

# Nigeria's Currency Redesign and Withdrawal Limits Policy

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## 1. Introduction

On October 26, 2022 the Central Bank of Nigeria (CBN) announced that the naira notes of ₦200, ₦300 and ₦1000 will be redesigned and circulated by December 15, 2023 while the old notes will cease to be legal tender by January 31, 2023, given Nigerians three months to swap their old notes with the new ones. This policy was in line with the powers of its power on section 2b, section 18(a) and section 19 subsection (a) and (b) of the CBN Act of 2007 (Ibrahim,2023). Benefits of the policy was to among others tackle the problems of counterfeiting, inflation, corruption, money laundering as well as vote buying. Further to its cashless policy of 2012, The CBN also issued directives on daily and weekly withdrawal limits for individuals and corporate organization. Though most analysts saw the policies as laudable its implementation has been bugged with challenges as a result of scarcity of the new notes thus creating tension in the society. The difficulties experienced by people accessing their monies from the banks have sparked off violent demonstrations and protests in some parts of the country. The situation led prominent politicians of the ruling party to cry out against the policy as targeted at causing misfortune for the party in the elections coming up on February 25, 3023. The article will be examining these issues.



Figure 1: Picture of Redesigned Naira notes (Vanguardngr.com March 30, 2022)

## 2. The Objectives of the Currency Redesign Policy

According to CBN, the rationale for the redesign of the higher denomination of naira currency was to mop up large volume of banknotes outside of the banking sector, stop hoarding of naira notes by the public which has led to shortages of clean and fit banknotes. It was also aimed at stopping the increasing rate of counterfeiting of banknotes in the country (Vanguard, 2023). More so the CBN stated that the long span of re-designation of naira notes, necessitated the policy. This is because international best practice requires central banks and national authorities to issue new or redesigned currency notes every 5 to 8 years. For the case of Nigeria, it is almost 20 years since the last major redesign of the country's local currency. This of course implies that the Naira is long

overdue to wear a new look. A cycle of banknote redesign is generally aimed at achieving specific objectives, including but not limited to: improving security of banknotes, mitigating counterfeiting, preserving the collective national heritage, controlling currency in circulation, and reducing the overall cost of currency management.

Furthermore, the policy is meant to stop the rampant kidnapping, money laundering and other forms of illicit financial flows. A major offshoot of the policy is ending vote buying practice that has characterized the electoral process in the country (Ibrahim, 2023).

On November 23, 2022, the President Muhammadu Buhari launched the new notes and CBN announced that the old ₦200, ₦500 and ₦100 banknotes will circulate side by side with the redesigned banknotes until January 31, 2023. CBN advised Nigerian to approach their commercial banks and deposit the old notes while those who do not have bank accounts are to open one and deposit their cash. In the alternative people and approach CBN agents and swap their old notes with the new one (CBN, 2022).

The CBN directive on daily and weekly withdrawal policy was first announced on December 21<sup>st</sup> 2022 limiting weekly cash withdrawal for individuals and corporate organizations at ₦100,000 and ₦500,000 but reviewed upwards to ₦500,000 and ₦5 million when stakeholder complained. The bank however pegged daily withdrawal limit at ₦20,000 and ₦500,000 respectively. Third party cheque that is above N1 million is not eligible for over-the-counter withdrawal (Ujah, 2022). The idea of these withdrawal limit was to keep a firm control over money in circulation. According to President Buhari in his broadcast to Nigerian, stated that in 2015 when he assumed power, that the currency in circulation was ₦1.4 trillion but it rose to ₦3.23 trillion in 2022. Of this figure, the proportion outside the banking sector grew from 78% to 85%. The implication of this is that as at October 2022 when the policy commenced money in circulation stood at ₦3.23 trillion out of which only ₦500 billion was within the banking sector while 2.7 trillion stood permanently outside the banking system (Radio Nigeria Ibadan, 2023). This huge volume outside the banking system makes these funds unavailable for economic activities, thereby retarding economic growth.

### **3. Implementation of Currency Redesign Policy**

The draw back of the currency redesign policy is hardship it has caused to Nigerians due to poor implementation (Ebhoimen, 2023). The CBN claimed to have mopped up 80% of the redesigned notes and has printed about N500 billion but commercial bank complained that the funds they are receiving are insufficient but CBN claims that what it printed and distributed to banks were adequate. But the question that arises is what is responsible for the scarcity? CBN and analysts alleges that bank managers were collaborating with politicians to stash away the monies to buy votes during the February 25 and March 11, 2023 general elections in Nigeria (Arisenews, 2023). The efforts of the Economic Financial Crime Commission (EFCC) and some CBN officials raiding banks and arresting bank officials who were hoarding the notes when customers were stranded confirmed this practice but how widespread and why is the CBN not using the stick against erring banks? Why were the banks still paying customers old notes they were asked to deposit until January 23, 2023 many banks were still paying their customers old bank notes that were supposed to be mopped up? The banks only stopped when a fresh directive asked them to stop loading ATMs with the old notes (Silas, 2023). The cashless alternative through bank transfers and use of POS could not absorb the challenges of scarcity of cash as the infrastructure of Financial Technology (FinTech) in the country could not handle the pressure (Emejo, 2023). More so, Nigeria's economy is largely informal and cash transaction were deeply entrenched as 80.4% of the Nigerian economy is informal (Radio Nigeria, 2023). The scarcity of cash has forced many to adopt cashless

transactions but delays in the completion of the process before exchange can occur is frustrating to many. Black marketeering of naira notes has become the order of the day across the country as operators of POS has exploited the situation to charge exorbitant rates on people who are desperate for cash to transact their daily needs (Igoni, 2023). This has led to unprecedented rise in cost of living, waste of manhour queueing at ATMs and banks. The impact on business is monumental. For instance, the Manufacturing Association of Nigeria (MAN) in a release complained that the scarcity of cash has led to 25 % reduction in sales and low-capacity utilization in manufacturing due to low sales. Beside MAN, small holder market men and women are the most hit particular those selling perishable items who are forced to reduce prices and a times make huge loses in their businesses.

#### **4. Politicization of the Currency redesign policy**

The attempt of the Directorate of State Security (DSS) seeking the permission of a High Court arrest and detain Mr. Godwin Emefiele, the CBN governor but turned down by the court, set the stage for the high wire politics over the implementation of the policy (Olasanmi, 2023). The secrecy of the suit and events after the ruling makes it obvious that some powerful elements in party in power were behind his travails. When the attempt to detain the CBN governor and scuttle the implementation of the policy failed, the next strategy was the open accusation of the presidential candidate of the ruling All Progressive Congress Mr. Bola Ahmed Tinubu that the policy is targeted at make him loose the February 25,2023 presidential election (Odunsi,2023)

That declaration spurred the faction of the APC in support of Mr. Tinubu to ignited a chain of attack against the Buhari led government and the CBN arguing that the pains inflicted on the people was an incitement for the party to lose the general elections (Ibrahim, 2023). The extension of the deadline for the banknotes to become invalid from January 31 to February 10, was as a result of the meeting between the president and the governors of sub-states under APC. When it became apparent that there was a push for further extension beyond the date of the election, a group of five political parties took CBN to court and got an order restraining the CBN from further extension. But the governors knowing that appealing against this case would not be resolved before the election, three APC governors decided to challenge the Federal government at the Supreme court which clearly lacked jurisdiction in the case. However, they were able to get an interim injunction barring the Federal government from stopping the use of the old banknotes until the case was determined (Ukpe.2023). When February 15, 2023 approached for the court to hear the case, seven more APC states decided to join the case and in the tradition of the court, the hearing was further extended to April 22, 2023 two days before the presidential election in what many see as a strategy by these governors to ensure that the old banknotes which many believe were stashed by them are used to buy votes (). But the president came out with a broadcast that trashed the court order insisting that the old notes have ceased to be legal tender, he however directed the CBN to release the old N200 notes to circulate side by side with the new for 60 days. Some of the APC governors including Nasir El-Rufai of Kaduna state countered the president and declared that in their states, citizens should continue to spend the old notes until the Supreme Court rules otherwise. The confusion has sparked off violent protests mostly in the southwest region of the country where the candidate of the APC hail from and there are fears that the valence if not stopped may affect the elections.

## **5. Implication of the Policy for the economy**

Though what has dominated discourse center around the negative effects of the implementation of the policy, there are gains. These include, the successful retrieval of ₦2.1 trillion of the old bank note representing 80% of the funds (Radio Nigeria,2023) The implication is strengthening of macro-economic parameter, reduction of broad money supply and deceleration of the velocity of money in the economy. Other gains include increase in cashless transactions as more businesses including many in the informal have embraced the use of POS and bank transfers thus achieving financial inclusion. There is also a significant reduction in kidnapping terrorists' activities in the country. How it will affect the disturbing vote buying in Nigeria will be determined after the general elections on February 25 and March 11, 2023.

## **6. Conclusion**

There is no doubt that the currency redesign and withdrawal limit policy are good but the intrigues in Nigerian politics as well as the timing of the programme have combined to mess the exercise up. Though the CBN and government seems to be having there way, the other faction of the ruling party is determined not to give up as sponsored violence in the guise of anguish due to naira scarcity may lead to postponement of the election since judicial reprieve may not resolve the conflict.

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