

## POLICY BRIEF

# NIGERIA: IMPACTS OF NAIRA REDESIGN ON LIVELIHOODS IN HAYIN ADE AND WURO BAPPATE

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### Key messages

- The Naira redesign policy of the Central Bank of Nigeria induced financial hardship for households in Wuro Bappate and Hayin Ade because it removed cash from circulation.
- (Agro)pastoralists in both communities had relied to varying degrees on cash for buying and selling livestock, paying for supplementary fodder and veterinary medicines, purchasing agricultural inputs and buying food to supplement household nutritional needs during the lean season.
- Flooding in Kaduna State (impacting Hayin Ade) and an abnormally dry rainy season in Taraba State (impacting Wuro Bappate) led to decreased crop and fodder productivity, and higher prices for food and other inputs.
- Due to lack of cash, as a result of the Naira redesign policy, (agro)pastoralists found it hard to sell livestock and earn enough from the proceeds to make purchases to cope with lean-season stresses and the 2022 weather shocks. Many potential buyers also lacked cash for purchases.
- Rural (agro)pastoralists require assistance to facilitate their participation in Nigeria's increasingly digital economy.



FUDECO researchers interview communities in Wuro Bappate. Photo: Zubairu Adamu, FUDECO

## 1. Background

The Fulbe Development and Cultural Organization (FUDECO), in collaboration with SPARC, is seeking to better understand what challenges are deemed most critical by pastoralists and agropastoralists in two communities in Nigeria. The aim is to capture, in their own words, how these challenges are impacting their lives and livelihoods, what coping and adaptive strategies they currently employ and what additional assistance they desire to improve their futures.

Each year, a round of interviews and focus groups is conducted with the same participants in Hayin Ade (a group of settlements in Kaduna State) and Wuro Alhaji

Idrisa Bappate (henceforth Wuro Bappate – a group of settlements in Taraba State). The rounds of research have uncovered the importance of critically interrogating potentially over-simplified views on farmer-herder conflicts and digging deeper into underlying conflict drivers, such as land tenure insecurity and major socioeconomic events overlaid with seasonal (dry) fodder and water scarcity.

This brief presents findings emerging from the third round of research. The interviews were conducted during February and March 2023. The dominant issues highlighted by participants in the third round relate to the changes in the Naira currency and the financial impacts layered on top of regular seasonal challenges related to fodder and water availability.

FIGURE 1: MAP OF RESEARCH SITES



Source: SPARC

## 2. Challenges: the Naira redesign and digitalisation policy

Since the second round of interviews in February and March 2022, there have been significant shifts in Nigeria's economic policy. In October 2022, the Central Bank of Nigeria (CBN) launched a new monetary policy to exchange older ₦200, ₦500 and ₦1000 notes with new ones and limit cash withdrawals. According to the CBN, the Naira redesign policy was introduced to control inflation, promote financial inclusion for populations without bank accounts (i.e. encourage them to open accounts), and make financial transactions more efficient through digital payments (Emefeke, 2022). It also aimed to reduce the threat of kidnapping for ransom, by removing notes from circulation (Ochei, 2022).

The policy stipulated that old notes must be exchanged at any Nigeria bank by 31 January 2023. However, the CBN released only a small number of new Naira notes and these notes are the most-used currency denominations. Banks also initiated a cash-limit withdrawal policy for account holders. Additionally, further financial instability was triggered around lack of clarity around the validity of the CBN decision.

The policy drastically reduced the number of banknotes in circulation and induced widespread economic turmoil (Ephraim et al., 2023). Many of the rural population rely on cash transactions and do not have bank accounts into which they could deposit old notes or convert to new currency ahead of the deadline, let alone use online payment services for transactions to bypass resulting currency shortages. Inadequate telecom infrastructure and poor internet access in rural Nigeria limit financial inclusion, making it particularly difficult for rural (agro) pastoralists to participate in the digital economy (Ekong and Ekong, 2022). Against this backdrop, we dig deeper into views on impacts of the Naira redesign in both communities.

## 3. Hayin Ade

### 3.1 Context

Hayin Ade consists of 12 affiliate settlements spread between the Kubau and Ikara Local Government Authorities (LGAs) in Kaduna State. The community had been a dry-season grazing and watering area for pastoralists, with a few farms belonging predominantly to Kuli, Bagwiwa and Mirga farmers. About 45 to 50 years ago, some of the pastoralists approached the Kuraye ward head (of Hausa heritage) for permission to construct settlements and farms, but not specifically for grazing. At that time, there was sufficient space to support both grazing areas and farming. The settled

pastoralists gradually transitioned to agropastoralism – both keeping livestock and planting crops, largely for household subsistence.

When research started for the longitudinal study in 2021, in-migration to Hayin Ade and the Kubau and Ikara LGAs was high, consequently exacerbating competition for land plots and water resources. The area was perceived as being more stable and less prone to violent conflict, in comparison to other parts of Kaduna State, and attracted migrants fleeing from conflict in Giwa (see Opitz-Stapleton et al., 2022). In-migration between mid-2022 and early 2023 seems to have reduced (according to interviewees), in comparison to the higher rates mentioned during interviews in Round 1 (November 2021) and Round 2 (February 2022), as the security situation improved in Kaduna. Of the 30 interviewees, only one respondent mentioned that relatives had moved in with them this year. Many respondents noted that the last wave of migrants moving to Hayin Ade had integrated well and are living peacefully in the receiving community.

### 3.2 Dry-season resource scarcity collides with cash scarcity

Pastoralists have historically used the mobility of herds to reduce pressures on dryland natural resources in northern Nigeria, particularly during the dry season. This mobility reduced risks of herd losses in times of water and fodder scarcity, as well as reducing pressures on resources (preventing ecosystem degradation) and providing fertiliser to drylands (Ayrat et al., 2018). In search of pasture and fertile grazing areas, herders in Hayin Ade usually move their cattle to the gazette reserves of Sabon Gari in Kaduna State, Mayo Belwa in Adamawa State, Falgore Forest in Kano State and Tullum in Bauchi State. Interviewees mentioned that Sabon Gari in Ikara LGA is a preferred location because it is much closer than the other reserves, and they can easily access water from dry-season irrigation, as well as crop residues for their cattle. However, interviewees have consistently mentioned across multiple rounds of interviews that this practice is under threat due to the expansion of farming areas into gazetted grazing reserves.

The Naira redesign and currency exchange hit the (agro) pastoralists during the dry season, which typically runs from October through April, and is when pressures on fodder, pasture and water are highest. Due to difficulties in accessing grazing reserves, fodder and water were in short supply around Hayin Ade. Furthermore, livestock were suffering from illnesses or had died from lack of medicine and poor nutrition. Respondents also reported digging wells to address dry-season water shortages. They noted that the lack of fodder and insufficient water is hampering the expansion of their herds and the overall economic wellbeing of pastoralists.



FUDECO researchers prepare for field work in Hayin Ade. Photo: Adamu Yahya, FUDECO

And, for many of the interviewees, seasonal resource scarcity was (ironically) magnified by flooding during the October 2022 harvest season, which damaged crop- and range-land, reducing crop yields and agricultural produce for household subsistence use. The October 2022 floods, widespread across large swathes of West Africa, led to some of the worst farmland inundation and displacement in Nigeria since the floods of 2012; the flooding was triggered by climate-change-attributable abnormal heavy monsoon rains and poor water management (Zachariah et al., 2022). This caused a price hike in grains and other foodstuffs. Additionally, the prices of agricultural and livestock production inputs increased post-flood. Poor harvest from last year's cropping resulted in over 65% of the pastoralists in Hayin Ade having to buy grains from markets to supplement household food supply. All of these factors placed significant financial burdens on households.

To cover expenses, many interviewees reported selling livestock at prices lower than the actual value. However, some mentioned that cattle trading was not effective in reducing financial hardships, because, as a direct consequence of Naira redesign policy, buyers did not have cash to purchase livestock. Some pastoralists were forced to sell their livestock at very low prices or on credit.

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**'Even when we take our animals for sale, money was not available. At times we sell very low because of the pressure of household demands.'** Male pastoralist, Hayin Ade

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The seasonal financial hardships were compounded by the currency situation. A significant number of Nigerians experienced cash shortages due to the limited Naira in circulation, which negatively impacted many small-scale businesses and the livelihoods of millions (Adegboyega, 2023). All 30 interview respondents in Hayin Ade reported that their families and businesses were in distress because of the Naira scarcity. They also described financial suffering across the wider community. Most respondents reported that they did not have adequate means of coping with the negative impacts beyond selling livestock assets, with diminished financial returns. Many expressed feelings of resignation and hopelessness.

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**'We have no way out than to face the challenge and accept it as our fate to suffer. We know one day it shall come to pass.'** Male agropastoralist, Hayin Ade

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## 4. Wuro Bappate

### 4.1 Context

The Ardonate of Wuro Alhaji Idrisa Bappate is situated in Sardauna LGA, Taraba State. The Ardonate consists of 12 settlements, established more than 40 years ago. The major groups living in Wuro Bappate are Fulbe (agropastoralists), Mambila (farmers) and Kaka (farmers). Interviewees largely live in homogenous settlements, mostly inhabited by those affiliated with Fulbe clans. However, in some settlements, Mambila and Kaka tribes also have farms and homes. For more information about Wuro Bappate, please see the first and second reports of this longitudinal study (Opitz-Stapleton et al., 2022; Opitz-Stapleton et al., 2023).

Research participants in Wuro Bappate reported generally feeling safe. Federal military presence in the areas was said to be the major factor for improving security. Due to high levels of insecurity, banditry and criminal activities, in July 2022, the Federal Government deployed more troops to communities across Taraba State (Premium Times, 2022). In addition, the Ardo (community leaders and elders) have been proactive with peace talks, engaging in dialogue and using radio announcements and other public forums to promote peace.

### 4.2 Seasonal livelihood challenges collide with Naira redesign

Most of the interviewees are agropastoralists who engage in traditional cattle rearing, with limited subsistence farming. While the men derive their income from livestock sales, most of the women have described themselves as housewives in previous interview rounds; there have been no significant changes in gendered income-generating activities between 2021 and 2023. A few of the male interviewees mentioned earning additional income as commercial motorcyclists.

Water scarcity and poor water quality are the reported dominant issues of concern impacting livestock wellbeing. Due to a ban on open grazing, pastoralists in Taraba State are unable to move their herds in search of fodder and water resources and must survive on local natural resources (see Opitz-Stapleton et al., 2022). During the dry season, streams in the area were reported to have dried out. Water quality is also poor, stemming from contamination due to illegal mining activities in the Ardonate that ended in 2017 and left vast dangerous excavations. The mining activities partly precipitated the Mambila Plateau Massacre in 2017 (see previous Nigerian briefs in this series: Opitz-Stapleton et al., 2022 and Opitz-Stapleton et al., 2023). The now-abandoned

mines leach chemicals and soil into streams and watering holes, as reported by interviewees and observed by FUDECO.

Due to lack of adequate water infrastructure – either irrigation or borewells for household and livestock – most households in Wuro Bappate rely on an open, unprotected watering hole. A couple of interviewees mentioned that they had dug wells or drilled boreholes to mitigate their water crisis. Nonetheless, there was still not enough water for them and their livestock. Crop yield during October 2022 was reported to be lower than the previous year due to decreased water availability during the primary crop- and fodder- growing season, which coincides with the rainy season. While other parts of Nigeria were flooding due to the abnormally heavy rainy season across a swathe of West Africa (see above on Hayin Ade), the rainy season (between June to October) was drier than average for southeastern Nigeria, including in Taraba State (FEWS NET, 2022). In addition, a few interviewees mentioned that strong winds broke the stems of maize plants before harvest, causing crop losses.



Open watering hole in Wuro Bappate.  
Photo: Zubairu Adamu, FUDECO

As a result of these pressures, interviewees reported that their livestock were ill, and some had died from malnourishment. Several interviewees observed that their grazing areas are depleting due to an abnormally deficient rainy season and overgrazing brought about by the inability to move herds due to the grazing ban.

At the same time as dry-season fodder and water pressures were leading to livestock losses and decreased productivity, interviewees reported that the Naira scarcity created economic hardship. One respondent observed that the high cost of fertiliser also diminished crop yield. Most of them did not have bank accounts and were not familiar with point-of-sale (POS), bank transfer and other digital payment methods. Moreover, poor internet access in Sardauna LGA made it even more difficult to conduct online transactions now favoured by the new economic policy. Consequently, interviewees found it difficult buy and sell goods and services.

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**‘The Naira swap brought a lot of hardship. We are not used to this online transaction. I don’t have an account and have never operated one, the swap brought serious problems to me.’ Male pastoralist, Wuro Bappate**

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There were instances where interviewees sold animals on credit and were finding it difficult to collect their money. Most of the study participants mentioned that they did not have cash to buy feed and medicines for their livestock, or to purchase food, medicines, fuel and other basic necessities for their households. Food insecurity was reported to be high, to the extent that people sometimes went to bed hungry. Cash was scarce in the community, and respondents could not find anyone to borrow money from. Some interviewees mentioned that they were learning how to use mobile transfer. Others used family members and friends who had bank accounts as intermediaries to carry out transactions.

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**‘We are learning, adopting mobile transfers and other digital payment methods to purchase food, medicine and other necessities.’ Female pastoralist/housewife, Wuro Bappate**

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## 5. Recommendations for assistance

Nigeria’s economy is evolving towards becoming cashless; those without bank accounts and stronger information-communication technology (ICT) and infrastructure are struggling to adapt to digital payment systems. Some 40% of Nigeria’s population, particularly in rural areas, are excluded from financial systems (Kola-

Oyeneyin et al., 2020). This financial exclusion increases their vulnerability to both normal seasonal (rainy and dry) challenges and makes it more difficult for them to cope with shocks. Based on the challenges highlighted by interviewees in both study sites, we make the following general recommendations for assistance:

- Nigerian pastoral, agropastoral and agricultural communities in rural areas need help with opening bank accounts.
- Participation in digital payment systems requires electricity and ICT infrastructure to be expanded across rural areas.
- Rural communities require digital literacy programmes to facilitate their inclusion in digital payment systems and know-how to protect themselves from cyber financial fraud.

On the first recommendation point, at the start of engagement in the two communities in 2021, FUDECO found that many of the study participants had never been registered with the Nigerian government and lacked a national identification card. Without a valid government-issued identification, many rural inhabitants are excluded from opening bank accounts. Banks also require introduction letters (vouching for the person’s identity and fiscal responsibility), proof of address (potentially difficult, depending on land tenure security), a minimum opening deposit, a completed application form and a signature specimen (ALAT, 2023). These requirements are challenging for many (agro)pastoralists to fulfil and act to exclude their participation in formal Nigerian banking systems. FUDECO has been working in both communities to register individuals and help them gain a national identification card.

Participation in a digital cashless economy will require public and private investment in electricity and ICT infrastructure, even if these are more on the scales of micro-solar photovoltaic and modular telecoms systems. Expansion of rural-appropriate electricity and ICT infrastructure would enable small mobile phone stores or other small businesses to register as agents for digital payment systems for mobile platforms like M-Pesa, which do not require formal bank accounts. However, such systems do require national identity cards and a mobile phone (fixed telephone number) with reliable connectivity (Fadamana, n.d.).

Equally important is the need to introduce digital literacy programmes as a means of facilitating financial inclusion of pastoralist and agropastoralist communities in the digital economy. (Agro)pastoralists require training on making digital transactions, understanding and navigating the transaction costs (sometimes expensive) of various digital platforms and being able to reduce the risks of cyber fraud.

Finding the appropriate policy actors that can work with rural Nigerian communities beyond FUDECO will require additional research and engagement; this was beyond the scope of the previous and current rounds of research, which aimed to hear from on-ground perspectives about current challenges. Before this research, neither of the communities had ever been contacted by a non-

governmental organisation (NGO) or visited by local government authorities. FUDECO was the first NGO to engage and is building its chapter networks in Kaduna and Taraba States to include Hayin Ade and Wuro Bappate. FUDECO and SPARC will be exploring policy outreach opportunities in 2024.

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