

# The Nigerian eNaira and the Currency Redesign Policy: A Review on Their Effectiveness

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**Abstract** - The advancement in modern technology, internet usage and the need to swiftly carry out transactions between individuals who are physically apart has given rise to the invention of various kinds of electronic payment systems. In this paper, the researchers applied both the quantitative and qualitative methods of analysis on primary and secondary sources of data gathered respectively to assess the effectiveness of the Nigerian digital currency, the eNaira and the currency redesign policy. Also, it reviews a couple of literature relevant to the naira redesign policy implementation and the eNaira which reveals that naira redesign may not achieve much in mitigating currency counterfeiting, banditry and laundering if this does not take into consideration extending the security features of the naira notes and redenominating the naira notes to include N2000, N5000, N10,000 and N20,000 notes and converting N50, N20, N10, and N5 notes to coins as this is expected to reduce the annual printing and minting costs of the naira. Furthermore, from the survey conducted by the study, the researchers found that most respondents have less than N5000 worth of the new naira notes in their possession and most had issues onboarding the USSD platform resulting from poor network connectivity mostly on the Globacom and 9Mobile networks. The study reveals that there is generally poor circulation of the new naira notes and low adoption of the eNaira. This paper recommends that the new naira notes be made readily accessible by citizens, better security features be added to the naira notes, redenomination of the naira notes to include N2000, and N5000 notes and the coinage of N50, N20, N10, and N5 notes be considered, more awareness of the eNaira be made especially on popular social media platforms and USSD connectivity on all major Nigerian mobile networks be stabilised.

**Keywords**- eNaira, Nigeria Currency Redesign Policy, New Naira Notes, Central Bank of Nigeria, Nigeria Central Bank Digital Currency.

## I. INTRODUCTION

Nigeria is one of the few countries of the world currently developing this digital currency for its citizens<sup>[13]</sup> owing to the huge advantage it comes with - easy tax remittance, financial inclusion of the unbanked, more reliable transactions and faster settlements of transaction disputes among others. Good as these benefits may sound, the Central Bank of Nigeria (CBN) is having a hard time getting citizens to use this digital currency it calls the eNaira. This may be due to the issues users have while onboarding the eNaira app itself, lack of trust and faith in the government and the CBN, poor mobile network, and the issues surrounding the currency redesign policy implementation among others.

The first three months of the year 2023 have been a period of mixed feelings, pressure, and anxiety for the majority of

Nigerians because the long-awaited national elections which most Nigerians believe would be a game-changer in the nation's politics are around the corner, the implementation of the Naira redesign policy, and the consequent introduction of the eNaira. Despite the positive impacts that this Naira redesign policy and the eNaira were projected to make, most Nigerians have complained about its effectiveness in increasing the financial inclusion of the majority.

This review aims to provide a comprehensive and critical analysis of the current literature on the implementation of the Naira redesign policy and the effectiveness of the eNaira in the Nigerian economy, with a focus on identifying key challenges and opportunities for future research.

## II. LITERATURE REVIEW

According to the Central Bank of Nigeria<sup>[4]</sup> the eNaira is a digital currency that provides a unique form of money denominated in Naira which serves as both a medium of exchange and a store of value and offers better payment prospects in retail transactions when compared to cash payments. R. David defines digital currency as any currency that is exclusively available in electronic form. He further adds that digital currency differs from the electronic currency already widely used in commercial banks in that digital currency never takes a physical form. While electronic currency can be converted to physical cash at the ATM or over the counter, digital currency remains exclusively exchanged via digital means<sup>[13]</sup>.

Accordingly, R. David enlisted cryptocurrency, stablecoins and central bank digital currency (CBDC) as the varieties of digital currency<sup>[13]</sup>. In the case of this review, eNaira is a type of CBDC issued by the Central Bank of Nigeria (CBN). C. J. Ebere outlines quick maintenance, cost-effectiveness, financial inclusion, and easy access to money among others as the opportunities and digital illiteracy, security and privacy, and lack of trust among others as the challenges of the eNaira<sup>[5]</sup>. E. Ehi opines that the eNaira owing to its regulation by the CBN is less prone to money laundering and terrorism funding as opposed to other unregulated varieties of digital currency like cryptocurrency<sup>[6]</sup>. Financial inclusion as defined by P.K Ozili, is the basic access to all financial services for all people<sup>[11]</sup>. While this can be seen as a good thing, P.K Ozili holds the view that this financial inclusion inherently opens the non-sophisticated poor to higher risks as compared to the gains of

doing business online ultimately favouring the interests of the fintech companies <sup>[10]</sup>.

While proposing the direct disbursements of welfare to citizens, facilitation of diaspora remittance, reduced cost and improved efficiency of cross-border transactions, and increased financial inclusion among others as opportunities for eNaira to support monetary and financial stability, the Central Bank of Nigeria envisages the risk of disintermediation and its impact on financial stability, exposure of the payment system to uncertainties, complexity and the risk of further financial exclusion, cyber and operational risks as well as reputational risk in deed on the CBN should the implementation fail. In all the CBN has put measures in place to mitigate the effects of these impending risks <sup>[3]</sup>.

Despite the efforts put into the design of the eNaira app by the technical team of the CBN, the initial release of the app on Google Play Store and Apple Store in 2021 got several reports of issues encountered by its users. Guardian Nigeria out listed some of the user complaints such as the app getting stuck at the registration stage due to a required email confirmation for which no email input field was provided in the first place, delayed reception of confirmation email, the insistence of sending a confirmation message to BVN-tied email addresses that may no longer be in use, and consistent invalid account number reports by the app. While the eNaira app got a two-star rating with over 2000 reviews that were mostly negative on Google Play Store, it got a 3.3-star rating with over 190 reviews that were mostly positive on Apple Store <sup>[7]</sup>. According to TVC News, the eNaira app was removed from Google Play Store owing to the large volume of negative user reviews <sup>[16]</sup>.

Currently, in 2023 as reported by Thisday Newspapers Ltd, the CBN has provided four payments options around the eNaira such as scan to pay, wallet ID, USSD (\*997#) and voucher and also creating its awareness. However, while noting that the USSD platform is currently available on the MTN and 9Mobile telephone networks talks are ongoing with Airtel and Globacom to increase the network coverage of the project <sup>[15]</sup>. In his article A.Bolu cited CBN's late leverage on the partnership, and a clampdown on crypto making the eNaira a rival as contributing factors for the low adoption of the eNaira <sup>[1]</sup>.

This eNaira initiative came along with it the implementation of the redesign of the N200, N500, and N1000 denominations of the old naira notes. According to M. Iwedi, I. P. Wachuku and R. E. Court the reasons for the redesign of these notes were to control the supply of money, reduce hoarding, properly manage and increase naira in the bank vaults, reduce the inflation rate, mitigate corruption and embezzlement of funds, and comply with the best practice of periodic currency redesign <sup>[8]</sup>. While the control of money in circulation and promotion of the eNaira, the mitigation of counterfeit, and the reduction in the level of cash insecurity and money laundering are presented by the CBN as the relevance of the redesign, M. Iwedi, I. P. Wachuku and R. E. Court opines that the possible challenges of huge deficit cost to the economy, rising prices, fall in the level of consumption, short implementation deadline, and the absence of banks in the rural areas among others could suggest for a detour by the CBN to rather consider the stabilization of the naira <sup>[8]</sup>. Though A. B. Muhammed and A. T. Abdulmajeed hold a different view that when properly implemented through

the CBN, the naira redesign can have a positive impact on the economy by preventing counterfeiting of the naira notes and reducing inflation rates, hence imploring the Nigerian Government to periodically carry out this exercise <sup>[9]</sup>. P.T. Pillah however, recommends that the CBN can limit cash flow to all banks by providing leadership and ensuring that no single individual nor group can exercise absolute control of the naira for political gains. As an emphasis, he adds that the value of currency notes is directly proportional to the wealth of the country evaluated in terms of GDP, GNP etc <sup>[12]</sup>.

Taking a rather different perspective from the rest, A. Teriba believes that the CBN could have considered naira redenomination instead of its redesign. The paper that was first published in 1998 was republished in February 2023 as being relevant to the current CBN monetary policy. In this paper, the author believes, taking a cue from the US, and the UK, among other countries, that currency redesigns in themselves contribute little to curbing inflation rates and currency counterfeiting. However, having an effective monetary policy, better security features especially in the higher notes, increasing the face value of the naira notes to include N2000, N5000, N10,000, and N20,000 and converting the lower naira notes such as N5, N10, N20, and N50 to coins could be the better route to take. He argued that there would be more than proportionate savings in printing and minting costs per year if the naira coin were revived but this time for the N5, N10, N20, and N50 denominations. Since coins have a higher life span of twenty (20) years, their minting cost spread over this period is only a fraction of what would have been spent for the same value of the naira in notes. Thus having a higher face value of the naira in notes with a mix of the lower face values in coins is desirable <sup>[14]</sup>.

### III. METHODOLOGY

This review is based on a comprehensive analysis of the existing literature on the Nigerian eNaira and the currency redesign policy. A systematic search was conducted on the google scholar database using related keywords such as Nigerian naira redesign, and naira. The review includes works published between 2020 and 2023 that focused on the impact of the implementation of the CBN monetary policy between 2021 and 2023. A google forms questionnaire was also shared over social media and with physical contacts to poll the opinion of citizens on the implementation of the eNaira and naira redesign.

### IV. RESULTS

The literature analysis suggests many potential benefits to using the eNaira such as quick maintenance, cost-effectiveness, financial inclusion, easy access to money, and stress-free tax returns among others. While currency redesign can help mitigate currency counterfeiting, and laundering considerations must be made toward currency stability. This may entail exploring currency re-denomination by introducing naira notes with higher face values such as N2000, N5000 and N10,000 and effectively coining the N5, N10, N20, and N50 naira notes to derive the benefit of lower recurrent national expenditure on currency reprinting and redesign.

The survey shows that out of 70 respondents, 78.6% are males and 21.4% are females. 45.7% are between 25-34 years

of age, 34.3% between 35-44 years, 8.6% between 18-24 years, and 11.4% between 45-54 years. Based on the state of residence, 25.7% reside in Abuja, 12.9% in Lagos and Kogi, 7.1% in Kaduna and Delta, 5.7% in Enugu, 4.3% in Nasarawa and Benue, 2.9% in Plateau and Imo, 1.4% in Ogun, Rivers, Taraba, Akwa Ibom, Bauchi, Borno, Cross River, Edo, Gombe, and Kano. While 81.4% of the respondents have complied with the CBN's injunction to return the old N1000, N500, and N200 notes, 12.9% are yet to comply, and 4.3% have no plans to comply. 84.6% of the respondent expressed fear of complying with the CBN's injunction on the return of the old naira notes for the speculative reason of not having cash since the new naira notes are not available and 7.7% are fed up with the CBN and Nigeria. In the same vein, 92.8% gave a rating of 5 and below on the circulation efficiency of the naira. On the amount of the new naira notes possessed by respondents, 58.6% had none, 37.5% had less than N5000, 4.3% had less than N10000, and 1.4% below N30000. 37.9% of the respondents who had the new naira notes got theirs through the ATM, 17.2% through Point of Sale (POS) agents, 10.3% over the counter and 34.5% through other means.

Relating to the eNaira, 72.9% of respondents indicated being aware of the eNaira launch while 27.1% are unaware. 56% of those aware reported social media as their source, 18% CBN publications, 12% network news, 8% people around, and 6% other sources. Also, 68.6% of these respondents did not download the eNaira app, 29.4% have downloaded the app, and 2% do not know how to go about it. Of those yet to download the app, 30.9% could not download the app because they are fed up with anything Nigeria, 23.6% do not have mobile data, 21.8% do not know of the eNaira app, 16.4% do not have the link to the app, and 7.3% find the eNaira app to be user-unfriendly. 78.2% found the link to the eNaira app provided in the survey useful, while 21.8% reported it as not useful.

Responses around the eNaira support for the USSD service, show that 80% of respondents are unaware that the eNaira platform can be accessed via the USSD code \*997#. 38.6% of the respondents indicate MTN, 4.3% Airtel, and 2.9% Globacom alone as their mobile network. 24.3% indicated a combination of MTN and Airtel, 21.4% MTN and Globacom, 1.4% Globacom and Airtel, 1.4% Globacom and 9Mobile, 2.9% MTN, Globacom and Airtel, and 2.9% MTN and Globacom and 9Mobile networks.

Based on the connection status of the \*997# USSD channel, 73.7% of respondents who accessed the USSD channel through the MTN network reported success on the first dial, 56.3% reported failure on Globacom, 61.5% reported success on Airtel and 71.4% reported failure on 9Mobile.

While some of the respondents are negative about the benefits of the eNaira, the majority express optimism about its future. Though most fears and complaints about the eNaira centred around cyber attacks, scarcity, funds transfer failure, poor network connectivity, the government's unseriousness, lack of awareness, and BVN issues.

## V. DISCUSSION

A critical study of the literature reviewed suggests that to mitigate currency counterfeiting and achieve other benefits the naira redesign aims at, better security features must be designed

into the naira notes especially those with higher face value changing the colour might not help. Moreso, due to inflation over the years the majority of transactions are observed to be associated with the higher notes and this calls for a redenomination of the naira to include other notes with higher face values like N2000, N5000, and N10,000 which would fit better in the daily transactions of the majority with the merit of reducing the total number of naira notes to be printed. Since coins have a considerably higher lifespan than notes, it would be profitable to convert the lower naira notes (N5, N10, N20, and N50) to coins which are mostly used as change in transactions, this would ensure the durability of these denominations and reduce the total recurrent cost of producing the naira yearly.

From the results presented above, the researchers got a good spread of opinions across the six (6) geo-political zones of Nigeria. The data reveals that though most respondents did comply with the CBN's request for citizens to deposit their old N200, N500, and N1000 notes in anticipation of the new ones, generally poor circulation of the new naira notes was observed with about 96.1% of the respondents having below N5000 worth of these notes to transact with. A majority of these respondents gave a less than 5 out of 10 points rating on the circulation efficiency of the new naira notes as most withdrawals were at ATM points rather than the usual POS implying possible congestion in queues. It is important to note that the few who did not comply with the request of the CBN above had fears of going out of cash as the new notes are yet to be available suggesting a lack of trust in the policy which is evident in the general appraisal of the comments made by respondents indicating a majority not being satisfied with either the government or the CBN.

With 70% of the respondents being between 25 and 44 years of age and 56% of the respondents acknowledging social media as the platform where they got the news about the eNaira, it goes to say that the CBN would be more effective in implementing the eNaira policy if a more concerted effort is made in creating awareness over social media to capture this youthful population who are more likely to grasp the technology faster and teach the rest of the demography on how to use it.

Due to the low circulation of the new naira notes, one would expect to see a huge acceptance and usage of the eNaira app but that does not seem to be the case as 68.6% of the respondents who are aware of the eNaira launch could not download or onboard the app for one reason or the other. This calls for a proactive sensitization and redesign of the eNaira app to be more user-friendly.

Despite the proposition of the CBN to increase financial inclusion through the eNaira by introducing the USSD channel, the survey uncovers that only a few respondents know of this channel. A connectivity exercise carried out during the survey shows higher success rates for MTN and Airtel networks as compared to Globacom and 9Mobile. While most of the respondents indicate MTN as their primary network it is not out of place to get the service working properly on all networks to effectively achieve the expected financial inclusion of the unbanked.

This review critiques the effectiveness of the eNaira and the currency redesign policy of the CBN. The researchers suggest



further research to focus on developing an effective USSD model for the eNaira platform that truly includes the unbanked in hard-to-reach regions of the country.

#### VI. CONCLUSION

In conclusion, this review reveals that while the CBN's currency redesign policy is necessary for mitigating currency counterfeiting, money laundering and banditry it is all-important to note that these outcomes can be effectively achieved by redesigning the inherent security features of the notes instead and stabilizing the naira through currency redenomination (that is, introducing N2000, N5000, and N10,000 notes) and the coinage of the lower (N5, N10, N20, and N50) denominations of the naira notes. The CBN must ensure that the new naira notes are effectively in circulation and readily available to citizens. Also, a concerted effort must be made by the CBN to educate the populace on the nature of the eNaira and its use as an alternative to physical cash. The benefits of the eNaira can be better appreciated by the citizenry if the issues relating to onboarding the app as highlighted in this review are fixed and the USSD channel becomes stable and readily available across all networks. We recommend that further research focus on developing a USSD model for the eNaira that would facilitate the smooth inclusion of the unbanked, especially in hard-to-reach areas.

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