

THE IMPACT OF THE NAIRA REDESIGN ON THE TRADE VOLUMES OF GROUNDNUT MARKETERS IN KANO STATE

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Abstract

This study investigates the impact of the Naira redesign policy on groundnut marketers in Kano State, Nigeria. Specifically, it examines the socio-economic characteristics of groundnut marketers and explores the effects of the Naira redesign on groundnut trading in the study area. A multistage sampling technique was used to collect data from 90 respondents. The findings reveal that currency redesign significantly influences trading patterns, pricing dynamics, and market behaviour among groundnut marketers. In response, marketers have adopted various strategies to cope with changing economic dynamics, such as the use of digital payment methods, adjusting product offerings, and intensifying marketing efforts to cope with these changes. The study recommends the implementation of policies that enhance the cashless economy, financial assistance programs, capacity-building initiatives, and collaborative efforts to mitigate the challenges faced by groundnut marketers and foster their resilience in the evolving currency landscape.

Introduction

The role of agricultural marketing is pivotal in facilitating the effective and sustainable operation of the agricultural sector, and its significance cannot be overstated. It acts as the bridge connecting farmers and consumers, linking the production of agricultural goods to their distribution and consumption. Efficient agricultural marketing aids farmers in accessing broader markets, thereby increasing their income and livelihoods. It also contributes to food security by maintaining a consistent supply of agricultural products and stabilizing prices. Furthermore, it fosters value addition and the development of agribusiness, creating employment opportunities and bolstering rural

economies. In Africa among all the sectors, the agricultural sector remains the most significant single contributor to the growth of the region's economy accounting for 32% of the region's Gross Domestic Product (GDP) and employs above 65% of the total workforce (Matthew et al. 2019; Osabohien et al., 2020; Osabohien et al., 2018). In most African countries, more than 80% of trade-in value and above 50% of raw materials are generated from the agricultural sector (Osabohien et al., 2020). The Nigerian economy is highly dependent on the agricultural sector, which accounts for a significant percentage of the country's Gross Domestic Product (GDP). Grains such as maize, rice, sorghum, and groundnut are important crops in Nigeria, contributing significantly to food security

Objectives to the Study

The broad objective of this study was to analyze the impact of the Naira redesign on trade volumes of groundnut marketers in Kano state to generate valuable information that would contribute to the formulation and implementation of monetary and financial strategies for effective marketing in Nigeria. The specific objectives are to:

1. describe the socio-economic characteristics of groundnut marketers in Kano State.
2. determine the effect of the most recent currency redesign on the trading activities of groundnut marketers in selected markets in Kano State.
3. assess the perceptions of groundnut marketers regarding the impact of currency redesign on their business operations.
4. describe the strategies adopted by groundnut marketers in response to the currency redesign and their effectiveness

Description of the Study Area

The study was carried out in Kano State, the state lies on latitude 10°33'N to 12°37'N and Longitude 7°40'E to 9°29'E. It is within the Sudan Savannah zone. The total land area of the State is 20,709 square kilometres. The mean daily maximum and minimum temperatures are 33.1°C and 15.85°C, respectively. Kano State is bordered to the north and northwest by Katsina State, to the east and northeast by Jigawa State and the southwest by Kaduna State. According to official Gazettes of the Federal Republic of Nigeria (2007), Kano State has a population of 9,383,682 based

National Population Commission (NPC) census of 2006. The State population is projected as 15, 462, 200 million, based on an annual growth rate of 3.3%. The inhabitants of the State are mainly Hausa and Fulani, other tribes such as Igbo, Yoruba, Kanuri, Tiv etc are also inhabiting the State (NPC, 2006).

Agriculture is the major employment of labour in the State with many citizens involved in farming and trading agricultural produce like Groundnut, Millet, Sorghum, Cowpea, Corn, Wheat, Cotton, Gum Arabic and Rice, while rearing animals like cattle, horses, goat and sheep are as well prominent (Rim, 1992).

Dawanau International Groundnut Market is located in Dawakin Tofa Local Government Area of Kano State, and it is one of the largest grain markets in West Africa. It is a major hub for the trading of a wide range of groundnuts, including maize, sorghum, millet, rice, and wheat. The market is known for its large trading volumes, with traders from across Nigeria and neighbouring countries, such as Niger, Chad, and Cameroon, converging to buy and sell groundnut.

Sample Size and Sampling Technique

A multistage sampling technique was used for this study. In the first stage, purposive sampling was used to select the Dawanau market based on the concentration of groundnut marketers. The second stage involved the selection of three major market actors namely retailers, wholesalers and aggregators who are operating along the groundnut value chain in the market. Simple random sampling was used for 30 retailers, 35 wholesalers and 25 aggregators

and income generation for farmers and marketers. The marketing of groundnuts in Nigeria is predominantly informal, with small-scale farmers and traders dominating the market (Alfred et al., 2019).

Nigeria's currency, the naira (₦), has undergone several redesigns over the years. These changes have had a notable impact on the trading activities of agricultural commodities. Currency redesigns, which have historically involved modifications to banknotes and coins for security and modernization purposes, have given rise to a transition period during which both old and new currencies coexist. This transitional phase has caused lots of confusion among traders and businesses, thereby affecting the ease and efficiency of business transactions. The policy often led to a hike in the costs of doing business because business owners had to make some adjustments to cash registers and train staff on recognizing and handling the redesigned currency. The risk of counterfeiting during the transition period is also a source of concern (Enwuchola, 2020). In addition to the potential impacts on cash flow patterns and perceptions of groundnut marketers, the redesign of the Naira currency may also affect the purchasing power of consumers, which in turn may affect the demand for groundnut. This is because changes in the value of currency can impact the prices of goods and services, as well as the overall inflation rate (Nwafor, 2020). Furthermore, the introduction of new banknotes may also lead to changes in the transaction costs associated with trading groundnut, as some groundnut marketers may need to adjust their equipment or payment systems to

accommodate the new banknotes (Enwuchola, 2020).

Empirical studies examining the impact of currency redesigns on trade volumes are limited, particularly in the Nigerian context. However, existing research on the impact of currency changes on the economy provides some insights into the potential effects. For example, a study conducted by Asongu and Nwachukwu (2016) found that currency devaluation had a significant positive effect on trade in the West African Economic and Monetary Union. Similarly, a study by Ng and Tam (2016) found that currency devaluation had a positive effect on the exports of Chinese firms. Therefore, there is a need to investigate the impact of currency redesign on the trade volumes of groundnut marketers in Kano State. Groundnut is a crucial cash crop cultivated and traded by the inhabitants of Kano. The crop holds a significant position, particularly among the crops processed by women. Therefore, emphasizing the importance of understanding how government policies are influencing groundnut marketing becomes imperative. This exploration will not only shed light on the current state of affairs but also pave the way for informed discussions and potential improvements in government strategies to further enhance the growth and sustainability of the groundnut market in Kano. Hence this current study focuses on the impact of the most recent currency redesign on the trading activities of groundnut marketers in the Dawanau Market in Kano State which is among the biggest grain markets in the West African sub-region.

out of 349 marketers trading groundnut in the market. Taro Yamani's 1992 sample determination formula was used to select

the appropriate sample size of ninety (90) respondents who were involved in the study (see Table 1).

Table 1: Summary of the sampling frame

Marketers	Sampling Frame	Sampling Frame
Retailers	150	30
Aggregators	93	25
Wholesalers	106	35
Total	349	90

Method of Data Collection.

Primary data was used for the study. The data was collected using a structured questionnaire. The information collected includes among others: the socio-economic attributes of the groundnut traders, perceptions of traders on the impact of the Naira redesign policy on the volume of trade of groundnut, and the coping strategies adopted to adjust to the new

economic environment. The questionnaire is made up of two parts. The first part of the questionnaire deals with the socio-economic characteristics of the respondents. The second part, however, contains perception statements that would measure the respondents' views on the impact of the Naira redesign policy on their business activity. The statements were measured on a 5-Likert scale as presented in Table 2.

Table 2: Traders Perception Template

S/N	STATEMENTS	SA	A	U	D	SD
1.1	Changes in currency denomination have negatively affected groundnut trading					
1.2	Redesign negatively affects the demand for groundnut					
1.3	The effect of government restriction on cash withdrawal has negatively affected my trading volume					
1.4	Negative effect of the increase on withdrawal charges to trading					
1.5	Currency redesign has a negative effect on price of the groundnuts					
1.6	Currency redesign has a negative effect on business profitability					
1.7	Currency redesign has a negative effect on alternative payment methods in trading activities					
1.8	Currency redesign has a negative effect on access to credit					
1.9	Currency redesign has a negative effect on the business expansion plan					
1.10	Currency redesign has a negative effect on the increase in					

	customers					
1.11	Effect currency redesign has made it easier to conduct a transaction					
1.12	Currency redesign has a negative effect on the improvement of business operation efficiency					
1.13	Currency redesign has a negative effect on business cost increase					
1.14	Currency redesign has a negative effect on the improvement of business revenue					

Key: Strongly Agreed = SA, Agreed = A, Undecided = U, Disagreed=D, Strongly Disagreed = SD

The mean score of the traders’ perceptions of the Naira redesign policy based on the 5-point Likert scale was computed and summarized. This becomes necessary to make the data presentation analysis easy.

The scores are summarized as follows: 0.01 to 1.00 strongly disagreed; 2.00 disagreed; 2.01 to 3.00 is neutral, 3.01 to 4.00 agreed; and 4.01 to 5.00 strongly disagreed.

Table 3: Traders Coping Strategies

S/N	STATEMENTS	Yes	No
2.1	I have increased my use of digital payment methods to compensate for the currency redesign.		
2.2	I have decreased my trading activities since the currency redesign.		
2.3	I have increased my use of credit to compensate for the currency redesign.		
2.4	I have increased my use of barter to compensate for the currency redesign.		
2.5	I have increased my use of informal financial services to compensate for the currency redesign.		
2.6	I have decreased my prices to compensate for the currency redesign.		
2.7	I have increased my prices to compensate for the currency redesign.		
2.8	I have diversified my product offerings to compensate for the currency redesign.		
2.9	I have increased my advertising and marketing efforts to compensate for the currency redesign.		
2.10	I have partnered with other businesses to compensate for the currency redesign.		

Method of Data Analysis

Descriptive statistics such as frequency, percentages, mean, minimum and maximum were used to summarise the data collected. Parametric statistics using T-test

were used to assess the impact of the Naira redesign policy on the volume of groundnut trade before and after the policy.

Results And Discussion

Socio-economic Characteristics of the Respondents

The result in Table 4 presents a general overview of the socioeconomic characteristics of groundnut marketers, in the Dawanau Market in Kano State. The result shows that the majority (56.6%) of the marketers fall within the 30-49 years' age range. There is a decreasing trend in the proportions as the age increases, with 17.8% falling within the age range of 50-59 years and 13.3% were within 60-69 years of age. The mean age of the marketers was 43, while the minimum and maximum were 20 and 65 years respectively. This finding indicates a diverse representation of different age groups in groundnut marketing in the study area. It also shows that most of the markets were within the economically active ages. Thus, may be able to cope with the rigour of e-transaction caused by the scarcity of physical cash due to Naira's redesign policy. Approximately 39%, of the interviewed marketers came from households with 6-10 members, followed by 24.4% with 1-5 members. The remaining categories - 11-15, 16-20, and 21-26 - progressively decrease in representation, reflecting various household structures among the surveyed marketers.

In terms of trading experience, the marketers exhibit a range of experience in the field. The highest percentage, 42.2%, falls within the 13-21-year bracket, demonstrating a substantial number of marketers with mid-range experience. Following this, 25.6% have 22-30 years of experience, 24.4% have 4-12 years, and the remaining 7.8% have 31-39 years of trading experience. The mean trading experience stands at 19 years, with minimum and maximum years of experience of 4 to 35 years respectively.

The analysis of the monthly income earnings of groundnut marketers displays variations in their financial returns. A majority of marketers, 56.7%, earn between 10,000 and 128,000 currency units monthly. The remaining marketers are distributed across higher income brackets, with 6.7% in each of the next two income categories - 129,000-247,000 and 248,000-366,000. Furthermore, 14.4% earn between 367,000 and 485,000, while an equal 6.7% of marketers earn 486,000 and above. The mean monthly income earned by these marketers is approximately 188,427 currency units.

Table 4: Socio-economic Characteristics of Groundnut Marketers

Variables	Frequency	Percentages	Min	Max	Mean
Age					
20-29	12	13.3	20	65	43
30-39	24	26.7			
40-49	26	28.9			
50-59	16	17.8			
60-69	12	13.3			
Total	90	100.0			

Household size					
1-5	22	24.4			
6-10	35	38.9			
11-15	18	20.0			
16-20	9	10.0			
21-26	6	6.7			
Total	90	100.0			
Trading experience					
4-12	22	24.4	4	35	19
13-21	38	42.2			
22-30	23	25.6			
31-39	7	7.8			
Total	90	100.0			
Monthly income earning (₦)					
10000-128000	51	56.7	10000	600000	188427
129000-247000	6	6.7			
248000-366000	14	15.6			
367000-485000	13	14.4			
486000 and above	6	6.7			
Total	90	100.0			
Sex					
Male	65	72.22			
Female	25	27.78			
Marital status					
Single	4	4.4			
Married	86	95.6			
Educational level					
Primary	21	23.3			
Secondary	49	54.4			
Tertiary	11	12.2			
Informal	9	10.0			
Total	90	100.0			

Source: Field Survey, 2023

The result in Table 4 further indicates the sex distribution of groundnut marketers in the study area, the finding shows that the majority of the traders are male, constituting 72.22% of the sample, while females comprise 27.78%. This highlights a notable gender imbalance within this particular trade. Regarding marital status, a significant percentage, 95.6%, of the traders

are married, with only 4.4% being single. This high proportion of married individuals suggests a sense of stability and possibly a greater level of responsibility among the traders. This is in line with the findings of Kaine & Okoje (2014) who observed that those married had a diversity of livelihood as opposed to single, divorced, separate and widowed household heads.

The educational level of the groundnut traders is delineated across several categories. The majority, 54.4%, have attained a secondary level of education, signifying a reasonably moderate educational background among the traders. Additionally, 23.3% have completed primary education, while 12.2% have tertiary education. Notably, 10% have pursued informal education, indicating a segment of individuals who might have acquired knowledge and skills through the informal system. This implies that the education level is moderately high in the study area. Education level is another critical socioeconomic characteristic that significantly impacts individuals' economic prospects and social mobility. It is commonly measured by years of schooling completed or attainment of specific educational degrees. Higher education levels are associated with greater employment opportunities, higher incomes and improved socio-economic outcomes (Hanushek & Woessman 2012).

4.2 The Impact of Naira Redesign on Groundnut Trading Activities

Table 5 presents a comprehensive view of the impact of the Naira Redesign policy on

the trading value of groundnuts before and after its implementation. The data reveals that significant changes occurred in the trading values, shedding light on the consequences of this policy shift. Before the policy change, the minimum trading value of groundnuts was ₦625,000, but it dropped notably to ₦452,000 after the policy's introduction. Similarly, the mean trading value decreased from ₦1,741,284 to ₦1,556,273, underlining a general decline in the market. However, the most striking change occurred in the maximum trading value, which surged from ₦7,000,000 before the policy to ₦8,323,000 after its implementation, marking a substantial increase. The t-test results further support the significance of these shifts. The positive t-statistic of 1.920 suggests that there is a real difference in the trading values before and after the policy change. The p-value of 0.048, which is less than the typical significance level of 0.05, indicates that this difference is statistically significant. This implies Naira Redesign policy had a tangible and noteworthy impact on groundnut marketing in the study area.

Table 5: Impact of Naira Redesign Policy on Trading Value of Groundnuts Before and After

	Volume value (₦) Before	Volume value (₦) After	Remark
Minimum	625,000	452,000	Decreased
Maximum	8,323,000	4 000,000	Decreased
Mean	1,741,284	9,556,273	Decreased
T-test (t-stats)	1.920		
T-test (Prob)	0.048		Significant

4.3 Traders' Perception of the Naira Redesign

Table 6 presents the results of the perceptions of traders on the Naira redesign policy. The finding indicates a spectrum of sentiments about how the currency overhaul has affected various facets of their trading activities and businesses. Overall, the results show that several aspects of groundnut trading have been significantly impacted, with strong agreement among traders that the changes in currency denomination have adversely affected groundnut trading (4.1), the demand for groundnuts (3.4), lower business profitability (4.2), and have negatively influenced withdrawal charges and trading volumes. These perceptions indicate the impact of currency changes on specific economic activities in the study area. A similar finding was also reported by Shittu and Adebyo, 2019 in their study on the effect of currency redesign on economic growth and development in Nigeria.

Moreover, the interviewed respondents unanimously disagreed that the currency redesign has not brought about positive changes. The disagreement in their response regarding the ease of transaction (1.3), and marketing efficiency (1.3) implies that the new currency hasn't yielded observable benefits in groundnut marketing

and other business transactions in Kano State. This lack of perceived positive impact might be a critical concern for traders, who likely anticipated some form of advantageous transformation with the redesign.

However, it is noteworthy that there are areas where traders seem undecided about the impact of the currency redesign. These include its effect on alternative payment methods, access to credit (2.9), business expansion plans (2.4), and customer base (2.1). The uncertainty among traders in these areas might be due to the complex interplay of multiple factors affecting these aspects, making it challenging for them to attribute direct causation to the currency redesign alone.

The implications of these results could be multifaceted. The negative perceptions might translate into actual economic repercussions if not addressed. Traders' strong agreement on the adverse effects could potentially influence their decisions, such as altering business strategies, reevaluating investment decisions, or even contemplating shifts in the types of goods or services traded. This could result in a ripple effect on the broader economy, impacting sectors directly connected to these trading activities.

Table 6: Distribution of the Trader's Perceptions of the Naira Redesign

Statements	Mean Response	Remark
Changes in currency denomination have negatively affected groundnut trading	4.1	Strongly Agreed
Redesign negatively affects the demand for groundnut	3.4	Agreed
The effect of government restriction on cash withdrawal has negatively affected my trading volume	3.7	Agreed
Negative effect of the increase on withdrawal charges to trading	3.9	Agreed
Currency redesign has a negative effect on price of the groundnuts	3.7	Agreed
Currency redesign has a negative effect on business profitability	4.2	Strongly Agreed
Currency redesign has a negative effect on alternative payment method	2.8	Undecided
Currency redesign has a negative effect on access to credit	2.9	Undecided
Currency redesign has a negative effect on the business expansion plan	2.4	Undecided
Currency redesign has reduced the number of my customers	2.1	Undecided
Currency redesign has eased groundnut trading	1.3	Disagreed
Currency redesign has improved marketing efficiency	1.3	Disagreed
Currency redesign has a negative effect on the cost of doing business	2.4	Undecided

Source: Fieldwork, 2023

4.4 Strategies Adopted to Cope with Currency Redesign

The data presented in Table 7 revealed the strategies adopted to cope with currency redesign among groundnut marketers in Kano State. The finding shows a high frequency (87.78%) of individuals and businesses resorting to digital payment methods in response to the currency redesign suggests a significant shift towards cashless transactions. This emphasizes a growing reliance on digital financial services and indicates a need for robust technological infrastructures to support this transition. Additionally, the substantial

adoption of price decreases (72.22%) indicates a general inclination toward adjusting pricing strategies to accommodate the currency change, possibly to maintain consumer purchasing power. However, the relatively lower frequencies of strategies such as product offerings adjustments (14.44%) and price increases (16.67%) suggest that the current policy might benefit from greater flexibility and innovation in adapting product lines and pricing strategies to better align with the redesigned currency. Moreover, the reported decrease in trading activities (27.78%) signals a potential challenge that needs attention. Understanding the reasons behind this

decline and mitigating its effects could be crucial in ensuring economic stability during the Naira redesign. Overall, the finding underscores the necessity for a multifaceted approach that supports digital

financial ecosystems, encourages adaptive pricing strategies, and promotes market stability during the Naira redesign policy implementation.

Table 7: Strategies adopted to cope with currency redesign

Statements	Frequency	Percentage
Use of digital payment methods to compensate for currency redesign	79	87.78
Decreased trading activities since the currency redesign	25	27.78
Increased use of credit to compensate for currency redesign	56	62.22
Use of barter to compensate for currency redesign	50	55.56
Use of informal financial services to compensate for currency redesign	30	33.33
Price decrease to compensate for currency redesign	65	72.22
Price increased to compensate for currency redesign	15	16.67
Product offerings to compensate for currency redesign	13	14.44

Source: Field Survey, 2023

Conclusions and Recommendations

This study focuses on the impact of currency redesign on groundnut marketers in Kano state, Nigeria. Groundnut, among other crops, holds a crucial position in Nigeria's agricultural sector, contributing significantly to both food security and income generation. The currency redesign has markedly affected groundnut trading, thereby influencing the volume of trade, trading patterns, pricing strategies, and market dynamics. In response, traders have modified their product offerings and intensified marketing endeavours to adapt to the altered currency landscape. In addition, the traders' perceptions regarding the Naira redesign depict a predominantly negative impact on various trading and business-related activities. Addressing these concerns and perceptions could be vital to mitigate potential economic ramifications

and foster more positive sentiments among traders and the business community. Based on the major findings and conclusions emanated from them the following recommendations are made:

- ✓ Understanding and mitigating the perceived negative effects could involve targeted interventions to alleviate concerns about profitability, trading ease, and transaction costs. Communicating effectively about the benefits and objectives of the currency redesign might also play a pivotal role in shaping a more positive perception among traders and businesses.
- ✓ Supportive measures and interventions that would help build groundnut traders' resilience and enhance their financial inclusivity are highly recommended. This could

involve providing access to financial resources, organizing training and educational programs, and facilitating the dissemination of market information.

- ✓ Encouraging collaboration and networking among groundnut

traders, while fostering partnerships with other entities in the value chain, can collectively help address challenges and seize opportunities presented by the currency redesign.

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