Journal of Accounting and Financial Management E-ISSN 2504-8856 P-ISSN 2695-2211
Vol 10. No. 12 2024 www.iiardjournals.org Online Version

Naira Redesign and the Liquidity of Commercial Banks: A Survey Study from Port Harcourt

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DOI: 10.56201/jafm.v10.no12.2024.pg284.308

Abstract
This study examined the relationship between naira redesign and the liquidity of commercial banks in Port Harcourt. The objective of the study was to examine how naira redesign policy affects liquidity position of commercial banks within the period. Commercial bank liquidity was the dependent variable while naira redesign measured by naira scarcity, limit to customer withdrawal, limit to customer deposit and electronic fund transfer. Four research questions and six null hypotheses were formulated to examine the relationship between the dependent and the independent variables. Simple percentages, frequency tables and spearman rank correlation coefficient were used as data analysis techniques. The study found a correlation coefficient of 83.2 per cent between naira scarcity and liquidity of commercial banks, 74.1 per cent between customer withdrawal limits and the liquidity of commercial banks in Port Harcourt, 77.9 per cent between customer deposit shortages and the liquidity of commercial banks in Port Harcourt and 68.5 per cent between customer fund transfers and the liquidity of commercial banks in Port Harcourt. From the findings, the study concludes that there is significant relationship between naira redesign and liquidity of commercial banks in Port Harcourt. We recommend that strategies to increase customer deposits from the rural branches and the urban to enhance liquidity of the commercial banks, regulatory authorities and the banker committee should ensure the implementation of electronic withdrawal limit for customers to ensure commercial banks are liquid to meet liquidity obligations and the Central Bank of Nigeria and the banker committee should ensure the implementation of policies to enhance availability of cash; this will enhance commercial banks liquidity in Nigeria.
Keywords: *Naira Redesign, Liquidity, Commercial Banks, Port Harcourt*

INTRODUCTION

Section 19 of the CBN Act 2007 empowers the apex bank to issue the national currencies in "such forms and designs and bear such devices as shall be approved by the President on the recommendation of the Board." However, as it is argued when the policy was announced, proper political management demands a necessary synchrony of purpose between and among critical stakeholders, especially for a policy of great strategic public consequence as this. Irrespective of what the enabling act says, horizontal and vertical engagements ought to precede or follow the announcement by the CBN. Liquidity is the ability of companies to meet their mature financial obligations. It also describes how to quickly and profitably convert one asset to another asset. Acharya and Naqvi (2012) believe that liquidity is the speed and certainty of converting an asset to cash at the discretion of the asset owner. Anyanwu (1993) confirms this view and offers that liquid assets could be monetized at minimal cost and loss. Jinghan

(2010) argues that a bank's asset portfolio requires a high level of liquidity. Banks must therefore have sufficient assets in the form of cash and short-term assets to increase customer confidence and business results (profitability).According to Spindt and Tarhan (1980), banking operations are driven by depositors 'debt, liquid assets are an essential part of banks' overall asset basket. Indeed, it is clear that liquidity is defined by negotiability, stability and sustenance.

The liquidity ratio is another measure of liquidity calculated as a proportion of banks' current liabilities such as deposits, short-term interbank loans, the net balance with foreign branches, and the available balance with the central bank. The last measure of liquidity to consider here is the cash ratio. Ibe (2013) deduces that the cash ratio is particularly effective in sterilizing excess liquidity in the banking system because the regulatory authorities can monitor it effectively. Based on the cash ratio, liquid assets are directly related to deposits rather than loans and advances, which are the most liquid illiquid assets of banks. Emefiele (2015) stated that the main liquidity measures in Nigeria are the cash reserve ratio (CRR), the liquidity ratio (LR) and the ratio of loans to deposits enshrined in the CBN Statistical Bulletin in the dataset of the financial sector. The Central Bank of Nigeria has made a major change to its currency system by introducing new banknotes with values of N200, N500, and N1000. Starting February 10, 2023, the old notes will no longer be considered as legal tender. The Central Bank has also revised its cash withdrawal policy, allowing individuals to withdraw up to ₦500,000 and corporate entities to withdraw up to ₦5 million per week, with the goal of promoting digital transactions and reducing the risk of robbery.

Currency redesign is an activity of a sovereign nation to either change or modify the existing currency in a country. This can be done for several reasons like; improving the security features of the new currency, reducing the money supply, reducing inflation, investigating incomes from nefarious sources and many other economic indicators that affect the financial status of a nation. The Central Bank of Nigeria (CBN) announced that the bank would release re-designed naira notes by December 15, 2022, while existing notes would cease to be regarded as legal tender by January 31, 2023. Through this policy, the apex bank aims to control the money supply, and inflation, as well as, curb counterfeit currency. The Naira redesign programme of 2022 was not planned and implemented out of the whims of the Management of the CBN or even the Presidency. It was rather premised on the Apex Bank’s understanding of the local situations and global best practices necessitating currency redesign. The five most basic end goals of the Naira redesign programme were to enhance the management of Nigerian currency; promote the drive towards a digital and cashless economy; reduce incidences of terrorism and kidnapping; fulfill the global best-practices of redesigning national currencies in every five to eight years; and quite subtly, sanitise the 2023 general elections. The major impediments to these end-goals are excessive cash-hoarding and the prevalence of Naira counterfeiting in the country, which the CBN announced as the main factors that behind the programme

The adverse effects of the cash scarcity on local populations propelled the governments of Kaduna, Kogi and Zamfara States to initiate a suit before the Supreme Court challenging the haphazard implementation of the programme. On March 3, the Court ruled that the old notes be brought back into circulation; and that they remain legal tender up till December 31st 2023 (Olabimtan, 2023). On the whole, nonetheless, the programme has inadvertently promoted cash-hoarding: whereas the elites have deployed all means at their disposal to secure and hoard the new notes from the commercial banks, rural dwellers no longer trust banks and are unlikely to deposit their money in banks because of perceived difficulty of accessing banked funds during times of need. The programme was also not able to tame bribing and votebuying during the 2023 general elections. During the presidential and National Assembly elections, held on February 25th, as well as the gubernatorial and state assemblies elections, held on March 18th, the cash crunch constrained, among other things, the smooth conveyance of electoral officers and election materials to voting units. Amid the cash crunch also, politicians used wrappers, food items, bank transfers and hard currencies such as CFA Franc and the US Dollar to buy votes and bribe election officials (Ndujihe, 2023).

The apex bank noted that available data indicated that N2.73 trillion out of the N3.23 trillion currencies in circulation was outside the banking system and supposedly, held by members of the public. Historically, the re-design of the Naira started in the last 30 years. In 1973, the naira was changed from metric to decimal which precipitated the change from pounds to naira and kobo. In 1977, the highest denomination at the time, the 20 naira note was introduced. In 1979, the government minted the N1, N5, and N10 notes. In 1984, a similar reason in line with the recently announced CBN policy to issue new banknotes as regards ameliorating the rate of trafficking and counterfeiting precipitated the change of all banknote colours. During President Olusegun Obasanjo's regime, the N100 was introduced to the economy for circulation in 1999, the N200 in the year 2000, the N500 in the year 2001, and the N1000 in the year 2005. On 30th September 2009 following the successful money supply and performance of the N20 (polymer) banknote, the CBN redesigned and converted the N50, N10 and N5 banknotes into a polymer substrate.

Despite the various monetary policy measures and reasons for the re-design of the naira by the CBN, there were both positive and negative effects of the re-design. From a positive view, the re-design would enable the apex bank effectively control the liquidity in circulation, thus reducing inflationary pressure in the economy. Also, the policy may likely improve the security situation in the country as ransom payments may be aborted. In my opinion, the cost of redesigning the Naira is disproportionate to the expected benefits highlighted by the apex bank.

Liquidity in commercial banks is one of the most important functions in bank management. The concept is measured as liquid assets ratio, net loans to total deposit ratio, net loan to total customer's deposit, and inter-bank asset to total liquidity. It is determined by short term interest rate, macroeconomic conditions, and short term debt and asset quality. Management ensures the ratio within the regulatory benchmark (Edem, 2017). It determines the solvency and failure of the institutions. Illiquidity in commercial banks does not only affect the banks but the economy at large. Illiquidity is a prerequisite for bank run (Diamond and Dybvig**,** 1983). Diamond and Dybvig**,** (1983) stated that banks can transform illiquid assets into more liquid demand deposits. Through this function of liquidity providers, banks create liquidity as they hold illiquid assets and provide cash and demand deposits to the rest of the economy. Commercial banks are expected to be liquid to perform the monetary and service functions which the law empowers them. Apart from internal policies formulated by the management to ensure liquidity, Central Bank of Nigeria Act 2007 as amended is empowered to implement liquidity management policies in the economy through the Banking sector.

The Central Bank of Nigeria influences Commercial Bank liquidity by supplying or withdrawing liquidity from the banking sector which is to be consistent with a desired level by variation in money supply, development in the financial market and desired macroeconomic objectives (Nzotta and Okereke, 2009). Unlike other financial and non-financial institutions, liquidity management in commercial bank attracts the attention of the policy makers, the regulatory authorities and international financial institutions such as the World Bank and the International Monetary Fund. Basel III liquidity requirements are the monitoring exercises provided at the global level by the Basel Committee on Banking Supervision (BCBS) Basel. Excess liquidity in the institution has direct effect on the macroeconomic aggregates such as inflation while shortage affects directly the various components of aggregate demand. One of the main objectives of financial sector reforms is to boost financial depth, which thus leads to an increase in the resources available for financial intermediation (Odhiambo, 2005).

A significant body of literature exists on the determinants of banking liquidity; some of these include studies by Agénor, (2004), Aspachs (2005) and Winston (2009). Previous studies reflect efforts to explain the factors that affect banking sector liquidity over different periods. The relationship between financial deepening and commercial banks liquidity in Nigeria, however, has largely been ignored, there still exist gaps in policy, and research works and constitutes a great drawback in financial deepening. Again, there are various studies on the factors that determine liquidity management products of commercial banks. The study of Fadac (2011) examined banking sector liquidity and financial crisis, Bundi (2013) investigated financial liberalization and liquidity of commercial banks in Kenya. There is no known study to the researcher on the effect of naira redesign on the liquidity of commercial banks. From the above this study examined the effect of the naira redesign on the liquidity of commercial banks in Port Harcourt.

LITERATURE REVIEW

Currency Redesign

The redesign of currency has beneficial and detrimental economic implications. Currency redesigns increase a currency's security by helping nations keep counterfeiting to a minimum and stay one step ahead of threats. Additionally, it is anticipated to boost the economy, lower cash management costs, advance financial inclusion, and improve the government's ability to monitor the money supply. Analysts say redesigning the naira has decreased inflammatory pressure and suppressed insecurities in Nigeria. It will diminish the money stock and, as a result, slow the long-term course of inflation by reducing the amount of currency held outside of banks. Interest rate reductions may result from the ensuing deflationary pressure, which will stimulate economic activity in the short to medium term, increase aggregate demand, and improve output growth. Analysts contend that redesigning the naira, which was implemented close to the 2023 general elections, may have lessened the inclination to buy votes.

The resulting scarcity shows that the Central Bank of Nigeria must be better prepared next time. However, there are also policy roots that must be laid fiscally by the Government to make Nigeria competitive and not feel the brutal effect of a monetary demonetization. Thirty-nine (39) years after, under the same head of state/president, the federal republic of Nigeria decided to redesign her currency. The issue of currency redesign is by no means new to the global economy; however, given the timing and urgency of the policy, it hasn't been as quiet in Nigeria as it has been in other countries like the USA, UK, and India, which have changed their currencies with both positive and negative effects and a little chaos.

Over 85% of the currency in circulation, according to the Central Bank of Nigeria (CBN), is kept outside the vaults of commercial banks, and the lengthy period between re-designing naira notes which, by best practice, should be done every 5 to 8 years made it necessary to redesign the naira. From N1.46 trillion in December 2015 to N3.23 trillion in September 2022, the amount of money in circulation has more than doubled. According to CBN data, the value of cash held outside banks increased from the N2.54 trillion reported in a similar period of 2021 by 11.07% Year-on-Year (YoY). Conversely, according to international experience, rapid demonetizations might result in large short-term costs, with small enterprises impoverished and vulnerable people likely suffering the most because they are cash-constrained and heavily reliant on daily cash transactions. Existing naira notes being phased out over a short period could make things more difficult for households and businesses, which already face significant financial pressures from prolonged, high inflation, which have recently been exacerbated by external shocks on the price of food and fuel, as well as the severe floods. The Central Banks of Nigeria believes that the redesign of the currency will help deepen our choice to enrich cashless economy as it will be implemented by increased monitoring of e-naira, this will further rein in the currency outside the banking system and into the banking system, thereby making monetary policy more efficient.

Naira Scarcity

The Central Bank of Nigeria (CBN) has attributed the continued scarcity of new naira notes to hoarding in certain quarters of the country. The Director, Consumer Protection, CBN Ilorin Branch, Mrs Rashidat Mongunu, made the disclosure during monitoring exercises on some micro-finance banks at Offa, the headquarters of Offa Local Government of Kwara State. The monitoring team first paid homage to the Olofa of Offa, Oba Mufutau Gbadamosi, before heading to Stockcorp Microfinance Bank and Ibolo Microfinance Bank. She said the redesigned naira notes have been made available by the CBN, but the hoarders are making it look scarce, while the people throng the banks to collect money almost at the same time. According to her, "Because of the attitude of some Nigerians in hoarding the money, even those that don't really need the money are rushing to get it and keep, not to spend.

Currency management is a cycle but we have not allowed the cycle to mature, because when you issue out currency as CBN, what we expect is that the naira issued out will come back into the banking system again. "But now, everybody collecting the naira is hoarding it. So, no matter how much naira we put out there, if we continue with this attitude and the CBN issues from now till December, it will still not be enough. You just don't issue out naira for the fun of it, you issue the amount that is commensurate with the level of activity you have in that country. The CBN Director added that the situation could only get better when people started spending money already hoarded because enough money was already in circulation. "There is naira out there, I have been in Kwara for over three weeks and we have been allocating money daily. The truth is that if the currency is circulating the way it should and not being hoarded, we shouldn't have a problem. The only thing is for us to change our attitude because it can only get better when people start spending the money they have hoarded," Mrs Mongunu said. She added that the CBN was already engaging traditional rulers to sensitive their people to have a positive attitude and be confident that the naira redesign policy was not to punish anyone but to better the economy. In his remark, the Olofa of Offa, Oba Gbadamosi, said the extension of the legality of the old notes from January 31 to February 10 was responsible for the problems people are facing currently. He said people had already deposited all the cash they had on January 30 in anticipation of spending the new notes on February 1 hoping that it would be available, but it was not so. The traditional ruler however advised that if the CBN wants the policy to be received with open arms and successful, it should make the new notes available for people to spend.

Bank Liquidity Ratio

Bank for International Settlements (2008) defined liquidity as the ability of bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Liquidity risk arises from the fundamental role of banks in the maturity transformation of short-term deposits into long-term loans. The term liquidity risk includes two types of risk: funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the firm. Market liquidity risk is the risk that a bank cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption. Liquidity risk can be measured by two main methods: liquidity gap and liquidity ratios. The liquidity gap is the difference between assets and liabilities at both present and future dates.

Liquidity management has assumed strategic position in bank management hierarchy due to its critical nature highlighted by recent market turmoil. It is the core function of revenue generation, lending and payment. Success of any bank depends on level of liquidity that is sufficient for its operation. Inefficient management of liquidity results in serious impairment of banking functions and contagious effect on the economy. A bank is set to be liquid if it stores sufficient liquid assets and cash together with the ability to raise fund quickly from other sources to enable it to meet its payment obligations and financial commitments in a timely manner.

Commercial Loan Theory

The essence of the theory is that short term loans are preferred by commercial banks as they will be repaid from the proceeds of transactions they facilitate and finance. A proposition that has been immensely subjected to criticism Dodds (1982) and Nwankwo (1992). Its antagonists argue that the theory is a deterrent to economic development especially for developing countries like Nigeria that require huge long-term funds to provide a big push for development. The commercial loan or the real bills doctrine theory states that a commercial bank should forward only short-term self-liquidating productive loans to business organizations. Loans meant to finance the production, and evolution of goods through the successive phases of production, storage, transportation, and distribution are considered as self-liquidating loans.

This theory also states that whenever commercial banks make short term self-liquidating productive loans, the central bank should lend to the banks on the security of such short-term loans. This principle assures that the appropriate degree of liquidity for each bank and appropriate money supply for the whole economy. The central bank was expected to increase or erase bank reserves by rediscounting approved loans. When business started growing and the requirements of trade increased, banks were able to capture additional reserves by rediscounting bills with the central banks. When business went down and the requirements of trade declined, the volume of rediscounting of bills would fall, the supply of bank reserves and the amount of bank credit and money would also contract.

Shiftability Theory

The shift ability theory is premised on the argument that banks' liquidity is a function of their capacity to acquire assets that are convertible or marketable to other lenders or investors should there be imminent need for cash, noting that the banks' assets should be marketable to the Central Bank and other financial institutions at discounted values. Thus this theory recognizes marketability or transferability of a bank's assets is a basis for ensuring liquidity. This theory was proposed by H.G. Moulton who insisted that if the commercial banks continue a substantial amount of assets that can be moved to other banks for cash without any loss of material. In case of requirement, there is no need to depend on maturities. This theory states that, for an asset to be perfectly shiftable, it must be directly transferable without any loss of capital loss when there is a need for liquidity. This is specifically used for short term market investments, like treasury bills and bills of exchange which can be directly sold whenever there is a need to raise funds by banks. But in general circumstances when all banks require liquidity, the shiftability theory need all banks to acquire such assets which can be shifted on to the central bank which is the lender of the last resort.

Liquidity Management Theory

Liquidity management theory according to Dodds (1982) is a strategic plan on the acquisition of funds from depositors and other creditors, and the determination of an appropriate (term based) mix of such funds for a particular bank. It focuses on the liability side of bank balance sheet on the ground that supplementary liquidity could be derived from the liabilities of a bank. Nwankwo (1992) supports this position by arguing that given banks' capacity to purchase all requisite funds, it is inappropriate to have liquidity on the asset side (liquid asset) of the statement of financial position.

Anticipated Income Theory

This theory holds that banks' management of liquidity can be enhanced by adequate phasing and structuring of the loan commitments to the customers. According to Nzotta (1997) the theory focuses on the earning capacity and borrowers' credit worthiness as the ultimate guarantee for liquidity adequacy. It drives banks' transactions in self-liquidating commitments (Nwankwo, 1992); and encourages the adoption of ladder effects in investment portfolio of commercial banks (Ibe, 2013).

This theory was proposed by H.V. Prochanow in 1944 on the basis of the practice of extending term loans by the US commercial banks. This theory states that irrespective of the nature and feature of a borrower's business, the bank plans the liquidation of the term-loan from the expected income of the borrower. A term-loan is for a period exceeding one year and extending to a period less than five years. It is admitted against the hypothecation (pledge as security) of machinery, stock and even immovable property. The bank puts limitations on the financial activities of the borrower while lending this loan. While lending a loan, the bank considers security along Bank Management with the anticipated earnings of the borrower. So a loan by the bank gets repaid by the future earnings of the borrower in installments, rather giving a lump sum at the maturity of the loan.

Trade-Off Theory Liquidity

This theory has had a great effect on holding liquid assets. Under perfect capital market assumptions holding cash asset neither creates nor destroys value. The bank can always raise funds from capital markets when need arises, there are no transaction costs in raising these funds, and the funds can be raised at a fair price because the capital markets are assumed to be fully informed about the prospects of the bank. According to the Tradeoff theory, banks target an optimal level of liquidity to balance the benefit and cost of holding cash. The cost of holding cash includes low rate of return due to liquidity premium and tax disadvantage. The benefits of holding cash are saving of transaction costs to raise funds in which assets are liquidated to make payments and using of liquid assets to finance its activities and investment where other sources of funding are not available or very expensive (Abuzar and Elijelly, 2004). Trade off model explains that, firms with high leverage attracts high cost of servicing the debt thereby affecting its profitability and it becomes difficult for them to raise funds through other sources. Holding cash on that point is not only maintained by the smaller firm but also larger firms. So firm size does not matter when the question of bankruptcy interrupt the capital structure decision.

Nigeria is experiencing a high fiscal deficit, high inflation, high unemployment, underemployment, high youth unemployment, and a slowing GDP. From the monetary policy perspective, global best practice demands that countries restructure their currencies every five to eight years. Thus, the re-design of the Naira by the apex bank is justifiable; it's a crucial step towards ameliorating the large volumes of money in circulation outside the banking system, but the problem is more than just the redesign of the low confidence levels of Nigerians in the Naira. Furthermore, on November 23, 2022, President Muhammadu Buhari unveiled the new naira note redesign for N200, N500, and N1000. On the unveiling, the currency has a resemblance to the previous currency, the only difference is the colour change, and the expectation of the redesign is not appealing to the public. Due to these similarities in colours can cause a loss of funds during financial transactions in low power supply areas. More so, counterfeits will be highly circulated in the economy because the redesigned naira can be massively duplicated in colour, which makes it hard to easily detect counterfeits, and one of the ways for curb this counterfeits is for CBN to add more security features to the redesigned naira. However, on December 6, 2022, the Banking Supervision Department of CBN brought out a new policy that will work in line with the new naira redesign and cashless policy that will be taking effect from January 9, 2023, with the following details:

1. Maximum cash withdrawal by individuals and organizations shall be between N100,000 to N200,000 per week.

2. A customer can only withdraw a maximum of N20,000 from Automated Teller Machine (ATM) daily and N100,000 weekly. 3. Maximum cash withdrawal from POS will be N20,000 per day. Three vital things to note from these CBN policies are: 1. Retrieve all idle currency from the economy by currency redesign. 2. Promote cashlessness, traceability and accountability by setting cash withdrawal limits and charges. The idea is to keep the currency within the banking system as possible. 3. Reduce recurring expenditure of printing naira. CBN spend about N58 billion to print approximately N2.5 billion worth of currency. This policy has both positive and negative implications for the economy of Nigeria. On the positive angle, this policy aims at promoting a cashless policy, improving the electronic use of the payment, curtailing vote buying in the forthcoming 2023 election and also curtailing inflation. On the negative angle, it has humongous consequences, because it will make a lot of people hoard cash at home, affect businesses and industry in Nigeria and it has a high chance of declining Nigeria's Foreign Direct Investment (FDI). In addition, many industries and businesses are likely to experience slow growth that will likely lead to a decline in Nigeria's real GDP and other macroeconomic uncertainties.

Empirical Review

Kurotamunobaraomi, Giami and Obari (2017) undertook a study titled Liquidity and Performance of Nigerian Banks. Their study used annual time series data between 1984 and 2014 and adopted the cash reserve ratio, the liquidity ratio and, finally, the loan / deposit ratio as a proxy for liquidity. The return on shareholder funds was then used as a proxy for performance, while econometric tools such as ordinary least squares regression, Johanson cointegration, Granger's causality test and the correction model were used for the analyzes. errors. The empirical results indicate a significant short-term negative relationship between the Cash Reserve Ratio and company performance and a positive relationship between Loan-to Deposit Ratio and Liquidity Ratio on the one hand and company performance on the other, albeit significantly respectively. In addition, the cash reserve ratio and the liquidity ratio are statistically significant enough to influence the long-term shareholder fund performance. At the same time, the loan-to-deposit ratio is complacent in incentivizing performance in depository banks in Nigeria In another related study.

Richard and Steve (2018) focused on the financial performance of money deposit banks in Nigeria (2001-2014). Secondary data was obtained from the audited financial reports of the respective banks. The unit root test, OLS, cointegration, and the Granger causality method were applied to test and analyze the data generated from the banks' annual publications at a significance level of 10%. The results showed that the financial performance of the selected Nigerian banks had a significant relationship with capital adequacy, asset quality and liquidity, both in the short and long term. Adesina and Olatise (2020) investigated the benchmarking of the performance of money deposit banks in Nigeria (financial ratio analysis approach).This study covers the critical financial ratios of the top six money deposit banks in Nigeria and compares their results. Secondary data from Access Bank, First Bank, Guarantee Trust Bank (GTB), United Bank for Africa (UBA), Union Bank and Zenith Bank were used for the study .Financial ratios were used to measure the profitability, liquidity and credit performance of these banks. Banks were classified according to their performance; Zenith Bank plc ranked first, followed by GTB. The ranking result can be used to analyze strengths and weaknesses compared to your competitors.

Fadac (2011) Employed a linear least square model and the series data from 1980-2009 to examine the relationship between banking Sector Liquidity and financial crisis. The study found that liquidity ratio, are significantly for predicting Banking Sector liquidity. Further findings reveal that a decrease in monetary policy rates, liquidity ratios, validity of output in relation to through output, and demand for cash lead to increase in loan to deposit ratios while a decrease in circulation in proportion to Banking Sector deposits and lagged loan to deposit ratios lead to a decline in loan to deposit ratio. It concludes that financial crisis results in illiquidity of banking institutions.

Hong *et al.* (2023) analyze the relationship between the failure of US banks and Basel III liquidity requirements using the discrete time hazard model. They found out that in the 2008 crisis the main trigger of bank defaults was the systemic funding liquidity risk rather than the idiosyncratic liquidity risk. Hlatshwayo *et al.* (2023) the LCR and the NSFR have limited ability to predict the bank failure compared to the traditional liquidity risk measures. Vazquez & Federico (2012) use the Probit model to determine the impact of the approximated NSFR and bank´s leverage on the probability of default. They point out that small banks were more vulnerable to fail on liquidity problems, while the large cross border banks were more susceptible to fail on insufficient capital buffers. Vazquez & Federico (2012) so that they better reflect the factors in Basel III definition. Based on more precise NSFR approximation we provide a detailed analysis of the ability to satisfy the NSFR among the European banks. As far as we know we are the first who separately consider NSFR in PIIGS countries and in the Czech Republic.

Kheswar (2016) the author made an attempt to test for the effects of financial repressionist policies on financial deepening and economic development in the case of Mauritius. Using the method of principal components, direct measures of banking controls are constructed and used in estimating financial depth and economic growth equations. We found no significant evidence that some form of financial repression has contributed to financial depth and economic growth. Instead, the results confirmed that banking controls have inhibited financial sector development in Mauritius, which is in line with the financial repressionist literature. Moreover, it is found that non-interest factors such as bank branches have promoted the rapid growth in bank deposits even during the period of financial repression. There is also a two-way relationship between banking sector development and economic growth in the economy. The major policy implication is that the pursuit of financial liberalization and banking sector development is no doubt a right strategy to achieve higher economic growth.

Odhiambo (2018) the author looked at the impact of interest rate reforms on financial deepening and savings in Tanzania is examined using two models, namely the financial deepening model and the savings model. Using cointegration and error-correction techniques, the empirical results of this study revealed that there is abundant support for the positive impact of interest rate reforms on financial deepening in Tanzania. Likewise, the study finds financial deepening, which results from interest rate reforms, to have a positive influence on domestic savings. However, the study failed to find any strong support for the direct positive interest rate elasticity of savings in Tanzania.

Odhiambo (2019) the paper examines the impact of interest rate reforms on financial deepening and economic growth in Kenya, using two models: the financial deepening model and the dynamic granger causality model. Using cointegration and error-correction models, the study found strong support for the positive impact of interest rate liberalization on financial deepening in Kenya - although the strength and clarity of its efficacy is sensitive to the level of the dependency ratio. The study also finds financial depth to Granger cause economic growth in Kenya.

Nyambura (2012) observed that there was improvement in the allocation of credits in the banks; the commercial banks developed a healthy money market and that the banks used indirect framework that allow the Central Bank to influence the general level of interest rates through open markets operation. The study concludes that there is a positive significant relation between market interest rate and market power and competition among the banks which is beneficial for financial deepening.

Literature Gap

Adesina and Olatise (2020) investigated the benchmarking of the performance of money deposit banks in Nigeria (financial ratio analysis approach). Fadac (2011) Employed a linear least square model and the series data from 1980-2009 to examine the relationship between banking Sector Liquidity and financial crisis. Hong *et al.* (2023) analyze the relationship between the failure of US banks and Basel III liquidity requirements using the discrete time hazard model.

Hlatshwayo *et al.* (2023) the LCR and the NSFR have limited ability to predict the bank failure compared to the traditional liquidity risk measures. Bundi (2013) who investigated the financial liberalization on domestic saving concluded that interest rate liberalization together with credit control elimination have a negative effect on private domestic saving. Kheswar (2016) the author made an attempt to test for the effects of financial repressionist policies on financial deepening and economic development in the case of Mauritius. Odhiambo (2018) the author looked at the impact of interest rate reforms on financial deepening and savings in Tanzania is examined using two models, namely the financial deepening model and the savings model. Odhiambo (2019) the paper examines the impact of interest rate reforms on financial deepening and economic growth in Kenya. the above studies failed to examine the effect of naira redesign and liquidity of commercial banks. Therefore this study wants to examine the effect of naira redesign and liquidity of commercial banks in Port Hracourt.

METHODOLOGY

This study used survey research design to analyse the effect currency redesign on the liquidity of commercial banks in Rivers State. The target population- of this study consisted of employees of 21 commercial banks operating in Port Harcourt. There are 21 commercial banks in Port Harcourt. Sampling is a key component of any research and involves several considerations. Since the aim of most studies is to obtain information about a population, which may or may not be very large, a sample of the population is taken for analysis to represent the whole Population. The sample size can be determined by either using statistical analysis or through the use of some rules of thumb (Aaker, et. al, 2001). Determination of sample size is important because it is practically near impossible to collect data from every unit of the population due to high costs, time constraints, and lack of human resources. Consequently, Sekaran (2003) and Zikmumd (2003) argued that the sampling should be conducted instead of collecting data from every unit of the population. a sample size of 210 respondents were determine using the random sampling methods, this implies that 10 respondents were selected in each of the 21 commercial banks. In this study primary data will be used as methods of data collection. Primary data are those data which have been collected for the first time such as Questionnaire (Kothari 2004). Validity is the degree or extent to which an instrument adequately and consistently measures what it is supposed to measure (Dana, 2001). Validity refers to the extent to which the instrument can be considered as accurate and precise in measuring the construct it purports to measure. According to Creswell (2003), validity ascertains the extent to which the instrument is a truthful and actual representation and manifestation of the latent constructs which is the focus of the study.

Baridam (2001) describes reliability as referring to the consistency or reliability of the measure. Reliability concept deals with how repeatable and replicable the instrument for the study is given similar contextual or contingency factors. Reliability therefore ensures that the instrument is clear and well defined in such a way that it holds the potential of being replicable and producing similar results across various samples and units of measurement (Bryrnan and Bell, 2003). The Cronbach alpha will be adopted in assessing the reliability of the study instrument, items which return alpha coefficients of 0.7 and above was considered as being suitable and adequate for inclusion in the analysis, while items which return a Cronbach alpha less than 0.7 will be considered as unsuitable and unqualified for inclusion in the analysis (Nunally, 1978).

Data Analysis Technique

The statistical techniques employed in analysing data collected in this study are: Tables effectively order and summarize the quantitative data. They are used to arrange facts and figures in columns and rows. These facts and figures can be systematically examined. (Ojo**,** 2005). These are used in translating frequency counts into percentage. These percentages were used to show the distribution of respondents according to their responses (Ojo, 2005)
It is used as a measure of the strength of linear dependence between two variables. According to Ojo (2005) correlation is used to find out if there is any relationship between two variables. While doing this, a variable is correlation to another variable. Spearman rank correlation coefficient with the aid of the Statistical Package for Social Sciences, (SPSS) Version 20.0.The correlation coefficient ranges from −1 to 1. A value of 1 implies that a linear equation describes the relationship between X and Y perfectly, with all factors affecting Y held constant for which Y increases as X increases. A value of −1 implies Y decreases as X increases. A value of 0 implies that there is no linear correlation between the variables.

ANALYSIS AND DISCUSSION OF FNDINGS

The structured questionnaire was adopted as the primary data instrument and a total of 210 respondents were targeted for inclusion in the study, however, as a result of various unexpected exigencies; only 104 copies of questionnaire were successfully retrieved and utilized in the study. This reduction and shortage is attributed to the absence and failure of some of the respondents to complete their copies of the questionnaire. 37 questionnaires were found to be invalid and not useful. Furthermore, after retrieval, copies of questionnaire were treated for errors and missing values and results revealed a 2% error rate due to missing values which were thereafter treated through the allocation of mode values to the blank sections. The data generated were categorized into sections based on the nature of the variable of interest. The sections include: the demographic data, the data on the variables of the study and also the data for the moderating variable. Each data is analyzed accordingly with the results presented herein

Demographic Analyses

Table 1: Gender of the respondents of the study

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	77	74.0	74.0	74.0
	Female	27	26.0	26.0	100.0
	Total	104	100.0	100.0	

Source: Survey result 2024

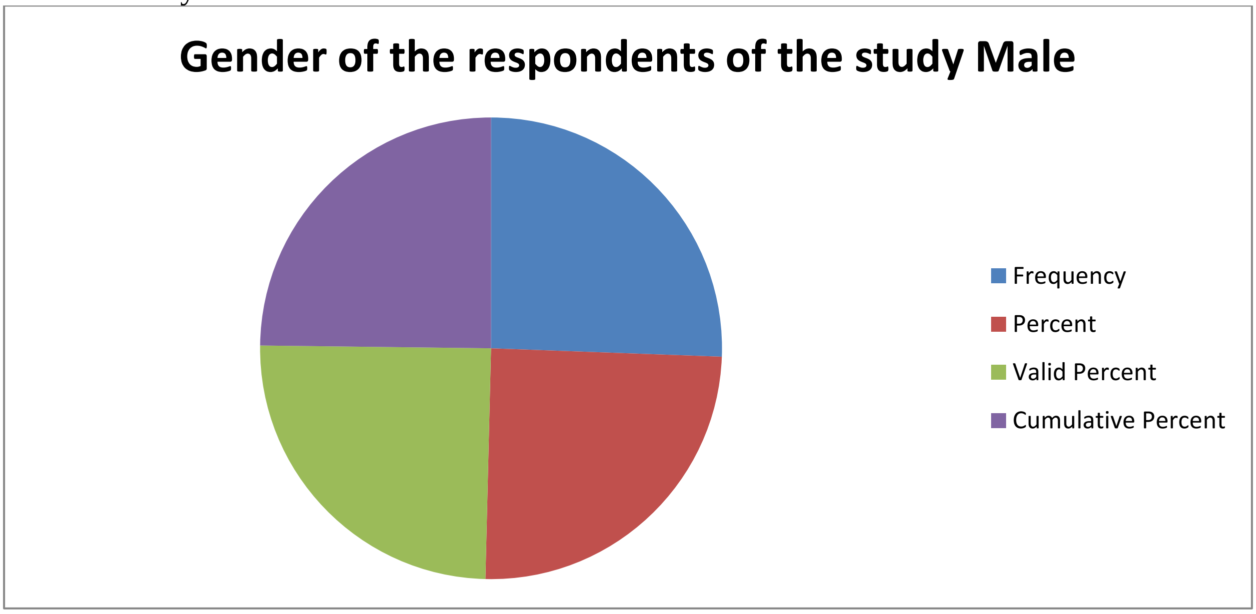


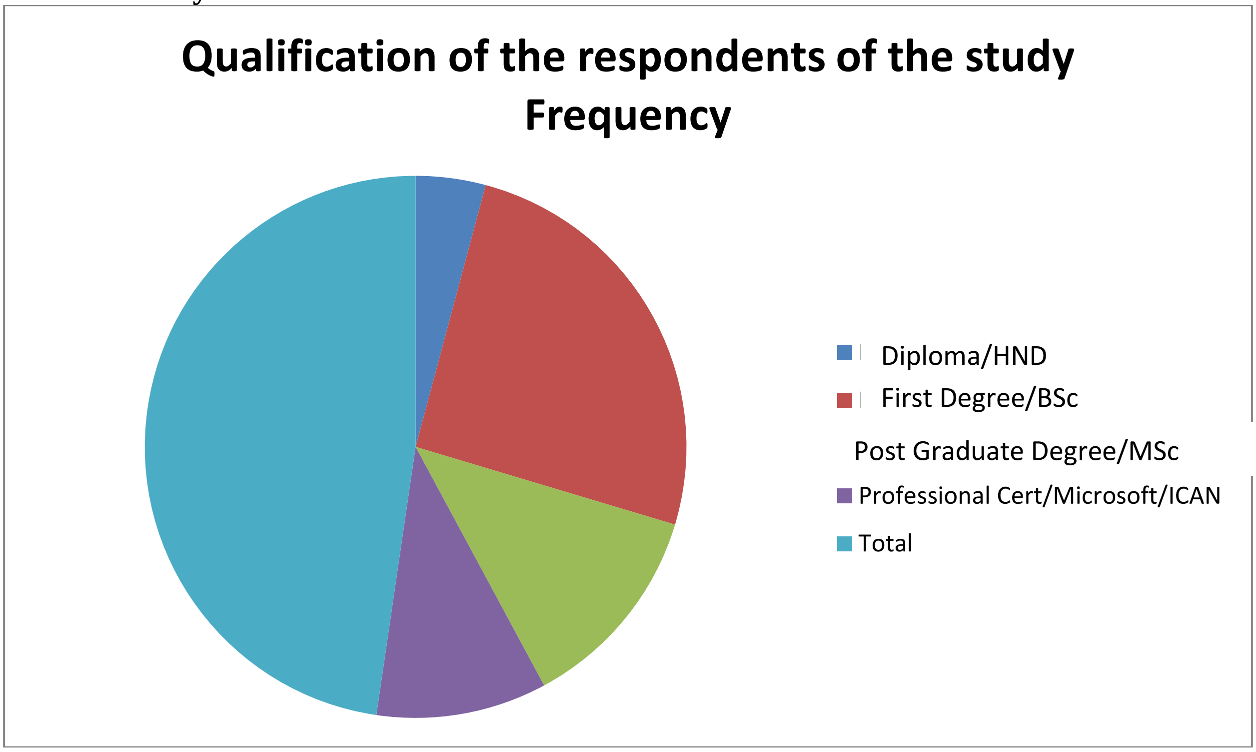
Figure 1 gender distribution of questionnaire

The results of the analysis (table 1 and figure 1 illustrates that for the gender distribution of the study, majority of the respondents who participated in the study are male with a relative low frequency for the female category.

Table 2: Qualification of the respondents of the study

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma/HND Cert.	9	8.7	8.7	8.7
	First Degree/BSc	46	44.2	44.2	52.9
	Post Graduate Degree/MSc	27	26.0	26.0	78.9
	Professional Cert/Microsoft/ICAN	22	21.2	21.2	100.0
	Total	104	100.0	100.0	

Source: Survey result 2024

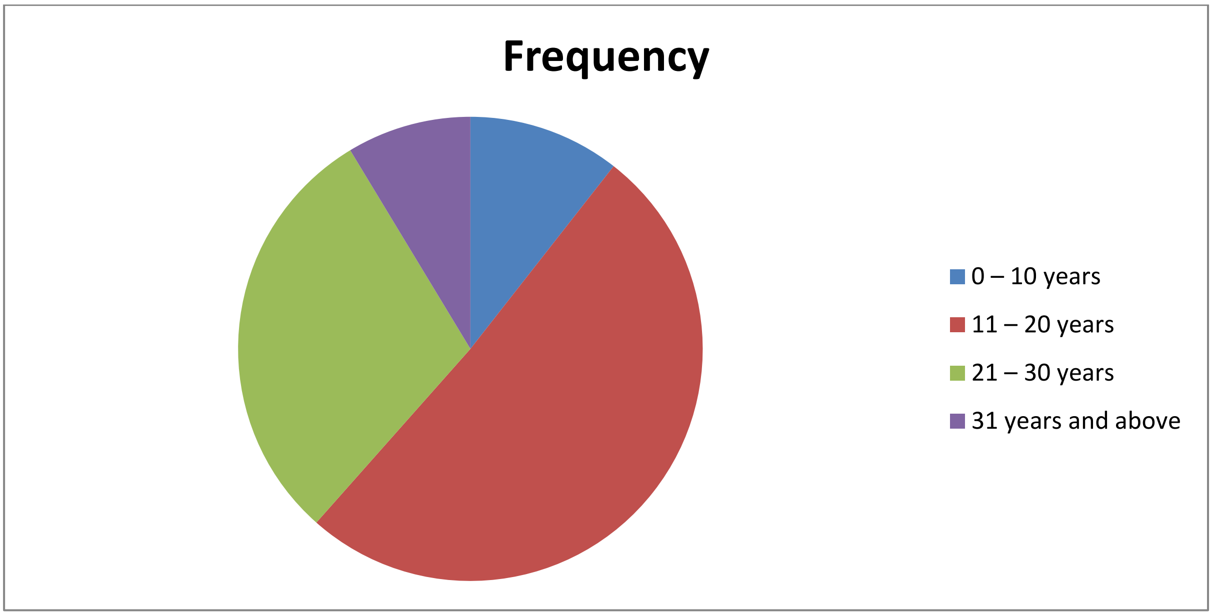


The results for the analysis on respondents educational qualification (table 2 and figure 2) shows that a higher percentage of the respondents have only acquired first degree certifications (55%), with the next high frequency percentage for respondents in the post graduate degree (27%), then the professional certifications (22%) and finally the diploma certifications category (9%).

Table 3: Years of Experience for the respondents of the study

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 – 10 years	11	10.6	10.6	10.6
	11 – 20 years	53	50.9	50.9	61.5
	21 – 30 years	31	30.0	30.0	91.5
	31 years and above	9	8.6	8.6	100.0
	Total	104	100.0	100.0	

Source: Survey result 2024

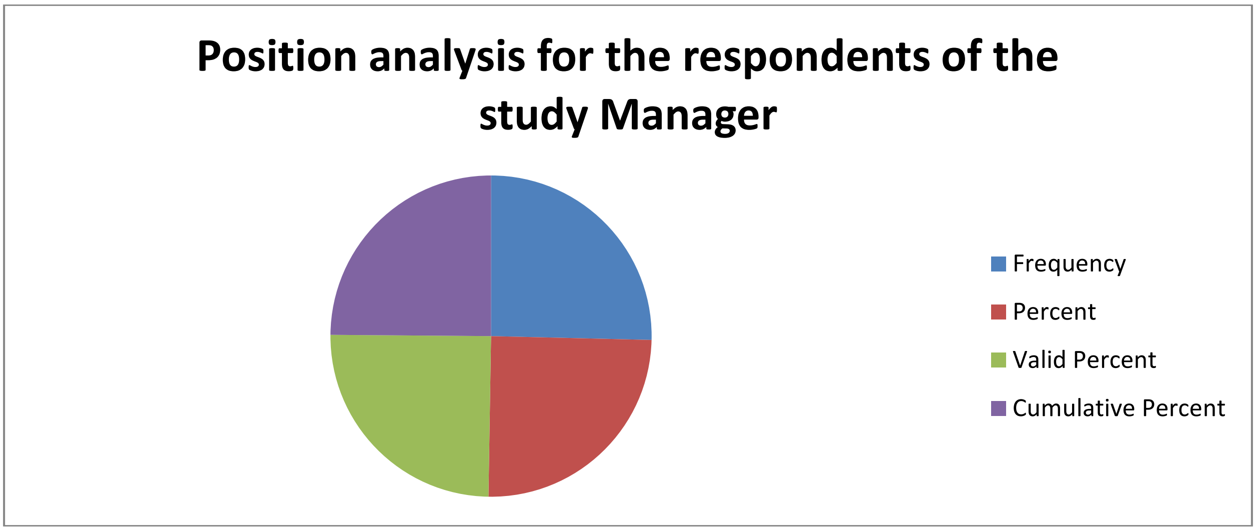


The results of the analysis reveal that most of the respondents who participated in the study are between the years of experiences of 11 – 20 years (53%) followed by the group for years of experiences 21 – 30 years (31%) and then years 0 – 10 years (11%) and then finally for those from 31 years and above (9%).

Table 4: Position analysis for the respondents of the study

		Frequency	Per cent	Valid Percent	Cumulative Percent
Valid	Manager	5	4.8	4.8	4.8
	staff	60	57.7	57.7	67.3
	Supervisory	39	37.5	37.5	100.0
	Total	104	100.0	100.0	

Source: Survey result 2024



The results for the analysis on the position (level) of respondents in their respective organizations reveals that a high percentage of the respondents are within the supervisory category (51%) followed by the number of respondents in the senior staff category (47%) and then the frequency for respondents in the manager category (5%).

Univariate Analyses

The univariate section is concerned with the presentation of the data for the variables of the study. The data presented herein is continuous and so is assessed using the mean and standard deviation in the assessment of its central tendencies and dispersion. Given the positive statements adopted in the measurement of each variable and the scaling method which ranks from 1 = for very low extent to 5 = very high extent, a mean score of $x > 2.5$ with a relative standard deviation of $s < 2.0$ is adopted as substantial evidence of support or agreement to the indicator.

Table 5: Naira Scarcity Relate to the Liquidity of Commercial Banks in Port Harcourt

Naira Scarcity	N	Minimum	Maximum	Mean	Std. Deviation
The redesign of currency has beneficial and detrimental commercial banks liquidity	104	1.00	5.00	4.1498	.76424
Currency redesigns increase effect commercial banks liquidity position	104	1.00	5.00	4.0797	.89656
anticipated to effect on commercial banks liquidity	104	1.00	5.00	4.0797	.82887
Naira scarcity affected negatively the liquidity of commercial banks	104	1.00	5.00	4.2899	.82128

Source: Survey Result 2024

The results for the analysis on innovativeness (table 5) shows that respondents in the commercial banks affirm to the negative effect of the naira redesign on the liquidity position of the commercial banks in Port Harcourt.

Table 6: Customer Withdrawal Limits Relate To the Liquidity of Commercial Banks in Port Harcourt

Customer Withdrawal Limits	N	Minimum	Maximum	Mean	Std. Deviation
Customer withdrawal were limited within the period	**104**	**1.00**	**5.00**	**4.0700**	**1.16828**
The limit to Customer withdrawal was relevant to liquidity management	**104**	1.00	5.00	4.0435	1.20746
The limit to Customer withdrawal affected liquidity positions of commercial banks	**104**	1.00	5.00	4.1014	1.29169
The limit to Customer withdrawal relate to liquidity of commercial banks	**104**	1.00	5.00	4.0652	1.13476
The limit to Customer withdrawal was negative on liquidity position	**104**	1.00	5.00	4.1014	.84827
The limit to Customer withdrawal enhances liquidity management	**104**	1.00	5.00	3.9783	.84116

Source: Survey Result 2024

The result for the analysis on performance (table 6) reveals that each indicator of the measures of the variable is observed to have high mean scores and low standard deviations. This indicates that most of the respondents believe to a considerable degree the effect of customer withdrawal limit on liquidity of commercial banks in Port Harcourt. The data also reveals a low level of dispersion in terms of opinions with regards to the actual average response on the subject matter.

Table 7: Customer Deposit Shortages Relate to the Liquidity of Commercial Banks in Port Harcourt

Customer Deposit Shortages	N	Minimum	Maximum	Mean	Std. Deviation
Customer Deposit Shortages were limited within the period	**104**	**1.00**	**5.00**	**4.8393**	**1.16828**
The limit to customer deposit shortages was relevant to liquidity management	**104**	1.00	5.00	4.0384	1.893
The limit to customer deposit shortages affected liquidity positions of commercial banks	**104**	1.00	5.00	4.1933	1.1038
The limit to customer deposit shortages relate to liquidity of commercial banks	**104**	1.00	5.00	4.0037	1.02374
The limit to customer deposit shortages was negative on liquidity position	**104**	1.00	5.00	4.1936	.80937
The limit to customer deposit shortages enhances liquidity management	**104**	1.00	5.00	3.1047	.93932

Source: Survey Result 2024

The result for the analysis on performance (table 7) reveals that each indicator of the measures of the variable is observed to have high mean scores and low standard deviations. This indicates that most of the respondents believe to a considerable degree the effect of customer deposit shortages **on** liquidity of commercial banks in Port Harcourt. The data also reveals a low level of dispersion in terms of opinions with regards to the actual average response on the subject matter.

Table 8: Customer Fund Transfers Relate to the Liquidity of Commercial Banks in Port Harcourt

Customer Fund Transfers	N	Minimum	Maximum	Mean	Std. Deviation
Customer Fund Transfers were not limited within the period	**104**	**1.00**	**5.00**	**3.7940**	**1.2038**
Customer fund transfers was relevant to liquidity management	**104**	1.00	5.00	3.9037	1.2993
The increase in Customer Fund Transfers affected liquidity positions of commercial banks	**104**	1.00	5.00	3.8294	1.1826
The increase in Customer Fund Transfers	**104**	1.00	5.00	3.9384	1.1836
The increase in Customer Fund Transfers	**104**	1.00	5.00	3.8393	1.6383
The increase in Customer Fund Transfers enhances liquidity management	**104**	1.00	5.00	3.5273	1.5283

Source: Survey Result 2023

The result for the analysis on performance (table 8) reveals that each indicator of the measures of the variable is observed to have high mean scores and low standard deviations. This indicates that most of the respondents believe to a considerable degree the effect of customer fund transfers **on** liquidity of commercial banks in Port Harcourt. The data also reveals a low level of dispersion in terms of opinions with regards to the actual average response on the subject matter.

Discussion of Findings

Question one examined the relationship between naira scarcity and the liquidity of commercial banks in Port Harcourt found 83.2 per cent correlation coefficient between the dimensions of the variables, this revealed that there is positive and significant relationship between the independent variable and the dependent variables. In hypothesis one, the study test the relationship between naira scarcity and the liquidity of commercial banks in Port Harcourt. The findings of the study rejects the null hypothesis and accepts the alternate hypothesis that there is significant relationship between naira scarcity and the liquidity of commercial banks in Port Harcourt as the probability shows .000 which is less than the critical value of 0.05. This finding confirmed the a-priori expectation of the result and validates the resource base theory.

Question two examined the relationship between customer withdrawal limits and the liquidity of commercial banks in Port Harcourt found 83.2 per cent correlation coefficient between the dimensions of the variables, this revealed that there is positive and significant relationship between the independent variable and the dependent variables. In hypothesis one, the study test the relationship between naira scarcity and the liquidity of commercial banks in Port Harcourt. The findings of the study rejects the null hypothesis and accepts the alternate hypothesis that there is significant relationship between naira scarcity and the liquidity of commercial banks in Port Harcourt as the probability shows .000 which is less than the critical value of 0.05. This finding confirmed the a-priori expectation of the result and validates the resource base theory. Question three and four which examined the relationship between customer deposit shortages and the liquidity of commercial banks in Port Harcourt found a correlation coefficient of 77.9 per cent and 68.5 per cent correlation coefficient with probability of 0.0000 which also signifies positive and strong relationship between the variables. The findings confirm the findings of Kurotamunobaraomi, Giami and Obari (2017) significant short-term negative relationship between the Cash Reserve Ratio and company performance and a positive relationship between Loan-to Deposit Ratio and Liquidity Ratio on the one hand and company performance on the other, albeit significantly respectively. insignificant, Richard and Steve (2018) that the financial performance of the selected Nigerian banks had a significant relationship with capital adequacy, asset quality and liquidity, both in the short and long term, Adesina and Olatise (2020) that the ranking result can be used to analyze strengths and weaknesses compared to your competitors, the findings of Fadac (2011) that liquidity ratio, are significantly for predicting Banking Sector liquidity.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The general objective was to examine the effect of naira redesign on the liquidity of commercial banks in Port Harcourt. Based on results , the study conclude that there is a significant positive relationship between between naira redesign on the liquidity of commercial banks in Port Harcourt, this is to shows that there is a strong positive relationship between naira redesign on the liquidity of commercial banks in Port Harcourt. We therefore reject the Null hypothesis which says that there is no significant relationship between naira redesign on the liquidity of commercial banks in Port Harcourt. The study found very strong positive relationship between naira redesign on the liquidity of commercial banks in Port Harcourt. The study found that that there is a significant relationship between naira redesign on the liquidity of commercial banks in Port Harcourt. We therefore reject the Null hypothesis which says that there is no significant relationship naira redesign on the liquidity of commercial banks in Port Harcourt.

the study clearly showed that naira redesign play a pivotal role in liquidity position of commercial banks within the policy period. The study concludes that there is no significant relationship between naira scarcity and the liquidity of commercial banks in Port Harcourt, that there is no significant relationship between customer withdrawal limits and the liquidity of commercial banks in Port Harcourt, that there is a very strong positive relationship between customer deposit shortages and the liquidity of commercial banks in Port Harcourt, that there is no significant relationship between customer deposit shortages and the liquidity of commercial banks in Port Harcourt. that there is significant relationship between customer fund transfers and the liquidity of commercial banks in Port Harcourt that there is significant relationship between customer fund transfers and the liquidity of commercial banks in Port Harcourt.

Recommendations

i. From the findings, the study recommends strategies to increase customer deposits from the rural branches and the urban to enhance liquidity of the commercial banks.

ii. The regulatory authorities and the banker committee should ensure the implementation of electronic withdrawal limit for customers to ensure commercial banks are liquid to meet liquidity obligations.
iii. The Central Bank of Nigeria and the banker committee should ensure the implementation of policies to enhance availability of cash; this will enhance commercial banks liquidity in Nigeria.

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