves, fostering monetary stability, and maintaining sound financial structure. The Central Bank, which issues and controls Nigerian currency, has undergone a transformation that can be largely explained by this. For instance, the CBN Establishment Ordinance/Act, which was initially passed in 1958, had multiple revisions in 1962, 1969, 1991, and 2007 (CBN, 2007).

The CBN Act's Sections 18 and 19 grant the apex bank the authority to, among other things, issue, reissue, and exchange money; remove money from circulation and ensure its safekeeping and destruction; and choose the shapes and designs of banknotes with the President's approval and in accordance with the CBN Board's recommendations (CBN, 2007: 9). For a variety of causes, the CBN had revised, manufactured, and reissued money in Nigeria at various points in the nation's history in accordance with these regulations. When the Central Bank of Nigeria (CBN) was founded in 1959, the Pounds and Shillings (also known as Pounds and Shillings) issued by the West African Currency Board (WACB) were the only legal tender in use. When the CBN started doing business, it redesigned the Pounds and Shillings and used the new notes in place of the old colonial money. However, the revised currency did not much differ from the colonial money. In July 1962, when banknotes and coins were redesigned in accordance with the concept of monetary sovereignty, Nigeria made its first declaration of independence and national identity through its currency (Nduwugwe, 2007).

Six years later, the Federal Military Government (FMG), led by Lieutenant Colonel Yakubu Gowon, recreated Nigerian currency amidst the chaos of the Nigerian Civil War. The Nigerian military engaged in a bloody military conflict with the soldiers of the former Eastern Region of Nigeria, which Lieutenant Colonel Chukwumeka Odumegwu Ojukwu unilaterally proclaimed the Republic of Biafra. The war, which lasted for more than 30 months (1967– 1970), caused enormous loss of life and property throughout the nation (Adejo, 2008). In order to undercut the economic foundation of the newly declared Biafran state, the FMG proposed a currency redesign in January 1968 as a war strategy and a way to limit the crisis. The main goal of the currency redesign at the time was to make all of the banknotes that the Biafrans had accumulated to pay for the war and run their government unusable. As a result, the CBN only altered the colors of current denominations. For example, the color of the £5 coin was altered from blue/purple to mid-brown, the color of the £1 coin from red to dark brown, the color of the 10s coin from green to dark blue, and the color of the 5s coin from purple to green (Nduwugwe, 2007).

As was already said, Nigeria started moving toward monetary sovereignty in 1962. The Decimal Currency Committee was established in that year, and in 1964, the Committee turned in its final report. The Committee advocated decimalizing the Nigerian money in addition to rebranding and redesigning it to make it more revolutionary. This wasn't put into practice until 1973, nine years later. When the Head of State, Yakubu Gowon, then a Major General, stated that decimal money would be implemented in 1973, Nigerians could see the shift coming. The Naira and Kobo, which the FMG introduced in 1973, could be considered the real currency of Nigeria as a nation state. In terms of name and design, this was Nigeria's first kind of currency. Additionally, it used decimal money. By using two units that differ by a ratio of 100, the decimalization of currency denomination was a method of changing from a traditional currency denomination to a "decimal" system. Nwoba (2010:1).

The major unit of currency was the naira (₦), which was equal to the previous ten shillings. The minor unit was the kobo, where one kobo was equal to one hundred (100). The word "Naira" was drawn from the name of the nation, and the minor unit, "Kobo," was how Nigerians commonly referred to the British coin known as the "one penny" (Fayemiwo, 1991: 14). The Central Bank of Nigeria (CBN) issued banknotes in four denominations when the Naira and Kobo were first introduced in 1973. They were ₦1 (one Naira), ₦5 (five Naira), and ₦10 (ten Naira), respectively. Additionally, the CBN introduced coins with the values of 1/2 kobo, 1 kobo, 10 kobo, and 25 kobo (Chuckwu, 2010: 93 – 94).

The infamous canjin Buhari, introduced in 1984 as a result of the military administration of General Muhammadu Buhari, was the next alteration to the Nigerian currency. The dictatorship started a fast and quick currency reform effort against the backdrop of inflation, a budget deficit, and corruption that had their roots in the 1970s and early 1980s oil boom and glut. They were, respectively, ₦1 (one Naira), ₦5 (five Naira), and ₦10 (ten Naira). The CBN also released coins with the values of 1/2 kobo, 1 kobo, 10 kobo, and 25 kobo (Chuckwu, 2010: 93 – 94). The next change to the Nigerian currency was the notorious canjin Buhari, which debuted in 1984 as a result of General Muhammadu Buhari's military rule. Inflation, a budget deficit, and corruption that had their roots in the oil boom and glut of the 1970s and early 1980s were the backdrop against which the dictatorship launched a swift and aggressive currency reform drive. However, on the flip side, the 1984 currency redesign rendered a large number of business owners bankrupt, particularly in the North where the majority of people's funds were outside the banking system (Abubakar, 2016). While many Nigerians were still struggling to recover from the bad effects of the 1984 currency redesign, the CBN hired Thomas De La Rue Limited in 1989 to conduct a thorough evaluation of the Nigerian currency. This was done as part of the apex bank's efforts to maintain ongoing control over the monetary system in Nigeria. The company suggested revamping all ₦5, ₦10, and ₦20 banknotes as well as introducing new ₦50, ₦100, and ₦500 notes as well as new 10k, 5k, ₦1, ₦5, and ₦10 coins (Abubakar, 2016). However, these suggestions were not fully carried out; the CBN could only adopt ₦50 in 1991. The new denomination, which was light blue in color and featured images of men from the three main ethnic groups in the nation: Yoruba, Hausa, and Igbo became the currency with the highest value. In terms of coinage, the 1991 redesign saw the transformation of the 50k and ₦1 into coins and the change in the appearance of the 10k. The outdated five kobo (5k) was discarded. Although the government argued that the introduction of the ₦50 would strengthen the currency system's effectiveness because of an increase in both public and private spending, many Nigerians disliked the 1991 currency adjustments. Many people believed that the introduction of a higher denomination and the demonetization of a smaller one were intended to lower the value of the Naira, which was one of the main goals of the structural adjustment program that the then-FMG led by General Ibrahim Badamasi Babangida started in 1986 (Abubakar, 2016). The CBN took yet another step toward modifying the Nigerian currency towards the middle of the 1990s. This, the so called "Millennium Package," was put together in response to the nation's growing population and economic activity. The ₦100 note was introduced in December 1999, the ₦200 note in November 2000, the ₦500 note in April 2001, and the ₦1000 note in October 2005 as a result of this program (Bello, 2007). The three largest banknote denominations in the nation continue to be ₦200, ₦500, and ₦1000. The CBN started another revision in May 2007 to redesign the ₦5, ₦10, ₦20, and ₦50. The process started in 2007 with the printing and distribution of ₦20 polymer notes, and it wasn't finished until 2009 with the equal printing of ₦5, ₦10, and ₦50 in polymer. The objective was to increase the durability and anti-counterfeiting resistance of the currency. Between 2007 and 2009, the redesign of currency included changes to size, color, details, and security measures in addition to the change from paper to polymer. However, their colors stayed the same (Nwaoba, 2010). At the same time, a new ₦2 coin was introduced, while ₦1 and 50k coins were redesigned and reintroduced. 1/2k and 25k coins were also withdrawn from circulation. As Nigeria was about to celebrate its 50th Independence Anniversary in 2010, the ₦50 commemorative note was launched by President Goodluck Jonathan on 29th September, 2010 (CBN, 2010). A similar initiative was replicated in 2014 when a redesigned ₦100 note was introduced to commemorate one hundred years of Nigeria's existence as a nation, from 1914 to

2014. The note was created with improved security features in order to deter counterfeiting. It was introduced on November 12 and went into circulation on December 19. The introduction of these commemorative notes did not result in the removal of the ₦50 and ₦100 notes that were already in circulation. They moved at the same time (Abubakar, 2016).

2.1.4 The Recent Economic Impact of the Currency Redesign in Nigeria

The Naira redesign program had five main objectives: to improve the management of Nigerian currency; to advance the movement toward a cashless and digital economy; to lower the incidence of terrorism and kidnapping; to adhere to international best practices of redesigning national currencies every five to eight years; and, subtly, to sanitize the 2023 general elections. Excessive currency hoarding and the widespread use of counterfeit Naira throughout the nation, which the CBN identified as the fundamental driving forces behind the initiative, are the principal obstacles to these ultimate aims. But the question still stands: did the program succeed in achieving its objectives after the three months (October 26, 2022 to February 10, 2023) during which it was intended to be implemented had passed? The hoarding of banknotes was at its height when the program began in October 2022, particularly among the elite corps of the nation. According to data made public by the CBN, at the time the initiative was introduced, more than 85% of the currency in use was purportedly kept by the general public outside of commercial banks' vaults. The CBN Governors stated that "at the end of September 2022, available data at the CBN indicates that ₦2.73 trillion out of the ₦3.23 trillion-naira currency in circulation was outside the vaults of money deposit banks across the country" (CBN, 2022: 2-3). There was just ₦500 billion in the financial system. The management of the Apex bank was required to begin currency redesign as a means of ensuring effective currency management due to this challenge and the rapid increase in the amount of currency in circulation, which increased from ₦1.46 trillion in December 2015 to ₦3.23 trillion as of September 2022. The CBN had recovered 75% (₦1.9 trillion) of the ₦2.73 trillion in old notes that were outside the banking system when the program was launched between the program's inception in October 2022 and the 29th of January 2023 (eleven days before the deadline for the demonetization of the old notes, which was set for February 10th) (CBN, 2023: 3). Only ₦400 million of the new notes were distributed by the Apex Bank to replace the ₦1.9 trillion in old notes that it recouped in accordance with the cashless policy. Additionally, it set weekly caps on the number of brand-new notes that people and organizations could withdraw (CBN, 2022). Over-the-counter cash withdrawals by individuals and businesses were initially limited to ₦100, 000 and ₦500, 000, respectively, by the CBN. However, in accordance with the National Assembly's directions, the cap was increased to ₦500, 000 for individuals and ₦5, 000,000 for organizations (Adegboyega, 2022). The CBN's attempt to force Nigeria into a cashless economy resulted in a cash crunch that was unprecedented and exposed the country's e-banking channels' limitations: commercial banks could only disperse a certain amount of cash through ATMs, and mobile banking apps were rendered useless due to the high volume of electronic transactions that the cash crunch required. The grave situation brought on by the lack of cash was documented in an article titled "Nigeria's Season of Cash Scarcity" at the height of the cash crunch, which lasted throughout February and March 2023. According to what he said, bank-run digital payments are frequently unreliable, which causes businesses to struggle as more and more customers struggle to obtain cash to pay for goods and services. Due to the circumstance, fresh banknotes can now be sold on the black market. Businesses all around the nation have been affected by the cash shortage, and many have had to close. Trade and commerce, along with

agriculture, are two crucial components of the economy that have been severely impacted because most of their transactions take place in cash, particularly in rural areas. Rural economic activity has ceased as a result of this approach (Morphy, 2023).

The administrations of Kaduna, Kogi, and Zamfara States filed a lawsuit before the Supreme Court protesting the program's haphazard implementation due to the negative consequences of cash shortage on the local populace. The court decided on March 3 to reinstate the old notes into circulation and declare them to be valid until December 31, 2023 (Olabimtan, 2023). Overall, however, the program has unintentionally encouraged cash hoarding: while the elites used every trick in the book to obtain and hoard the new notes from the commercial banks, rural residents no longer have faith in banks and are unlikely to deposit their money there because of the perception that it is difficult to access banked funds in times of need. The program also failed to control vote-buying and bribery during the general elections of 2023. The lack of funds hindered the smooth delivery of election officials and materials to polling units during the presidential and National Assembly elections on February 25 as well as the gubernatorial and state assemblies' elections on March 18. Politicians utilized wrappers, food items, bank transfers, and hard money like the CFA Franc and the US Dollar to bribe election authorities and buy votes during the cash constraint (Ndujihe, 2023). When the initiative began in October 2022, Naira counterfeiting was on the rise. "Recent advances in photographic technology and advancement in printing devices have made counterfeiting relatively easier," said CBN Governor Godwin Emefile. Particularly at the higher values of ₦500 and ₦1000, the CBN has observed a markedly greater rate of counterfeiting in recent years (CBN, 2022). The extent of money fraud in Nigeria supported the governor of the Central Bank of Nigeria's assertion. For instance, media sources state that the CBN seized around ₦64.7 million in fake cash just this year. Following that, the CBN seized a total of 67,265 counterfeit banknotes in 2020 with a nominal value of ₦56.8 million. The ₦1000 and ₦500 made up the majority of the confiscated counterfeit currency in the year 2020, accounting for 69.06% and 30.79% respectively, according to the apex bank's 2020 annual report (CBN, 2021). For instance, the trends in 2019 and 2020 are significantly different from what was observed in 2016, when, according to a press release signed by Isaac Okorafor, the CBN's Acting Director of Corporate Communications, "the prevalence of counterfeit notes in Nigeria from January to December 2016 was less than one per cent, precisely 0.0014%." (CBN, 2016: 1). Although counterfeit new notes were discovered in use a few weeks after the new notes went into circulation (Nweze, 2022), the pursuit of cashless transactions greatly lowers the likelihood of counterfeiting. When a sizable portion of Nigerians start using the e-Naira, which is exceedingly difficult, if not impossible to counterfeit, this will become much more effective.

The Naira redesign program was somewhat ambitiously intended to speed up the process of reducing abduction and terrorism; the goal was to decrease the amount of notes in circulation to lessen the likelihood of paying ransom (CBN, 2022). Of course, this program's goal suffered significant setbacks as a result of terrorists' varied attempts to demand ransom in other currencies, like the CFA Franc. In fact, a popular video from January 2023 showed some terrorists displaying the new currency in the woods. However, a widely reported incident where members of the infamous Islamic State West Africa Province (ISWAP) blocked a highway in Borno and gave ₦100,000 of the old notes to each passenger demonstrated its limited success (Okoye, 2023). This was likely due to their concern that the old notes might expire while in their possession.

The National Bureau of Statistics reports that in January 2023, Nigeria's inflation spiked to 21.82%. The Central Bank of Nigeria is redesigning the naira at the same time as this. The inflation rate for January was 0.48% points higher than the 21.34 percentage point reading for December 2022 (Punch, 2023). Lack of the newly designed notes led to an artificial inflation that increased prices for goods and services, including the purchase of naira notes, rather than reducing inflation. The paucity of new banknotes and the fuel hoarding hurt small, medium, and big enterprises in both the formal and informal sectors of the economy. The trade and agricultural subsector were severely hampered by the naira redesign policy's debilitating effect. Additionally, it had a spillover effect on other significant economic sectors, including the services industry and the manufacturing value chain. The trade end of the chain has been severely interrupted by the currency swap issue due to the limited supply of new naira notes. For instance, the commerce industry provides roughly 14% of the country's Gross Domestic Product (GDP), which is estimated to be worth N35 trillion. The agricultural sector is expected to be worth ₦62 trillion and accounts for around 25% of the country's GDP. The majority of these sectors' activities either take place in rural areas or in the unorganized sector of the economy. Since the COVID-19 pandemic outbreak in 2020, these are the sectors that have helped the economy remain resilient in the face of multiple internal and international challenges. Since the shortage of the new naira notes and the fuel shortage began, the informal sector has seen a drop in sales of consumer goods of about 20% and the manufacturing sector of 30%, according to statistics from the Nigerian Association of Chambers of Commerce, Industry, Mines, and Agriculture (NACCIMA) (NACCIMA, 2022).

The majority of the GDP is contributed by these industries. Businesses and individuals have experienced significant distortions as a result of the lack of petroleum goods. Investment has also suffered as a result of it. According to estimates, the crisis might have endangered Nigeria's ₦100 trillion share of the country's GDP. The country's supply chain was actually affected at the trading end. This is a result of the industrial sector's output not being sold due to a lack of funding to move the goods. Unpredictability characterized the chain reaction (The Sun, February 14, 2023).

2.1.5 Factors that contributed to the failure of the Currency Redesign Regime in Nigeria.

❖ **Politics:** The political twist made the policy more complex. The President had declared that he intended to deny money to lawmakers for the 2023 election in an effort to establish a legacy of "free and fair elections." This amounted to utilizing the CBN as a political tool and complicated the situation for the CBN Governor, who had attempted to run for president of the ruling party. The CBN Governor was the target of a lot of criticism. Politicians still prevailed over the system, though. They allegedly negotiated deals and paid the initial disbursements without passing their stashes via any bank accounts (Fasua, 2023).

❖ **Demographic and Sociological Changes Since 1984:** It was evident from the policy's immediate results how Nigeria had undergone both demographic and sociological change since the previous time a similar exercise was carried out. These are important things to take note of, ranging from point of sale (POS) operators taking advantage of fellow Nigerians to the exaggeration of problems that sparked panic and rioting to the reality that Nigerians are now less patriotic and impatient. Additionally, Nigerians have grown more fearless and despised authority, making them harder to manage (Fasua, 2023).

❖ **Banking Superstructure and Modernity:** It is tragic that there are now fewer banks in Nigeria's rural areas than there were in 1984, 40 years ago. This was once more revealed by the currency redesign process, which is useful information for the Central Bank of Nigeria. In 2005 and 2006, money deposit banks were recapitalizing and consolidate by Soludo in an effort to make them stronger and more efficient. However, this consolidation led to the creation of too-big-to-fail banks, which had to be saved with taxpayer money in 2011 due to overtrading. There appears to be some peace on that front now, although these bigger money deposit banks had shuttered their operations in rural areas mostly because of insecurity. Also, numerous branches were closed hence they were judged unprofitable. The currency swap exercise also demonstrated that alternatives to traditional banking have yet to gain traction because they were unable to quickly recover. In Nigeria, many local governments don't even have any bank relationships. The federal government should take note of this. Moving forward, there must be some choices. Since most failed owing to poor business strategies and selfishness, microfinance or community bank models might be reconsidered (Fasua, 2023).

❖ **The Wages of Illiteracy and Poverty and the Widening Income Divide:** The fact that the income gap appears to have grown into a canyon is another lesson to be learned from the currency exchange exercise. Where ATMs are present around the nation, large crowds of people lined up (or rather mobbed) them to withdraw extremely meager sums. As those who were more comfortable lack the funds to tip those who had little, the issue of poverty is increasingly exposed. Even when they did, they spent money more slowly by nature. The activity exposed how little had been done to address the problems of poverty and illiteracy as well. If they had accounts at all, many of those who smashed bank branches likely had nothing in them (Fasua, 2023).

2.1.6 The Concept of Economic Growth.

According to John (2022), economic growth is the process by which a country's wealth develops over time. He further said that, it is frequently employed in talks of short-term economic success, but in the context of economic theory, it typically refers to a gain in wealth over a long period. A society's ability to produce more economic goods and services of higher quality and quantity is referred to as economic growth, according to Roser (2021). Economic growth, according to Edeme (2018), is the ability to generate more products and services over time (gross domestic product). According to Amadeo (2021), among other researchers, economic growth is the rise in the value of an economy's goods and services, which increases profits for firms and suggests an increase in per-capita and national income. An increase in a nation's gross domestic product (GDP), which measures the total monetary worth of the products and services generated by the nation over a given period, is typically a sign of economic growth. Therefore, the process through which a nation's actual national and per capita income increases over an extended period can be described as economic growth. In measuring economic growth, Amadeo (2021) notes that the increase in Per-Capita income is the better measure because it is what reflects an increase in the improvement of living standards of the masses, which should also reflect in terms of the increase of output of goods and services. Economic growth is the increase in the value of an economy's goods and services, which creates more profit for businesses. As a result, stock prices rise. That gives company's capital to invest and hire more employees. As more jobs are created, incomes rise. Consumers have more money to buy additional products and services, and purchases drive higher growth. For this reason, all countries want positive economic growth. This makes economic

growth the most-watched economic indicator. Gross domestic product is the best way to measure economic growth because it takes into account the country's entire economic output. GDP includes all goods and services that businesses in the country produce for sale. It doesn't matter whether they are sold domestically or overseas (Amadeo, 2021). The oil sector remains a critical driver of Nigeria's economic growth, contributing significantly to GDP and foreign exchange earnings. The volatility of oil prices, however, has exposed the economy to external shocks. For instance, the drastic fall in oil prices in 2014 led to a recession in 2016, highlighting the risks associated with over-reliance on oil (Obi & Uche, 2020).

2.2 Theoretical Framework:

This would be to analyze the role that the cashless policy and redesign of the naira are playing in influencing economic growth, with a view to finding their impacts on the consumer component of GDP. The influence of e-payment systems on GDP is conveyed through private spending. Implementing a cashless policy increases private consumption, resulting in a proportional rise in GDP. This study utilized the theory of consumption value (TCV) proposed by Sheth et al. in 1991, the New (modern) growth theory developed by Harrod-Dornar growth model, the quantity theory of money and the public good theory of financial inclusion. The objective was to examine how consumer behaviour and adaption to cashless and Naira redesign policies influence the impact of e-payment systems on economic growth.

2.2.1 Theory of Consumption Values

This idea posits that decisions are predicated on consumption preferences. The context of technology use encompasses five distinct sorts of consumption values:

- (1) Functional Value:** Functional value arises from the perceived usefulness of a product or service in accomplishing a specific objective or fulfilling a particular job. This is grounded on economic utility theory and posits that consumers are economically rational. It examines the aspects of a product or service, such as performance, pricing, quality, and reliability that might impact this rationality (Humphrey, 2010). While all payment systems share the everyday function of facilitating payments, they each have distinct traits and features that impact the process of job completion.
- (2) Social Value:** This pertains to consumers' perception and how prominent products, services, and things are viewed by others. The selection of a product or service is mainly influenced by its symbolic significance or perceived social status rather than its functional attributes. Technology-related behaviour is influenced by social norms, which play a significant role.
- (3) Emotional Value:** This factor impacts a consumer's decision-making process based on the product's ability to evoke emotions, whether they are excellent or negative. The transparency of the payment procedure might evoke the "pain of paying" (Prelec 1998: Soman, 2011).
- (4) Epistemic Value** pertains to acquiring knowledge or understanding when a user engages with a novel service or product, such as purchasing a mobile phone or computer. Epistemic worth is derived from the capacity to stimulate curiosity, encounter novel experiences, or foster a need for knowledge. Epistemic value is a potentially critical factor in e-payment, particularly in emerging mobile and SMS payment technologies. Thus, when consumers perceive a high epistemic value in an e-payment system, they are inclined to adopt it due to their curiosity and desire to acquire new knowledge.
- (5) Verb Conditional Value** refers to a product whose worth depends on specified factors such as

location and time. Conditional value provides a response contingent on certain factors and is not definitive. The location and time influence the choice to pay. For example, in various locations such as on the street, in the store, or online, and at different times such as the end of the month, the middle, or the end. The customers' view of the utilitarian, social, emotional, and conditional value linked to the cashless policy will impact their decision to adopt it. Hence, the foundation of this study rests upon the premise that implementing and using a cashless policy will ascertain its capacity to influence economic growth and gauge the importance of payment systems in fostering economic development.

2.2.2 Harrod-Dormar (Modern) Economic Growth Model

The modern growth theories include those of Keynes and Harrod-Dormar growth model. In his book title “The General Theory” Keynes argued that consumer’s propensity to save was affected mainly by their level of income and interest rate respectively. Thus, if investment temporarily falls off and reduced income by increasing unemployment, savings will decline thereby making funds for investment scarce. In this view, investment was very crucial in maintaining full-employment. However, there was no automatic mechanism that keeps savings and investment in equilibrium. His pre-occupation was to increase the role of government, which will eventually stimulate investment through deficits financing. As soon as investment peaked up again, employment will increase and so will aggregate demand. Therefore, growth would occur as a result of government intervention in the economy. Later Economist as Harrod and Domar also developed models that sought to show how growth in capacity overtime could be linked to growth in aggregate demand, output and employment. Domar introduced concepts as propensity to save, capital-output ratio and marginal capital-output ratio. In this model, investment was seen as the prime mover of the growth of the economy. Investment had a dual role. It created both demand capacity, which were essential ingredients in the growth of the economy. They concentrated on the broad aggregates of investments, savings, capital and output. Capital and output are related by Capital-Output Ratio (COR) while the changes in stock of capital and changes in output by the Marginal Capital-Output Ratio (MCOR).

Thus, it utilizes the marginal capital output ratio. The major limitations of the model include:

- a) The model is based on the assumption of closed economy and lack of government intervention in economic activities. These are unrealistic given the state of the underdeveloped economies vis-à-vis.
- b) The analysis of Harrod and Domar, were developed under different set of conditions and were meant to prevent an advanced economy from the possible effects of secular stagnation. It was never intended to guide industrialization programs in underdeveloped countries.
- c) It fails to solve the problems of structural unemployment prevalent in underdeveloped countries. It can tackle the problem of “Keynesian Unemployment” arising out of the deficiency of effective demand or under-utilization of capital.

2.2.3 Quantity Theory of Money (QTM)

Long periods of excessive inflation are typically brought about by lax monetary policy. When the money supply exceeds the size of an economy, a currency loses unit value, which results in a decline in purchasing power and a price increase. One of the earliest theories in economics, the quantity theory of money, describes the connection between the size of the economy and the

money supply (IMF, 2017). The importance of the Quantity Theory of Money (QTM) has always been linked to the monetary policy.

David Hume proposed the first dynamic explanation for how monetary changes propagate from one sector to the next, altering relative prices and quantities in the process. He also contributed to the "Quantity Theory of Money's" refinement, expansion, and elaboration. Such disequilibrium effects were deemed transitory and insignificant by David Ricardo from 1772 to 1823 in his long-run equilibrium analysis (Totonchi, 2011). One of the very first theoretical foundations of economics is the "Quantity Theory of Money (QTM)". Monetary economists assert that the general level of prices for goods and services is inversely correlated with the amount of money in circulation; in other words, if money in circulation doubles, prices will also double. From this perspective, it's straightforward to conclude that "variations in the quantity of money in circulation are primarily influenced by changes in the level of general prices of goods and services.

2.2.4 Public Good Theory of Financial Inclusion

The public good theory of financial inclusion argues that the provision of formal financial services should be treated as a public good. The theory argues that formal financial services are a public good, and should be provided to everyone for the benefit of all. There should be unrestricted access to finance for everyone. As a public good, access to formal financial services to one individual does not reduce its availability to others. This means that all members of the population can be brought into the formal financial sector and everyone will be better off. Under this theory, all members of the population are beneficiaries of financial inclusion and nobody is left out, (Ozili, 2020). Under the public good theory of financial inclusion, an individual or small business that opens a formal bank account can be offered free debit cards. They can use the Automated Teller Machines (ATMs) to perform transactions without being charged a transaction fee. Suppliers of formal financial services, such as financial institutions, will bear the cost of offering formal financial services as a sunk cost of doing business. The government can grant subsidies to financial institutions to help them cope with any resulting cost problems that arise from offering free formal financial services to citizens. The public good theory of financial inclusion has three merits. Firstly, the public good theory suggests that everyone will benefit from financial inclusion regardless of status, income level, or demographic differences. Secondly, as a public good, the government will subsidize the cost of providing formal financial services to citizens. Thirdly, as a public good, it allows the government to take responsibility for promoting financial inclusion. The public good theory of financial inclusion has three demerits. When the provision of formal financial services is treated as a public good, the level of financial inclusion may not be sustainable in the long term even when supported with public funding if the cost of formal financial services is underpriced, (Ozili, 2020).

2.3 Empirical Studies

Aroghene and Imene (2023) conducted a study on redesigning currency and its impact on compliance in the Nigerian economy. The study examined the relationship between government assistance and individual personal preparation for technology as independent factors and currency redesign conformity as the dependent variable. The null hypothesis, which states that the independent variables do not influence the dependent variable, was rejected based on the estimated results. The report advised the government to prevent any channel, especially those within the

government that could hinder the effective execution of the country's currency issuance/redesign. Likewise, while enacting a fresh policy, the economy's condition should take precedence.

El-Yaqub, M., & Ismail (2024). The study examines the impact of monetary policy on Nigeria's economic growth between 1986 and 2021. The autoregressive distributed lag (ARDL) methodology is employed for this purpose. The study utilized Autoregressive Distributed Lag (ARDL) bound cointegration to assess monetary policy's short-term and long-term impacts on Nigeria's economic growth. The findings demonstrated a long-term relationship between the two variables. Further estimation results revealed that Nigeria's economic growth was influenced by monetary policy. The VECM results indicate that compared to LBCP and INT, LM₂ and LEXC have relatively stronger impacts on GDP growth in the short run. LM₂ and LEXC determine significant GDP growth in the long run relative to INT and LBCP. The analysis of the findings established that monetary policy measures adopted by the Central Bank of Nigeria have a significant influence on economic growth in the country. The study, therefore, recommends the abolishment or, rather, withdrawal of the CBN's restriction on credit to the private sector since it is within the former's capacity to strengthen the economy. The utilization of monetary policies shall set up market-based interest rates and currency rate systems to have investments from domestic and international sources. Olujobi (2022) examines the economic implications and the rationale that guided the currency redesign programme of the monetary authority in Nigeria. For this study, a descriptive-analytical method was adopted, together with percentages, tables, and graphs. From the findings, it is observed that the policy fuelled an increase in inflation and money supply deviation from the desired level of inflation, which resulted in excess money supply. The study also examined the effect of the policy on SMEs and its prospects for bringing income to the Nigerian economy and capital accumulation. Several developing nations have reformed their currencies in ways that best suit their economic conditions. It is the view that the findings have shown that the currency redesigning was a way through which the amount of money in circulation could be reduced by the CBN, hence improving monetary policy in checking the rise of inflation, enhancing exchange rate policy, and boosting liquidity.

Obalum and Onuoha (2019) take up for scrutiny the pact on the Chinese-Nigerian Currency Swap and its probable implications for the growth of SMEs in Nigeria. This means that banks in both countries can now extend liquidity in their respective local currencies to bilateral trade and investment through the purchase, sale, repurchase, and resale of the Chinese Renminbi (RMB) and the Nigerian Naira. The authors predict that the deal for the \$2.5 billion currency swap, signed with China, is sure to benefit SMEs and local manufacturers. They anticipate that the Naira will strengthen in the short term as demand for foreign exchange shifts away from the parallel market. Nigeria is an emerging economy that faces numerous challenges to significant development despite various interventions and policy strategies. However, SMEs, if fully developed, have the potential to alleviate poverty by creating wealth and employment opportunities. This sector can benefit any government that supports its growth, as it has the potential to increase the country's GDP, generate taxes and other revenues, and contribute to the nation's stability. The authors suggest that to reduce Nigeria's reliance on imports from China, there is a need to increase domestic sourcing of inputs, particularly for the industrial sector, to support SME growth.

Oyewole et al. (2015) examined the correlation between the cashless policy and the economic expansion in Nigeria during the period of 2005 to 2012. In this respect, these researchers estimated the Ordinary Least Square method and the technique of the Two-stage Least Squares regression

analysis. From the results obtained, it was realized that the e-payment system has a direct positive relationship with economic growth in terms of real GDP per capita.

Afaha 2019 assessed the influence of an electronic payment system on economic growth by evaluating monthly data from 2012 to 2017. In this analysis, the Autoregressive Distributed Lagged Regression methodology was applied. The outcome showed that there was a significant positive relationship between electronic payment systems and economic growth with respect to an increase in real gross domestic product. This is on the basis of reasons recommended that to fight internet crime, the current framework that is in existence for internet security needs an overhaul. There has to be wholesale legislation governing every aspect of e-banking and cashless operation. Public enlightenment programs need to be undertaken to help those outside the banking system open bank accounts. Such steps are expected to increase the growth of real GDP manifold.

In the year 2016, Tee & Ong evaluated the influence of cashless payment on the economic development of five countries from the European Union this includes Austria, Belgium, France, Germany, and Portugal. Data used in the analysis was for the period covering the years 2000 through 2012. Pedroni residual cointegration and Panel VECM were used by the researchers. The findings established an exogenous, permanent effect of the adoption of cashless payment systems on the economy of the five European countries. Conclusively, the study established that the impact of adopting cashless payment techniques on economic growth was only evident after a long period. Thus, a policy aimed at implementing cashless transactions will only yield temporary results in regard to its effect on the economy. Mamudu and Gayovwi 2019 evaluated the effect of the cashless policy on the economy of Nigeria.

The researchers estimated the quarterly time series from 2011(Q1-Q4) to 2017(Q1-Q4). The variables used are Automated Teller Machine Payment Value, Web/Internet transfer payment Value, Mobile Payment Value, National Electronic Funds Transfer Value, Point Of Sale Value, and Cheques Cleared Value. This research method adopted the Ordinary Least Square regression technique, the Johansen Cointegration test, and the Error correction model. The result indicates that the utilization of cashless policy instruments significantly and positively affects Nigeria's Gross Domestic Product. Johansen's cointegration test affirms the presence of a long-run relationship between the variables over a long period. Furthermore, the short-run regression result also confirms the positive and significant impact of these non-cash variables on the Gross Domestic Product of Nigeria.

Yusuf, 2016, undertakes an analysis of the cashless policy and its relationship with economic growth in Nigeria, covering the period from 2008 to 2015. In the course of this study, it has been found that point-of-sale, web, and mobile payments have positive and significant impacts on the economic growth of the country, all using the Ordinary Least Square approach. It concludes that if the customers take non-cash payment adoption, then it will reduce inflation, increase foreign direct investment, increase the government's revenue, and underpin employment. These several aspects all contribute to the overall growth of Nigeria.

In the study by Ravikumar et al., the digital payment influence on the economic expansion of India was assessed for the period 2011-2019. The study utilized the Ordinary Least Square (OLS) regression and Auto-Regressive Distributed Lag (ARDL) cointegration approach. The data indicate that digital payments have a significant and immediate impact on economic growth, but they do not have any lasting effect.

Hasan et al. (2012) examined the relationship between retail payments and economic development by evaluating data from 27 European markets spanning the years 1995 to 2009. The results illustrate that shifting from paper-based to electronic retail payments promotes overall economic growth and enhances the tangible economy. They support the implementation of measures that encourage a swift shift to efficient and standardized electronic payment methods.

Zandi (2016) did a study that examined the impact of electronic payment on economic growth using macroeconomic data from 70 countries between 2011 and 2015. The results suggest that the use of electronic payment systems contributes to economic growth by boosting the average amount spent per person on card payments.

Malenković (2022) conducted a study on the effect of the inflation rate on the gross domestic product of the Western Balkans countries. This study aims to analyze the effect of the inflation rate on the gross domestic product in Western Balkans countries for the period 2006-2021, which includes the initial period of the emerging health crisis. Official data from the World Bank was used, and analyzed with multiple regression analysis using the ordinary least squares estimation method.: The results revealed that the impact of inflation measured according to the consumer price index on gross domestic product is not significant.

3. Methodology

3.1 Research Design

The quantitative data analytical method was adopted in arriving at the relationship between the cashless policy and economic growth in Nigeria. This study employed two models in assessing the relationship: one used the value of e-payment transactions and another one used the volume of e-payment transactions. Model 1 used the real GDP as the dependent variable, which is a proxy for economic growth. The variables in the research include the autonomous variables: Point of Sale Transaction Value, Automated Teller Machine Transaction Value, Mobile Transaction Value, and Online Transaction Value. The dependent variable is real GDP, used as a proxy for measuring growth. The independent variables used in the analysis include POS transactions volume, ATM transactions Volume, Mobile Transactions Volume, and Internet Transactions Volume.

3.2 Method of Data Analysis

In this study, the Ordinary Least Squares (OLS) regression analysis was employed as the primary method for examining the relationships between variables in the econometric model. The analytical process involves thorough data preparation, assumption validation, model estimation, hypothesis testing, and assessment of goodness-of-fit using established metrics such as R-squared. Utilizing statistical software, specifically Eviews, the significance level for hypothesis testing will adhere to the conventional 5% level ($\alpha = 0.05$). The results, including coefficients, standard errors, p-values, and other relevant statistics, was reported comprehensively, facilitating a nuanced interpretation of the relationships under investigation.

More so, Augmented Dickey-Fuller (ADF) unit root test was adopted hence it adjusts appropriately for the occurrence of serial correlation. It is based on “augmenting” the models by adding the lagged values of the dependent variables Δy_t to the former or preceding equation to check the correlation of U_t . The number of lagged difference terms to include will be determined empirically using Akanke, Schwarz or other information criteria. The ADF test in this study consists of estimating the following terms: $RGDP = \beta_0 + \beta_1 VAPOS_t + \beta_2 VAATM_t + \beta_3 VAMBT_t + \beta_4 VAIBT_t + U_t$, where β_0 is the drift parameter and ϵ_t is the pure white noise error term.

However, if a non-stationarity series is made stationary by differencing, it is said to be integrated. The order of integration is the number of differencing operations it takes to make the series stationary. Thus, the stationary linear combination of variables that form a long run equilibrium relationship between variables is called co-integration equation. In other words, two or more variables are co-integrated if they have a long-run equilibrium relationship between them. But, if the variables are not co-integrated, any linear combination of them will be non-stationary and the error term will also not be stationary. According to Granger (1991), a test for co-integration can be thought of as a pre-test to avoid spurious regression

3.3 Model Specification

The model utilized in this study was derived from the research conducted by Oyewole et al. (2013). The model regarded GDP as the response variable, whereas the explanatory variables included POS terminals, ATMs, Web pay, M pay, Cheques, and Interest Rates. The model can be expressed mathematically as an equation:

$$GDP = \beta_0 + \beta_1 POS_{terminalt} + \beta_2 ATM_{st} + \beta_3 Webpay_t + \beta_4 Mpay_t + \beta_5 Cheques_t + \beta_6 InterestRate_t + U_t \text{ ----- [1]}$$

Where:

LRGDP: Logarithm of Real GDP per Capita

POS terminal: Number of POS Terminals in Nigeria

Cash penetration (ATMs): Value of cash withdrawals from ATMs over real GDP

Web pay: Value of Online Payment of Real GDP

M pay: Value of mobile payments over real GDP

(Cash penetration) Cheques: Value of cheque payments over real GDP

Interest rate: Demand deposit, time or savings deposit

β_0 = Intercept term

β_1 to β_6 = Coefficient of the variables U = Error term/disturbance for this study, the model was modified as follows:

3.4 Model

$$RGDP = \beta_0 + \beta_1 VAPOS_t + \beta_2 VAATM_t + \beta_3 VAMBT_t + \beta_4 VAIBT_t + U_t \text{ [2] Where:}$$

RGDP: Real Gross domestic product

VAPOS: Value of POS transactions

VAATM: Value of ATM transactions

VAMBT: Value of mobile transactions

VAIBT: Value of Internet transactions

β_0 = intercept term

β_1 = Coefficient of the value of POS transactions

β_2 = Coefficient of the value of ATM transactions

β_3 = Coefficient of the value of Mobile transactions

β_4 = Coefficient of the value of Internet transactions U_t = Error term/ disturbance

4. Data Presentation Analysis and Interpretation of Results

4.1 Unit Root Test Result

Table 4.1. Result of the Unit Root Test (Model 1)

Variable	Constant and trend Level	Prob.	Constant and trend 1 st difference	Prob.
LRGDP	0.569937	0.9989	-4.293247	0.0135
LVAPOS	-1.476602	0.8145	-3.837501	0.0278
LVAATM	-3.527389	0.0518	-5.897789	0.0001
LVAMBT	-2.772193	0.2163	-8.220550	0.0000
LVAIBT	-2.928483	0.1667	-4.922420	0.0019

Source: Otutu's computation using E-views, 2025.

The variables were tested for unit root using the ADF test series as indicated in model 2. The summarized result of the unit root test is presented in table 4.1. The outcome of unit root test indicates that the log-series are non-stationarity at their original levels. Consequently, we are unable to dismiss the null hypothesis at a 5% confidence level rather we accepted the null hypothesis hence the probability is positive. Nevertheless, the results indicate that all the variables LRGDP, LVOPOS, LVOATM, LVOMBT, and LVOIBT exhibit stationarity after the first difference at 5% confidence level.

Table 4.2: Result of the Regression Analysis (Model 1)

Variables	Coefficients	Std. Error.	t-statistics	Prob.
LVAPOS	-0.052544	0.052007	-1.010329	0.3202
LVAATM	0.024564	0.029079	0.844731	0.4047
LVAMBT	0.082060	0.047087	1.742733	0.0913
LVAIBT	0.003088	0.023115	0.133573	0.8946
C	9.412798	0.154728	60.83447	0.0000
R ² 0.753498				F-stat 23.68992
Adjusted R ² 0.721691				D.W-stat 1.863827 Prob. (F-stat) 0.0000

Source: Otutu's computation using E-views, 2025.

Table 4.2 shows the results of the regression analysis as indicated in Model 2. The findings indicate a direct correlation between the rise of real GDP and the volume of ATM, mobile, and internet transactions. However, only the magnitude of mobile transactions exhibits a positive and substantial correlation with economic growth. Conversely, the outcome indicates a non-significant and negative correlation between the amount of point of sale (POS) transactions and Nigeria's actual gross domestic product (GDP).

The Coefficient of determination (R^2) is 0.725647, suggesting that over 73% of the fluctuations in real GDP can be ascribed to alterations in the independent variables in the model, specifically the number of ATM, POS, mobile, and internet transactions. The remaining 27% of the deviations are attributable to unaccounted components outside the model. The findings show that the Durbin-Watson test has a value of 1.8820, indicating the absence of autocorrelation. This is because the value falls between 1.72 (du) and 2.28 (4-du), the parameters for determining autocorrelation

based on the rule of Tumb. The F-statistic results indicate that the factors collectively have a considerable impact on explaining RGDP, with a significance level of 5%.

5.0 Conclusion and Recommendations

5.1 Conclusion

The study examined the impact of Naira redesign policy on the economic Growth of Nigeria. From the literature reviewed, the redesigning of the Naira is for economic reasons which is not limited to reducing inflation, combating counterfeiting, checking financial insecurity and reducing the Money in circulation. In addition, studies contributed that Naira redesign policy can minimize the influence of money on the country's electoral process by discouraging vote buying and inducing of electoral officers and this can lead to economic Growth.

Also, the study established a definitive connection between the cashless policy and economic growth in Nigeria, both in the long and short run. It concludes a causal association between implementing a cashless policy and economic growth in Nigeria. Therefore, the government should look towards creating policies and initiatives that will increase e-payment adoption in the country, which will increase the number of banked citizens and capture more of the population into the formal sector as well as contribute towards increased efficiency and efficacy in trade and business which will lead to economic growth in the country.

5.2 Recommendations

Based on the conclusion, the following recommendations were made.

- ❖ The government should prioritize technology and internet infrastructures to facilitate more manageable and affordable access to e-payment channels for the populace.
- ❖ The government and the Central Bank of Nigeria (CBN) should implement robust monetary policies aimed at curbing inflation. This may include adjusting interest rates strategically and managing the money supply to stabilize prices. A focus on inflation control is crucial for fostering a conducive environment for economic growth
- ❖ There should campaigns aimed at enlightening and increasing awareness and incentives to use non-cash methods such as cashless policy in order to boost the government's policies.
- ❖ The government should strictly implement the Naira redesign decision through the Nigerian central bank on a regular basis in order to have a healthier economy and better monetary policy. This will prevent the counterfeiting of Naira notes, withdraw about 80% of Naira currency held outside of commercial banks, and lower the inflation rate that has contributed to Nigeria's recession.
- ❖ 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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