THE ECONOMIC CONSEQUENCES OF THE REDENOMINATED GHANA CEDI ON THE GHANAIAN ECONOMY

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ABSTRACT

This study evaluates the consequences of the redenominated Cedi on the Ghanaian economy and its impact on the livelihood activities of Ghanaians. There have been many redenomination exercises in Ghana but the most current one which was in 2007 became a matter for debate. For this reason, the study considered the pre-redenomination performance of the Cedi (1994 - 2006) and the post- redenomination performance of the Cedi (2008 - 2020), using 2007 as the benchmark period. Quantitative research techniques was employed while data collected were analyzed using SPSS version 20. Exploratory and descriptive statistics were employed and independent sample T-test performed on the variables to determine the statistical significant difference of the means between the periods and the variables. The finding of this study suggests that, the redenomination of the cedi has a significant effect on the Ghanaian economy and also impacted both negatively and positively on the livelihood of the people. More so economic growth and inflation rate are significantly affected positively and exchange rate is significantly affected negatively by the redenomination of the Ghanaian currency, the Cedi.

Keywords: *Redenomination, Ghana's Currency, Economic growth, Exchange rate, Inflation rate, Prices of commodities*

1. INTRODUCTION

This paper investigates the consequences of the redenominated Ghana Cedi on the Ghanaian economy, and how it has affected the livelihood of the people. Currency redenomination is not something new; it had been done by many countries especially the developing and transitions nations, given that governments of these countries experiencing high levels of inflation and decline in the value of their currencies in comparison to other countries' currencies. Although the decision on the redenomination and the design of the coins and papers appears to be more technology than political, government control and manages the currency and transactions within its borders.

The background of the study, statement of problem, the purpose of the study, research questions/objectives, the significance of the study, hypothesis, and limitations of the study and the organization of the study are covered in this chapter. Redenomination is the recalibration of a country's currency, typically due to hyperinflation, decimalization, joining a currency union, and currency devaluation; where by an old currency is exchanged for a new one at a fixed rate. It can also be the altering of the face value of a currency without changing its purchasing power. The exercise may involve the dropping of a certain number of zeros from a country's currency. Sometimes, policymakers cannot obtain excellent result in inflation straightaway after redenomination and they may resort to currency change as in the case of Zimbabwe in 2006, 2008 and 2009, Brazil and Argentina in the 1980s and in the early 1990s. Redenomination of currency can also result in a monetary illusion with false resolution issues in connection with multiple zeros as well as a loss in the credibility of the currency, because inflation creates a false sensation of a large amount as monetary units rise in value (Obuobi et al., 2020). Before Ghana gained its independence, the certified currency used in the then Gold Coast was the West