

## IMPLEMENTATION STRATEGY OF THE NAIRA REDESIGN POLICY: THE ISLAMIC LAW PERSPECTIVE

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### ABSTRACT

In the year 2023, the Nigerian Currency was redesigned. The redesign was envisioned to ensuring various socio-economic advantages. The arguments in favour of the Naira redesign were that the policy was overdue with regards to best practices; it has the ability to combat currency counterfeiting, crimes as well as retract currencies outside the banking system among other benefits. However, the implementation of the policy plunged the country into serious socio-economic, financial and political quagmire. The negative impacts seem overweighing compared to the envisaged benefits. The aforesaid situation thus informed the adoption of doctrinal methodology to investigate the Islamic law perspective on the implementation strategy of the Naira redesign policy. The paper found that the implementation was in counter distinction with the Islamic law principles and concluded that the implementation of the policy should have been suspended to avert the avoidable hardships witnessed in the country by reason of the policy.

**Keywords;** *Naira, Currency, Redesign Policy, Central Bank, Islamic Law*

### BACKGROUND

The Nigerian public sphere was filled with economic and commercial bottlenecks upon the redesign of the N200, N500 and N1000 Naira currencies. The redesign policy drastically reduced the cash flow and

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currency circulation which negatively affected the livelihood of average Nigerians and rendered them financially handicapped. The evident economic hardship and inconveniences compelled some state governments to institute a civil matter at the Supreme Court to stall the implementation of the redesign policy.

Notwithstanding the aforesaid, the Central Bank maintained the argument that the redesign policy will result in economic, social and political benefits that will foster stability and development in the country. The Central Bank of Nigeria indicated that N2.7 Trillion out of the N3.23 Trillion of currency in circulation was been hoarded outside the banking system.<sup>1</sup> This monumental hoarding has inflationary tendencies and can cripple the economy. It was the believe of the bank that the redesign and cashless policy will mop up the currencies outside the banking sector and salvage the economy from inflation and imminent collapse, it will engender the development of a stable economy.<sup>2</sup>

Thus, the questions that need to be answered are: what is the position of Islamic law -as a law that is concerned with the socio-economic well-being of the society- on the Naira redesign policy that had presented a dual side of benefits and harm and how does the law react to the strategy adopted in implementing the policy?

### **Introduction**

On the 26<sup>th</sup> of October, 2022, the Central bank of Nigeria, on the directive of President Muhammadu Buhari, announced the redesign of the 200, 500 and 1000 Naira notes. The bank informed Nigerians that corresponding old Naira Notes shall cease to be legal tenders on the 31<sup>st</sup> of January, 2023.<sup>3</sup> The bank argued that the redesign was long overdue as the global best practice is to undertake a redesign every 5-8 years. It was the opinion of the bank that the redesign will occasion overwhelming benefits of retrieving 85 percent of banknotes that had

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<sup>1</sup> G. I Emefiele, 'On Progress of Implementation of New Redesigned Currency by the Central Bank of Nigeria' (2023) <[www.cbn.gov.ng/News/newsarchives.asp](http://www.cbn.gov.ng/News/newsarchives.asp)> accessed 15 July, 2024.

<sup>2</sup> ibid

<sup>3</sup> G I Emefiele, 'Press Remarks on Issuance of New Naira Banknotes, Central Bank of Nigeria' (2022) <[www.cbn.gov.ng/News/newsarchives.asp](http://www.cbn.gov.ng/News/newsarchives.asp)> accessed 14 March 2023.

been hoarded and put outside the banking sector,<sup>4</sup> tackle counterfeiting, ease inflationary pressure, and enhance financial inclusion and cashless policy. The bank further argued that the redesign policy will ensure economic and security stability in the country.<sup>5</sup>

Conversely, the CBN contended that the shortage of clean and fit banknotes will occasion negative effects and increase risk of financial stability and increase in counterfeiting. Therefore, the redesign policy is necessary and the need for its implementation is immediate.

However, despite the projected benefits of the Naira redesign, the country witnessed unprecedented acute shortage in cash flow as a result of the policy. The policy occasioned immediate negative impact on virtually all aspects of life in the country; and seriously hampered economic activities.<sup>6</sup> Yafugborhi<sup>7</sup> reported that the policy necessitated a couple of violent protests in some parts of the country. The state that experienced the protest includes Kwara, Oyo, Edo, Delta, Ondo, Benue and Rivers State. The violence led to needless loss of life and

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<sup>4</sup>Ibid.

<sup>5</sup>Ibid

<sup>6</sup>M Buhari, Full Text: Buhari's nationwide address to Nigerians on new naira; *Punch online newspaper* <<https://www.google.com/amp/s/punchng.com/new-naira-full-text-of-buharis-nationwide-address/%3famp>> accessed 16 February 2023, see also M Buhari, National Broadcast by his Excellency Muhammadu Buhari, President, Federal Republic of Nigeria on the Challenges of the Currency Swap and State of the Nation on 16<sup>th</sup> February, 2023, *Businessday online newspaper* <<https://www.google.com/amp/s/businessday.ng/amp/paywall-free/article/full-text-of-the-national-broadcast-by-president-buhari-on-the-challenges-of-the-currency-swap/>> accessed 16 February 2023. See also, M Buhari, National Broadcast by his Excellency Muhammadu Buhari, President, Federal Republic of Nigeria on the Challenges of the Currency Swap and State of the Nation on 16<sup>th</sup> February, 2023, *radio Nigeria* <<https://www.google.com/amp/s/radionigeriaibadan.gov.ng/2023/02/16/full-text-of-president-buharis-speech-on-naira-redesign-policy-crisis/>> accessed 16 March 2023.

<sup>7</sup>Punch 'New Naira Crisis: Violence spreads in states, three killed, banks burnt' (2023) <<https://www.google.com/amp/s/punchng.com/new-naira-crisis-violence-spreads-in-states-three-killed-banks-burnt/>> accessed 16 February 2023; see also E Yahugborhi, Naira redesign: One killed as hoodlums go berserk in Port harcourt, *Vanguard*, <<https://www.google.com/amp/s/www.vanguardngr.com/2023/02/naira-redesign-one-killed-as-hoodlums-go-berserk-in-port-harcourt/amp/>> accessed 16 March 2023.

destruction of properties. Banks and other government properties were destroyed and set ablaze by angry and irate protesters.

The negative effects of the policy that was not envisaged by the CBN prompted a legal tussle between some State Governments and the Federal Government of Nigeria.<sup>8</sup> The complaints of the States governments especially Kaduna, Kogi and Zamfara were that the policy had brought about needless and avoidable hardship on their citizens and residents; and that the President was wrongly advised and misled regarding the mode and timing of the outwardly brilliant redesign policy.

There was as well a political twist to the objection of the States' Government, though not placed as fact before the court in which the case instituted. Many, especially the Kaduna state governor, Nasir El-Rufai contended that the Naira redesign policy was deliberately orchestrated by some elements within the presidency in connivance with the opposition party, the PDP and the Governor of the Central Bank to influence the political behavior of the citizens against the ruling party, APC and consequently vote against its candidates, especially its presidential candidate, Asiwaju Bola Ahmed Tinubu in the 2023 General Elections.

The Supreme Court gave an interim order on the 8<sup>th</sup> of February, 2023 restraining the Federal Government from implementing the policy and that the old and new Naira Notes should concurrently be regarded as legal tenders.<sup>9</sup> Nigerians had hoped that the interim order of the court will at least enable a temporary succor and alleviate the suffering occasioned by the shortage in cash flow which had almost paralyzed all commercial activities in the country.

However, contrary to the Supreme Court's order, in what seems as a contemptuous affront on the Court, the president issued a press broadcast allowing only the old 200 Naira notes to co-exist with other new notes as legal tenders.<sup>10</sup> However, the Final Ruling in the case was

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<sup>8</sup>*A. G Kaduna State & 9 Ords. v A. G Federation & 2 Ords.* (SC/CV/162/2023, Supreme Court of Nigeria, 2023)

<sup>9</sup>*A. G Kaduna State & 9 Ords. v A. G Federation & 2 Ords.*

<sup>10</sup>C Ewokor (2023) Nigeria's Naira Shortage: President Buhari extends use of old Notes, BBC News  
<<https://www.google.com/amp/s/www.bbc.com/news/world.africa-64660839.amp>>  
accessed on the 15<sup>th</sup> of July, 2024.

delivered on the 3<sup>rd</sup> of March, 2023 faulting the manner of implementation of the redesign policy by the Federal government. The court ordered that the old notes of 200, 500 and 1000 Naira should continue to co-exist as legal tenders alongside the new notes till 31<sup>st</sup> of December, 2023.<sup>11</sup>

Consequently, the commercial banks complied partially with final ruling of the Supreme Court. They began dispensing the old notes to customers and refused to allow deposit of the corresponding old naira notes. Nigerians, especially the residents of Ilorin, Kwara State were also seen rejecting the old notes in commercial transactions. The abnormality persisted majorly by reason of the continuous silence of the then President of the Country, the CBN governor and refusal to make a statement to encourage people to obey the Ruling of the Supreme Court.

Despite the projected benefits of the Naira redesign policy, the policy had no doubt brought about undeniable economic and commercial hardships on Nigeria. Therefore, the question that bothers the mind is what will be the position of Islamic Law -being an all-encompassing and dynamic law- on this policy that had been projected to be beneficial but turned out to be with negative results? This paper adopts doctrinal methodology to probe the propriety or otherwise of the Naira redesign policy and its implementation strategy in Islamic law.

### **Concept of Money in the Conventional System**

According to Goodhart,<sup>12</sup> the striking characteristic of money is that it is a medium of exchange. This distinctive definition gave rise to the difficulty in determining what asset actually qualifies as money. Goodhart, alluded to this by presenting the view that many regard cash and cheques drawn on banks as money since they are recognized as a means of payment and generally acceptable in many world economies. Conversely, some others have argued that in order for an asset to qualify as money, it must possess intrinsic value in itself. As a result,

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<sup>11</sup> *A. G Kaduna State & 9 Ords. v A. G Federation & 2 Ords.*

<sup>12</sup> C A E Goodhart, Importance of money, A research paper prepared in the Bank of England Economic Section <<https://www.bankofengland.co.uk/-/media/boe/files/quarterly-bulletin/1970/the-importance-of-money.pdf>> accessed 16 March 2023.

Forstater (2006)<sup>13</sup> reports that researchers like Polanyi rejected the customary recognition of shell cowries as money.

According to Siddique,<sup>14</sup> modern money is created by nation states where each country declares a unique unit of account. The creation is thus used as the determinant of value for goods. As such, each denomination of money bears the value ascribed to it by the issuing nation. Similarly, Tcherneva<sup>15</sup> observed that the Chartalist theory posits that money is a unit of account that stores the value allotted to it by a public issuing authority.

### **Concept of Money in Islamic Law of Economics**

Money in Islamic economics literally translates as Naqd. The Arabic term is technically used to connote anything that serves as a store for value and can be used as a means of exchange.<sup>16</sup> Therefore, materials that can be subject of barter are regarded as money. Some other Arabic terms that had been used to represent money or a specific type or quantum of money even by the Qu'ran includes; *dinar*, *dirham*, *thaman*, *wariq* among others.<sup>17</sup>

In Islamic law of economics, money is regarded as a tool to measure value and regulate financial transactions.<sup>18</sup> It is as well viewed as a medium of exchange and a unit of account, it is however not a commodity to be made as the subject matter of a transaction.<sup>19</sup> In other

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<sup>13</sup>M Forstater, 'Taxation: Additional Evidence from the History of Thought, Economic History, and Economic Policy' in MSetterfield (eds), *Complexity, Endogenous Money, and Exogenous Interest Rates*, (Chetlham, UK: Edward Elgar)

<sup>14</sup>MZ Siddique, 'Modern Money and Islamic banking in the light of Islamic law of riba', *Int J Fin Econ* (2020)1 (1) 1-16

<sup>15</sup>PR Tcherneva, 'The Nature, Origins and Role of Money: Broad and Specific Propositions and Their Implications for Policy' (Working Paper No. 46, Center for Full Employment and Price Stability, University of Missouri-Kansas City) 2.

<sup>16</sup>M Zarra-Nezhad, 'A Brief History of Money in Islam and Estimating the Value of Dirham and Dinar' *International Association of Islamic Economics, Review of Islamic Economics* (2004) 8 (2) 51

<sup>17</sup>HM Shah & SA Bukhari, 'The Concept and Role of Money in Modern Economy: An Islamic Perspective' *Rahat-ul-Quloob* (2020) 4 (2) 72-73; See Qur'an, Suratu Al-Imran verse 75, SuratulKahf Verse 19.

<sup>18</sup>TL Imamia, A Suman & MA Multifiah, 'Islamic Paradigm of Money: Interconnected Dimensions' *Revista CEA* [2021](7) (15) 2422-3182

<sup>19</sup>Y Ismi, 'Conception of Money and Cryptocurrency in Islamic Economic Dimension' *Talaa- Journal of Islamic Finance* (2021)1 (2) 121.

words, money is regarded as a means of exchange and depository of value to be placed on commodities and not as a market commodity to be traded. The restriction of money to a depository of value is informed by the mandate of the law to foster justice, create an egalitarian economic and financial atmosphere as well as forestall injustice to the economically disadvantaged persons.<sup>20</sup>

Traditionally, precious metals especially gold and silver are items that are intrinsically regarded as money in Islamic economics. The money used in the prophetic era and a bit afterward is the Dinar and Dirham valued with gold and silver respectively.<sup>21</sup> Subsequently, the modern paper money phenomenon got introduced into the concept of money under the Islamic economic system during the Ottoman Empire.<sup>22</sup> The Islamic economic principles that guide the concept of money has accommodated the modern paper money invention since the concept does not run afoul of the recognition of the money as a mere store of the assigned value as well as a means of exchange. The acceptance is further strengthened by the fact that the classical Islamic era did not have distinct money; rather, it adopted the Dirham and Dinar form of money as they existed in the Persian and Roman Empire respectively. These kinds of moneys were minted in coins.

The prophet adopted the modification made by the people of Makkah to the Dirham and Dinar. He assigned specific measurement and weight to each of the moneys to give them a recognized value.<sup>23</sup> Subsequent Islamic era witnessed adjustments in the measurement and quantum of weight assigned to the materials adopted as money. However, gold and silver formed the basis for the measurement and weight.<sup>24</sup>

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<sup>20</sup>Y Ismi, 'Conception of Money and Cryptocurrency in Islamic Economic Dimension' 122.

<sup>21</sup>HM Shah & SA Bukhari, 'The Concept and Role of Money in Modern Economy: An Islamic Perspective'. 72.

<sup>22</sup>Y Ismi, 'Conception of Money and Cryptocurrency in Islamic Economic Dimension' P. 124; MS Imtaz, & M Azhar, 'From metal to paper: validating paper money from Islamic perspective' *International Journal of Ethics and Systems* (2018) 34 (1) 3, <https://doi.org/10.1108/IJOES-06-2017-0090>

<sup>23</sup>HM Shah & SA Bukhari, 'The Concept and Role of Money in Modern Economy: An Islamic Perspective'. 76.

<sup>24</sup>HM Shah & SA Bukhari, 'The Concept and Role of Money in Modern Economy: An Islamic Perspective'

It goes to say, therefore, that Islamic law create a latitude of discretion in the determination of the material to be recognized as money in as much as a recognized value is ascribed to such material.<sup>25</sup> Thus, paper money being a material with recognized value is regarded as money under Islamic law. Despite this position, the Islamic law abhors all anti-Islamic practices and concept that are often conventionally associated with paper money.<sup>26</sup> The acceptance of Islamic law will, therefore, be to the extent of its form as a storage of value and means of exchange.

### Legal Tender in Nigeria

The term legal tender had been defined as the money that cannot be rejected locally in settlement of debts expressed in local currency.<sup>27</sup> Legal tender had also to been taken as anything that is legally recognized as a means of settling debt either public or private as well as meeting financial obligations.<sup>28</sup> It is money which a creditor is legally obliged to accept in settlement of a debt. In other words, legal tender is any item or object that is legally clothed as a medium of exchange by which debts and financial obligations can be settled.

Legal tender serves the purpose of money but may not necessarily be money at all material time. Other objects such as Cheques, bank drafts and others may be legal tenders. Kasuaki Sono expressed this position when he asserted that the concept of legal tender is related to the discharge of monetary obligation by payment and that when a bank note is recognized as legal tender, such bank note must be attached to a specific monetary nomination.<sup>29</sup>

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<sup>25</sup> K Nouredine, & G Hassan, 'The Preeminence of Gold and Silver as Shariah Money' *Thunderbird International Business Review* (2019)61,824.

<sup>26</sup> SE Yacoob, 'The Ruling of Paper Money Usage: Analysis Based on the Evolution of Currency Development' *Asian Social Science* (2014) 10 (3) 86.

<sup>27</sup> C Obianwu, 'Why the Central Bank is Legally Wrong on Dollarisation', *Templar* <<https://www.templars-law.com/app/uploads/2015/08/Why-the-Central-Bank-is-Legally-Wrong-on-Dollarisation.pdf>>accessed 27 February 2024.

<sup>28</sup> C Potters, & A Jackson, 'Legal Tender: Definition, Economic Functions, Examples' *Investopedia*[2021]<<https://www.investopedia.com/terms/l/legal-tender.asp>>accessed 27 February 2024.

<sup>29</sup>KasuakiSono, 'Legal Tender: A Notion Associated with Payment, in 'current development in Monetary and Financial Law', *International Monetary Fund* (2003)



A legal tender is a political creation that is backed by law. Any items or object not recognized as a legal tender by the applicable law in any given country does not qualify as a legal tender. Put simply, before any object can be validly regarded as a legal tender, it must be provided for in the applicable statute meant for that purpose in the country.

The power to create legal tender in Nigeria is, by virtue of Section 2 (b) of the Central Bank Act, vested in the Central Bank of Nigeria as one of its principal functions. This function is to the exclusion of all other level of government or any of its institutions.<sup>30</sup> In furtherance of this mandate, the Bank had overtime issued different currencies of diverse denomination as legal tenders. Specifically, Section 20 of the Act<sup>31</sup>pronounced all currencies issued by the CBN to be legal tenders.

The Central Bank is empowered by the Act to issue, re-issue and exchange currencies at its offices and at other agencies it may from time to time establish or appoint.<sup>32</sup>Any currency issued or re-issued shall be of a form, design and bear devices as approved by the President of the Federal Republic of Nigeria on the recommendation of the Board.<sup>33</sup>

It is imperative to note that the combined provisions of section 2, 17, 18 and 19 of the Central Bank of Nigeria Act empowers the Central Bank on the approval of the President of Nigeria to redesign any of the currencies. It was in exercise of this power and presidential approval that the then Governor of the Bank redesigned the 200, 500 and 1000 Naira notes. Since the redesign as mentioned above, the old and new currencies continue to exist as legal tenders in the country.

### **Impact of Naira Redesign**

Currency redesign had been adjudged to have the potential to put in place some benefits. For instance, aligning with some of the advantages

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2,679 <<https://www.elibrary.imf.org/display/book/9781589061767/ch032.xml>>  
accessed 28 February 2024 <https://doi.org/10.5089/9781589061767.072>

<sup>30</sup> Section 17 Central Bank of Nigeria Act, 2007 (No 7, CAP A71).

<sup>31</sup> Central Bank of Nigeria Act, 2007

<sup>32</sup> Section 18 (b) Central Bank of Nigeria Act, 2007

<sup>33</sup> Section 19 (b) Central Bank of Nigeria Act, 2007

envisaged by the CBN, Akinleye in an empirical study found that the 2023 Naira redesign policy can be used to assert national identity and engender patriotism among the citizens, fight inflation and stabilize exchange rate. He also found that the policy has the ability to solve some other socio-political challenges being faced by the country such as vote buying during election, kidnapping and banditry, etc.<sup>34</sup>

Similarly, Otitoju et al, posited that the Naira redesign is projected as having the ability to strengthen financial inclusion, increase economic development and growth, reduce the resources expended on cash management as well as assist the government in the monitoring of money supply in the country's economy.<sup>35</sup>

However, other researches and the experiences witnessed by the Nigeria populace at the time of implementation of the redesign policy had proven that the policy is not without its negative effects. In fact the negative effect, as empirically observed, is arguably overwhelming compared to the benefits. This position is further strengthened on the premise that even some researches and literatures that presented the benefits of the policy, also, conversely noted the negative sides of the policy.

For instance, Akinleye<sup>36</sup> noted the high cost of circulating the redesigned Naira, increase in the cost of goods and services, fluctuation in the exchange rate as well as counterfeiting and identification challenges as some of the negative implication of the Naira redesign. Otitoju, et al, posited that the paucity of new naira notes as a result of the policy negatively affected small, medium and big enterprises in both the formal and informal sectors of the country's economy. They further argued that the policy negatively affected agricultural activities, as well as the services provision and manufacturing industry sectors.<sup>37</sup>

Salihu and Abubakar noted that the Naira redesign may result into public confusion as regards the recognition of the new currencies,

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<sup>34</sup> OS Akinleye, 'An overview of Policy implications of currency redesign in Nigeria', *Global Scientific journals* (2023) 11(2) 1097-1108, Online: ISSN 2320-9186, [www.globalscientificjournal.com](http://www.globalscientificjournal.com)

<sup>35</sup> MA Otitoju, 'Impact of Currency Re-design on Nigeria Economy, 2022-2023', *International Journal of Social Science and Humanities Research* (2023) 11 (3) 50-56.

<sup>36</sup> OS Akinleye, 'An overview of Policy implications of currency redesign in Nigeria'.

<sup>37</sup> MA Otitoju, 'Impact of Currency Re-design on Nigeria Economy, 2022-2023'.

increased printing cost of the notes, negative impacts on businesses, disruption of the economy and public outcry. Using Kebbi State as a case study, the researchers empirically demonstrated that the policy did not achieve its desired goals in the country.<sup>38</sup>

Similarly, Dada criticized the policy for negatively impacting and being unfavourable for local production of goods and services in the country thereby hampering its investment and business climate. The work also observed that the performances of small and medium scale business enterprises were hindered by the policy.<sup>39</sup>

Otitoju et al<sup>40</sup> focused their torchlight on how the naira redesign negatively impacted the micro, small and medium scale businesses. They posited that MSMEs faced a number of challenges such as difficulty in accessing financing schemes during the cash crunch, difficulty in dispensing old notes for fear of it being useless after it ceases to be legal tender, increased risk of counterfeiting, and decrease in money circulation which affected businesses. Business owners without access to digital banking also suffered during the cash scarcity.

Nwaezeihenatuoha,<sup>41</sup> in an empirical study found that unethical conduct and practices like denying customers access to their money, seizing customers' money and releasing ration, abnormal and uncontrolled price were perpetrated by POS operators and financial agents during the implementation of the redesign policy.

The argument that the redesign policy has the ability to recoup the 85% of all banknotes that are outside the banking system was faulted by the reason that the main purpose of banknotes is to be outside the bank to meet all the traditional purposes of money. The percentage of currency

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<sup>38</sup> SK Salihu & B Abubakar, 'Evaluation of the Impacts of Naira Redesign on the Economy of Kebbi State, Nigeria', *International Advanced Research Journal in Science, Engineering and Technology* (2023) 10 (11) 49-53.

<sup>39</sup> AO Dada, 'Currency Redesign Policy Implementation: Implications for Industrial Performance in Nigeria', *American Journal of Industrial and Business Management* (2023) 13, 889-910

<sup>40</sup> MA Otitoju, et al, 'Review of the Naira Redesign and Its Effect on Micro, Small, and Medium Enterprises (MSMEs)' *Advances in Applied Sociology* (2023) 13, 662-673

<sup>41</sup> PC Nwaezeihenatuoha, 'Public Opinion on the Influence of Naira Redesign on Socioeconomic Activities and Living Standard in Nigeria', *IMSU Journal of Communication Studies* (2023) 7 (1) 171-180

outside the bank had always been above 80% in Nigeria's history. As such, the narrative that currency outside the banking system accounts for the high prices of commodity may not be well founded.<sup>42</sup>

### **Implementation Strategy of Naira Redesign Policy**

The redesigned Naira notes were launched on the 23<sup>rd</sup> of November, 2022. Consequently, the Central Bank of Nigeria gave all Nigerians till the 31<sup>st</sup> of January, 2023 to deposit all old notes in their possession. The old notes were to lose the status of being legal tender after the 31<sup>st</sup> January, 2023.<sup>43</sup> The period for the deposit of old notes was just two months. Nigerians were expected to visit or open a bank account at any commercial bank of their choice or CBN authorized agents to deposit old Naira notes. These banks operated from Mondays to Saturdays during this period. On the other hand, the Central Bank pegged the maximum withdrawal over the counter limit by individual and corporate body at N100, 000 and N500, 000 respectively. The maximum withdrawal over the Automated Teller Machine was limited to N100, 000 in a week and a maximum of N20, 000 per day.<sup>44</sup>

These restrictions led to serious lock jam at the premises of commercial banks. Customers were stranded, cashless and cases of stampedes were widely reported. The outcry by citizens therefore necessitated a review of the restrictions. The restriction was thus relaxed via a letter dated 21<sup>st</sup> of December 2022 to adjust the withdrawal limits a bit upward.<sup>45</sup>

Consequently, the withdrawal over the counter limit by individual and corporate body was reviewed to N500, 000 and N5, 000.000 respectively. Third party cheques above N100, 000 were not honoured over the counter.<sup>46</sup>

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<sup>42</sup> O Oyadeyi, 'The Proposed Naira Redesign, the Ensuing Cash Crunch, and Their Implications on the Nigerian Economy – Evidence from Q1 2023', *MPRA Paper No. 117550* (2023) <<https://mpra.ub.uni-muenchen.de/117550/>> accessed 20 March 2024

<sup>43</sup> [https://www.cbn.gov.ng/out/2022/ccd/naira\\_redesign.pdf](https://www.cbn.gov.ng/out/2022/ccd/naira_redesign.pdf)

<sup>44</sup> Letter titled 'Naira Redesign Policy –Revised Cash Withdrawal Limits' BSD/DIR/PUB/LAB/015/069 dated 6<sup>th</sup> December, 2022

<sup>45</sup> Letter titled 'Re: Naira Redesign Policy –Revised Cash Withdrawal Limits' BSD/DIR/PUB/LAB/015/073 dated 21<sup>st</sup> December, 2022

<sup>46</sup> Ibid

### **The Islamic Law Position on the Implementation Strategy of Naira Redesign Policy**

Under Islamic economic and financial law, the particular material recognized as money does not have a hard and fast rule. What matters is the wide recognition and determinate value given to it by the appropriate authority. Thus, the allowance to clothe any given material with the status of money and the liberty to change a material earlier used as money to another is justified.

The change by the prophet from the use of raw precious materials like gold and silver to the Dinar and Dirham was predicated on the above latitude. The prophet however assigned the value of gold and silver to the Dinar and Dirham respectively<sup>47</sup>.

It goes to say that since the prophet did not invent any money of particular design but rather adopted an already designed one,<sup>48</sup> thus a redesign of the existing money will ordinarily be allowed as even the Muslim world had witnessed money redesign and revaluation over history.<sup>49</sup> Therefore, it is convenient to posit that the redesign of Naira Currencies in Nigeria is not antithetical to the Islamic law position on money.

However, what is of concern about the Naira redesign policy in Nigeria is the negative socio-economic and financial effects brought about by the mode of implementation of the policy as discussed above. The Islamic law has a cardinal objective of eradicating or mitigating

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<sup>47</sup> HM Shah & SA Bukhari, 'The Concept and Role of Money in Modern Economy: An Islamic Perspective'.

<sup>48</sup> AI Alam, 'Money in islam: A Social Contract Perspective', <<https://www.researchgate.net/publication/319813210>> accessed 12 March 2024, DOI: 10.13140/RG.2.2.18325.63206; see also MS Imtaz, & M Azhar, 'From metal to paper: validating paper money from Islamic perspective' 6

<sup>49</sup> Y Ismi, 'Conception of Money and Cryptocurrency in Islamic Economic Dimension', 123.

hardship<sup>50</sup> in the event of the impossibility of total eradication.<sup>51</sup> Thus, Islamic law will naturally put the implementation of any policy that occasions avoidable hardship as brought about by the Naira redesign to a halt.

It is instructive to note that the implementation strategy failed to consider the large number of Nigeria who do not operate a bank account prior to the policy. The period within which they are expected to open a bank account is inconceivably short. According to a survey conducted in the year 2020 just above slightly above half of the Nigerian Adults uses formal financial services.<sup>52</sup>

The survey indicated that just 53.6 million adults translating to 50.5 percent use formal financial services. One out of two Nigeria adults does not benefit from formal financial services including operating a formal bank account, while one out of three are totally financially excluded.<sup>53</sup>

Although the recent survey conducted in the year 2023 recorded a slight improvement in the number of adults operating in formal financial services,<sup>54</sup> the improvement is not so significant. Thus, it was not expedient for the central bank to have expected about a half of Nigerian adults to key into the formal financial services including operating a formal bank account in period of less than two months.

Furthermore, there was no available evidence to suggest that the Central Bank has empirically determined the cash need of Nigerians before arriving at the cash withdrawal limits. This omission had the

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<sup>50</sup> The Islamic legal principle ‘Darar Yuzal’ mandate the elimination of hardship. The principle is espoused from numerous textual evidences of Shari’ah such as Qur’an suratul Baqarah verse 231, 233, 282, Suratut-Tawbah verse 107, Suratut-Talaq verse 6, and Suratul Hajj verse 78. See M M Sabah, Qaidatu Ad-Dararu Yuzal; hujjatuha wa Dhawabituha, accessed on <https://ebookuniveyes.com/124518> on the 17 July, 2024

<sup>51</sup> M. M Az-Zuhayliy ‘Al-Qawaidu Al-Fiqhiyyah wa Tatbeeqatiha fil Madhahibi Al-Arba’ah’ (1<sup>st</sup> edn, Vol.1, DarulFiqr, Damascus, 2006) 215.

<sup>52</sup> EFInA, Access to Financial Services in Nigeria 2020 Survey (2021) <https://efina.org.ng/our-work/research/access/> accessed 17 April 2024.

<sup>53</sup> EFInA, Access to Financial Services in Nigeria 2020 Survey

<sup>54</sup> EFInA, A2F2023 Survey–Key Highlights; Unlocking Insights to accelerate Financial and Economic Inclusion (2023) <<https://efina.org.ng/our-work/research/access/>> accessed 17 April 2024

consequences of generating cash crunch and avoidable hitches at the banks.

The arguments by the Central Bank that the policy have the potency of recouping 85 percent of hoarded banknotes, fight counterfeiting and ensure other economic benefit cannot justify the hasty mode of implementation that eventually occasioned negative effects such as devastating shortage in cash flow that paralyzed virtually all economic and commercial activities in the country, there were also reports of stampedes and death of innocent citizens at banks while struggling to get cash to meet their daily needs. The hasty and unprofessional implementation of the policy in the face of the weighing negatives is a clear example of curing a menace with and bringing about a far bigger menace.

The Islamic law frowns at a situation such as the above and had evolved jurisprudential principles such as ‘eliminating hardship but not with a similar hardship’.<sup>55</sup>the basis for the aforementioned principle is espoused from the primary source of Islamic Law.<sup>56</sup> Thus, while is desirous to alleviate or eliminate a harming phenomenon. Islamic law does not allow the alleviation or elimination by a corresponding harm or a harm of a higher degree. As such. The removal of harm should not occasion a harm of a corresponding or higher nature. Thus, if the alleviation of a harm will lead to another harm, the law will maintain the status quo, in such situation the existing harm should be endured if there is no alternative.<sup>57</sup>

In the kind of overturn situation brought about by the redesign policy which presented a double edge sword of hardship, Islamic law will practically endure the minutest of the hardship. Thus, the undesirable

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<sup>55</sup>M. M Az-Zuhayliy ‘Al-Qawaidu Al-Fiqhiyyah wa Tatbeeqatiha fil Madhahibi Al-Arba’ah’ (1<sup>st</sup> edn, Vol.1, DarulFiqr, Damascus, 2006) 215.

<sup>56</sup> For instance Qur’an, suratul An’am verse 108 provides ‘And do not abuse those whom they call upon besides Allah, lest exceeding the limits they should abuse Allah out of ignorance..’ the verse legislate the consideration of the effect of eliminating a hardship, it gave preference to maintaining the status quo when the elimination of a hardship will occasion another hardship. The condemnation of polytheism is a commendable act but the verse enjoins the avoidance of such condemnation when it is likely to lead to another hardship ,in fact, of a higher degree which is abusing Allah out of ignorance.

<sup>57</sup>ibid

economic situation of the country in relation to the naira currency would have been maintained to avert the more devastating and paralytic negative effects that were witnessed at the implementation of the policy.

Similarly, the implementation process by the CBN ran afoul of the principle of Islamic Jurisprudence that places precedence on the prevention of hardship above the acquisition of benefit. Thus, if one concedes to the argument that the redesign policy had the benefit of ensuring economic, political and social wellbeing for the country, it conversely generated similar avoidable economic, political and social discomfort. The application of the aforementioned jurisprudential principle then suggests that the implementation should have been subdued having portend the hardships that were witnessed.

### **Findings and Conclusion**

The paper interrogated the perspective Islamic law on the Naira redesign policy. The interrogation was agitated by reason of the dual edge of benefits and detriments presented by the policy. It found that although Islamic law do not oppose the redesign of a currency, it however opposes the strategies that were employed in the implementation of the Naira redesign policy. It contended that the hardship occasioned by the implementation strategy overwhelmed its anticipated benefits.

Consequently, the paper opined that the policy ought to have been halted in accordance with the Islamic jurisprudential principles that places preference on averting hardship over derivation of benefits.