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Currency Redesign Policy and Ease of Doing Business in Nigeria: Tracing the Implications on the Informal Sectors of the Economy

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Abstract: This study examines the implications of Nigeria's 2022 currency redesign policy on the ease of doing business in the informal sector. Given that the informal sector contributes significantly to Nigeria's GDP and employment, the abrupt implementation of the policy created liquidity constraints, disrupted transactions, and heightened financial exclusion risks. The study highlights the challenges faced by small traders and daily wage earners who rely heavily on cash-based transactions. It also evaluates the broader economic consequences of the policy, including its impact on market confidence, consumer spending, and business sustainability.

Purpose: The research aims to assess the effects of the 2022 currency redesign policy on business operations within Nigeria's informal sector. It explores how liquidity shortages, limited access to financial services, and the lack of digital transaction infrastructure affected business continuity and economic stability.

Design/Methodology/Approach: This study employs a documentary research method, analyzing secondary data from policy reports, economic studies, and government publications. A qualitative approach is used to evaluate the economic implications of the currency redesign, focusing on transaction efficiency, financial inclusion, and business resilience.

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Findings: The study finds that the sudden withdrawal of old naira notes, without a sufficient supply of new currency, severely impacted the informal economy. The policy led to a liquidity crisis, reduced business activity, and forced many traders to suspend operations. Furthermore, while digital transactions increased temporarily, financial infrastructure limitations hindered long-term adoption. The findings emphasize the need for gradual implementation strategies and improved financial inclusion measures to prevent economic disruptions.
Originality/value: This study contributes to the discourse on monetary policy and economic stability by providing a focused analysis of how currency redesign policies affect the informal sector. It offers insights into the challenges of implementing monetary reforms in cash-dependent economies and highlights policy recommendations to mitigate adverse effects on business operations.
Keywords: currency redesign; informal sector; ease of doing business
Paper Type: Research-Article

Introduction

Nigeria's economic landscape has undergone significant transformations since gaining independence in 1960. In the early post-independence years, the economy was heavily reliant on agriculture, which accounted for more than 60% of the nation's GDP (National Bureau of Statistics 2023). However, the discovery of oil in the Niger Delta in the late 1950s marked a pivotal shift, redirecting the country's economic focus toward petroleum as the primary revenue source. This transition to an oil-dependent economy introduced a new set of challenges, including increased susceptibility to global oil price fluctuations, which have contributed to the nation's economic instability over the decades (Akeem et al. 2024). Despite the substantial revenue generated from oil, Nigeria's economic development has been uneven, with notable disparities between the formal and informal sectors.

The informal sector, comprising small-scale traders, artisans, and service providers, plays a crucial role in Nigeria's economy. It contributes approximately 65% to the GDP and provides employment for nearly 80% of the workforce (ILO, 2021). However, this sector remains largely underdeveloped and operates predominantly outside the formal financial system, relying heavily on cash transactions. The reliance on cash makes the informal sector particularly vulnerable to monetary policies, such as currency redesign and management initiatives, which can have profound implications on its operations.

Currency redesign policies have been periodically implemented in Nigeria as tools for economic stabilization, countering inflation, and curbing counterfeiting (Tosa-Williams and Wokocha 2024). The most recent policy, introduced by the Central Bank of Nigeria (CBN) in 2022, involved the redesign of the naira and the gradual withdrawal of old currency notes from circulation (Central Bank of Nigeria 2023). While the policy was intended to modernize the economy and reduce the costs associated with currency management, its abrupt implementation had significant repercussions for the informal sector, which is heavily dependent on cash transactions. The withdrawal of old naira notes and the introduction of new ones resulted in liquidity challenges, severely disrupting the ease of doing business within the informal sector (Ebekozien et al. 2024; Hassan, Bala, and Marafa 2024; Monye Ebele 2024). This disruption highlighted the fragility of the informal economy in the face of sudden monetary policy changes and raised critical questions about the broader implications of such policies on business operations in this sector. It also underscored the urgent need to better integrate the informal sector into the formal economy, ensuring that policy interventions do not inadvertently harm the very sectors they seek to stabilize.

Given the centrality of the informal sector to Nigeria's economic fabric, this study aims to examine the implications of the

2022 currency redesign policy on the ease of doing business within this sector. By tracing the policy's effects on liquidity, transaction efficiency, and business continuity, the study seeks to provide insights into how monetary policies can be designed and implemented to support, rather than hinder, the informal economy. The findings will contribute to the broader discourse on economic policy and inform strategies for enhancing financial inclusion and business resilience in Nigeria's informal sector.

Given the centrality of the informal sector to Nigeria's economic framework, this study aims to examine the implications of the 2022 currency redesign policy on the ease of doing business within this sector. By assessing the policy's effects on liquidity, transaction efficiency, and business continuity, this research seeks to provide insights into how monetary policies can be designed and implemented to support, rather than hinder, the informal economy. The findings will contribute to the broader discourse on economic policy and inform strategies for enhancing financial inclusion and business resilience in Nigeria's informal sector.

Methods

This study utilizes a documentary research design to investigate the implications of the Naira redesign policy on the ease of doing business, specifically focusing on Nigeria's informal sector. The research methodology is structured around a comprehensive review of existing literature, policy documents, and historical data to assess the impact of the currency redesign on business operations, transaction costs, and financial behaviours within the informal sector. This approach involves systematically reviewing and analyzing secondary sources of data which allowed for an in-depth examination of the policy's effects by synthesizing information from various documented sources, providing a broad understanding of the context and implications of the currency redesign. This documentary research methodology enables a thorough examination of the currency redesign policy's impact on Nigeria's informal sector by leveraging existing knowledge and documented evidence. The insights gained from this approach will contribute to a deeper understanding of the policy's implications and inform future strategies for enhancing the ease of doing business in Nigeria.

Discussion and Findings

Currency Redesign and Its Impact on Nigeria’s Informal Economy

Currency redesign is often implemented as a tool for enhancing economic stability, reducing counterfeiting, and controlling inflation. However, in economies where a large portion of financial transactions occur outside formal banking channels, the impact of such a policy can be far-reaching and disruptive (Abubakar and Yandaki 2023). Nigeria’s 2022 currency redesign policy serves as a case study in the complexities of monetary interventions, exposing both the vulnerabilities and adaptive capacities of an economy heavily reliant on cash transactions (Dada 2023). While the policy aimed to address macroeconomic concerns, its execution disproportionately affected the informal sector, leading to liquidity constraints, transaction inefficiencies, and heightened financial exclusion risks.

The informal economy in Nigeria plays a crucial role in sustaining livelihoods and driving economic activity. A significant percentage of the workforce operates outside the formal financial system, depending on cash-based transactions for their daily business operations. The abrupt removal of old currency notes, without an adequate supply of new ones, created a systemic shock that disrupted economic exchanges at multiple levels (Dada 2023). The lack of accessible alternatives forced many small businesses and market traders to either suspend operations or resort to unconventional forms of payment, highlighting the fragile nature of cash-dependent economies. Rather than promoting economic stability, the policy exacerbated financial uncertainty, revealing weaknesses in the country's monetary planning and implementation strategies.

One of the most immediate consequences of the redesign was the severe liquidity crisis it triggered. With insufficient availability of new currency notes, individuals and businesses found themselves unable to conduct routine transactions, leading to a slowdown in economic activity (Tosa-Williams and Wokocha 2024). This phenomenon was not merely an inconvenience but a direct threat to the survival of businesses that operate on thin profit margins (Chodorow-Reich et al. 2020a). Many traders and daily wage earners who lacked bank accounts or access to digital payment systems were left in a precarious position, unable to purchase goods or receive payments for services rendered. In theory, currency redesign should enhance trust in the monetary system, but in practice, it had the opposite effect by undermining confidence in the government's ability to manage economic transitions effectively.

Beyond liquidity concerns, the policy also revealed deeper structural issues related to financial inclusion. While proponents of the redesign argued that it would accelerate the adoption of digital transactions, the reality was that much of Nigeria's population remained unprepared for such a transition. Financial infrastructure, particularly in rural areas, remained inadequate, with limited access to banking services and unreliable digital payment networks (Egwuatu, Sebastian, and Anthony A 2023). The forced shift toward electronic transactions did lead to a temporary increase in mobile banking usage, but this was largely out of necessity rather than preference. Many individuals reverted to cash transactions as soon as new currency notes became available, demonstrating that sustainable digital adoption requires more than just policy mandates—it requires long-term investment in financial literacy, technological accessibility, and public trust in non-cash payment systems.

The broader economic implications of the currency redesign extend beyond its immediate effects on liquidity and transaction efficiency. By disrupting informal sector activities, the policy inadvertently contributed to a contraction in consumer spending, which had ripple effects across the economy. Lower-income groups, who primarily transact in cash, were disproportionately affected, leading to reduced purchasing power and declining sales for small businesses. This, in turn, affected supply chains and labor markets, illustrating how a poorly executed monetary intervention can create unintended consequences across multiple economic layers. Rather than stabilizing inflation as intended, the redesign may have exacerbated economic pressures by creating artificial scarcities and reducing overall market fluidity.

The policy also raised fundamental questions about the effectiveness of top-down monetary interventions in addressing economic challenges in developing economies (Aladejebi, Oladimeji, and Bukola 2023). While central banks often justify currency redesigns as a means to combat counterfeiting and illicit financial activities, their success largely depends on strategic execution and stakeholder engagement (Otitoju et al. 2023). In Nigeria's case, the lack of a clear transition plan, inadequate public awareness campaigns, and the failure to ensure seamless cash availability contributed to widespread resistance and economic disruption (Otitoju et al. 2023). Had the government adopted a more gradual and inclusive approach, the adverse impacts could have been mitigated, allowing businesses and individuals sufficient time to adjust.

A critical lesson from this policy experience is the importance of understanding the socio-economic realities of affected populations before implementing large-scale monetary reforms (Bamidele 2023). The informal sector, despite its lack of formal recognition, is a vital component of Nigeria's economic fabric, and policies that fail to account for its dynamics risk doing more harm than good. The assumption that financial modernization can be achieved through abrupt currency changes overlooks the deeply ingrained habits and infrastructural constraints that shape monetary behaviors in cash-reliant societies. Sustainable financial reforms must be built on a foundation of gradual transition, accessibility, and trust, rather than forced adaptation driven by policy imperatives.

The case of Nigeria's currency redesign underscores the need for a more nuanced approach to monetary policy, one that balances macroeconomic objectives with the realities of everyday financial practices. Instead of treating currency redesign as a singular solution to economic challenges, policymakers must integrate it within a broader strategy that includes financial education, infrastructure development, and phased implementation plans. Without these supporting mechanisms, such policies risk creating more economic instability than they seek to resolve. The Nigerian experience serves as a cautionary tale, illustrating that while currency redesign can be a valuable tool, its effectiveness is ultimately determined by the extent to which it aligns with the lived economic realities of the people it aims to serve.

Ease of Doing Business in Nigeria: A Critical Analysis of Structural Barriers and Informal Sector Challenges

The ease of doing business in Nigeria has been a subject of extensive debate, reflecting the complexities and structural inefficiencies that characterize the country's economic environment. The World Bank's Ease of Doing Business Index evaluates the business climate in various countries based on multiple indicators, including the ease of starting a business, dealing with construction permits, getting electricity, registering property, obtaining credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency (Olagunju and Ikeolumba 2019). While Nigeria has made progress in improving its business environment, significant challenges persist, particularly in areas related to regulatory inefficiencies, infrastructure, and financial accessibility.

One of the most significant obstacles to doing business in Nigeria is the regulatory framework, which remains cumbersome and inefficient. Bureaucratic red tape, inconsistent policies, and slow administrative procedures create barriers to entry for both local and foreign businesses. The process of registering a business, obtaining necessary permits, and complying with tax regulations is often fraught with delays and excessive costs, discouraging potential entrepreneurs and investors. Corruption within regulatory agencies further complicates these processes, leading to arbitrary enforcement of rules and additional unofficial costs that burden businesses (Nnabuife, Okeke, and Ndubuisi-Okolo 2018).

The lack of reliable infrastructure is another major impediment to business operations in Nigeria. Poor road networks, inadequate power supply, and limited access to clean water increase operational costs and reduce efficiency. Businesses frequently rely on alternative power sources, such as diesel generators, to mitigate electricity shortages, which significantly raises production expenses. The absence of well-maintained transportation systems also hinders the efficient movement of goods and services, thereby limiting market access for businesses operating within both urban and rural areas.

Access to credit remains a critical challenge, particularly for small and medium-sized enterprises (SMEs) that form the backbone of Nigeria's economy (Ugoani 2012). Many businesses struggle to secure funding due to stringent collateral requirements imposed by financial institutions. High interest rates further discourage borrowing, limiting opportunities for expansion and innovation. The absence of comprehensive credit reporting systems exacerbates this issue, making it difficult for lenders to assess the creditworthiness of potential borrowers, which, in turn, constrains financial inclusion and economic growth.

The informal sector plays a crucial role in Nigeria's economy, contributing significantly to employment and GDP. However, this sector faces unique challenges that further complicate the ease of doing business. The informal sector encompasses a wide range of small-scale enterprises, including street vendors, artisans, and small traders who operate outside formal regulatory frameworks. While this allows for greater flexibility, it also exposes businesses to vulnerabilities such as lack of legal protection, exclusion from formal financial systems, and exposure to arbitrary law enforcement actions. The absence of social protections for workers in the informal sector leads to economic insecurity, limiting their ability to invest in long-term growth and sustainability.

The 2022 currency redesign policy implemented by the Nigerian government further highlighted the challenges faced by businesses, particularly those in the informal sector. The policy, aimed at reducing counterfeiting and improving monetary control, led to liquidity shortages and disruptions in cash transactions. Given that a large proportion of Nigeria's economic activities rely on cash-based transactions, the sudden withdrawal of old currency notes without an adequate transition period resulted in significant business disruptions. Small traders and daily wage earners, who primarily operate in cash, faced difficulties in conducting transactions, leading to reduced business activities and financial losses. This situation underscored the need for more inclusive monetary policies that consider the realities of the informal sector before implementation.

Despite these challenges, Nigeria possesses economic potential, and several initiatives have been undertaken to improve the business environment. The government has introduced reforms aimed at streamlining business registration processes, enhancing digital financial services, and improving infrastructure. Efforts to expand financial inclusion through mobile banking and fintech solutions have shown promise in bridging the gap between formal financial institutions and the informal sector. Additionally, investments in road and energy infrastructure, though still inadequate, indicate progress toward addressing structural deficiencies that hinder economic growth.

There is a critical need for comprehensive policy interventions that address the fundamental barriers to doing business in Nigeria. Regulatory reforms should focus on reducing bureaucratic inefficiencies, increasing transparency, and curbing corruption within government agencies. Simplifying tax regulations and streamlining business registration processes would encourage more entrepreneurs to formalize their operations, thereby expanding the tax base and improving economic stability. Enhancing infrastructure development, particularly in power supply and transportation networks, should be prioritized to reduce the operational costs of businesses and improve market accessibility.

Access to credit must also be improved through the expansion of alternative financing mechanisms, such as microfinance institutions and credit guarantee schemes. Strengthening financial literacy programs and credit reporting systems can help small businesses build creditworthiness, increasing their chances of securing funding. Special attention should be given to integrating the informal sector into the broader economic framework by providing incentives for registration and offering tailored financial products that meet their unique needs. A more inclusive approach to economic policymaking is essential to ensure that policies account for the realities of both formal and informal economic players. Engaging stakeholders from various sectors, including small business owners, financial institutions, and consumer advocacy groups, can facilitate the creation of policies that are practical, effective, and sustainable. The informal sector should not be viewed merely as a regulatory challenge but rather as a vital component of the economy that requires support and recognition (Olagunju and Ikeolumba 2019). While Nigeria has made strides in improving its ease of doing business, significant challenges remain. Addressing regulatory inefficiencies, infrastructure deficits, and financial access limitations is crucial for fostering a more business-friendly environment. The informal sector, given its economic significance, must be better integrated into policy considerations to ensure inclusive growth. By implementing strategic reforms and promoting economic inclusivity, Nigeria can enhance its business climate, attract investment, and drive sustainable economic development.

Currency Redesign and Economic Policy

Currency redesign has been used by countries worldwide as a tool to achieve specific economic objectives, with varying degrees of success. While proponents argue that currency redesign can help combat inflation, eliminate counterfeit money, and improve financial inclusion, critics highlight the risks of economic disruption, liquidity shortages, and unintended consequences on vulnerable sectors. The success of currency redesign largely depends on the timing, execution, and economic context in which it is implemented. The impact of such policies is often felt most acutely by informal economies, small businesses, and populations reliant on cash transactions.

Historically, large-scale currency redesigns have been implemented for different reasons, ranging from economic stabilization to political considerations. The introduction of the euro in 1999 by the European Union serves as one of the most significant examples of a successful currency redesign. The transition from multiple national currencies to a single currency aimed to enhance economic integration, simplify trade, and stabilize financial markets. While the euro's introduction initially faced technical and logistical challenges, the long-term effects demonstrated that well-planned currency redesigns could foster economic growth and stability (De Grauwe 2009). The European case highlights the importance of institutional preparedness, gradual implementation, and strong economic fundamentals in determining the success of such a policy.

Contrasting this, India's 2016 demonetization policy exemplifies the potential disruptions caused by poorly executed currency redesign. The sudden invalidation of 500 and 1,000 rupee notes, which constituted over 85% of the currency in circulation, was intended to curb corruption, black money, and counterfeit currency (Lahiri 2020). However, the abrupt implementation led to severe liquidity shortages, disproportionately affecting the informal sector and daily wage earners who relied on cash transactions. Small businesses suffered, agricultural trade slowed, and consumer spending declined sharply, leading to significant economic dislocation (Chodorow-Reich et al. 2020b). The Indian case underscores the necessity of ensuring sufficient planning, logistical preparedness, and public awareness to mitigate negative impacts.

Another case of currency redesign driven by economic turmoil is Zimbabwe's 2008 redenomination policy, which attempted to control hyperinflation by removing multiple zeros from its banknotes (Nkomazana and Niyimbanira 2014). Hyperinflation had eroded the value of the Zimbabwean dollar to the extent that daily transactions required stacks of nearly worthless banknotes (McIndoe-Calder, Bedi, and Mercado 2019). While the redenomination provided temporary relief, it failed to address the underlying economic instability caused by fiscal mismanagement, political instability, and excessive money printing. Eventually, Zimbabwe abandoned its national currency in favor of a multi-currency system dominated by the U.S. dollar (Hanke and Kwok 2009). This case demonstrates that currency redesign alone cannot resolve deep-rooted economic issues without accompanying structural reforms.

The impact of currency redesign is particularly pronounced in developing economies where informal markets dominate. In many African nations, including Nigeria, the informal sector plays a critical role in employment and economic activity. The redesign of Nigeria's currency in 2022 was intended to combat inflation, improve monetary policy control, and reduce the prevalence of counterfeit notes. However, the rapid transition resulted in widespread cash shortages, disrupting business operations, especially for small traders, rural communities, and transportation networks. The policy disproportionately affected the most economically vulnerable populations, who lacked access to digital payment systems and relied heavily on physical cash (Ebekozien et al. 2024). The Nigerian experience highlights the unintended consequences of currency redesign when monetary authorities fail to account for the realities of cash-dependent economies.

Another significant aspect of currency redesign is its impact on public trust and confidence in financial institutions. When poorly managed, currency reforms can erode public faith in the central bank and government policies, leading to capital flight and increased reliance on foreign currencies. In contrast, well-executed currency redesign can enhance the credibility of financial institutions, promoting economic stability and encouraging investment. Public perception plays a critical role in determining the success of such policies, as uncertainty and lack of trust can trigger panic withdrawals and hoarding behaviors, exacerbating financial instability.

The role of digital financial infrastructure in mitigating the negative effects of currency redesign cannot be overstated.

Countries with advanced mobile banking and digital payment systems, such as Kenya with its M-Pesa platform, have been more resilient to cash shortages during monetary policy shifts. In contrast, economies with limited digital financial inclusion experience greater economic distress when sudden changes to cash availability occur. Encouraging financial inclusion through digital banking and electronic payment systems can help reduce dependence on physical cash, making future currency redesigns more seamless and less disruptive.

A critical examination of currency redesign policies reveals that their success is contingent on several factors: economic preparedness, public communication, financial infrastructure, and policy consistency. Abrupt and poorly coordinated changes can lead to unintended consequences that disproportionately affect marginalized groups. The lessons drawn from international experiences indicate that policymakers must adopt a comprehensive approach, considering not only macroeconomic objectives but also the real-world impact on businesses and individuals. A strategic and well-planned approach to currency redesign can enhance economic resilience, whereas hasty implementations risk economic instability and public distrust.

Currency Redesign and Its Economic Implications

Currency redesign has historically been implemented by various nations as a strategic economic policy tool. While its objectives may range from combating inflation, curbing corruption, and improving financial security to fostering economic modernization, the consequences of such policy decisions often extend beyond the anticipated outcomes. In the case of Nigeria, the recent currency redesign policy by the Central Bank of Nigeria (CBN) significantly impacted the informal sector, which constitutes a substantial portion of the nation's economy. Analyzing this policy through the lenses of Quantity Theory of Money, Signaling Theory, and Institutional Theory provides a deeper understanding of its economic implications and effectiveness.

The Quantity Theory of Money posits that changes in the money supply have a direct impact on inflation and overall economic activity (Chattopadhyay 2019). The sudden withdrawal of old currency notes without a proportional and timely replacement of new notes led to liquidity constraints within the informal sector. Small-scale traders, artisans, and other cash-dependent businesses experienced severe disruptions as cash transactions became increasingly difficult. The contraction in the money supply resulted in decreased consumer spending, causing a decline in demand for goods and services. This slowdown in economic activity ultimately exacerbated economic instability. The inability of businesses to access sufficient cash for daily operations underscores the argument that monetary contractions, if not well managed, can lead to short-term economic distress and potentially trigger a recessionary environment.

Signaling Theory offers a perspective on how economic policies convey information to market participants and influence business confidence (Connelly et al. 2011). The announcement and execution of Nigeria's currency redesign policy sent mixed signals to both domestic and international investors. While the policy was framed as a strategy to curb illicit financial flows and encourage digital transactions, the abrupt implementation and inadequate infrastructure for currency distribution created uncertainty. Many businesses within the informal sector hesitated to engage in financial transactions due to fears of further monetary instability. This decline in confidence hindered investment and exacerbated economic uncertainty. Additionally, the perception that the policy was implemented without sufficient planning further weakened trust in Nigeria's financial institutions. Effective signaling requires consistency and clarity in policy communication to avoid unintended negative market reactions. The failure to provide clear timelines and contingencies led to a decline in business confidence, ultimately undermining the potential benefits of the policy.

Institutional Theory emphasizes the role of regulatory and financial institutions in shaping economic outcomes (Gershenson and Dobbin 2015). The effectiveness of the currency redesign policy was largely contingent on the capacity of Nigeria's financial institutions to manage its implementation. Weaknesses in policy communication, inadequate banking infrastructure, and limited digital payment penetration within the informal sector magnified the policy's adverse effects. The inability of financial institutions to efficiently distribute new currency notes created logistical bottlenecks, disproportionately affecting small businesses that rely on cash transactions. Furthermore, the policy's success was dependent on broader financial inclusion initiatives, which had not been sufficiently established prior to implementation. Without institutional readiness, economic policies—regardless of intent—may falter due to practical execution challenges. Strengthening institutional capacity and improving coordination among financial regulators is critical to mitigating unintended consequences in future policy interventions.

Despite the immediate economic challenges, the policy has potential long-term benefits if properly managed. Encouraging a transition from cash-based transactions to digital payment systems could enhance financial transparency, improve tax collection, and contribute to overall economic modernization. However, the success of this transition is highly dependent on the ability of financial institutions to provide accessible and reliable digital banking services. Additionally, ensuring that the informal sector is adequately supported during the transition is essential for maintaining economic stability.

The case of Nigeria's currency redesign policy illustrates the complex interplay between monetary policy, market confidence, and institutional capacity. The Quantity Theory of Money highlights the risks of rapid monetary contraction, Signaling Theory underscores the importance of policy communication and market perceptions, and Institutional Theory reveals the critical role of regulatory frameworks in policy success. Future currency redesign efforts should incorporate a more phased implementation strategy, robust financial inclusion measures, and clearer communication to minimize economic disruptions and maximize long-term benefits.

Conclusion

The currency redesign policy implemented in Nigeria in 2022 had a profound impact on the informal sector, which relies heavily on cash transactions. While the policy aimed to stabilize the economy, reduce counterfeiting, and enhance financial inclusion, its abrupt implementation led to a liquidity crisis, slowed business activities, and heightened economic uncertainty. Small-scale business operators faced significant difficulties in conducting transactions, while limited access to digital payment systems further exacerbated the situation. An economic analysis of this policy using theoretical frameworks suggests that sudden changes in money supply can trigger short-term economic contractions. Poorly communicated policies can erode market confidence, ultimately undermining the effectiveness of monetary reforms. The readiness of financial institutions plays a crucial role in determining the success of such policies, as weak banking infrastructure and limited access to digital financial services hinder a smooth transition. To improve the effectiveness of similar policies in the future, a more structured approach is required, including phased implementation, financial infrastructure development, and enhanced transparency in policy communication. Economic reforms aimed at fostering stability must consider the characteristics of the informal sector to prevent unintended adverse consequences.

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