

IMPACTS OF NAIRA REDESIGN ON AGRI-FOOD MARKETERS' LIVELIHOODS IN ABUJA, FEDERAL CAPITAL TERRITORY, NIGERIA.

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ABSTRACT

The study examined the impact of Naira redesign on agri-food marketers' livelihoods in Abuja, the Federal Capital Territory, Nigeria. Survey was conducted on a sample of 100 agri-food marketers, using structured questionnaire. The effect of the policy on income generations and consumption patterns; perceptions of the policy; and the coping strategies were assessed, with data analyzed using Descriptive Statistics and Perception Index analysis. Findings showed the age of respondents to be 42 years, implying that the agri-food marketers' were in their active age. Majority (86%) were married, with mean household size of 7. The level of illiteracy among agri-food marketers was high, as only 24% had over 6 years of formal education. Marketers posited that there was 31% decrease in revenue generated per day, with the daily expenditure on food and other items decreased by 6%. The perception indexes of 312, 308, and 302, respectively, indicated that the policy made them indebted, reduced their product stock, and led to an increase in the cost of marketing. The respondents adopted the use of POS to run their businesses. It was concluded that the Naira redesign policy had a lot of immediate negative effects on the livelihoods of agri-food marketers. The study therefore, recommended that a longer deadline be given by the apex bank to reduce the immediate shock, the urgency of the Naira redesign has caused. Also, since the use of POS was an effective coping strategy, fintech companies are encouraged to create innovative ways to make inter net banking seamless.

Keywords: Naira Redesign, Monetary Policy, Agri-Food, Livelihoods and Marketers

Introduction

Aside from the global economic crisis, which is largely attributed to the COVID-19 pandemic, the Russian-Ukrainian conflict, and regional instabilities, Nigerians are also facing tremendous economic pressure because of insecurity, flooding, depreciation of the Naira, and the poor performance of the economy. In order to improve the nation's economy, the redesign of Naira was carried out by the apex bank, the Central Bank of Nigeria (CBN), following her in-house analysis and the findings indicating the need to strengthen macroeconomic fundamentals and better Socio-economic conditions of the citizen. This move of the CBN is a normal culture of Central Banks across the globe. According to PACCI, (2023) and World Bank, (2023), periodic currency redesigns are common place internationally and are often used as monetary policy tool to revive a country's currency. As Naira was last redesigned thirty-nine years ago, it is said to be due for redesign (PACCI, 2023; World Bank, 2023).

According to CBN, (2022), the Naira redesign will help reduce inflationary pressure, lower cash management costs, advance financial inclusion, and improve the government's ability to monitor the money supply. The need arises to keep the volume of currency in circulation under the firm control of the CBN as available data by the Central Bank of Nigeria showed that N1.4 trillion of the currency in circulation as of 2015 had risen to N3.23 trillion as of October 2022; out of which only N500 of the currency in circulation was kept within the Banking System and N2.7 trillion held permanently in people's abodes. The policy aims to improve the effectiveness of monetary policy, by reducing the volume of money in circulation outside of the banking system. As established by Augusto *et al.*, 2023, decrease in currency outside of banks will result in a

smaller money supply and, consequently, a lower long-term inflation trajectory.

Furthermore, it was anticipated that these measures will primarily reduce the quantity of cash used in the illicit or shadow economy, thereby helping security forces in their fight against terrorism and ransom ware; curtail the activities of racketeers; destroy rent-seeking enterprises in the black market; deepen the cashless policy, which would close budgetary loopholes, increase tax revenues, and support the economic empowerment of vulnerable Nigerians; increase the supply of clean notes, and reduce Naira counterfeiting (CBN, 2022).

Based on the highlighted significances of Naira redesigned, the Central Bank of Nigeria, on October 26, 2022, received the approval of the Federal Government of Nigeria to redesign the three high-denomination Nigerian banknotes (N200, N500, and N1000). By the approval, the designed banknotes are to circulate concurrently with the old notes, till January 31, 2023 after which the old notes lose the legal tender status. However, the deadline was extended to February 10, 2023, given the need to improve the level of circulation of the new notes.

Problem Statement

Despite the measures put in place by the apex bank for an easy transition to the new currency, Nigerians were being faced with difficulty accessing the new Currency at the initial stage of its issue and circulation due to lapses in the implementation of this ambitious program. People had difficulty getting the new notes from banks and ATM cash terminals since the notes were first introduced (PACCI, 2023). The timing and short transition period of this demonetization have had a negative impact on economic activities, especially for the poorest households, majorly, agri-food marketers, who

rely on day-to-day cash transactions to survive. For the purposes of this study, agri-food marketers are individuals who sell major in demand agricultural products in Federal Capital Territory local markets such as rice, maize, sorghum, and fresh vegetables. Marketers of these commodities are smallholder farmers, with over 47.25% of their population living in rural communities, where agricultural activities constitute the major means of livelihood sustainability (World Bank, 2018). They are worst hit by menace of the policy of Naira redesign due to their high level of vulnerability, characterized by being the poor, the unbanked, and the rural dwellers. The rural dwellers constitute about 60 percent of Nigerian population, being dominated by Micro Small Medium Enterprises (MSMEs), and largely cash-dependent. These MSMEs, according to the International Labor Organization (ILO), account for up to 96% of businesses (99.8% of Nigeria's 37.1 million MSMEs with informal economic activity accounting for approximately 48% of the Gross Domestic Product) and 86.3% of the national workforce (MSME Africa, 2022). Given the low levels of education and exposure of a significant number of Nigerians in this category, many of whom live in rural areas with inadequate or non-existent telecommunications infrastructure, a quick and seamless transition to digital payment channels was always unlikely. The Enhancing Financial Innovation and Access (EFinA), in 2021, posited that, although, mobile phone ownership in Nigeria is estimated at 81%, internet penetration is still a mere 44.3% in rural areas, where network outages were wide spread and limiting access to traditional banking services, even before the latest wave of transaction failures experience at the transient of the Naira redesign policy.

Issues related to connectivity have plagued the Unstructured Supplementary Service Data (USSD),

launched by banks and telecommunications operators to enhance smooth mobile banking penetration in rural communities. Agri-food marketers, whose business transactions are cash-dependent, confronted difficulties paying their laborers and transporters, jeopardizing production, sales and exports (Agusto et al., 2023).

The disruption to transactions, trade (domestic and foreign), productivity, and all-round economic activity is likely to be significant enough to trigger a contraction in GDP, not just in the 1st quarter, but also, the 2nd and 3rd quarters, with possibly loss of livelihoods for many along the agricultural value-chain, particularly traders of perishable agri-foods (EFinA, 2021).

Also, the cash constraint, imposed by Naira redesign, compelled compel consumers to prioritize pending on necessities, leaving many businesses, particularly MSMEs, with decreased sales and heightened credit risks. Worse still, living standards could decline further, particularly for many rural dwellers, as an inability to access cash could limit access to critical services like health care, stoking public discontent even further (Agusto et al., 2023).

Currency redesigns have various impacts on rural livelihoods, and the reduction in its supply has negative implications on the sales of agricultural commodities, especially grains and perishables. This has led to inflation, which has caused an increase in the cost of living for rural communities. There's the issue of increased transaction costs, as redesigning the Naira has resulted in increased rent-seeking, as people buy Naira with Naira at high rate, additional costs for procuring Point of sales (POS machine), extra charges on transaction, the need to reprint price tags, update accounting systems, and recalibrate ATMs and other payment systems. These costs are burden for smaller businesses

and individuals, negatively impacting their livelihoods (Kofi & Isaac,2017).

The broad objective of the study was to determine the impact of the Naira redesign on the livelihoods and economic activities of agri-food marketers in the Federal Capital Territory, Nigeria. The specific objectives of the study were to: determine the socioeconomic characteristics of the agri-food marketers; determine agri-food marketers' perceptions of the policy; examine the effect of the policy on income generations and consumption patterns of the agri-food marketers; and analyze coping strategies adopted by the agri-food marketers in the study area.

Methodology

The Study Area

The research was conducted in the Federal Capital Territory (FCT), Nigeria. Federal Capital Territory (FCT) is located between Latitudes 8°25' and 9°25' North of the equator and Longitudes 6°45' and 7° 45' East of Greenwich Meridian. The territory covers an area of 8,000 Square Kilometers and occupies about 0.87% of Nigeria land mass and situated wholly within the region generally referred to as the "Middle Belt". The Federal Capital Territory (FCT), experiences two weather conditions in the year. These are the rainy season, which begins around May and runs through October, and the dry season (usually

characterized by bright sunshine) begins in October and ends in April. Within these periods, there is a brief period of harmattan occasioned by the North East trade wind, with a resultant dusty haze and intense coldness and dryness. Average annual rainfall is about 1,256 mm per year. Temperature in the FCT ranges between 30°C –37.0°C yearly, with an average temperature of 27.3 °C. Crops grown in the Federal Capital Territory are maize, millet, sorghum, rice, cowpea, groundnut, soybean, and eggplant, among others. The Federal Capital Territory had a population of 776,298 people (NPC,2006). Currently, the population is about 3,095,000 people in 2019, which is about a 6.03% increase from 2018 (Macrotrend,2020).

Sampling Techniques and Sample Size

This study was carried out in the Federal Capital Territory (FCT), Nigeria, because of the researchers' proximity to the study area and the presence of major food markets in the area. Gwagwalada market was purposefully selected because it's one of the major agrarian markets in the FCT. Rice, maize, sorghum, and fresh vegetables were selected because they are mostly consumed by residents in the study area. Proportionate – random sampling was used to select a total of 100 agri-food marketers from a sample frame of 134 agri-food marketers.

$$n = \frac{N}{1 + (e^2)} = 100 \dots\dots\dots (1)$$

Table 1: Sampling Techniques and Sample Size

LGA	Agri-food Produce	Sample Frame	Sample Proportion	Sample Size
Gwagwalada/Gwagwalada Market	Rice	30	0.22	22
	Maize	38	0.28	28
	Sorghum	37	0.28	28
	Fresh Vegetables	29	0.22	22
		134	1	100

Source: Authors (2023)

Method of Data Collection

Cross-sectional data from primary sources were used for the study. Trained enumerators from Agricultural Development Program (ADP) were contracted for data collection using well-structured questionnaires.

Method of Data Analysis

Descriptive Statistics

This was used to describe the Socio-economic characteristics of the agri-food marketers' in the study area. This involves the use of means, frequency distributions, and percentages to describe the gender, marital status, household

size, age, and level of education, among others, in the study area. The perceptions of rural agri-food marketers' on the policy, the effect of the policy on income generations and consumption patterns of the respondents, and coping strategies adopted by the rural agri-food marketers were also analyzed using descriptive statistics.

Agri-food Marketers' Perception Index

The agri-food marketers were asked to rate their perception of policy on a four-point likert scale. The perception Index is stated thus

$$PCI = \frac{P_n X_0 + P_i X_1 + P_m X_2 + P_h X_3}{N} \quad (2)$$

PCI = Agri-food Marketers Perception Index (Units)

P_n = Frequency of the Agri - food Marketers who rated the effect as not counteracted (Units)

P_i = Frequency of the Agri - food Marketers who rated the effect as slow (Units)

P_m = Frequency of the Agri - food Marketers who rated the effect as moderate (Units)

P_h = Frequency of the Agri - food Marketers who rated the effect as high (Units)

Results and Discussions

Socio-economic Characteristics of Farmers in the Study Area

The results for the socio-economic characteristics of agri-food marketers' in the study area are presented in Table 2. From the results, 76% of the agri-food marketers' were below the age of 50, with the mean age being 42 years. This suggests that the agri-food marketers' were relatively young and energetic and can actively engage in the rigors of agri-food marketing in the study area. 70% of the agri-food marketers' were female, while 30% were male. This suggests that most of the agri-food marketers' were women; hence the trade is female-dominated. 86% of the agri-food marketers' were married, while 14% were single. This suggests that married women were more involved in agri-food marketing, which

could be a result of the increased family responsibilities they have to meet. The significance of the marital status in the marketing activities could be explained in terms of family labour. It is expected that family labour would be available where respondents are married. As such, additional supply of family labour will raise productivity, resulting in more sales being made by agri-food marketers. 80% of the agri-food marketers had a household size between 0-10. 20% had a household size of 11-15. The mean household size of 7 indicates large household sizes, which is of the implication on the household's consumption expenditure. Larger household sizes will consume more of than save and a higher marginal propensity to consume denote low level of investment, hence the high level of vulnerability to unfavourable policies by the government.

About 56% of the agri-food marketers' have undergone at least 6 years of formal education, while 44% have no formal education. This suggests a high level of illiteracy among agri-food marketers, which could limit their access to financial services level of adoption of financial technologies. Because majority of them could not read or write, they experienced difficulty with the transition to digital payment platforms gendered by the naira redesign policy.

Furthermore, the findings revealed that the majority (72%) of the agri-food marketers' had over 31 years of sales experience. A mean selling experience of 21 years suggests that the agri-food marketers' were relatively experienced in their trade. That sales were slowed down, and some of the perishable

products were lost to lack of storage was a result of bureaucracy bottleneck. Naira scarcity was an externality beyond the control of agri-food marketers, consequentially, the number of years of experience was not sufficient in curtailing the loss recorded to spoilage. 64% of the respondents stated that they had between 300,000 – 600,000 in income last year. The mean agri-food marketers' income was N496,900, which amounts to N41,408. This suggests that the agri-food marketers' were earning above the minimum wage of N33,000 from their business. The result also revealed that 84.21% of the agri-food marketers' have been visited by extension agents, while 15.79% have not been visited by extension agents. This suggests that the marketers must have been enlightened about the recent market information.

Table 2: Socio-Economic Characteristics of the Respondents in the Study Area

Variables	Frequency	Percentage	Mean
Age			42
0-30	22	22.00	
31-40	24	24.00	
41-50	30	30.00	
51-60	24	24.00	
Sex			
Female	70	70.00	
Male	30	30.00	
Marital Status			
Married/Living as partner	86	86.00	
Single/Never Married	6	6.00	
Separated/Divorced	4	4.00	
Widow/Widower	4	4.00	
Household Size			7
0-10	80	80.00	
11-20	20	20.00	

Level of Education

Non-Formal Education	44	44.00
Primary	32	32.00
Secondary	16	16.00
Tertiary	8	8.00

Member of Cooperative Society

Non-Member	92	92.00
Member	8	8.00

Marketing Experience

21

0-30	28	28.00
31-40	32	32.00
41-50	26	26.00
51-60	8	8.00
61-Above	6	6.00

Annual Income

496,900

0-300000	16	16.00
300001-600000	64	64.00
600001-900000	14	14.00
900001-1500000	6	6.00

Total	100	100
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Source: Author (2023)

Rural Agri-Food Marketers' Perceptions of the Policy

Table 3 shows the different perceptions of the agri-food marketers' on the naira redesign policy. From the findings, the agri-food marketers' posited that the policy has made them indebted, reduced their product stock, and led to an increase in the cost of marketing. This is based on the perception indexes of 312, 308, and 302, respectively. The policy, which was meant to have a positive effect on the economy, had made agri-food marketers' more indebted as they had to buy on credit, largely due to a lack of

cash and a poor network to facilitate internet banking. The agri-food marketers' product was also negatively affected; this might be as a result of a lack of cash to produce as most of the agri-food marketers' were heavily dependent on cash transactions and avoided internet banking. The general increase in the cost of marketing might be due to the Point of Sale (POS) charges that are accrued to withdrawals from POS vendors as the agri-food marketers' scarcely got money from the bank or are largely not bankable.

Table3:Rural Agri-Food Marketers' Perceptions of the Policy

Perceptions	Strongly agree (4)	Agree (3)	Disagree (2)	Strongly Disagree (1)	Perception Index	% of Respondent	Rank
General reduction in sales	72	192	32	2	298	9.38%	5th
High prevalence of rodent and storage pest	80	168	44	2	294	9.25%	6th
High level of losses due to food spoilage	56	174	56	0	286	9.00%	7th
It has increased my saving culture	64	198	36	0	298	9.38%	5th
I am more familiar with financial technology now	40	174	60	2	276	8.68%	8th
The policy has made me indebted	96	198	16	2	312	9.82%	1st
The policy has led to increase in sales price	48	234	16	2	300	9.44%	4th
The policy has led to increase in cost of marketing	40	246	16	0	302	9.50%	3rd
There was a reduction in my stock	64	228	16	0	308	9.69%	2nd
The policy has helped me to make more sales	64	120	60	14	258	8.12%	9th
The policy has helped curb fear of theft	40	126	64	16	246	7.74%	10th
					3,178	100%	

Source: Author (2023)

Effect of the Policy on Income Generations and Consumption Patterns of the Agri-Food Marketers'

Table 4 below shows the effect of the Naira redesign policy on agri-food marketers. From the results, the marketers posited that there was a 31% decrease in their revenue per day. This might be as a result of the difficulty in accessing cash in the market, the difficulty in assessing POS by marketers, or the difficulty in carrying out internet banking due to network

inconsistency. The results also revealed that the agri-food marketers had to eat twice a day as opposed to three times a day prior to the Naira redesign. Also, the daily expenditure on food and other items per day decreased by 6% based on the response of the agri-food marketers. This may be so, as Nigerians barely had cash at hand to spend. This result is in line with Pillah (2023), who posited that the urgency of the Naira redesign policy had an effect on the economy.

Table4: Effect of the Policy on Income Generations and Consumption Patterns of the Agri-FoodMarketers(N=100)

	Amount	PercentageChange
SalespriceBeforeNairaRedesign	12,600.00	31%
SalespriceAfterNairaRedesign	8,706.00	
Food Consumption Before Naira 3		33%
Redesign		
Food Consumption After Naira 2		
Redesign		
Expenditureper dayBefore Naira 4,612		6%
Redesign		
Expenditure per day After Naira 4,328		
Redesign		

Source:Author(2023)

Coping Strategies Adopted by the Rural Agri-Food Marketers

Results on Table 4 show the coping strategies adopted by the agri-food marketers in the study area in response to the Naira redesign policy. From the results, the respondent posited that they had to reduce the quantity of stock to

purchase for resale, eat less preferred meals at home, and adopt the use of POS to run their business. This suggests that even though the policy may have some severe consequences, one of its goals, which was to enforce a cashless policy, has been achieved as more money will have to stay in the banking system.

Table4:CopingStrategiesAdoptedbytheRuralAgri-Food Marketers(N=100)

CopingStrategies	Mean	Rank
Iopenedabankaccount	2.5	5 th
Iadoptedthe useofPOS	2.94	3 rd
IreducethefrequencyatwhichIcametothe market	2.90	4 th
IreducethequantityofproduceIboughtforsell	3.08	1 st
Ihadtosellwithlittleprofitmargin	2.90	4 th
We hadtoeatlesspreferred mealathome	3.04	2 nd

Source:Author(2023)

Conclusion and Recommendation

From the foregoing, it can be concluded that the Naira redesign policy had a lot of immediate negative effects on the agri-food marketers. The agri-food marketers' posited that the policy has made them indebted, reduced their product stock, and led to an increase in the cost of marketing. Other effects included a 31% and 6% reduction in daily revenue and expenditure,

respectively. The study recommended that a long deadline be given by the apex bank to reduce the immediate shock the urgency of the Naira redesign has caused. Also, since the adoption of POS was an effective coping strategy adopted by agri-food marketers, more fin-tech companies are encouraged to create innovative ways to make internet banking seamless.

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