

Impact of 2022 CBN Naira Redesign Policy on Performance of Food Retailers in Nigeria

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DOI: 10.56201/jafm.vol.11.no1.2025.pg211.218

Abstract

The study examined the impact of 2022 CBN naira redesign policy on food retailers in Nigeria. The study adopted ex-post-facto research design. The study made use of secondary sources of data obtained from Central Bank of Nigeria Statistical Bulletin from second quarter of 2022 to first quarter of 2023. The study compared the performance of food retailers in Nigeria before and after implementation of CBN naira redesign policy using secondary data collected from Central Bank of Nigeria Statistical Bulletin in Nigeria. Two (2) categories of food retailing were purposively selected, which are the farm food item retailers and non-farm food item retailers. Descriptive statistics was used to analyze the data and a paired sample t-test was used to test the hypotheses at 0.05 level of significance through Statistical Package for Social Science, version 26. The findings revealed that there is a significant difference between accessibility to credits of the manufacturing and Small Medium Enterprises (SMEs) sector before and after the implementation of treasury single account in Nigeria. Also, the study, revealed that there is a significant difference between price indices of farm and non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria. It was recommended that the Government should set up an agency that will assess the working capital requirement of food retailers in Nigeria and make such funds available to them so as to facilitate their operations.

Keywords: CBN, Naira Redesign Policy, Food Retailers, Price Indices

Introduction

In the bustling markets and vibrant streets of Nigeria, a quiet revolution has been underway – one that transcends the mere exchange of currency and instead, profoundly affects the lives and livelihoods of countless individuals. The epicenter of this transformation is the Central Bank of Nigeria's (CBN) bold and visionary move to redesign the Naira, the nation's currency, with the potential to reshape the very dynamics of the nation's food retail industry (Business Day, 2022).

Nigeria, a country rich in cultural diversity and economic potential, has long grappled with challenges in its monetary policy and currency management (IMF, 2022). Against this

backdrop, the CBN's decision to embark on a comprehensive redesign of the Naira represents a watershed moment. This redesign is not confined to cosmetic changes; it encompasses a holistic re-evaluation of the currency's security features, denominations, and overall design. As the new-look Naira begins to circulate, its impact reverberates through the nation's intricate web of economic activity, nowhere more significantly than in the food retail sector. Aroghene (2022) disclosed that food retailing stands as one of Nigeria's most critical and dynamic economic sectors, reflecting both the nation's remarkable cultural diversity and the indispensable role that food plays in everyday life. From bustling marketplaces teeming with fresh produce to small neighborhood stores offering essential groceries, the food retail sector serves as the lifeblood of countless households, generating employment and driving economic growth. Therefore, any shift in the financial landscape, such as the redesign of the Naira, holds profound implications for these businesses, their owners, and the millions of Nigerians who depend on them for sustenance.

This research endeavor embarks on an exploration of the multifaceted impact that the CBN's Naira redesign has had on the performance of food retailers in Nigeria. It delves deep into the performance of food retailers in Nigeria before and after implementation of CBN naira redesign policy using secondary data collected from Central Bank of Nigeria Statistical Bulletin from 2022 to 2023.

Aim and Objectives of the Study

The broad objectives of the study are to examine impact of 2022 CBN naira redesign policy on food retailers in Nigeria. Specifically, the study achieved the following;

1. To examine the impact of 2022 CBN naira redesign policy on price indices of food item in Nigeria.
2. To examine the impact of 2022 CBN naira redesign policy on price indices of farm items in Nigeria.

Research Questions

The following research questions were formulated to guide the study:

1. To examine the impact of 2022 CBN naira redesign policy on price indices of non-farm food items in Nigeria.
2. To examine the impact of 2022 CBN naira redesign policy on price indices of farm food items in Nigeria.

Hypotheses

The following hypotheses were formulated and tested at 0.05 level of significance:

H0₁: There is no significant difference between price indices of non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria.

H0₂: There is no significant difference between price indices of farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria.

Empirical Review

Kparobo and Gregory (2023) explored the naira swap objectives on the performance of SMEs in Delta State, Nigeria. Descriptive research design was used for the study. The research population consists of all 3,976 registered SMEs with the Delta State office of Small & Medium Enterprises Development Agency of Nigeria. (SMEDAN). Upon, the application of the sample size formula the sample size stood approximately at 363. Primary data was obtained through the administration of 5 Likert scale questionnaire of which only 300(83%) were duly filled and

returned. Tables, simple percentage and frequency count was use to analysed data while the Pearson Product Moment Correlation was use to confirm the stated hypotheses via statistical package for social sciences (SPSS) version 22. From the tested hypotheses the objective of curbing naira hoarding and restraining counterfeiting had a strong positive significant impact on the performance of SMEs in Delta State while the objective of curtailing inflationary pressure appeared to have weak negative impact on the performance of SMEs in Delta State. Built on the findings the study recommend that government should set up an agency that will assess the working capital requirement of SMEs in Delta State and make such funds available to them to facilitate their operations. The government should also ensure effectiveness of both monetary and fiscal policies to create an enabling environment for SMEs.

Aroghene and Imene (2023) investigated currency redesign and compliance in the Nigerian economy case study. The independent variables were government support and individual personal readiness for technology, while the dependent variable was currency redesign compliance. The null hypothesis of no influence of the independent variables on the dependent variable was rejected centred on the estimated results. The study recommended that the government block any channel, particularly those within the government, that could stymie the successful implementation of the country's currency issuance/redesign. Similarly, when implementing a new policy, the state of the economy should come first.

Obillor, (2023) examined the effect of naira redesign on the informal sectors in rural areas in Anambra state. The system theory of Ludvig von Bertalanffy served as the theoretical foundation of this study because it describes how society's constituent elements connect and influence each other. The study identified the rural areas in Anambra state and selected Anam using a probability sampling technique. Also, Umueze, Umuikwu and Iyiora were selected to represent the entire communities in Anam using a probability sampling technique. The study used a sample size of 122 and adopted the snowballing sampling technique in selecting respondents. Data was collected using non-participant observation and questionnaire and analysed using simple percentages. Findings revealed that the Naira redesign failed to reduce the misuse of Naira notes, eliminate money corruption and curb hoarding and security threats in the country. It was also revealed that, the Naira redesign of 2023 disrupted the social and economic life of citizens. Therefore, the study recommends that, the government put in place, all logistics necessary for the printing and circulation of the new currency before enforcing the deadline on old naira notes.

Research Gap

Various scholars have conducted studies on Currency redesign and its impact on economic growth in Nigeria, but most of them were based on primary data not on secondary data from reputable body like the Central Bank of Nigeria. Also, none of the study has considered the impact of CBN naira redesign policy on performance of food retailers in Nigeria. This study examined performance of food retailers in Nigeria before and after implementation of CBN naira redesign policy using secondary data collected from Central Bank of Nigeria Statistical Bulletin from 2022 to 2023.

Methodology

The study adopted *ex-post-facto* research design. This is because *ex-post-facto* is based on historical data. The population of study consist of all the sub-sectors in the private sector in Nigeria. The study made use of secondary sources of data. Time series data were collected from Quarterly Central Bank of Nigeria Statistical Bulletin. The data were divided into two periods:

- A. Period before the naira redesign (May, 2022 to Oct, 2022) and
- B. Period after the naira redesign (Nov, 2022 to March 2023).

Description of Variables

PINFI= Price Indices of non-farm food items from May, 2022 to March, 2023

PIFI= Price Indices of farm food items from May, 2022 to March, 2023

Descriptive statistics was used to analyze the data and a paired sample t-test was used to test the hypotheses at 0.05 level of significance through Statistical Package for Social Science, version 26. The paired sample t-test is a statistical method for determining if the mean difference between two sets of observations is zero. Each subject or entity is measured twice in a paired sample t-test, resulting in pairs of observations. The suitability of this strategy can be demonstrated by the fact that each data set was divided into two observations: (before the redesign and after naira redesign).

To analyse the respective differences, the mathematical representation of the null and alternative hypotheses are defined as follows;

$H_0: \mu d = 0$

$H_1: \mu d \neq 0$ (two-tailed)

The assumptions are as follows:

1. The null hypotheses (H_0) assumes that the true mean difference (μd) is equal to zero.
2. The two-tailed alternative hypotheses (H_1) assume that (μd) is not equal to zero.

Analysis and Results

Descriptive Statistics

Table 1: Descriptive Statistics for the Focal Variables

	N	Minim um	Maxim um	Mean	Std. Deviation	Skewness	Kurtosis		
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Std. Error
PRICE INDEX OF NON-FARM FOOD ITEMMS BEFORE CBN NAIRA REDESIGN	6	380.25	409.32	395.5700	11.23483	-.171	.845	-1.476	1.741
PRICE INDEX OF NON-FARM FOOD ITEMS AFTER CBN NAIRA REDESIGN	5	416.17	441.97	428.6480	10.12632	.097	.913	-1.004	2.000

PRICE INDEX OF FARM FOOD ITEMS BEFOR NAIRA REDESIGN	6	523.98	571.32	549.41	18.06032	-.278	.845	-1.325	1.741
				17					
PRICE INDEX OF FARM FOOD ITEMS AFTER NAIRA REDESIGN	5	579.31	626.70	602.56	18.74958	.071	.913	-1.203	2.000
				00					

Source: SPSS OUTPUT (2023)

Table 4.1.1 above reveals the variable description of the time series data collected from the CBN Statistical Bulletin. The mean price indices for farm food items and non-farm food items are N823 and N1151(billion) respectively.

Results of Diagnostic Statistics

The normality of the distribution of the data series is shown by the coefficients of Skewness and Kurtosis coefficients. The skewness coefficients which are less than or around figure one in all the variables under study. The kurtosis coefficient also provides a second level of confirmation that all the explanatory variables are normally distributed with a Kurtosis coefficient that is less than or around three.

Test of Research Hypotheses

H0₁: There is no significant difference between price indices of non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria.

Table 2: Paired Two Sample for price indices of non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	PRICE INDEX OF NON-FARM FOOD ITEMMS BEFORE CBN NAIRA REDESIGN	392.8200	5	10.05277	4.49573
	PRICE INDEX OF NON-FARM FOOD ITEMS AFTER CBN NAIRA REDESIGN	428.6480	5	10.12632	4.52863

Table 2 (a) shows the mean **price indices of non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria** as N392.82 and N428.64. Furthermore, the variance in **price indices of non-farm food items** was N10.05 and N10.12 respectively.

b)

Pair	Mean	Std. Deviation	Std. Error	95% Confidence Interval of the Difference		t	Sig.
				Lower	Upper		
1	35.82800	.69467	.31067	36.69055	34.96545	115.326	.000

Source: SPSS OUTPUT (2023)

The t-Test for the paired two samples for means in table 2 (b) shows a two-tail probability of 0.000 which is less than the alpha value of 0.05 at df of 4. Therefore, the null hypothesis is rejected. The t-calculated value of 115.32 which is greater than t-tabulated value of 2.776 also suggest that the null hypotheses should be rejected. This implies that there is a significant difference between price indices of non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria.

H0₂: There is no significant difference between price indices of farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria.

Table 2: Paired Two Sample for price indices of farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria

a)

	Mean	N	Std. Deviation	Std. Error
Pair 1 PRICE INDEX OF FARM FOOD ITEMS BEFOR NAIRA REDESIGN	545.0300	5	16.23966	7.26260
PRICE INDEX OF FARM FOOD ITEMS AFTER NAIRA REDESIGN	602.5600	5	18.74958	8.38507

Source: SPSSOUT OUTPUT (2023)

Table 3 (a) shows the mean price indices of farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria as N545.03 and N602.56. Furthermore, the variance in price indices of non-farm food items was N7.26 and N8.38 respectively.

b)

Pair	PRICE INDEX OF FARM FOOD ITEMS BEFOR NAIRA REDESIGN - PRICE INDEX OF FARM FOOD ITEMS AFTER NAIRA REDESIGN	Mean	Std. Deviation	Std. Error	95% Confidence Interval of the Difference		t	Sig.
					Lower	Upper		
1		57.530	2.82814	1.26478	61.04159	54.01841	45.48	.000

Source: SPSS OUTPUT (2023)

The t-Test for the paired two samples for means in table 3 (b) shows a two-tail probability of 0.000 which is less than the alpha value of 0.05 at df of 4. Therefore, the null hypothesis is rejected. The t-calculated value of 45.486 which is greater than t-tabulated value of 2.776 also suggest that the null hypotheses should be rejected. This implies that there is a significant difference between price indices of farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria.

Discussion of Empirical Results

The major findings of the study were presented based on the variables of the study.

Impact of 2022 CBN naira redesign policy on price indices of non-farm food item in Nigeria

The findings revealed that price indices of non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria as N392.82 and N428.64. Also, the study revealed that there is a significant difference between price indices of non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria. This finding supports Kparobo and Gregory (2023) who explored the naira swap objectives on the performance of SMEs in Delta State, Nigeria and reported that the naira redesign policy curbs naira hoarding and restraining counterfeiting had a strong positive significant impact on the performance of SMEs in Delta State while the objective of curtailing inflationary pressure appeared to have weak negative impact on the performance of SMEs in Delta State.

Impact of 2022 CBN naira redesign policy on price indices of farm food items in Nigeria

The findings revealed that price indices of farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria as N545.03 and N602.56. Also, the study revealed that there is a significant difference between price indices of farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria. This finding supports Pillah (2023) examined the impact of currency redesign on monetary policy of Nigeria: an evaluation from 2015 to 2023 and reported that the naira redesign policy affects the SMEs negatively.

Conclusion

The CBN Naira redesign policy is a strategic initiative aimed at improving the Naira's physical characteristics, security features, and overall functionality. It is a multifaceted approach that encompasses security, aesthetics, functionality, and public education, with the ultimate goal of enhancing the trust and effectiveness of the nation's currency. This study has established that there is a significant difference between price indices of farm and non-farm food items before and after the implementation of 2022 CBN naira redesign policy in Nigeria. Based on the findings and conclusion, the following recommendations were given:

- i. Government should set up an agency that will assess the working capital requirement of food retailers in Nigeria and make such funds available to them so as to facilitate their operations.
- ii. The government should also ensure harmonization of both monetary and fiscal policies effectiveness so as to create an enabling environment for food retailers.

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