

**EVALUATION OF THE CHALLENGES AND BENEFITS OF THE NEW  
GHANA CEDI TO URBAN MARKET WOMEN IN THE ACCRA  
METROPOLITAN AREA**

**By**

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## Declaration

I hereby declare that this submission is my own work towards the commonwealth executive masters in business administration and that, to the best of my knowledge, it contains no material previously published by another person nor material which has not been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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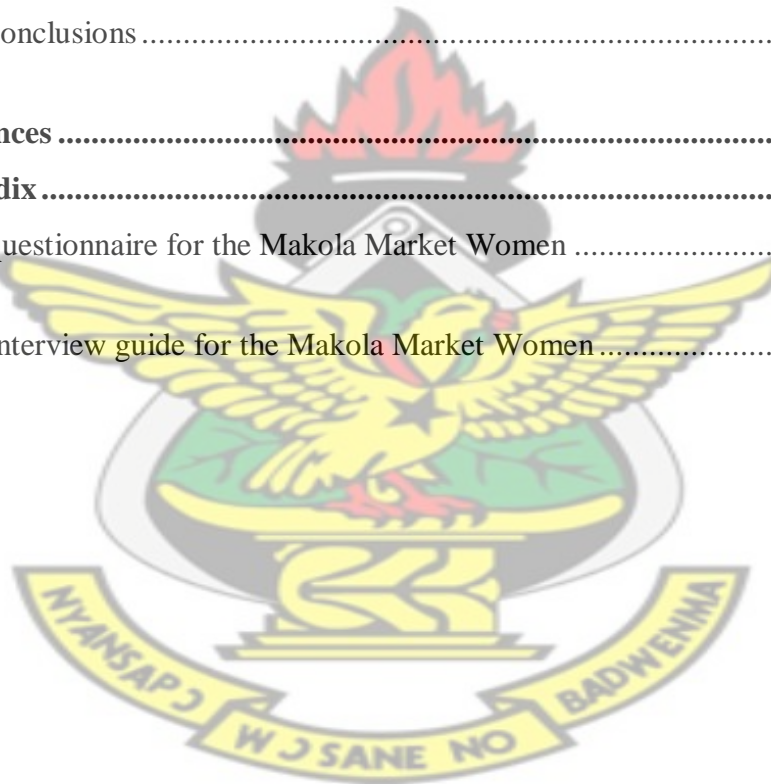
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## Table of Contents

<b>Declaration.....</b>	<b>i</b>
<b>Table of Contents.....</b>	<b>ii</b>
<b>List of Figures .....</b>	<b>v</b>
<b>List of Tables.....</b>	<b>vi</b>
<b>List of Tables.....</b>	<b>vi</b>
<b>Dedication .....</b>	<b>vii</b>
<b>Acknowledgement.....</b>	<b>viii</b>
<b>Abstract.....</b>	<b>ix</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>Introduction .....</b>	<b>1</b>
1.1 Statement of the Problem.....	1
1.2 Research Objectives.....	3
1.3 Research Questions .....	4
1.4 Justification of the study.....	4
1.5 Scope of the study .....	4
1.6 Limitations of the Study.....	5
1.8 Organisation of the study.....	5
<b>CHAPTER TWO .....</b>	<b>7</b>
<b>Literature Review .....</b>	<b>7</b>
2.1 Definition of Redenomination.....	7
2.2 Theoretical Framework.....	8
2.3 Reasons for Redenomination .....	8

2.4 Benefits of Redenomination.....	12
2.5 History of Currency Change and Redenomination in Ghana.....	14
2.6 The New Ghana Cedi.....	17
2.7 Why Is the New Ghana Cedi Important At This Time? .....	19
2.8 Challenges of the New Ghana Cedi.....	20
2.9 Re-denomination lessons learnt from other Part of the World .....	22
2.10 Prospects of the Redenomination of the Cedi .....	24
<b>CHAPTER THREE .....</b>	<b>25</b>
<b>Research Methodology .....</b>	<b>25</b>
3.1 Research Purpose.....	26
3.2 Research Strategy .....	27
3.3 Time Horizon .....	27
3.4 Population of the Study.....	28
3.5 Sampling .....	28
3.5.1 Sampling Procedures .....	29
3.6 Sources of Data .....	30
3.7 Data Collection Method.....	31
3.7.1 Primary Data.....	31
3.8 Methods of Data Analysis.....	35

3.9 Ethical Consideration.....	35
<b>CHAPTER FOUR .....</b>	<b>37</b>
<b>Results and Discussion.....</b>	<b>Error! Bookmark not defined.</b>
4.1 Demographic and General Questions .....	37
4.2 Challenges of the use of the New Ghana Cedi.....	41
4.3 Benefits of the use of the New Ghana Cedi .....	46
<b>CHAPTER FIVE .....</b>	<b>50</b>
<b>Conclusions and Recommendations.....</b>	<b>50</b>
5.1 Conclusions .....	50
<b>References .....</b>	<b>54</b>
<b>Appendix .....</b>	<b>59</b>
A – questionnaire for the Makola Market Women .....	59
B – Interview guide for the Makola Market Women .....	63



## List of Figures

Figure 3.1: Research Perspective .....	25
Figure 3.2: Research Data .....	31
Figure 4.3: Challenges of the New Ghana Cedis .....	43
Figure 4.4: Benefits of the new Ghana Cedis .....	48

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## List of Tables

Table 4.1: Age group of respondents .....	38
Table 4.2: educational background of respondents.....	39
Table 4.3: ways of keeping the new currency .....	40
Table 4.4: Changing the new Ghana Cedi.....	41
Table 4.5: Challenges of the new Cedis .....	42
Table 4.6: benefits of the new Ghana cedis .....	47





## **Dedication**

To late father, Mr. Baba Adam and my mother, Hajia Fati Abubakar and all my siblings

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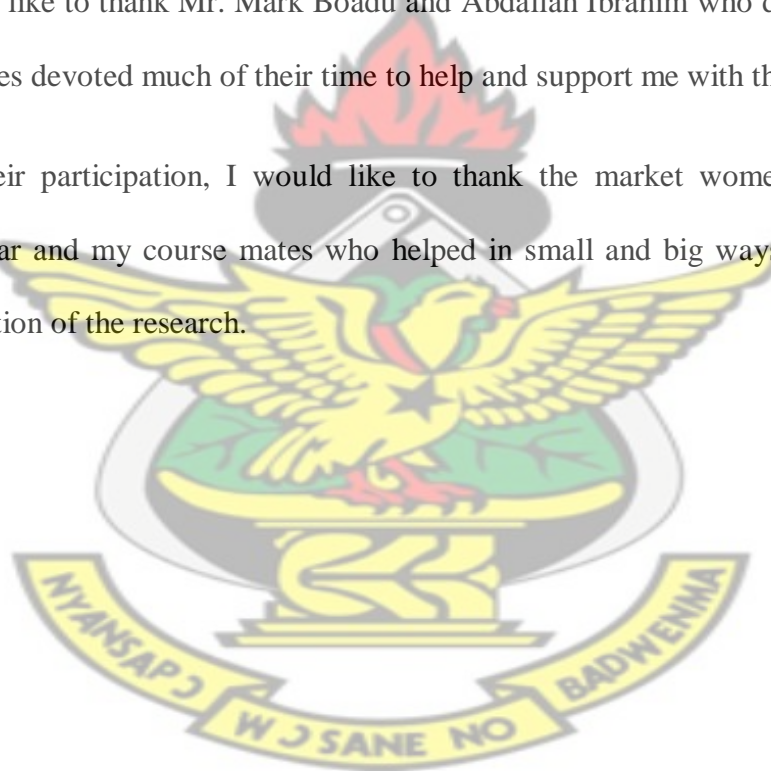
## **Acknowledgement**

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## Abstract

Currency redenomination is not new to the Ghanaian economy. The 2007 redenomination exercise was necessitated by some reasons identified by the Bank of Ghana. Some of them include security, portability, difficulty in software and accounting procedure in the old Cedi. The purpose of the study was to evaluate the challenges and benefits of the usage of the New Ghana Cedi by urban Market Women after its introduction. The researcher adopted an accidental sampling method to collect both qualitative and quantitative data in order to achieve the research objectives. In total, 60 questionnaires were self administered in and around the Makola market area. The findings revealed that the major benefits of the new Ghana cedi to market women is the security as a result of the portability of the new currency compared to the old cedi. The major challenges identified in the study are difficulty identifying counterfeit notes, difficulty changing the Ghc50 note when customers buy from the market women and the difficulty in using the New Gh1 pesewa coin as many customers refuse to accept it as change from the market women.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Background**

Many countries have over the years performed redenomination exercises in their economic history for many reasons. Some countries with recent redenomination are: Turkey (2005), Romania (2005), Azerbaijan (2006), Ghana (2007), Venezuela (2008), Mozambique (2008), Zimbabwe (2006, 2008 and 2009), among others (Wikipedia.org). These redenominations generally involve reducing the value of the currency by a factor of ten (Mosley, 2005) mostly to control inflation and sometime for change in currency as a prerequisite for joining a union (for example countries joining the European Union are required to change their currency to Euro). The aim of redenomination could be for economic and political, as in the case of Afghanistan in 2002 which was aimed at helping the country better come out of economic decline after years of civil conflicts (Woodruff, 1999; Mosley, 2005). Some advantages of a change in currency at a national or international level offer a unique opportunity to explore spending habits, cognitive processes shaping financial transactions, and attitudes towards money management (Mosley, 2005).

#### **1.1 Statement of the Problem**

Since independence, Ghana has undertaken three redenomination exercises in 1963, 1966 and 2007. The 2007 redenomination exercise was necessitated by the

realisation that the old cedi presented a lot of challenges. The introduction of the New Ghana cedi was met with skepticism and outright opposition in certain sectors of the Ghanaian populace. It was perceived as unnecessary given that West African Countries plan to move towards using a common currency at some point in the future. At that point, the new currency would become redundant; it was also argued that changing the currency without institutionalized plans for other significant changes to the country's economy was pointless (<http://ghanaconcious.ghanathink.org>). The Ghanaian Chronicle (2007) newspapers echoed unspoken fears that the redenomination would trigger inflation. The newspaper cited a prominent Ghanaian Economist, Mr. Pianim as highlighting the probability “that petty traders, taxi drivers, newspaper vendors, food sellers and other businesses of that category could be inconvenienced with lack of change, which could in turn, lead to frequent rounding offs and thus, eventually fuelling inflation.” The urban market women form part of the petty traders as well as other business category. There are numerous examples of failed redenomination exercises around the world. Articles have been published that documented failed redenominations in other countries such as Afghanistan and Zimbabwe (Dzokoto and Mensah, 2010). People scarred from the demonetization in the 1970s feared that this exercise would once again decrease their net worth (Schuler, 2008).

However, the Bank of Ghana contends that, the old Cedi placed a significant burden on the national economy in terms of transaction cost, general inconveniences and high risk of carrying loads of currencies. It also cited difficulties in maintaining bookkeeping and statistical records, problems with accounting and data processing

software and the strain on the payments system through the Automated Teller Machine (ATMs). In addition, the Bank of Ghana (BOG) highlighted the ever-growing risk of criminal victimization due to the necessity of carrying large amounts of cash; distinctly visible to whoever was nearby (BOG, 2007). Preliminary interviews were conducted exploring what respondents thought about the redenomination exercise after two years. The responses validated some of Bank of Ghana's justifications of the process as well as some challenges in the use of the new currency.

It is against this background that this study was conducted. The study evaluated the challenges and benefits in relation to the usage of the new Ghana cedi by urban market women in the Accra Metropolitan area.

## **1.2 Research Objectives**

The general objective of this study is to evaluate the challenges and the benefits confronting urban market women in the usage of the New Ghana Cedi.

The following are specific objectives identified to help achieve the main objective.

- I. To identify the main challenges of the usage of the new Ghana cedi by urban market women.
- II. To identify the benefits of the New Ghana Cedi to the public especially, urban market women.



### **1.3 Research Questions**

The research is aim at answering the following questions

1. Are there any challenges on the usage of the new Ghana cedi?
2. What are the benefits of the new Ghana cedi to the urban market women?

### **1.4 Justification of the study**

Even though the New Ghana Cedi is perceived to be beneficial to most citizens, this study attempts to evaluate the challenges and the prospects of the introduction of the New Ghana Cedi as used by the ordinary Makola woman.

The researcher believes that the study would help the Bank of Ghana improve upon its strategies in ensuring the success of the New Ghana Cedi. Based on this, the researcher will deposit a copy of the research work at the bank of Ghana research department or the banks library. The researcher believes that the research work might be significant to academia. The researcher has the hope that it can contribute knowledge and also serve as a literature review for further study and complement other research work made on similar field or topic.

### **1.5 Scope of the study**

This study will concentrate on the challenges and the benefits of the introduction of the New Ghana Cedi in 2007. The study will look at the challenges after the introduction of the New Ghana Cedi and the prospects thereafter. The targeted population for the study is the Makola (located in the Accra municipality, near Ghana Law School) market women. This category of the public has been chosen

because their economic activities are commerce based exposing them to regular use of money and they form a fairly significant bulk of the semi-illiterate and illiterate populace with whom the very introduction of the new currency is a source of worry.

### **1.6 Limitations of the Study**

Collection of primary data in Ghana is very difficult. Challenges such as secrecy and in difference on the part of respondents can affect results of the study. The tight work schedule of respondents delayed the answering of the questionnaire. The time available for the study was relatively short and therefore did not make it easy for enough investigation to be made into the issues concerned. Despite all these limitations, the researcher was able to squeeze water out of stone. Meaning that the researcher explored all avenues in securing the relevant and vital information needed for the study.

### **1.8 Organisation of the study**

This study is organized into five chapters. Chapter one covers, the background to the study, statement of the problem, research objectives, research questions, significant of the study, the limitation to the study, scope of the study and organization of the study. Chapter two discusses the literature review. In doing so, it examines the definition of the redenomination, theoretical framework, the reasons and benefits for redenomination, New Ghana Cedi, why new Ghana Cedi is important at this time, Redenomination lessons learnt from other parts of the world, challenges of the New Ghana Cedi and its prospects thereafter. Chapter three discusses the methodology to the study. This thesis uses Questionnaire. The sampling techniques used and



analysis tool was the SPSS 16. This was used for all the calculations, charts and for the development of other statistical analysis. Chapter four presents research analysis and findings. This analysis is done using both primary and secondary data collected from the field and the presentation of the findings. Chapter Five concludes the study with the summary of major findings, conclusions and recommendation of the study.

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## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter reviews and presents the various literature expositions by different authors. It also highlight the conceptual frame work of the redenomination of the cedi, its challenges before introduction, challenges during introduction and challenges after introduction

#### 2.1 Definition of Redenomination

Redenomination generally involves the process whereby a country's currency is recalibrated through reduction in the number of zeros in the currency with a view to achieving a set of given economic and fiscal objectives. Currency redenomination is a process where a new unit of currency replaces the old unit with a certain ratio. It is usually achieved by removing zeros from a currency with the aim of correcting perceived misalignment in the currency and pricing structure, and enhancing the credibility of the local currency. According to Mas (1995), redenomination may also extends to adding of zeros to the currency as recorded in the immediate post-independence period by South Africa (1961), Sierra Leone (1964), Ghana (1965), Australia (1966), The Bahamas (1966), among others.

## 2.2 Theoretical Framework

According to Michael (2001), change is not easy, but the need for change may occur due to several reasons and may take many forms (cited in Dzokoto and Mensah, 2010). Evidence from academic studies suggests that consumers re-assess their money management strategies in order to adapt to a newly introduced currency especially when the old and new currencies are used simultaneously. Marques and Dehaene (2004) suggested that two major processes occur when a country is adapting to a new currency. The first is rescaling: transforming all prices in the old currency to values in the new currency at the same time. This suggests an easy adjustment to a new currency. The second is re-learning: memorize the new prices of consumer goods one by one. This however, takes time and involves a cumbersome process. The Money/Euro Illusion theory highlights the perception of prices in a smaller denomination new currency lower than when expressed in the former national currency if it had a higher nominal value (Gamble, Garling, Charlton & Ranyard, 2002). This suggests that individuals adjusting to a new currency with a smaller nominal value will initially, at least, have trouble in understanding the true value of goods and services. This study intends to look at the challenges and prospect of the new cedi in the light of the existing literature.

## 2.3 Reasons for Redenomination

There are many reasons why a country may decide to redenominate its currency; reasons range from credibility and identity to domestic and international politics (Martinez, 2007; Mosley, 2005; International Monetary Fund, 2003). Some specific

but not exhaustive reasons include: inflationary pressures, psychological effect, control of currency substitution and domestic politics are identified as the main reasons for redenomination (Cohen, 2004; Mosley, 2005; Tarhan, 2006; Lead Capital Limited, 2007).

Currency redenomination is usually done when countries are experiencing hyper-inflationary pressures which have the effect of making its local currency unattractive. Tarhan (2006) cites a clear case of hyper-inflation with Turkey where a bottle of drinking water costs 300,000 TL, Movie ticket 7,500,000 TL, Toyota Corolla: 32,900,000,000 TL (32 billion), and GDP in 2002: 273,463,167,795,000,000 TL (273 quadrillion) before the old Lira was redenominated by removing six zeros.

Aluko (2007) cites the example of Zimbabwe that experienced years of inflation that hit 1200% a year. Redenomination to address hyper-inflation is should be carried out after the country has laid down certain monetary and fiscal policy reforms aimed at ensuring some level of macroeconomic stability (Lead Capital Limited, 2007). According to Mosley (2005), such redenomination can be used at the end of a stabilisation policy to signify to citizens and private markets that the days of inflation are over, as was the case with Russia (1998) and Turkey (2004) after experiencing single-digit inflation rate; or used directly in the stabilisation process as part of an effort to change citizens' inflationary expectation, as was the case with Israel (1985), Chile (1975), Croatia (1994) and Yugoslavia (1993).

Another reason for redenomination is to ensure credibility. Yugoslavia for example slashed nine zeros from the *dinar* during its redenomination exercise with the aim to ensure credibility (Mosley, 2003; International Monetary Fund, 2003).

Enhanced credibility can improve government electoral fortunes, as citizens reward economic growth and macroeconomic discipline (Armijo, 1996; Stokes, 2002 in Mosley, 2005); and it can improve a government's treatment as a borrower, as a location for private investment, and as a defender of an exchange rate in the eyes of global capital markets (Leblang, 2002; Jensen, 2005).

Redenomination could be done for Psychological effect, which creates sense of identity and the second and one of the most common reasons for a country engaging in currency redenomination. According to Lead Capital Limited (2007), the *feel good effect* of such reconstruction in currency basically presumes that the perception of the local currency would be enhanced because people invariably begin to subconsciously relate currency redenomination to revaluation. Cohen (2004) posits that national currency not only facilitates economic transactions but affects citizens' identity and subsequently the legitimacy of the national government. Thus, from the social phenomenon perspective, money serves as a means of creating and cementing political identities, and bringing about psychological satisfaction. Certain governments adopt redenomination strategies in order to improve their monetary sovereignty and control tendency for currency substitution. If people do not value their local currency, they begin to use foreign currency, particularly those with greater prestige. Aluko (2007) provides list of many African and non-African countries whose citizens almost lost confidence in their currencies. According to him, as at July 2007, a US dollar (\$1) exchanges 9270 *cedi* in Ghana, 9426 *rupia* in Indonesia, 9861 *franc/ariari* in Madagascar, 10184 *kip* in Lao and 15921 *dong* in Vietnam. Mosley (2005) further cites Turkey, Caballero (2001) cites Argentina and Federal Research Division of Romania (2006) cites Romania among the nations that



adopt redenomination to save their currency from absolute neglect and restore some regard to it. In 2003, 1982, and 2003, one US dollar was equivalent to 1,500,890 *lira*, 180,000 *pesos ley* and 33,200 *leu* respectively. According to Central Bank of the Republic of Turkey (2004), Turkey used to have a 20,000,000 single local currency bill; while Indonesia, Cambodia, Lebanon, Mozambique, Paraguay and Vietnam have 100,000 local currency units in circulation.

Another reason for redenomination, though not often cited is domestic political gains. Mosley (2005) argues that the use of redenomination as a means of improving credibility is ultimately an account rooted in domestic politics. According to him, governments may want to keep inflation low because they want to be rewarded by voters during election, for economic performance; impress international market to enable them borrow more cheaply and attract foreign investment that in turn will facilitate government spending and domestic economic growth. However, it should be pointed out that going by this reason advocated by Mosley in the light of the first intent will only hold water where voters through their genuine votes determine who rule them, hence the need for the assumption *ceteris paribus*. It is clear from the above review that the decision to redenominate a national currency is influenced by both economic and political factors.

## 2.4 Benefits of Redenomination

A look at the literature shows that currency redenomination has some benefits as well as costs and risks associated with it (Hausmann and Rigobon, 2002; International Monetary Funds, 2003; Central Bank of the Republic of Turkey, 2004; Ishiekwene, 2007; Zabuliene, 2005; Calomiris, 2006; Martinez, 2007; Tarhan, 2006). Redenomination could lead to a more efficient local currency by knocking off some zeros; facilitates business transactions because it leads to the use of smaller units of money; leads to a more portable currency and a significant reduction in the dead weight of the money people carry and the associated risk, e.g. attack by robbers; reduces the phenomenon of money illusion that people suffer from when there are many zeros, which even tends to generate inflationary pressure; leads to greater confidence in the currency; can sometimes reduce inflationary tendencies in an economy if the underlying causes of chronic or hyperinflation and low valued local currency are resolved before the redenomination exercise and if the process is well managed; and enhances bookkeeping and reduces the drudgery in transactions, record keeping and banking activities.

Lead Capital Limited (2007) also identifies some developmental effect of redenomination. It posits that the government by reducing the denomination in its currency, would ordinarily introduce 'high valued' coins into its system. Such coins would help facilitate the introduction of vending machines, car parking meters and other more sophisticated payment systems which may hitherto have been inexistent. The costs and risks of redenomination are also replete in the literature.

Tarhan (2006) groups the associated problems of redenomination into four: inflationary effects of rounding off prices; menu and administrative costs, which



include changing prices in labels, changing laws/regulations, cost of printing new notes and minting new coins, cost of disposing of the old notes and coins, cost of public education and advertising the change to citizens especially in rural areas where there is little or no access to proper information channels such as electronic and print media and the literacy level is low, changing software and balance sheet/accounting record; psychological effects of lower income levels; and extra cost to the economy if multiple zeros are gone back to due to inflation.

Ishiekwene (2007) adds to the list the uncertainty and instability that is inherent in major changes in economic policies in most developing countries that could lead to increased speculation, capital flights, drop in foreign remittances, increased risk aversion, adoption of “wait-and-see” attitude by investors and increased sharp practices. According to Zabulienė (2005) however, some of these costs do not directly relate to the new currency. For example, unfit currency must be withdrawn from circulation and replenished with new printed money or information technology systems must be regularly updated. Therefore, the net cost effect is significantly lower than may be assumed. Review of empirical studies on the outcome of currency redenomination especially in Latin America reveals that where it is employed but overall economic reform is ineffective or stabilisation policies are just underway, redenomination will not be panacea to economic problems (Araki, 2001; Caballero, 2001; International Monetary Fund, 2003; Calomiris, 2006). This suggests why it should be implemented in the latter stages if not at the end of an economic stabilization package or reform. According to Ishiekwene (2007), historical evidence suggests that redenomination had been very successful in an environment of macroeconomic stability, declining inflation, stable exchange rates,

fiscal restraint and prudence and rational expectations of policy credibility. Corroborating the above assertion, Mosley (2005) cites Angola, Argentina, Azerbaijan and Democratic Republic of the Congo among the countries that employed redenomination to address hyper-inflation but high rates of inflation persist afterward for want of adequate fiscal and monetary stabilisation policies.

Similarly, Mosley (2003, 2005) cites a number of researches conducted at local and cross-country levels suggesting that where redenomination is a purely technocratic exercise, it seems to have few real costs, beyond the short-run expense of printing new notes and advertising the change to citizens and financial markets. By and large, studies of other countries' experience at currency redenomination have shown that it is not an approach that works in isolation of the real productive sector of the economy. The empirical studies of Caballero (2001), the International Monetary Fund (2003) and Calomiris (2006) are in agreement that no currency redenomination theory can transform the economy where mass unemployment persists, currency depreciates in value, imports exceed the exports, local industries are collapsing, and cost of production is prohibitive. However, it should be noted that studies on performance and effectiveness of currency redenomination are still inconclusive.

## **2.5 History of Currency Change and Redenomination in Ghana**

In the book, banking in Ghana the author T.E. Anin (2000), a renowned banker, traces the origin of the local currencies from the period when cowries were used as a uniform currency. According to him, that until 1880 trade was conducted along the

West Coast of African in a bewildering array of money tokens such as cowries, which were locally known as sedie. From which the modern cedis was derived.

The use of cowries declined in the early part of the 19<sup>th</sup> century when the value of goods and services began to be expressed in gold weight values. By the close of the 9<sup>th</sup> century, British silver coins were introduced. Those coins eventually became the common currency of the Gold Coast.

The renowned banker went on further to describe the situation which led to attempts to set up a uniform currency in West Africa with the establishment of the West Africa Currency Board. By 1905, the Bank of British West Africa had produced a situation in which the use of British silver coins, mainly in shillings florins and penny pieces, had increased in Lagos, Nigeria, and Accra and Cape Coast. That resulted in an ever-growing shipment of silver from the Royal Mint to West Africa, leading to the usage of the pound, shillings and pence.

According to Anin, by 1958, after Ghana had gained independence, it decided to opt out of the West African Currency Board and set up its own national currency, the Ghana Pound (Gp), to replace the West African Pound. The Ghana Pound was issued at par with the West African Pound and, therefore, it was at par with the UK sterling. According to Anin in 1960, Parliament passed the Exchange Control Act, which made it mandatory that all transfer of funds out of Ghana required permission from the Bank of Ghana (BoG).

Six years later, a new currency known as the Cedi (¢) was introduced. It replaced the Ghana Pound at the following exchange rates: ¢2.40 = 1 Sterling ¢1.00 = US\$1.67. What necessitated the introduction of the cedi was the establishment of the Central Bank (Bank of Ghana), the renaming of Bank of Gold Coast as the

Ghana Commercial Bank. Quite apart from that, the passing of the Act: the Bank of Ghana Act 1963 (Act 182). The chief reason according to Anin was the Political Independent Ghana had achieved and the prevailing economic doctrines at the period as well as the market prices of Gold and Agricultural products such as cocoa etc at the international market called for the new currency known as cedi to reflect the national pride. By early 1966, the Cedi had been replaced by a new currency, the New Cedi (¢) at the following rates: ¢1.20 ¢1.00 = US\$1.40. In 1967, the National Liberation Council (NLC) devalued the New Cedi. The following rate of exchange became applicable ¢1.00 US\$0.98. In 1971, the Bank of Ghana said that the New Cedi would not be pegged to the Pound Sterling but to the US dollar at ¢1.00 = US\$.55.

The new military junta, headed by Col. I.K. Acheampong, revoked the devaluation by Dr K. A. Busia in December 1971. The Cedi was, in effects, revalued. The following rate of exchange became applicable: ¢1.00 = US\$0.78. In 1972 the dollar was itself devalued by nearly eight per cent in terms of the price of gold. As the New Cedi was pegged to the US dollar, it was automatically devalued in terms of gold by the same percentage. In early 1973, the dollar was devalued but the government in power however, decided to maintain the value of the New Cedi (¢) in terms of gold. That decision resulted in the appreciation of the ¢, with following rate being applicable ¢1.00 = US\$0.87.

In March, the same year, the government announced that the New Cedi would revert to its original name and be simply known as the cedi (¢). In 1978, the Bank of Ghana announced the introduction of a managed flexible exchange rate regime. After the Palace Coup in 197, the Cedi was devalued. The following rate

became applicable  $\text{¢}1.00 = \text{US\$}0.36$ , which meant that  $\text{US\$ } 1 = \text{¢}2.75$ . In October 1983 the Cedi was devalued and the following rate became applicable  $\text{US\$ } 1.00 = \text{¢}30.000$ . There had been results of the devaluations excised simple because the objectives set up by various regimes were met. Stability of the currencies, Expansion of bank credit, banks lending patterns grow that resulted in an increased in the exports of local goods and services (Prof. A.W.Seidmun in her study Money Banking and public finance in Africa). There were challenges for the devaluation exercised. Challenges such as publicity, problem of exchanging the cedi to other foreign currencies such as Dollar, Pounds etc. managing inflation mentioned but a few. Since then, the Cedi has been finding its level against the major international currencies.

In November 2006, the bank of Ghana had initiated the move towards the re-denomination of the cedi to the new Ghana cedi. Dr. Paul A. Acquah, who is the governor of Bank of Ghana, then went to parliament on the November 2006 for the bill to be passed on the 1<sup>st</sup> July 2007, the Bank of Ghana knocked off the four zeros of the Cedi. That is,  $\text{¢}10,000$  is now One New Ghana (GH¢):  $\text{¢}10,000 = \text{GH¢ } 1$ .

## **2.6 The New Ghana Cedi**

New Ghana Cedi is the currency for the people of Ghana that is issued by the Bank of Ghana to serve as a legal tender. New Ghana cedi is a currency that replaced the old currency the (cedi). The old cedi and the new cedi traded side by side for the period of six months, started from 1<sup>st</sup> July 2007 to 31<sup>st</sup> December, 2007. By the close of December 2007, the old cedi was not regarded as a legal tender and it was illegal



to use the cedi to purchase items after December 2007. However, after the six (6) months transition period, the old notes and coins were exchanged at the Bank of Ghana and any commercial and rural bank but were not regarded as a legal tender and therefore would not be used for trade and other transactions. The old and the new notes and coins had the same external value.

On the 1<sup>st</sup> July 2007, Bank of Ghana had decided to knock out four (4) zero from the cedi and re-issued both new notes and new coins to be used as a legal tender.

Change is very difficult for humanity According to Longe Necker, and pringel (1984) that anyone who has lived through the turbulent times of the past two decades can attest to the fact that change resulting from an increasingly dynamic environment is an inescapable part of our lives. Cole Gerald (2005) says that change sometimes means altering something, modifying or varying it in a certain way or style.

This change of the currency has brought a lot of public apprehensions when the re-denomination of the cedi was first made. Both currencies are perfectly substitutable during this transitional period. For instance, payments can be made and change can be given in either currencies. For example if a tin of sugar that sells for ₵15,000 is equal to GH₵1.50p, a customer could pay for a tin of sugar with either currency. Suppose the customer pays with ₵20,000 note, the seller can provide a change ₵5,000 or 50 Ghana Pesewa (50Gp). The change can also be a combination of the two currencies. The possible options of change could be ₵2000 plus 30Gp, ₵3,000 plus 20 Gp or ₵1000 plus 40Gp. How do I convert from the old cedi to the new Ghana cedi? Conversion is simple. For values of ₵10,000 and over, remove 4

zeros from the end of the number. So ₵10,000 becomes 1 GH₵, ₵500,000 become 50GH₵. For values less than ₵10,000 remove two zeros from the end to get from the end the equivalent in Ghana and pesewa ₵9,000 becomes 90GH₵ 5400 becomes 54Gp and so on.

All the New Ghana Cedis notes have the big six embossed in them. The big six were those who fought for the independent of Ghana. All the new Ghana cedi notes have different colours, different security codes etc. The new Ghana currency coins too have different shapes, sizes and different features. Below are examples of the New Ghana Cedis with its security features.

## **2.7 Why Is the New Ghana Cedi Important At This Time?**

The Governor of Bank of Ghana Dr. Paul A. Acquah said that it was time for the cedi to be re-denominated to deal with the inefficiencies associated with the old currency regime (Daily graphic, 11<sup>th</sup> August 2007). According to him, that there have been inconveniences and risk involved in carrying loads of currency for transaction purpose, increasing difficulties in maintaining booking and statistical records, incompatibility with data processing software and the strain on the payments system particularly the ATM in an economy that is growing increasingly complex.

He added that, this is the time Ghana will be able to re-denominate the cedi because of Ghana strong economic performance in recent times. He said the performance of Ghana economy s affirmed by her developing partners including the IMF (International Monetary Funds) Executive Board during the six and final



review of performance under the PRGF arrangement in October 2006. He further stated that because the Bank of Ghana is formally adopted an inflation targeting framework base on controlling liquid and setting interest rates to steer inflationary expectations, that with framework monetary policy will focus on low and stable inflation rate (exclusive of volatile items such as food and energy) to support Ghana accelerated growth agenda. Based on this there is the need to re-denominate the cedi to achieve her economic growth agenda.

Quoting from Dr. Ernest K. Addison who is the Head of Research Department of Bank of Ghana (GOB) on the 19<sup>th</sup> May 2007 Daily Graphic a forum organized for the staff of auditor service. He said the policy was the best for the nation under the prevailing circumstances. That, in view of high episodes of inflation that the nation experienced in the past, high currency denomination had to be introduced and that brought about a lot of inconvenience, risk and difficulties in accounting practice.

According to him, the significant improvement in the economy over the past few years with inflation now heading towards a single digit provided the motivation to embark on the re-denomination exercise.

## **2.8 Challenges of the New Ghana Cedi**

On the 1<sup>st</sup> July 2007 businesses were obliged to show prices in both the New Ghana Cedi and the old Cedi. By the end of 31<sup>st</sup> December, 2007, all private and governmental organizations affected by the change needed to harmonize all their computer software and ATMs. Pos terminals and other processing systems can

transform all existing accounts to the New Ghana Cedi. The process of adapting the new currency is further complicated by the mix of platforms and technologies throughout the various organizations affected by this change.

Consequently, IT managers at financial services governmental organizations need a low risk cost-effective way to handle the enormous impact this change will have on their operations. The challenges of the New Ghana cedi based on this research will be grouped into three. In every society, or endeavour, there are challenges but we do not run away from challenges rather face them. A challenge is therefore a difficult task that tests somebody's ability (Oxford dictionary). The old currency is associated with some inefficiency and these inefficiencies have called for redenomination of the cedi which poses so many challenges to the economy.

One major challenge reported by the Ghanaian Chronicle (2007) cited a prominent Ghanaian Economist, Mr. Pianim as highlighting the probability "that petty traders, taxi drivers, newspaper vendors, food sellers and other businesses of that category could be inconvenienced with lack of change, which could in turn, lead to frequent rounding off and thus, eventually fuelling inflation."

## 2.9 Re-denomination lessons learnt from other Part of the World

There have been so many lessons Ghana has learnt from other part of the world with regards to re-denomination of currencies. Notably among them are Romania, Turkey, Brazil, Zimbabwe, mention but a few. For the purpose of this research few of these countries will be examined and discussed. Romania is the first country this research will begin with. Romania is in European continent and the capital of Romania is Bucharest. The National Bank of Romania (NBR) is a sole institution vested with the power to issue notes and coins to be used as a legal tender on the territory of Romania. The old currency is Leu. The new is lei. BBC News on the 20 April 2005, states that Romania was to re-launch its currency, knocking four zeros off the lei in a bid to make transactions simpler. From 1<sup>st</sup> July, a cup of coffee currently costing about 50, euro Rumanian Lei will be priced at just five lei instead. The lei re-denomination follows a similar move by Turkey, which chopped six (6) zeros off the Turkish lira at the beginning of the year.

Romania is liberalizing its economy, as the former communist state seeks membership of the European Union. According to Zsolt Papp who is the head of the East European research at banking group ABN Amro says that, the currency re-launches signals a new era in monetary policy in Romania. Based on the re-denomination of Romania leu to lei there have been an increased in the value of the currency. The decision taken by the National Bank of Romania (NBR) has proved popular with travels to the country and the Romania task. That has lifted economic sentiment. It has bolstered confidence in the currency, (Mr.Papp).. Currently, one dollar is worth about 28,000 lei, while pound is worth about 54,000 lei and the Euro about 36,000 lei.

According to the governor of Bank of Ghana, Dr. Paul Acquah, that the Bank of Ghana has learnt so many lessons from The National Bank of Romania based on the successes chalked by National Bank of Romania. As a result of the lessons learnt, the Bank of Ghana therefore made the decision to re-denominate the old cedi to the New Ghana Cedi on the 1<sup>st</sup> July 2007.

According to Dr. Earnest K. Addison, the Director of Research Department of Bank of Ghana and Mr. M.K. Noah Head of banking department of Bank of Ghana on My 2007 addressed management and staff of audit services in a forum in Accra on the re-denomination of the cedi. At that forum Dr. Earnest said that the significant improvement in the economy over the past few years with inflation now heading towards a single digit provided the motivation to embark on the redenomination exercise.

He made reference to countries such as Brazil, Argentina, Mexico and Zimbabwe which had undertaken re-denomination exercise in the past but which were not initially successful and so had to be re-done as a result of mismanagement of the economy. He added that the lessons from this is very clear; that if Ghana undertakes a re-denomination exercise does not manage its economy well a similar thing is likely to occur. He stated that Ghana will not engage in a very expansionary monetary policy that probably might call for re-denomination again he however assured Ghanaians that such incident would not occur.

## 2.10 Prospects of the Redenomination of the Cedi

The governor of Bank of Ghana Dr. Paul Acquah on 28 July 2007 on the daily Graphic said that, the good thing about the new currency notes i.e. that they have a lot of in-built security features to protect them from being easily faked by unscrupulous characters. According to him, on the New Ghana cedi (GH¢1) note, there is a dot at the top right hand corner, a line on the five Ghana cedi (GH¢5) note, a circle on the ten Ghana cedi (GH¢10) note, a triangle on the twenty Ghana cedi (GH¢20) note, as well as square on the fifty Ghana cedi (GH¢50) note. Then identification features are to help people identify the notes in the dark.

He further states that, the re-denomination of the cedi expected to reduce high transactions costs, establish an efficient payment system, simplify accounting records and restore the intrinsic value of the cedi. The new Ghana cedi is perceived to assume new position in international business circle. He said that, the cedi for decades had suffered some form of Mockery in the West African sub-region especially the Francophone neighbours who simple refer to the cedi as a worth less currency. With the introduction of the New currency (New Ghana cedi), the currency now accorded some level of respectability in the West African sub region and beyond.

The New Ghana cedi is also very portable to carry that might prevent armed robbers to identify a person carrying large sums of money e.g. if you are carrying the GH¢50 let say five 100 notes, nobody will notice, you can just put in your pocket. Another benefit is with New Ghana Cedi one can carry much money to



outside for transactional purposes likewise it can receive similar foreign currency as compare to the volume cedi which were allow by the international body.

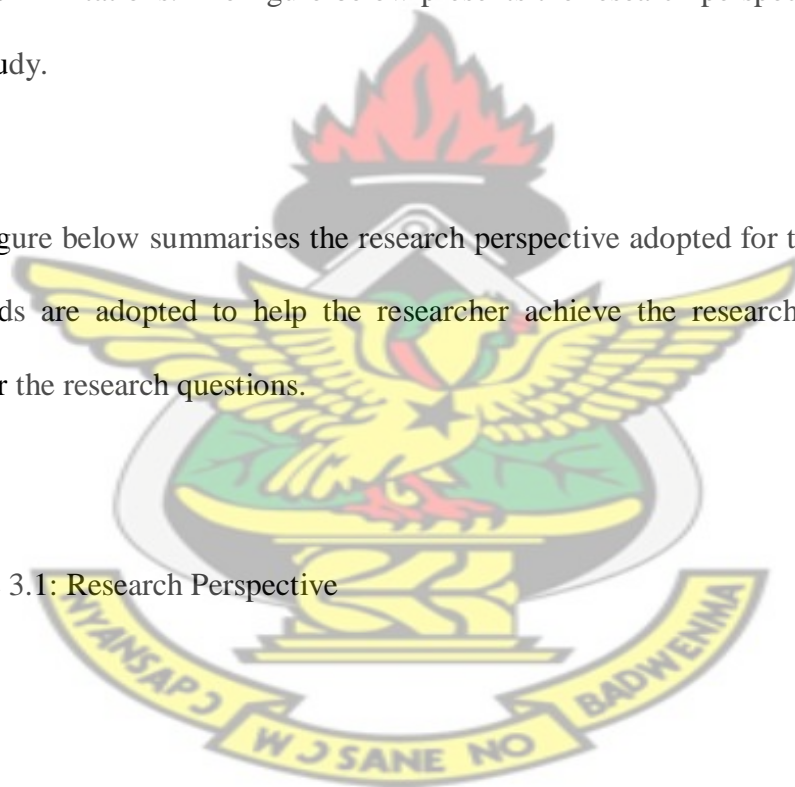
### **CHAPTER THREE**

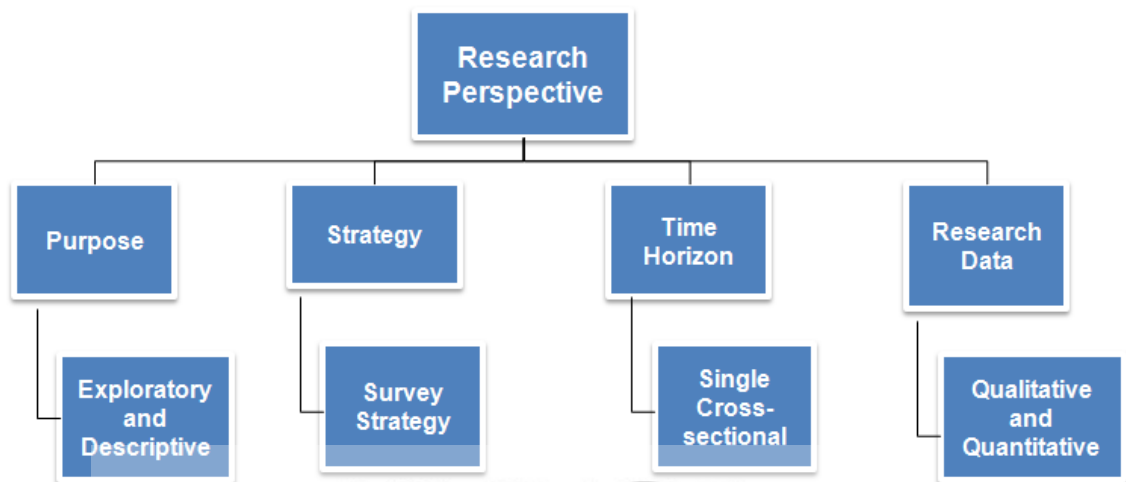
#### **RESEARCH METHODOLOGY**

This chapter deals with the various tools and techniques used in conducting the research with justification for each method adopted. It also covers general research perspectives (in figure 3.1), data collection methods, and researcher's diary, and research limitations. The figure below presents the research perspective adopted for this study.

The figure below summarises the research perspective adopted for this study. These methods are adopted to help the researcher achieve the research objectives and answer the research questions.

Figure 3.1: Research Perspective





Source: Adapted from Saunders et al (2009)

### 3.1 Research Purpose

Research purpose describes in general what the study intends to achieve. For the purposes of this research, exploratory and descriptive was adopted (Saunders et al., 2009).

**Exploratory:** is aimed at “...finding out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light” (Robson, 2002 p. 59 cited in Saunders at al., 2009). It helps the researcher to acquire an understanding of the subject matter of the study

**Descriptive:** is “...to portray an accurate profile of person, events or situations” (Robson, 2002 p. 59 cited in Saunders at al., 2009). It helps the researcher to get a clearer picture of the phenomena under investigation to enable data collection.



These methods were adopted mainly to help the researcher evaluate the challenges and prospects of the new Ghana Cedi as use by Makola market women as little research has covered this area.

### **3.2 Research Strategy**

This represents the general plan on how to achieve or answer the research questions. It is both determined by the research questions and that data intended to be collected. Some of the research strategies are experiment, survey, case study, action research, grounded theory, ethnography, archival research (Saunders et al., 2009). To achieve the objectives of this study, a survey strategy (Saunders et al., 2009) was employed to collect both qualitative and quantitative data. Survey is “...most frequently used in business to answer who, what, where, how much and how many questions” (Saunders et al., 2009, p. 144). It is usually associated with exploratory (for example interviews and focus group) and descriptive studies. It results in the collection of quantitative data which is easily explained and understood (Saunders et al., 2009).

### **3.3 Time Horizon**

This study is a single cross-sectional (Saunders et al., 2009) as data was collected from customers at a particular point in time – while they were at the going their regular business operation in the Makola market and not different times at the market (longitudinal).

### **3.4 Population of the Study**

Population is a group one is interested in studying. However, they state that the meaning of the term population is different from its everyday usage. In research, you determine which people or objects make up the population about whom or what you want to draw conclusions. Population refers not only to people, but also to firms, products and so on (Kitchenham and Pfleeger, 2002). It is often differently to study the whole population. Moreover, studying the whole population may be unnecessary. It is often desirable to study some individuals from within the population that is selecting a sample.

The population for this study is all market women in and around the Makolar market area.

### **3.5 Sampling**

Sampling is the process of choosing the study units of the target population that are to be included in the study. Cooper (2001) explains that if a researcher is taken samples to cover the total population, it means that everyone in the target population has equal chance of being chosen. According to Ackere and Churchill (2002), sampling means saving time and money by examining a sample instead of whole population.

When the problem is specified, and an appropriate research design and data collection instrument developed, the next step in the research process is to select those elements from which the information will be collected.

There is no universal formula for calculating the size sample. However, he asserts that the larger the size of the sample, the more precise will be the information given about the population (Kitchenham and Pfleeger, 2002).

A total of 60 questionnaire were answered which forms the sample size of this research with a response rate of 100% because the researcher was present while the respondent answered the questionnaire. The sample size was small because of the difficulty in getting the market women to answer the questionnaire.

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### **3.5.1 Sampling Procedures**

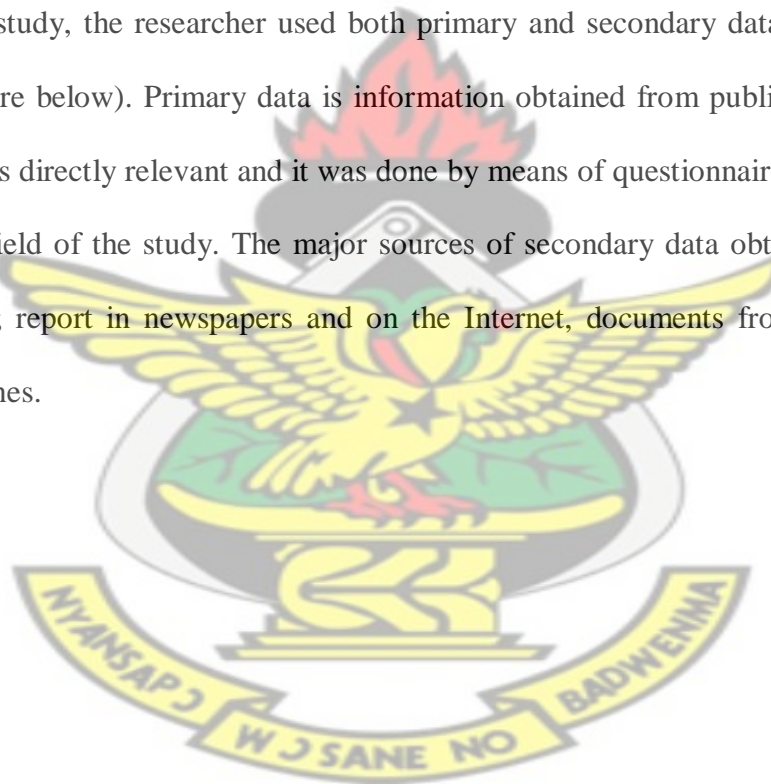
Sampling procedures can be divided into two broad categories, probabilistic and non-probabilistic samples. In the probabilistic sample, each unit has a known, non-zero chance of being included in the sample, which allows for statistical inferences. For example, by drawing a probability sample of voters and asking them about their voting intentions, inferences about voting intention for the population of voters may be drawn. With the non-probabilistic sample, in contrast, it is possible to make valid inferences about the population. This implies that such samples are not representative (Ackere and Churchill 2002). Non-probability samples are easy to draw, but they may give misleading results due to the researcher judgment, they happen to be unrepresentative of the population. The major drawback of non-probability samples is that such samples give no basis for evaluating the size of the sampling variations and the error of estimation.

Based on the various types or procedures outlined, the researcher resorted to non probability sample methods – accidental sampling method because they were

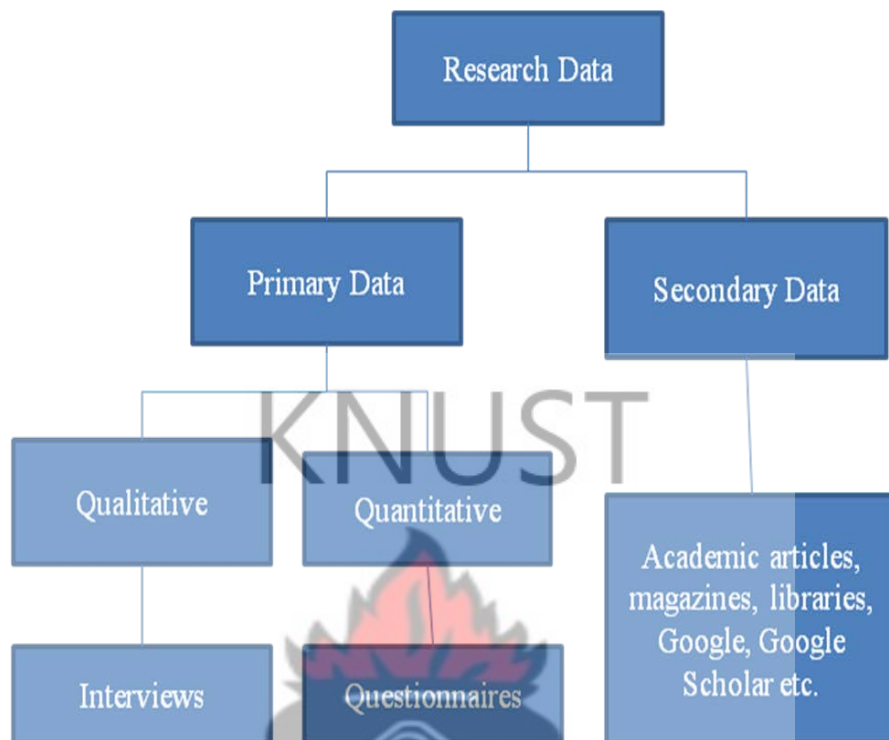
more convenient to this study. The researcher considered all units that he accidentally came into contact with within a research period of time. The accidental approach was used for the public who were met along the streets and the Makola market. The reason for chosen accidental sampling technique for the market women was that I needed varied opinions to get a fair perception of how the redenomination exercise went down with the market women.

### 3.6 Sources of Data

In this study, the researcher used both primary and secondary data (represented in the figure below). Primary data is information obtained from publications. Primary data was directly relevant and it was done by means of questionnaire. This was done at the field of the study. The major sources of secondary data obtained were from records; report in newspapers and on the Internet, documents from the bank and magazines.



**Figure 3.2: Research Data**



**Source: Author construction (2011)**

### **3.7 Data Collection Method**

Data collection method is the stage in the research process when information is gathered through surveys, experiments, fieldwork, or indirect methods to generate data through which to explore a research question or to test a hypothesis.

#### **3.7.1 Primary Data**

According to Malhotra and Birks (2007, p. 94), primary data is “data originated by the researcher for the specific purpose of addressing the research problem”. Both



semi-structured interviews and questionnaire were used as primary data collection methods to answer the research questions.

### **3.7.1.1 Qualitative Data**

Qualitative data “refers to all non-numerical data or data that have not been quantified and can be a product of all research strategies” and usually associated with exploratory research (Saunders et al., 2009, p. 480). The common form of qualitative data methods are interviews, focus group discussion and usually employed to help the researcher gain insight into the subject area (Saunders et al., 2009). To achieve the objectives of this study, only interviews were conducted as a qualitative data gathering method.

#### **Semi-structured Interviews**

With semi-structured interviews, the researcher makes use of themes and questions which should be covered by the end of the interview. It affords the researcher the opportunity to skip some questions or add more as well as the order of questions, depending on how the discussion with the respondent is going (Saunders et al., 2009). Semi-structured interviews were adopted for this research because the difficulty in organising customer into a focus group discussion. A convenient sampling (Saunders et al., 2009) was adopted for this data gathering method where all interviewees were asked the same questions.

The researcher took a lot of effort in generating the questions to ensure that respondents were not influenced in any way by the wording of the questions and also to generate the appropriate responses (avoiding double-barrelled) (see

Appendix... for details of the interviews guide). Semi-structured interviews are a good way of generating volumes of useful information as it affords the researcher the opportunity to investigate motives and feeling as well as probe responses, however, it can be time consuming in both conducting and transcribing them. It could also capture unnecessary information and biases if care is not taken (Bell, 2005).

The purpose of the interviews was to engage women in the makola market in a discussion on the challenges and the benefits of the redenomination of the cedi. This was to cover the exploratory aspect of the study as much is not know about the topic area. The researcher conducted 10 semi-structured interviews with makola market women on a face-to-face basis. All the interviews were digitally recorded with the permission of respondents to ensure accuracy of all information; they were then transcribed for analysis.

#### **3.7.1.2 Quantitative Data**

Quantitative data are research data that can be expressed in numerical form and quantified to answer research questions. This type of data needs to be analysed and interpreted to make meaning (Saunders et al., 2009). Software such as SPSS are very good in assisting the research to generate quantitative analysis like graphs, charts, tables, among other. Questionnaires were employed as the quantitative method of collecting primary data. However, there was some aspect of qualitative data to the data. Some open questions which were used in the questionnaire had the researcher recorded the response on the respondents and analysed qualitatively.

### **3.7.1.3 Questionnaires**

Many scholars (Saunders et al., 2009; Cooper and Schindler, 2006) have suggested the use of questionnaire as the main instrument for data collection in a survey strategy. They further agree that, the questionnaire can be used for descriptive, and must have a good layout, with unambiguous questions (avoid double barrel and leading questions), and logically arranged to solicit a good response.

Questionnaire was the primary means of data collection for the evaluation of the opinions. In this study, a 15-question questionnaire (mostly open-ended) was developed using the responses from the individual interviews (see Appendix A for detail of the questionnaire). Several authors (Saunders et al., 2009; Cooper and Schindler, 2006) have agreed that it is vitally important as a matter of reliability and validity to check the appropriateness of questionnaire through pilot testing before the final administration. However, the researcher could not pilot test this questionnaire due to the time constraints; but care was taken to ensure that the questions were not leading to reduce biases on the part of the respondents.

### **3.7.2 Secondary Data**

Secondary data are information or data already collected by other researchers or institutions, usually for different purposes (Blumberg et al., 2008). Secondary data enable the researcher to place the study in the context of existing knowledge as well as broadens the researcher's understanding to the research topic (Blumberg et al., 2008). However, it can be time consuming in both searching for relevant literature

and adapting to them to the specific needs of the research; as they were gathered for other studies (Blumberg et al., 2008).

Secondary data used in this research were generally other studies currency redenomination in developing countries over the years. Sources of data included academic articles, newspapers, Google Scholar, books, magazines among others. Every article was carefully read and critically analysed to acquire a better understanding of the topic.

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### **3.8 Methods of Data Analysis**

Data collected from the field were analyzed and presented by the use of statistical models such as tables. In order to obtain a good blend of analysis of data, both the qualitative and quantitative approaches to data analysis was used. This is to ensure all aspects of the research are relevant conclusions and recommendations were made. The SPSS (Statistical Package for Social Sciences) was used for all the calculations, charts and for the development of other statistical analysis.

### **3.9 Ethical Consideration**

Blumberg et al. (2008, p. 154) defined ethics as “...the study of the ‘right behaviour’ and addresses the question of how to conduct a research in a moral and responsible way”. Cohen et al (2005, p. 248) added that “...researchers must take into account the effects of the research on participants, and act in such a way as to preserve their dignity as human beings”. Firstly, all relevant secondary data used in this research are adequately referenced using the Harvard Referencing System and in accordance

with the school plagiarism document. Secondly, primary data were gathered used with the informed consent (Saunders et al, 2009; Bell, 2005) of the all participants who took part in the study on a voluntary basis. Finally, all data used (both primary and secondary) are factual and represent what it was meant to measure - all responses were included in arriving at the findings.

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## **CHAPTER FOUR**

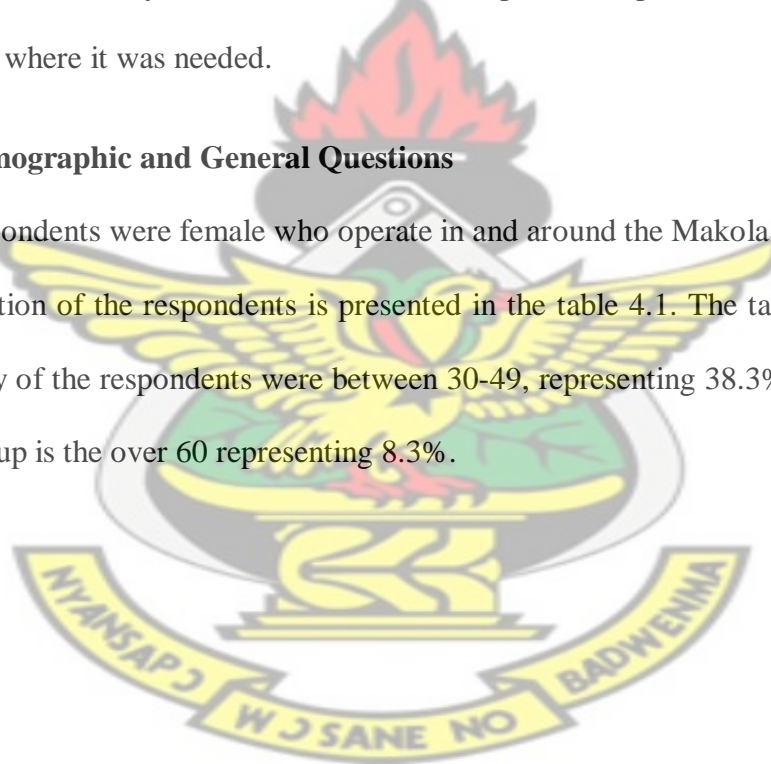
### **DATA ANALYSIS AND DISCUSSION OF RESULTS**

#### **4.0 Introduction**

This chapter presents the analysis of the findings of the study. It also presents the processed data collected from the field of study. In all, 60 questionnaires were administered to Makola Market women by the researcher. The questionnaires were self administered by the researcher in order to provide explanation (either in English or Twi) where it was needed.

#### **4.1 Demographic and General Questions**

All respondents were female who operate in and around the Makola Market. The age distribution of the respondents is presented in the table 4.1. The table revealed that majority of the respondents were between 30-49, representing 38.3% and the least is age group is the over 60 representing 8.3%.



**Table 4.1: Age group of respondents**

	Frequency	Percent	Valid Percent
20-29	22	36.7	36.7
30-49	23	38.3	38.3
50-59	10	16.7	16.7
60 and above	5	8.3	8.3
Total	60	100.0	100.0

**Source: Field Survey, (2011)**

The table 4.2 shows the educational background of respondents. Majority of the respondents have SSS/commercial/technical education with 90%; while 10% of the respondents have HND education. This result could be said to be representative of the reality on the ground.

**Table 4.2: educational background of respondents**

	Frequency	Percent	Valid Percent
SSS/Commercial/Tech	54	90.0	90.0
HND	6	10.0	10.0
Total	60	100.0	100.0

**Source: Field Survey, (2011)**

All respondents said they were proud of the new Ghana Cedi. Some of the reasons given by respondents include: easy to handle and count, it has given the currency value, and colour and size of currency.

The table 4.3 show how respondents keep the new currency. Equal numbers of respondents use both purse and wallet as a way of keeping their money. Some respondent use other means of keeping their money. This could include keeping money in their brazier or tie at the end of their clothes.

**Table 4.3: ways of keeping the new currency**

	Frequency	Percent	Valid Percent
Purse	21	35.0	35.0
Wallet	21	35.0	35.0
Bags	12	20.0	20.0
Others	6	10.0	10.0
Total	60	100.0	100.0

About 46.7% of the respondents indicated that they have problem changing the GHC50 when customers buy good with it. Again, 36.7% of respondents said they have problem giving out the GHp1 as change because customer usually refuse to accept it as shown in the table 4.4. To reduce these problems, some respondents recommended that more coins be introduced into the system. However, they agreed the GHp1 should be withdrawn from the system.

**Table 4.4: Changing the new Ghana Cedi**

	Frequency	Percent	Valid Percent
GHC50	28	46.7	46.7
GHC20	5	8.3	8.3
GHC10	5	8.3	8.3
1p	22	36.7	36.7
Total	60	100.0	100.0

**Source: Field Survey, (2011)**

#### **4.2 Challenges of the use of the New Ghana Cedi**

The challenges respondents identified with the use of the new Ghana Cedi are presented here. Some of these challenges include; difficulty in changing the GHc50, difficulty managing the GHp1, difficulty identifying counterfeit notes, value of money looked diminished, not enough coins in the market, and easy to misplace.

The table 4.5 shows the percentages of the challenges of the new Ghana cedis as experienced by the market women. Difficulty in changing the Ghc50 is the most common problem with 33%, this is followed by the difficulty in transaction business with the Gh1 pesewa with 25%, identifying counterfeit is next with 17% the least are perceived diminished value of the cedi (15%) and difficulty in



converting the old to new cedi (10%). The first three are the most important challenges with need some intervention by the policy makers especially the issue with changing the Ghc50. More education can be done in make it easy for counterfeit identification.

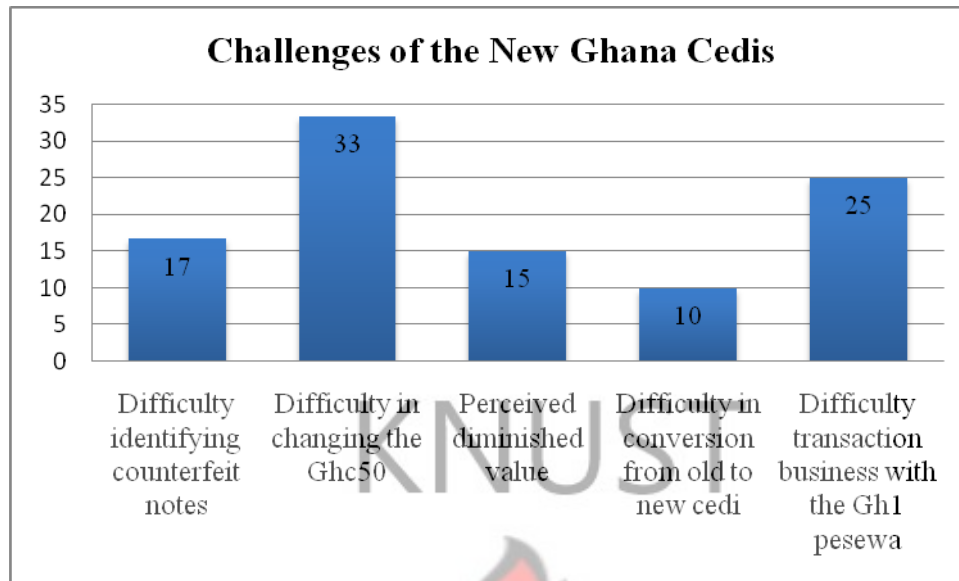
**Table 4.5: Challenges of the new Cedis**

Which of the following problems do you face in the use of the new Ghana cedi? You may choose more than one option	Frequency	Percent
Difficulty identifying counterfeit notes	10	17
Difficulty in changing the Ghc50	20	33
Perceived diminished value	9	15
Difficulty in conversion from old to new cedi	6	10
Difficulty transaction business with the Gh1 pesewa	15	25
<b>Total</b>	<b>60</b>	<b>100</b>

**Source: Field Survey, (2011)**

The figure 4.3 shows a graphical presentation of the challenges of the presented in the table above.

**Figure 4.3: Challenges of the New Ghana Cedis**



**Source:** Field Survey, (2011)

For the purposes of emphasis, the researcher quotes the exact words of some respondents.

Identifying counterfeit note: *“I find it difficult to identify fake note from the real ones. More than twice, somebody bought something from me with the fake Ghc50 and Ghc20 note. Please, something should be done about, so that people like me can identify fake note”.*

Charitable Giving: *“One interesting thing about the new currency is that offertory (donations at churches) has gone up because people do not want to put coins in the offertory bags when they come around: it is not considered ... you know... um proper to offer coins for God’s service”.*

This observation reflects the money illusion. While an individual could be voluntarily giving the same value of money as they previously did, people tend to perceive the fact that it was now a coin as having less value than when it was a note. Several themes emerged from the data that highlighted negative consequences of the redenomination. The respondents who gave these answers reflected the difficulties of the transition process, particularly at the beginning of the transition.

Confusion Understanding Price Quotations: *“It’s confusing sometimes if you are buying something from the market (unmarked prices, bargaining expected): you do not know if the prices are being quoted in the old or new currency. For example, if a vendor says 20, do they mean 20,000 in the old currency (equivalent to 2 new Ghana Cedis) or 20 in the new currency? You have to be smart about it, or inquire elsewhere about the price first; otherwise you will end up getting cheated and pay ten times the cost.”*

Confusion about Conversions: *“At the beginning I always had to convert to the old cedi and there were times when I over-paid because I could not make sense of the numbers.”*

Confusion about the Value of Money: *“I never know how much money to take (out of an ATM), and for a while, it felt as if I did not have enough money on me: you know: it felt light, but then the money that I would put in my wallet seemed small.”*

Frustration: *“The fifty new Ghana (GHC50) is frustrating when customers want to*

*buy our goods and we the sellers have no change. They either have to change their mind about buying the item. We have also increased prices because there is no change. It's a cheat!"* Another respondent on the same issue but on security: *"one lose more money if one loses one note of the new currency (or if it gets stolen) compared to the old currency. For that reason, I do not like the new fifty Ghana cedi note"*

Psychological Effects: *"I feel like the new Ghana cedi has less value compared with the old cedi because these days Ghc10 cannot buy what the old ₵100,000 could buy".*

The stated difficulties reported by the respondents were neither covered during the Bank of Ghana's press releases about the redenomination nor in the public education campaign about the denomination that preceded the transition, and went on for a period of time after the new currency was introduced. Overall, the general public opinion of the conversion from the old to new currency was that it was simple; all one had to do was to drop four (4) zeros from the old currency to get the price of an item in the new currency. In addition, reference price conversion charts that displayed old prices and their equivalent in the new currency were supplied to vendors. However, the examples given by the interviewees in the current study indicated that the transition to the new currency was not as smooth as had been predicted. While these reported difficulties were particularly prominent at the beginning of the transition process and would probably decrease over time, they are clear indications that Ghanaians did not immediately make sense of the new

currency enough to conduct daily financial transactions without the potential of running into problems. While portability of the new currency was seen as an advantage to some, one respondent pointed out that it had a downside. The One Ghana Pesewa coin, which was introduced as part of redenomination of the country's currency in 2007 is not easily accepted among the public either for purchases or change, a survey has revealed. The survey buyers prefer to let vendors keep the coin, rather than to collect it as change. In few instances, some people even refuse to accept the One Pesewa coin as legal tender.

Thus the largest bill of the new currency had a special meaning for some: dangerous if lost or stolen. Another thing that Ghanaians do not like is the 1 pesewa coin, once again, an unanticipated consequence of the change.

None of the respondents mentioned decreased transaction costs, easier financial accounting, or decreased strain on ATMs, reasons given by the bank of Ghana as partly driving the need for the change. However, given that the Makola market women survey were traders and not employees in the financial sector, this is understandable. However, these misgivings are measured on a national level, and the other concerns raised can only be evaluated on the basis of whether or not the new currency stands the test of time.

#### **4.3 Benefits of the use of the New Ghana Cedi**

Five themes emerged as the benefits of the redenomination from the answered questionnaires and the interviews. It was consistent to the aim of the introduction of the cedi by the Bank of Ghana. The new currency clearly had benefits in terms of its



portability, which in turn made individuals feel safer.

The table 4.6 shows the benefits that the market women enjoy with the use of the new Ghana cedis. The most common benefit is portability with the new cedis representing about 35%, security is the next with 30%, and this is followed by time saving (17%) with counting the new Ghana cedi when transacting business. This is closely linked to the portability of the cedi. Convenience and easy comparison with foreign currencies are the least with 10% and 8% respectively.

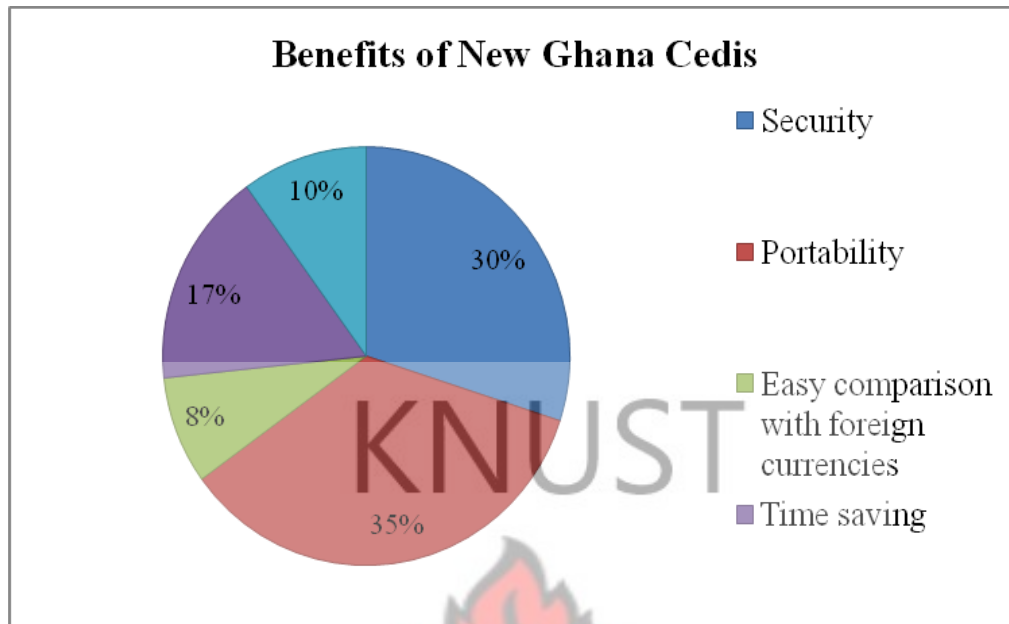
**Table 4.6: benefits of the new Ghana cedis**

Which of the following benefits do you enjoy with the use of the new Ghana cedi	Frequency	Percent
Security	18	30
Portability	21	35
Easy comparison with foreign currencies	5	8
Time saving	10	17
Convenience	6	10
<b>Total</b>	<b>60</b>	<b>100</b>

**Source: Field Survey, (2011)**

Figure 4.4 shows a pictorial presentation of the table above.

**Figure 4.4: Benefits of the new Ghana Cedis**



**Source: Field Survey, (2011)**

Security: in the words of one respondent *"I find the new currency safer to carry around the market: I don't have to look for somewhere to hide bundles of cash anymore because I do not have to carry large bundles of cash around anymore."*

Portability: *"The new currency is much easier to carry: we can keep all the money we need to go out from the market to the house in a wallet."*

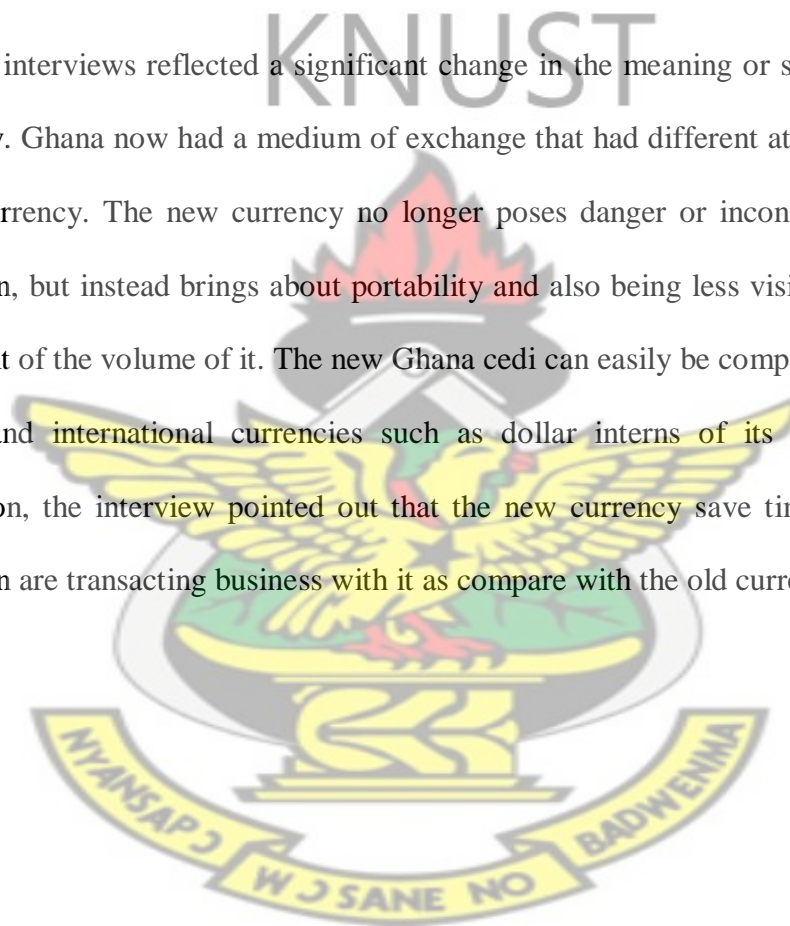
Currency Comparison: *"It is easier to see how the cedi is performing compared to the old cedi and Dollar. We started out as almost 1 to 1 with the dollar. It is easier to tell if our currency falls or rises."*

Convenience: *"I do not have to be carrying so much volume of money when"*

*transacting business*". Another respondent said that the value of the new Ghana cedi seems to be appreciating to the old cedi.

Time saving: *"The new Ghana cedi is much easier to count when transacting business as compared to the old cedi and it minimizes the rate of deteriorating of the new currency notes"*.

These interviews reflected a significant change in the meaning or symbolism of the money. Ghana now had a medium of exchange that had different attributes from the old currency. The new currency no longer poses danger or inconvenience market women, but instead brings about portability and also being less visible to thieves as a result of the volume of it. The new Ghana cedi can easily be compared with the old cedi and international currencies such as dollar in terms of its performance. In addition, the interview pointed out that the new currency save time when market women are transacting business with it as compare with the old currency.



## **CHAPTER FIVE**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter focuses on conclusions drawn from the findings and offer recommendations of this research work. The research was conducted to achieve 2 research objectives and answer 2 research questions. Both qualitative and quantitative data were collected and analysed in relation to the objectives and questions. The conclusions will be presented in accordance with the objectives, stating whether they were achieved or not with reasons. However, the conclusion should be viewed with the research limitations in mind.

#### **5.1 Summary of Findings**

The questionnaire administered and interview by the researcher identified some challenges urban market women faced in their use of the New Ghana Cedi. The key findings that came out through the answered questionnaires and the interviews are presented below:

Market women noted that they had difficulty changing the GHc50 when customers buy from them. In the same vein, the study also identified that market women have difficulty with the GHp1 because customers usually refuse to accept it as change after buying from them. Another major finding revealed in the study is that market women have the view that there are fewer coins of the new Ghana Cedi in circulation as compared to the old currency it will be recollected that the coin

shortage was predicted by a prominent Ghanaian Economist, Mr. Pianim cited in the Ghanaian Chronicle (2007) but refuted by Bank of Ghana. In addition; the market women had serious problems differentiating counterfeit notes from the real notes.

Based on these findings; the researcher can conclude that the first objective was achieved and therefore the related question answered within the scope of the research.

The analysis of the qualitative and quantitative data reveals some major benefits of the new Ghana Cedi to urban market women. The study found out that market women are very proud of the new Ghana Cedi – they identified more with the new cedi as the currency of Ghana than the old cedi. This could be one of the psychological effects of redenomination as identified by Cohen (2004). The study revealed that majority of market women believes that the new cedi has proved to be better than the old cedi in their business operation. The major finding revealed in this study on the benefits of the new cedi to urban market women is security in doing business with the new cedi due to the portability of currency as compared with the old currency, Bank of Ghana (BOG, 2007). They feel safer in transacting business with the new cedi especially in one of the busiest market in the country. In addition, the study identified that market women save time when transacting business with the new currency as compare to the old currency. The study has shown that the urban market women can easily observe or see the performance of the new currency when it is appreciating against the international currencies such as dollar. Another finding that has emerged as the benefit of the new currency to urban market women is convenience of the cedi.



## 5.2 Conclusion

Based on the analysis conducted and the findings stated above, the researcher can conclude that the objectives are achieved and the related questions answered within the defined scope of the study.

## 5.3 Recommendations

The following recommendations are offered with the conclusions drawn in mind to help urban market women in dealing with the challenges of the new Ghana Cedi.

First of all, the researcher recommends that the GH1p coin should be removed from circulation since the general public do not find it useful and people find it very difficult to handle. As Zabuliene (2005) advocates that unfit currency should be withdrawn and replaced with better ones. On the other hand, the researcher also thinks that if the GH1p coin is left in circulation, the Bank of Ghana could make the size bigger than the current size like that of United Kingdom's (UK) 1 pence, after all, only the colour of the Gh1p differentiates it from the other coins. In the same vein, the Bank could introduce a Gh2p coin to complement the Gh1p in order to encourage the usage of the Gh1p. The researcher sees the similarity between the Ghana Cedi and the UK pound sterling and recommends complete replication of the UK system.

Secondly, there should be on going public education on the use of the Gh1p as well as legal enforcement – make sure that people understand that the Gh1p is a legal tender and that nobody should refuse to accept it. However, it should be indicated that nobody should be unnecessary overburden with so much of the Gh1p

coin (50 Gh1p for GHp50 coin), hence necessitating the introduction of the Gh2p coin to ease the burden on people.

In addition, there should be more public education on the identification of counterfeits of the new Ghana Cedi. Much of this education should be targeted at the urban market women and rural dwellers due to level of illiteracy. The National Commission for Civic Education can make use of the various trader groups within the market as the major avenue to deliver these educations with demonstration on how to better identify counterfeit notes.

Finally, more of the lower denominations (Ghc10, Ghc5 and Ghc2) as well as more coins should be increased in circulation to solve the problem with changing the Ghc50 note within in the markets.

### **5.3 Recommendation for future research**

The following areas have been identified by the research for potential further research based on the conclusion, discussion and recommendation.

The current study neither addresses the issue of redenomination from the perspective of cashless forms of financial transactions available in Ghana, nor the effects of the changing global economy on the challenges and benefits of the currency.

Another study could be done in the introduction of the proposed Gh2p and changing the size of the Gh1p by Bank of Ghana and the National Commission for Civic Education to determine the acceptance and benefit to the economy in general.

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## Appendix

### A – questionnaire for the Makola Market Women

This interview is for the purposes of academic research only. The answers or responses given will be treated with outmost confidentiality and will not be used for any other purpose apart from the research. The interview is opened to allow respondents give answers based on their knowledge. The schedule consists of items which covers the introduction of the new Ghana cedi challenges and prospects.

1. SEX

MALE ☐ FEMALE ☐

2. AGE 20-29 ☐ 40-49 ☐

30-39 ☐ 60 and above ☐

50-59 ☐

3. MARITAL STATUS? SINGLE ☐ MARRIED ☐ OTHER  
SPECIFY.....

4. EDUCATIONAL BACKGROUND

Secondary/ Commercial/ Technical ☐ Professional ☐

HND/Degree ☐

Postgraduate ☐

OTHER

SPECIFY.....

5. ARE YOU PROUD OF THE NEW CEDI? YES ☐ NO ☐

If yes what about it makes you feel proud?

.....

If no why.....

6. HOW DO YOU KEEP THE NEW CURRENCY NOTES AND COINS?

PURSE ☐

BAG ☐

OTHER SPECIFY

.....

7. WHICH OF THE DENOMINATIONS DO U HAVE PROBLEMS WITH CHANGING AND WHY?

.....

.....

8. HOW BEST DO YOU THINK THE PROBLEM CAN BE SOLVED? SUGGEST

WAYS.....

.....

9. DO YOU FACE ANY PROBLEMS WITH THE USE OF THE NEW GHANA CEDI?

YES ☐

NO ☐

10. WHICH OF THE FOLLOWING PROBLEMS DO YOU FACE IN THE USE OF THE NEW GHANA CEDI? YOU MAY CHOOSE MORE THAN ONE OPTION

- ☐ Difficulty identifying counterfeit notes
- ☐ Difficulty in changing the Ghc50
- ☐ Perceived diminished value
- ☐ Difficulty in conversion from old to new cedi
- ☐ Difficulty transaction business with the Gh1 pesewa

11. IS THE USAGE OF THE CEDI AFFECTING YOUR BUSINESS OPERATIONS?

YES ☐ NO ☐

IF YES, IN WHAT WAY?

.....  
.....

12. DO YOU FIND DIFFICULTIES IDENTIFYING NEW GHANA CEDI FROM COUNTERFEIT?

YES ☐ NO ☐

13. DO YOU THINK THERE ARE SOME BENEFITS ASSOCIATED WITH THE INTRODUCTION OF THE NEW CEDI?

YES ☐ NO ☐



14. WHICH OF THE FOLLOWING BENEFITS DO YOU ENJOY WITH THE USE OF THE NEW GHANA CEDI? YOU MAY CHOOSE MORE THAN ONE OPTION

- ☐ Security
- ☐ Portability
- ☐ Easy comparison with foreign currencies
- ☐ Time saving
- ☐ Convenience

KNUST

***Thank you for your time and participation!***



## **B – Interview guide for the Makola Market Women**

This interview is for the purposes of academic research only. The answers or responses given will be treated with outmost confidentiality and will not be used for any other purpose apart from the research. The interview is semi-structured to allow respondents give answers based on their knowledge and the researcher to probe the respondents' answers. The schedule consists of items which covers the introduction of the new Ghana cedi challenges and prospects.

1. DOES THE REDENOMINATION MAKE SENSE TO YOU?
2. WHICH OF THE DENOMINATION(S) DO YOU HAVE PROBLEM IN TRANSACTING BUSINESS WITH? EXPLAIN WHY
3. WHAT ARE THE POSTIVES AND THE NEGATIVES OF THE REDINOMINATION OF THE CEDI?
4. WHAT ARE THE MAJOR CHALLENGES WITH THE NEW CURRENCY SO FAR? HOW ARE YOU DEALING WITH THOSE CHALLENGES
5. DO YOU FIND IT DIFFICULT IN IDENTIFYING COUNTERFEIT OF THE NEW GHANA CEDI?
6. WHAT ARE THE BENEFITS OF THE NEW GHANA CEDI TO YOU?
7. DID THE EDUCATION ON THE NEW GHANA CEDI HELP IN YOUR UNDERSTANDING AND USING OF THE NEW CEDI?

*Thank you for your time and participation!*