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Naira Devaluation and People's Standard of Living in Rivers State (1972-2023)

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Abstract: The devaluation of Naira poses series of effects on Nigeria's economy. It is on this basis that the present study discussed naira devaluation and people's standard of living in Rivers State (1972-2023). Two research questions were posed to guide the study such as: how has naira depreciation today affected the poor and local economy in Rivers State? In what ways does naira devaluation today different from the naira value of yesterday in terms of the standard of living in Rivers State? Two corresponding objectives were used to guide this position paper with the use of secondary materials that were analyzed through content analysis. Furthermore, the system theory developed by Ludwig Von Bertalanffy was used as it linked the relationship that exists between the variables. Findings revealed that the recent depreciation of the naira has had significant repercussions on the local economy and the impoverished population in Rivers State. As the naira weakens, the cost of imported goods, including essential items like food and fuel, has escalated, leading to heightened inflation. This surge in prices disproportionately affects low-income households, as a larger portion of their limited income is now required to meet basic needs. Unlike early 1970s, 1980s 1990s and early 20000s where standard of living in Rivers State was quite comprehensible. Where a bag of rice was sold below #7,000, where a litre of fuel was sold below #2,00 and transportation of individuals, goods and services were relatively cheaper. Businesses in Rivers State are also grappling with increased operational costs due to the higher expenses associated with imports and transportation. These added costs often result in elevated prices for consumers, further straining household budgets. Additionally, the economic uncertainty stemming from the naira's devaluation has led to weakened business confidence, potentially hindering investment and economic growth in the region. It was recommended that there should be investment in education and vocational training programs as this can empower the residents of Rivers State with the skills needed to participate in a diversified economy, and in turn, can lead to increased productivity, entrepreneurship, and competitiveness in both local and international markets.

Keywords: Naira Devaluation, Livelihood, Inflation, Diversification and System Theory.

INTRODUCTION

Every country has a standardized, generally accepted medium of exchange, a measure of value, or a means of payment which is either called money or currency. The official currency in Nigeria is the Naira and it has undergone devaluation over time. The history of Naira devaluation can be traced back to the early days of the country's independence (Okaro, 2017). Since the introduction of the naira as the official currency in 1973, it has experienced multiple devaluations with the most recent one occurring in 2023 when president Ahmed Tinubu unify the multiple foreign exchange rates allowing the market forces to determine the value of the naira. The value of the naira dropped by about 36% instantly. These devaluations have influenced factors such as inflation, foreign exchange reserves, government policies etc.

One major factor is the decline in global oil prices as Nigeria relies heavily on oil exports for its revenue. When oil prices drop, the country's foreign exchange earnings decrease, leading to a shortage of dollars and putting pressure on naira. Akpan and Atan (2012) in Okaro (2017) posited that the government of the day relies on foreign exchange reserve generated from crude oil to manage excessive volatility in exchange rate that exerts severe strains on the foreign exchange earnings. It is evident that the demand for foreign exchange has continuously been on the rise in the past few years because of factors like dependence on imported finished products, reversal of capital flow by investors and high speculative demand which has caused uncertainty in the foreign exchange market, and which also is caused by increased demand for foreign exchange in the face of unstable supply.

According to Yioyio (2015), a country's currency devaluation is the decrease in the value of money in relation to the commodities, services, or other monetary units that the country's currency may be traded for. Therefore, when a country discourages import and promotes export of goods and services outside its borders, its currency may depreciate. Therefore, the ongoing decline in the value of foreign currencies relative to the naira can be traced back to the implementation of the adjustment programs in 1986. This has led to concerns about rising inflation and declining hope. According to the International Monetary Fund (IMF) report in 2015, nations can devalue their currency to correct the elementary disequilibrium in the trade and balance of payments. However, Todaro (1982) in Udo et al (2018) argued that devaluation is unhealthy for economic development since valued currency has equally the capacity to worsen trade and balance of payment of a particular nation. Drawing from a research by Brand (2020), Nigeria is under pressure to devalue the naira due to declining export earnings, which is reducing foreign exchange reserves and limiting the Central Bank's capacity to sustain the currency. The Central Bank's reserves have decreased by 20%, reaching the lowest point since November 2017, and Emele and Alonso (2020) noted that they may fall below the $30 billion threshold set by former CBN Governor Godwin Emefiele for the nation to contemplate devaluation. There is a significant chance it will depreciate more than that because of oil prices and the pandemic disease (coronavirus)," a spokesman for the Central Bank of Nigeria said in a report. Additionally, he stated that the central bank did not quickly reply to a request for comments and that a depreciating naira would increase government income by enabling the greater conversion rate of dollar gains from oil. The worldwide coronavirus pandemic (COVID-19) caused oil prices to reduce more than half and put pressure on the currencies of nations that depended heavily on petroleum, such as Nigeria, which is Africa's biggest producer of the commodity.

In comparing devaluation of naira with other countries, it is evident that many developing nations are facing similar challenges. Countries like Argentina, Venezuela, Turkey, have devalue their currencies due to economic instability, inflation, and political turmoil and this has led to decrease in purchasing power, high inflation rates and economic hardship for the citizens of these countries (Akinlo & Odusola, 2003). In contrast to naira devaluation, other countries like Argentina and Turkey have taken more aggressive steps to address currency devaluation, such as raising interest rates, implementing austerity measures, and seeking financial assistance from international organizations. Also, Nigeria’s reliance on foreign products has negatively impacted trade and investment. A weak currency can lead to higher import costs and inflation. Naira devaluation has made it more expensive for businesses to import goods and services, leading to higher prices for consumers and slowing economic growth (Akinlo & Odusola, 2003). It has become relatively necessary to compare the value of the naira to the dollar over a period of time in order to determine the effect of naira on the people’s livelihood standard of living in terms of small and medium enterprises, civil servants, skilled and unskilled labor workers etc which is the trust of this study.

STATEMENT OF THE PROBLEM

It has been widely documented that devaluation is a monetary tool to stimulate economic growth, regain trade competitiveness and correct balance of payment deficits amongst others. The Nigerian government’s recent decision to devalue the naira was largely driven by the need to adopt a free-floating policy allowing market forces to determine the currency value. This move, implemented in June 2003, aimed to drive economic development and clear up the country’s chaotic system of exchange rate. This action by the government led to crushing inflation, expensive imports and many other effects on the country including Rivers State.

Many researchers have looked into how currency devaluation affects the economic and social circumstances in different countries. However, their findings often seem to point in different directions, leading to a mix of conclusions. For instance, Siddig (2012) examined exchange rate devaluation in Sudan using computable general equilibrium. The paper reports the impact of devaluation on several economic indicators considering domestic commodity markets, the factors market and institutions. The results reveal that devaluation of the Sudanese pound will considerably increase most domestic commodity prices. This is desirable for producers who target the world market because their returns in the local devalued currency will tend to be higher. He concludes that, devaluation of Sudan's currency would increase domestic prices of tradable goods and encourage producers to export. However, domestic consumers are negatively affected because the increase in prices is unaccompanied by similar increases in household income. This could also lead domestic production to deteriorate at a certain point in time since the cost of intermediate inputs will also increase especially imported intermediate inputs. Therefore, devaluation would encourage producers of some sectors to increase output and exports, while it would hinder consumers to enjoy the previously cheaper imported and domestic commodities since domestic prices increase.

Navaretti et al. (1997) also investigated the Cameroonian economy and they showed that devaluation has major consequences; in particular for firm already involve in trade, firms increase their exports, while non-exporting firms were reluctant to incur the substantial cost needed to enter the international market. Cost, according to them increase especially for importing firms.

Adekoya and Fagbohun (2016) examined the impact of currency devaluation on manufacturing output growth in Nigeria between 1980 and 2014, employing Augmented Dickey Fuller for stationary test, Engel-Granger co-integration for long-run relationship, ordinary least square for long-run estimate and Granger causality test for causal relationships. The result revealed that all the variables are stationary with a long-run relationship. It further showed that all the variables except import exert positive effect on manufacturing output growth.

Momodu and Akani (2016) investigated the impact of currency devaluation on economic growth of Nigeria. The study shows that in the short run currency devaluation leads to increase in output and improves the balance of payments but in the long run the monetary consequence of the devaluation ensures that the increase in output and improvement in the balance of payment in the country got neutralized by the rise in prices.

Peter Teru and Mohammed A.M Usman (2017) researched Naira devaluation: Impact and implication on the Nigerian economy (1970-2014). The main thrust of this study was to examine the impact and implication of the 'continued' naira devaluation on the Nigerian economy from 1970-2014. Data for the variables used were collected from the CBN statistical bulletin as well as from the database of National Bureau of Statistics. They found that naira devaluation retards investment in Nigeria and that devaluation can only benefit countries that are originally export based before the devaluation of a currency. This paper concluded that devaluation cannot improve the trade balance in the Nigerian economy but would rather complicate Nigeria economic situation. It was recommended that the government should focus on diversification of the economy and expand technological knowledge of the citizens.

Rivers State is the sixth largest geographic area in Nigeria with over 3000000 residents (NBS, 2016) and the second largest economy in the country. The diverse, indigenous population is primarily reliant on agriculture but the advent of oil and gas exploration has led to a shift into oil and gas related businesses. The naira devaluation has affected various aspects of the economy of rivers state and as the state navigates the complex terrain of Naira devaluation, a comprehensive understanding of its implications on livelihoods is crucial as it has affected almost all households.

To the best of our knowledge, it appears that despite the high significance of this topic, the specific impacts of naira devaluation on the livelihood of Rivers state remains under studied thus creating a dearth of information and a gap in knowledge on the subject matter. Addressing this gap in knowledge and identifying practical actionable strategies to mitigate the deleterious effects of the naira devaluation on livelihoods in Rivers state prompts this study.

The following research questions are thus posed to aid the study:

How has naira depreciation today affected the poor and local economy in Rivers State?

In what ways does naira devaluation today different from the naira value of yesterday in terms of the standard of living in Rivers State?

In other to successfully carry out this study, the following specific objectives were put forth to guide the study.

To investigate how naira depreciation today affected the poor and local economy in Rivers State.

Examine how naira devaluation today different from the naira value of yesterday in terms of the standard of living in Rivers State.

CONCEPTUAL REVIEW

Naira Devaluation: Naira devaluation refers to a deliberate reduction in the value of the national currency in comparison to other currencies. This adjustment often occurs due to a variety of economic factors such as inflation, trade imbalances, and external debt. In the case of Nigeria, the country's heavy reliance on oil exports exposes it to the volatility of global oil prices, making the Naira susceptible to fluctuations. Naira devaluation refers to the deliberate and official reduction in the value of the Nigerian currency, the naira, in relation to other major currencies (Yioyio, 2015). This adjustment is typically made by the country's central bank to address economic challenges and maintain competitiveness in the global market. Naira devaluation can also occur due to market forces, where the value of the currency declines in response to factors such as inflation, trade imbalances, or changes in investor confidence. In such cases, the exchange rate is determined by the foreign exchange market. Devaluation of the naira can affect the balance of trade by making exports cheaper for foreign buyers but increasing the cost of imports for domestic consumers. This dynamic can have implications for a country's trade balance and economic stability.

The table below gives a description of Naira to Dollar exchange rate, which justify devaluation of Naira in Nigeria, from 1972-2023:

S/N	Year	Currency ($1 to N	Exchange Rate to Naira
1	1972	$1	N 0.658
2	1973	$1	N 0.658
3	1974	$1	N 0.616
4	1975	$1	N 0.62
5	1976	$1	N 0.647
6	1977	$1	N 0.606
7	1978	$1	N 0.596
8	1979	$1	N 0.550
9	1980	$1	N 0.61
10	1981	$1	N 0.673
11	1982	$1	N 0.724
12	1983	$1	N 0.765
13	1984	$1	N 0.765
14	1985	$1	N 0.894
15	1986	$1	N 2.02
16	1987	$1	N 4.02
17	1988	$1	N 4.54

18	1989	$1	N 7.39
19	1990	$1	N 7.39
20	1991	$1	N 8.04
21	1992	$1	N 9.91
22	1993	$1	N 17.30
24	1994	$1	N 22.33
25	1995	$1	N 21.89
26	1996	$1	N 21.89
27	199 7	$1	N 21.89
28	1998	$1	N 21.89
29	1999	$1	N 21.89
30	2000	$1	N 85.98
31	2001	$1	N 106
32	2002	$1	N 113
34	2003	$1	N 127
35	2004	$1	N 130
36	2005	$1	N 136
37	2006	$1	N 131.80
38	2007	$1	N 125.8
39	2008	$1	N 120
40	2009	$1	N 171
41	2010	$1	N 154.8
42	2011	$1	N 165.1
43	2012	$1	N 161.5
44	2013	$1	N 162.9
45	2014	$1	N 199
46	2015	$1	N 300
47	2016	$1	N 320
48	2017	$1	N 305.8
49	2018	$1	N 306.1
50	2019	$1	N 362.59
51	2020	$1	N 382.75
52	2021	$1	413.8457
52	2022	$1	445.971
53	2023	$1	764.5

Source: Keetu (2016); Anagun (2022); CEIC (2023)

The above table shows the history of naira to dollar from 1972 to April, 2023. From the table above, it shows that during the military regime, the rate at which the exchange rate of naira to dollar being exchanged at the foreign exchange market, most of the citizens were happy even to the extent of exchanging, importing, and exporting of goods from Nigeria to other nation's especially the United State. Furthermore, the table then shows that before the emergence of democracy and since the inception of Nigeria's democracy, the exchange rate of naira to dollar has drastically caused a heart break and tears to the citizens, economy and the government itself thereby birthing economic hardship within the nation (Anagun, 2022).

Naira devaluation refers to the deliberate reduction in the value of the Nigerian Naira, the official currency of Nigeria, in comparison to other currencies. This often occurs when the government or central bank decides to lower the exchange rate of the Naira against major foreign currencies, such as the US Dollar, Euro, or British Pound. The ramifications of this decision are multifaceted, carrying both positive and negative economic implications.

On the positive side, devaluation can enhance the competitiveness of exports. By lowering the cost of domestically produced goods and services for foreign buyers, it stimulates demand for Nigerian products in international markets. This, in turn, can contribute to economic growth and potentially bolster employment opportunities.

Conversely, the downside of devaluation manifests in increased inflation and elevated costs for imported goods. As the value of the Naira decreases, the prices of imported items rise, impacting consumers and potentially leading to a higher cost of living. This delicate balancing act requires astute management to ensure a harmonious outcome.
The Central Bank of Nigeria (CBN) has intermittently implemented adjustments to the Naira's exchange rate as part of its broader monetary policy measures. These adjustments are geared towards addressing economic challenges, particularly those related to inflation and the balance of trade. By strategically managing the Naira's value, the CBN aims to navigate complex economic landscapes, fostering stability and resilience in Nigeria's economic framework (Financial News Outlet, 2023).

Furthermore, it's imperative to acknowledge that Naira devaluation can be a nuanced tool, requiring careful consideration of various economic factors. The government and central bank must weigh the potential benefits of increased export competitiveness against the potential drawbacks of inflation and elevated import costs. As such, the decision to devalue the Naira is often a calculated response to prevailing economic conditions, reflecting a broader strategy for maintaining equilibrium in the nation's economic landscape.

Standard of Living/Livelihood: The term livelihood refers to the means and activities through which individuals and households earn a living to sustain them and meet their basic needs (Chambers, 2015). Livelihood is seen as a multi-dimensional concept, and thus, implies that livelihood is encompassing not only economic activities but also social, cultural, and environmental aspects that contribute to people's well-being and resilience" (Scoones, 2018). Again, DFID (1999) defined Livelihood as a combination of assets, including natural, physical, human, social, and financial capital that individuals and communities use to generate income and improve their quality of life. Livelihoods are ‘means of making a living’, the various activities and resources that allow people to live. Different people have different lifestyles and ways of meeting their needs. Similarly, households perform various activities to gain and maintain their livelihoods. The nature of these livelihood activities depends on the availability of assets, resources, labor, skills, education, social capital, seasonality, agro-climate/agro-ecology, and gender (Alli, 2015; Porter et al., 2020). A livelihood refers to how individuals or households earn a living to sustain themselves and meet their basic needs, such as food, shelter, clothing, and education. It encompasses the various activities, jobs, or sources of income that people engage in to support themselves and their families. Livelihoods can include a wide range of activities, from farming and fishing to wage labour, entrepreneurship, and other forms of economic engagement.

Historically, Rivers state relied on a variety of sources of livelihood before 2003 negatively impacted their environment and livelihoods. These sources of livelihood may be divided into three main categories: agriculture, fishing, and small business enterprise. Before cult clashes, many of the rural communities relied on traditional activities such as farming, fishing and trading (Facts and Details, 2020). Farming was mainly done on a subsistence level, and crops grown included yam, cassava, corn, and cocoyam (Nwankwo, 2020). Fishing was also a major source of income for many rural communities, and fish species harvested included catfish, tilapia, and croaker (Facts and Details, 2020). Trading was another important source of income, with goods and services being exchanged through bartering or the use of currency (Nwankwo, 2020).

Agriculture has long been a staple of life in Rivers State, with traditional subsistence farming being practiced by many rural communities. Common crops grown include cassava, maize, yam, plantain, groundnuts, and vegetables (Bala et al., 2016). Cattle rearing are also a common practice, with many families owning at least one cow (Ukegbu et al., 2018). These crops and animals provide sustenance for families and are often sold in local markets for additional income. Fishing has also been an important source of livelihood for coastal communities in Rivers State. Local fishermen make use of a variety of traditional methods to catch fish, such as fishing with nets, traps, and traditional boats (Ogundipe et al., 2017). Fish caught are often consumed by the fishermen themselves or sold in local markets. Small business enterprises, such as small shops, tailoring, and other services, are also important sources of income for rural communities in Rivers State (Bala et al., 2016).

Inflation: The Oxford Advanced learners dictionary (9th edition, 2015), defines inflation as a situation in which prices of and services are rising, often because there is too much money in circulation. Put differently, inflation is a sustained increase in the general price level of goods and services in an economy over a period of time it is measured as an annual percentage increase in the consumer price index (CPI), which is a basket of goods and services commonly purchased by households.

Explaining further, Blanchard (2011), opined that inflation occurs when there is an increase in the money supply or a decrease in the demand for goods and services, leading to an imbalance between the demand for and supply of goods and services. The imbalance causes businesses to raise their prices, leading to inflation. Mankiw (2019) explains that inflation can be caused by demand -pull factors, such as an increase in production costs. He also notes that inflation can have both positive and negative effects on the economy. Friedman (1970) famously argued that inflation is always and everywhere a monetary phenomenon, meaning that it is caused by an increase in the money supply rather than by changes in real economic variables.

Inflation in Nigeria is essentially the rate at which prices of everyday items like food, housing, clothing and transportation are increasing overtime The NBS releases regular reports on the CPI and inflation rates, providing insights into Nigeria,s economic trends and changes in the cost of living. The devaluationof the Naira has a direct impact on inflation which in turn affects the livelihood of Nigerians. When the naira is devalued imports become more costly leading to higher prices for goods and services, Also, as imports become more expensive, local businesses face higher production costs, which are often passed on to consumers through higher prices.

THEORETICAL FRAMEWORK

The study adopted the system theory developed by Ludwig Von Bertalanffy in 1950s. System theory is an interdisciplinary field of study that deals with the nature of systems, their interactions, and the principles that govern them. System theory is widely used in fields such as Social work, Biology, Engineering, Sociology, and Management to analyze and address complex phenomena. A system can be defined as a set of interconnected and interdependent components that work together to achieve a common goal. System theory provides a framework for understanding complex phenomena in various disciplines, including physics, biology, engineering, sociology, and management. System theory operates based on several fundamental assumptions that form the foundation for its conceptual framework. These assumptions help in understanding and analyzing systems in various disciplines.

System theory assumes that a system should be viewed as a whole, and that the properties and behaviors of the system cannot be fully understood by analyzing its individual parts in isolation. The emphasis is on the interrelationships and interactions among the components of the system.

Systems are often organized in hierarchical structures, where they can be broken down into subsystems or composed of smaller elements. Each level in the hierarchy has its own characteristics and functions, and the interactions between levels contribute to the overall behavior of the system.

Furthermore, system theory assumes that the components within a system are interdependent, meaning that changes in one part of the system can affect other parts. The interactions and relationships among the components are crucial for understanding the system's behavior and dynamics.

Finally, system theory recognizes the importance of feedback mechanisms in systems. Feedback loops can be either positive (reinforcing) or negative (balancing), and they play a crucial role in maintaining stability, regulating system behavior, and facilitating adaptation to changes in the environment.

The application of system theory in understanding the impact of Naira devaluation on livelihoods in Rivers State involves the interconnected elements and relationships within the economic system. System theory views a system as a set of interrelated components working together to achieve a common goal. It affected changes in purchasing power, living standards, and access to essential goods and services. The decrease in the value of the Naira led to increased prices of imported goods, impacting both businesses and consumers in Rivers State. This, in turn, affected employment rates and people's ability to sustain their livelihoods. The system theory believed in interdependence, implying that what happens in economic system will affect other livelihood.

METHODOLOGY

This is a position paper that adopted secondary research method where data of the study relied on secondary sources through the internet, journals, texts etc. The sourced data were contently analysed.

How Naira Depreciation Today affected the Poor and Local Economy in Rivers State

The Nigeria currency (₦) was first devalued in 1973 by 10% in view of the devaluation of US Dollar ($) with the hope to have a strong foreign exchange reserves and better trade balance (Ike, 1984). More so, the devaluation was acclaimed that the sales of country oil product would improve to have more favorable trade. Overtime the naira has continued devaluation in the face of US Dollar with numerous effects on livelihood. Thus, devaluation of a currency, such as the Naira, had various effects on the livelihoods of people in Rivers State, Nigeria. Here are some potential effects:

Increased Cost of Living

Devaluation often leads to an increase in the prices of imported goods and services. Since many products consumed in Rivers State are likely to be imported, the devaluation of the Naira can result in higher costs for basic necessities such as food, fuel, and manufactured goods. This, in turn, puts pressure on the cost of living for individuals and families, making it more challenging for them to afford essential items.

Inflationary Pressures

Devaluation can contribute to inflationary pressures within the economy. As the value of the Naira declines, the cost of production for businesses may rise due to increased expenses for imported raw materials and machinery. Businesses may then pass on these increased costs to consumers, causing overall inflation. This inflationary trend can erode the purchasing power of the local currency, impacting the real incomes of people in Rivers State. Impact on Businesses: Devaluation have a significant impact on businesses, particularly those that rely heavily on imported inputs or those with foreign-denominated debts. Increased costs of imports can lead to reduced profit margins for businesses, and in some cases, businesses may struggle to stay afloat. This, in turn, can lead to job losses and a decline in economic activities, affecting the livelihoods of individuals who depend on these businesses for employment.

Uncertainty and Economic Disruptions

Currency devaluation can create economic uncertainty and disrupt financial planning for individuals and businesses. People may lose confidence in the stability of the currency, leading to a flight of capital and a reduction in foreign investment. Economic uncertainties can make it difficult for individuals to plan for the future, save money, or make long-term investments, impacting the overall economic well-being of the people in Rivers State.

Reduced Foreign Investments

Naira devaluation can discourage foreign investors from entering the market or maintaining their existing investments. Foreign investors may perceive increased currency risk and reduced returns on their investments, which could lead to a decrease in foreign direct investment. This reduction in foreign investments can limit job creation opportunities, economic growth, and overall prosperity in Rivers State.

Impact on Education and Healthcare

Devaluation can affect public services, including education and healthcare. The government may face challenges in funding these services as the cost of imported medical equipment, drugs, and educational materials rises. This can result in a decline in the quality of healthcare and education services, impacting the well-being and future prospects of individuals in Rivers State.

Challenges for Import-Dependent Businesses

Businesses that rely heavily on imported goods for their operations may face increased challenges. The higher cost of importing raw materials, machinery, and equipment can squeeze profit margins, leading to potential business closures or downsizing. This, in turn, affects the livelihoods of individuals employed in these sectors.

Income Inequality

The impact of devaluation is not uniform across all segments of the population. Those with fixed incomes, such as pensioners or individuals on fixed salaries, may experience a decrease in their real purchasing power. This can contribute to income inequality, as those with flexible incomes or the ability to adapt to changing economic conditions may be better positioned to weather the effects of devaluation (Porter, et al, 2022).

It's essential to recognize that the effects of currency devaluation are interconnected and multifaceted. Policy responses from the government and individuals, as well as broader economic conditions, will play a crucial role in determining how these effects manifest in the daily lives of people in Rivers State. The above result reflects the findings of Eme & Johnson (2010) in their study of Exchange Rate Movement in Nigeria for the sample period of (1986-2010), they presented the effect of currency devaluation on the Nigeria economy as a by-product of monetary decision to curb the nation's economy of not collapsing. In a different perspective, they opined that devaluation of naira is an attractive option for nation in recession like Nigeria. They added that the effects of devaluation having its positive results also embraces the negative effects on making the importation of goods more expensive, as well as protecting domestic industries thereby making them to be less efficiency and effective without little or no competition among international rivals. In summary, they gave that the negative effects of naira devaluation to the economy or livelihood are: (1). It affects business by increase in inflation. (2). It reduces the purchasing power of the citizens. (3). Increase in unemployment. (4). It tightens the monetary framework of the nation. (5). It allows a degree of flexibility in exchange rate. (6). Increase the price of domestic goods. (7). Higher export relative to import can also increase the aggregate demand which can also lead to inflation.

How Naira Devaluation Today Different from the Naira Value of Yesterday in Terms of the Standard of Living in Rivers State (1972-2023)

The intentional reduction of a currency's value relative to others has broad impacts on Nigerians' daily lives, particularly as the naira has faced significant devaluation in recent years. Nigeria's dependence on oil exports, which account for more than 80% of its foreign exchange earnings, makes the economy especially vulnerable to global oil price fluctuations. When prices drop, the Central Bank of Nigeria (CBN) has fewer resources to stabilize the naira, often leading to devaluation (Nigeria Extractive Industries Transparency Initiative, 2023.)

Beyond external pressures, internal policies also shape currency stability. The CBN has imposed restrictions on foreign currency access to conserve reserves, but this limits Nigerians' ability to shield themselves from inflation and currency fluctuation impacts.

Together, these factors set the stage for steep price hikes on imported goods, reduced purchasing power, and challenges for small businesses trying to survive rising costs.

From a report from the Spokesperson of Central Bank Isaac Okarafor, (2020)… "there is a significant chance, it will depreciate more than that because of oil prices and the pandemic disease (coronavirus). He also said that central bank didn't immediately respond to a request for comments, and that a weaker naira would boost the government revenues by allowing dollar earnings from oil to be converted at a higher rate".

It should also be known that the devaluation is likely considering oil-exporter peer devaluation and an overvalued starting point. In addition, the Nigeria's Central Bank will migrate to a single exchange rate for the naira by collapsing the multiple exchange rate policy that determined the value for the local currency, people with direct knowledge. It was forced to move after the global coronavirus pandemic (COVID-19) more than halved oil prices, raising pressure on the currencies of crude-dependent economies like Nigeria, Africa's largest producer of the commodity.

Hence, by making imports more expensive, it protects domestic industries that may then become less efficient without the pressure of competition. Higher exports relative to imports can also increase aggregate demand, which can lead to inflation. It is a reality that devaluation seems to more doom than good. However, over the years, the need to compare the naira to dollar is somewhat needed so as to know the influence and need for naira devaluation.

Rising costs and reduced purchasing power affect Nigerian households: One of the most immediate impacts of currency devaluation on Nigerians is the rising cost of living. When the naira weakens, the prices of imported goods electronics, vehicles, and even many essential household items soar. Food prices have also spiked as a result of higher import costs for agricultural inputs, with food inflation reaching 24.4% in 2023 compared to food prices in the 1990s and early 2000s. This inflation rate severely affects lower-income households that spend a large proportion of their earnings on food (National Bureau of Statistics, 2023).

Transportation costs are also heavily affected by devaluation, given Nigeria's reliance on imported fuel. As the naira loses value, petrol prices rise, increasing the cost of both private and public transportation. This, in turn, raises costs across the economy, as businesses often pass on higher transportation expenses to consumers. Housing costs are similarly impacted. Materials like cement and steel, frequently imported, become more expensive, driving up construction costs and, consequently, rental prices (Nigerian Building and Road Research Institute, 2023). For many Nigerians, the combined effect is a reduction in disposable income as necessities consume a greater share of their earnings.

Beyond daily expenses, currency devaluation also hits savings hard. As inflation outpaces interest rates, the real value of naira-denominated savings declines. High inflation erodes the purchasing power of these savings, making it harder for people to afford goods and services over time. Additionally, CBN policies restricting access to foreign currency accounts mean that many Nigerians cannot readily save in dollars or euros to protect against naira devaluation (Nigerian Deposit Insurance Corporation, 2023).

How businesses and individuals are adapting to currency devaluation: For Nigerian businesses, particularly small and medium-sized enterprises (SMEs), currency devaluation brings severe challenges. SMEs that rely on imported materials for production face rising costs, which often lead to price increases or workforce reductions. In fact, local manufacturers reported that production costs increased by more than 20% in 2023 compared to ten years back like 2003 due to currency-related price hikes (Lagos Chamber of Commerce and Industry). With tight budgets, many SMEs struggle to compete with imported an goods, which further limits their growth.

The labor market also feels the strain, as companies impacted by devaluation may delay hiring or reduce their workforce to control costs. Wages often remain stagnant despite rising inflation, eroding workers' real incomes and reducing their ability to cover basic needs.

According to recent reports by the National Bureau of Statistics, real wages dropped by 12% in 2024, reflecting how inflation and currency devaluation diminish disposable income.
Chendu 2024 in appnews reported that….

Nigerians are facing one of the West African nation's worst economic crises in years triggered by surging inflation, the result of monetary policies that have pushed the currency to an all-time low against the dollar. The situation has provoked anger and protests across the country.

The latest government statistics released showed the inflation rate in January rose to 29.9%, its highest since 1996, mainly driven by food and non-alcoholic beverages. Nigeria's currency, the naira, further plummeted to 1,524 to $1 on Friday, reflecting a 230% loss of value in the last year.

The plummeting currency worsens an already bad situation, further eroding incomes and savings. It squeezes millions of Nigerians already struggling with hardship due to government reforms including the removal of gas subsidies that resulted in gas prices tripling.

To cope, many Nigerians are adjusting their spending habits. More are turning to cheaper alternatives, reducing non-essential purchases, or finding ways to supplement their incomes. Some are investing in foreign currency accounts or even crypto-currencies as hedges against naira volatility. Additionally, remote work opportunities have become increasingly popular, with Nigerians leveraging global freelance platforms to earn more stable foreign currency, thereby mitigating the impact of devaluation on their incomes.

FINDINGS

The recent depreciation of the naira has had significant repercussions on the local economy and the impoverished population in Rivers State. As the naira weakens, the cost of imported goods, including essential items like food and fuel, has escalated, leading to heightened inflation. This surge in prices disproportionately affects low-income households, as a larger portion of their limited income is now required to meet basic needs. Unlike early 1970s, 1980s 1990s and early 20000s where standard of living in Rivers State was quite comprehensible. Where a bag of rice was sold below #7,000, where a litre of fuel was sold below #2,00 and transportation of individuals, goods and services were relatively cheaper.
In Rivers State, despite its relatively strong fiscal performance, the local economy is not insulated from these national economic challenges. The increased costs of goods and services strain household budgets, reducing disposable income and potentially increasing poverty levels. Additionally, businesses face higher operating costs due to more expensive imported raw materials and transportation, which can lead to reduced economic activity and employment opportunities.

The construction and real estate sectors are also feeling the impact. The depreciation has led to a rise in the cost of imported building materials, escalating construction expenses and, consequently, property prices. This situation makes housing less affordable for many residents and can slow down development projects, affecting employment in these industries. Overall, the naira's depreciation exacerbates existing economic challenges in Rivers State, particularly for the poor, by increasing living costs and hindering economic growth.

The recent devaluation of the naira has led to a noticeable decline in the standard of living for residents of Rivers State. As the naira's value decreases, the cost of imported goods and services rises, leading to higher prices for essentials such as food, fuel, and healthcare. This inflation erodes purchasing power, making it more challenging for individuals and families to afford basic necessities.

Businesses in Rivers State are also grappling with increased operational costs due to the higher expenses associated with imports and transportation. These added costs often result in elevated prices for consumers, further straining household budgets. Additionally, the economic uncertainty stemming from the naira's devaluation has led to weakened business confidence, potentially hindering investment and economic growth in the region.

CONCLUSION

The Naira devaluation has undoubtedly had a profound impact on the livelihoods of people in Rivers State. As the local currency loses its value against foreign currencies, various sectors of the economy have been affected, leading to a range of consequences for the residents of the state. Firstly, the devaluation has resulted in an increase in the cost of living. Imported goods and services, which constitute a significant portion of the consumer market, have become more expensive. This has put a strain on the budgets of individuals and families, particularly those with fixed or limited incomes. Businesses in Rivers State, especially those dependent on imported raw materials or machinery, have faced challenges due to the devaluation. The increased cost of imports has led to higher production costs, potentially reducing profit margins and competitiveness. This, in turn, can result in job losses and economic instability for the local workforce.

Furthermore, the devaluation has impacted the overall purchasing power of the people in Rivers State. With a weakened currency, individuals may find it harder to afford essential goods and services, affecting their quality of life. This can lead to a decline in the standard of living and exacerbate poverty levels in the region. On a positive note, the devaluation could potentially boost local industries by making locally produced goods more competitive in comparison to imported alternatives. However, the extent to which this benefit is realized depends on the capacity of local industries to meet the demands of the market and overcome other economic challenges. In conclusion, the Naira devaluation has created a challenging economic environment for the people of Rivers State, impacting their cost of living, business operations, and overall economic well-being. As the state grapples with these effects, it has become imperative to undertake concerted efforts to stimulate local economic growth and build resilience in the face of ongoing economic changes.

The devaluation of the naira has adversely affected the standard of living in Rivers State by increasing the cost of living and creating economic instability. These challenges underscore the need for comprehensive economic strategies to mitigate the negative impacts on both individuals and businesses.

Below are recommendations for addressing the challenges presented by the Naira's devaluation in Rivers State.

Diversification of the Local Economy

To reduce dependency on oil and gas businesses and their vulnerability to currency fluctuations, there should be a concerted effort to diversify the local economy. Investing in various sectors to improve productivity and meet local demands, while simultaneously reducing reliance on expensive imports, has become imperative.

Firstly, the government should prioritize investment in the agriculture sector to enhance productivity. Incentives, subsidies, and funding should be provided for farmers to help boost local production capabilities. Given its proximity to the sea and beautiful beaches, Rivers State has significant potential for diversifying its local economy. To this end, the Rivers State government should partner with private investors to build tourism infrastructure, such as hotels and recreational facilities, which could attract visitors and stimulate the local economy. Moreover, partnering with local and international investors to invest in hydroelectric power generation would help meet the energy needs of the state and boost the economy more broadly. Encouraging small and medium-sized enterprises (SMEs) across various sectors, such as ICT, through grants and loans can further foster growth and improve livelihoods in the state.

Sound Economic Policies and Initiatives

Government and relevant authorities should implement policies and initiatives that provide support to local industries. This support could include access to affordable credit, incentives for innovation and productivity improvements, and the development of infrastructure that facilitates business operations. By strengthening local industries, the state can enhance its capacity to produce goods and services domestically, reducing the reliance on expensive imports. That is why the sale of crude oil to Dangote refinery in Naira is laudable. Aside the reduced pressure on foreign exchange, it has the benefits of allowing other local investors to come into the refining business, creating the necessary competition that will ultimately reduce the price of petrol and improve livelihoods of the citizenry among others.

Investment in Education and Vocational Training Programmes

A well-educated and skilled workforce is crucial for the economic development of any region. Investing in education and vocational training programs can empower the residents of Rivers State with the skills needed to participate in a diversified economy. This, in turn, can lead to increased productivity, entrepreneurship, and competitiveness in both local and international markets. This can be implemented through collaboration between the government and private sector in establishing vocational training programmess and scholarships to increase access to education. Initiatives to align educational curriculums with market needs can also be beneficial.

Promoting and supporting businesses engaged in export-oriented activities can help generate foreign exchange earnings. This can include providing incentives for local producers to export their goods and services, thereby increasing foreign currency inflow and reducing the impact of Naira devaluation. As the name implies, River’s state is blessed with massive bodies of water. The government of Rivers state should take advantage of this natural resource and invest massively in fishery and production of swamp rice. Aside the benefit of meeting its local needs, it could in the long run export the excess to generate foreign exchange.

Enhancing financial inclusion initiatives can empower individuals and small businesses, allowing them to better navigate economic uncertainties. Accessible financial services, including microfinance and credit facilities, can provide a safety net for vulnerable populations and promote entrepreneurship, which, in turn, can contribute to economic resilience. Additionally, enhancing financial literacy of the citizenry would enable them to make informed decisions regarding savings, investments, and credit. Improving financial literacy can help people manage their resources more effectively during economic downturns, enabling them to navigate challenges posed by currency devaluation. Collaborations between government and financial institutions could facilitate workshops targeted at different demographics.

Engaging in strategic partnerships with international organizations and fostering diplomatic relationships can open avenues for financial aid, foreign investment, and technical assistance. Collaborative efforts can help Rivers State access resources and expertise needed for economic development and stability.

Improving infrastructure, including transportation, energy, and communication networks, is crucial for economic growth. Well-developed infrastructure can attract investment, reduce production costs for businesses, and enhance overall economic efficiency, contributing to the state's ability to withstand economic challenges. The government should particularly subsidize both road and water transportation services to facilitate the transport of agricultural produce and other goods from the hinterlands to city centers, thereby enhancing citizens' income.

Strengthening Social Safety Nets: Social safety nets include programmes such as conditional cash transfers, food assistance, and unemployment benefits aimed at supporting vulnerable populations during economic hardships. Strengthening these systems can help cushion the impact of rising costs on low-income households, ensuring that basic needs are met despite inflation and currency devaluation. The government can set up or enhance programmes that target the poorest segments of society, integrating technology for efficient distribution of benefits like cash transfers or food vouchers.

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