IMPACT OF NEW CURRENCY AND CASHLESS POLICY ON THE OPERATIONS OF SMALL SCALE BUSINESSES IN NIGERIA

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Abstract
*The study investigated the impact of the new currency and cashless policy on the operations of small scale businesses in Nigeria. The descriptive research design of the survey type was used in this study. The population used for the study consisted of all small and medium scale businesses in Ekiti State. The sample for the study consisted of 200 small scale business owners in Ekiti State selected using simple random sampling technique. A self-designed research instrument tagged "New Currency and Cashless Policy Questionnaire (NCCPQ)" was used for collection of relevant data. The responses obtained were collated and analysed using descriptive statistics of frequency counts and simple percentage, while the hypotheses formulated were subjected to inferential statistics of Pearson's Product Moment Correlation (PPMC) and regression analysis tested at 0.05 level of significance. The findings revealed that t**here** was significant relationship between the new currency and the operations of small scale businesses in Ekiti State. Also, t**he result revealed** a joint significant contribution of new currency and cashless policy on the operations of small scale businesses in Ekiti State. The study therefore recommended that government and the CBN should create awareness on the benefits derivable from cashless policy for the improvement of Small and medium scale businesses and economic development; the Central Bank of Nigeria should also formulate policies that will ease the swap of old currency to new currency so as not to affect their performance.*

Keywords: Cashless policy, New currency, Small scale business, Central Bank of Nigeria

Introduction

A number of efforts have been put in place by the Central Bank of Nigeria (CBN) to promote a cashless economy and reduce reliance on physical currency. One of these tactics is the implementation of cashless policies, which encourage the use of electronic payment methods for transactions. The nation's economy is intended to be strengthened by the cashless policy by means of increased financial inclusion, efficiency, and transparency. Under the cashless policy, efforts have been made to introduce new currencies through mobile money, electronic transfers, and digital payment networks. These cutting-edge payment methods offer alternatives to traditional cash transactions while providing customers with ease and security. In Nigeria, a number of financial institutions have launched mobile money services, which have grown in popularity.

The apex bank created the cashless policy in order to transition Nigeria's economy from one based on cash to one based on electronic payment systems. This will not only enable Nigeria's monetary system to comply with international best practices or dissuade physical cash transactions, but it will also increase the system's proficiency, which will enhance the quality of services provided to the banking public. The goal of the cashless policy is to reduce some of the drawbacks that come with the economy's heavy reliance on physical currency, such as its high cost, high risk, high level of subsidies, informal economy, inefficiency, and corruption (CBN,2011). Thus, issues with computerization, criminality, privacy, and security are brought up by the policy's introduction in Nigeria. According to David (2012), Nigeria did not adopt computerized banking, unlike wealthier nations. A situation where money is spent without being physically transferred from one location to another is known as a cashless economy. It is necessary to have electronic equipment that can

provide information about an individual's deposits and expenditures. In every country, information technology is crucial to the long-term viability of the cashless economy. Without making the best use of information technology, no nation can achieve rapid social and economic development. It is the way of the future for all businesses, but especially for companies in the service sector. Information technology has, in fact, been altering the ways in which banks and businesses compete(Okeke, 2017).

The Central Bank of Nigeria said in September 2022 that all old notes must be placed in banks by January 31, 2023, in order to make room for new notes(that is: N200, N500, and N1000) to be redesigned. The CBN said that the new notes would reduce inflation, solve the issue of too much money in circulation, combat kidnapping for ransom, and help combat corruption and currency fraud. Along with the redesigned naira notes came restrictions from the CBN that limited weekly cash withdrawal amounts for individuals to a maximum of 500,000 and for business entities to a maximum of 5 million (Premium times, 2022).

The redesigned currency has both positive and negative economic implications. Currency redesigns increase a currency's security by helping governments reduce counterfeiting and stay ahead of threats (Onimisi, 2023). It is also anticipated to reduce cash management costs, boost economic growth, and improve financial inclusion. Additionally, it will make it simpler for the government to monitor the money supply. Redesigning the naira, according to analysts, has eased tensions and alarmed people in Nigeria. It will decrease the money stock and the long-term trend of inflation by reducing the amount of money kept outside of banks. Interest rate reductions may follow the ensuing deflationary pressure, which will improve output growth, aggregate demand, and short- to medium-term economic activity. Analysts speculate that because of the naira's redesign, which took effect immediately before the 2023 national elections, purchasing votes may have been less appealing (Onimisi, 2023; Otitoju *et al*., 2023). Additionally, a brief notice time for the currency redesign has been implemented in order to penalize individuals who hoard or launder Nigerian currency (Pillah 2023). Though the policy's execution descended into chaos as the country's cash supply became scarce due to a shortfall of the new notes, the policy's principal objective was to keep Nigeria more cashless.

A cashless policy according to Okeke (2017) does not mean that cash will never be needed again because there will still be times in the near future when people will need to exchange money for goods and services. Ajayi (2014) stated that a cashless economy is one in which financial transactions are completed without the need for actual cash to be moved. Also, Omotunde, Sunday, and John-Dewole (2013) said a cashless economy is one in which payments for goods and services are made through electronic channels rather than the total elimination of currency from an economy. This financial environment lessens the demand for physical cash by providing payment alternatives. An economy that is cashless actually has less cash transactions than it does no cash transactions at all. In this economy, transactions typically do not involve exchanges of real money. Moreover, unlike the barter system, it is not an economic system where goods and services are exchanged for one another. It is an economic setting in which many goods and services are bought and paid for through electronic media. It is anticipated that Nigeria's economic growth will be impacted by the adoption of the cashless policy. However, in an emerging economy like Nigeria, the adoption of cashless policies appears to be hampered by issues like the potential for fraud, numerous deductions, inadequate electricity, expensive internet data, illiteracy, network difficulties, and a lack of fundamental technology to run the system, among other issues. Invariably, cashless policy may have implications on small scale businesses.

In Nigeria, small enterprises are acknowledged as legitimate engines for rapid industrialization, poverty alleviation, job creation, and sustained economic growth. Small and medium-sized enterprises are typically seen as the catalysts for equitable development and economic progress in emerging economies. Small and medium-sized enterprises (SMEs) have the advantage of being able to expand independently using local raw resources for

industrialization, as well as being able to create jobs, guarantee equitable industrial development, and support the growth of non-oil exports. Additionally, they significantly boost export revenue, the GDP of the nation, and the creation of job possibilities.According to SMIEIS (2016), small and medium-sized businesses are defined as those with an employee base of between ten and three hundred and a total capital employed of not less than one million five hundred thousand but not more than two hundred million, including working capital but excluding cost of land. According to SMEDAN (2015), small and medium-sized businesses are defined by the following standards: Small-scale firms are those that employ between ten and forty-nine people and generate five to forty-nine million Naira in revenue annually. On the other hand, medium-sized businesses employ between fifty and one hundred ninety-nine people and generate between fifty and four hundred and ninety-nine million Naira annually. Small and medium-sized businesses in Nigeria engage in many facets of the economy. The different definitions make it evident that there is no one term that applies to small and medium-sized businesses worldwide; rather, definitions differ depending on the industry. Generally, a small business is one that is independently owned and operated and not dominant in its field of operation. Criteria such as sales volume and the number of employees in the firm are also used in assessing the size of businesses.

The small businesses that constitute the backbone of the Nigerian economy would be greatly impacted by the implementation of cashless laws and the acceptance of new currency. The launch of a new currency in Nigeria would have a big impact on small enterprises, especially those engaged in the unofficial economy (Banjo, 2021). According to research, majority of Nigeria's small enterprises depend on cash transactions and are mostly run in the informal sector (Ogbu, 2021). Because they might not have access to foreign currency, the adoption of a new currency could cause operational disruptions, lower revenue, and worse profit margins. Additionally, they might find it difficult to obtain finance, import goods, or pay their suppliers, which could thwart their ambitions for growth and expansion.

By encouraging digital payments, the cashless policy seeks to lower the number of actual cash transactions in Nigeria. According to the policy, any transaction exceeding N500,000 must be made using an electronic channel, such as an internet platform, a mobile banking app, or a point of sale terminal (CBN, 2019). The policy affects Nigerian small enterprises significantly, particularly those who are not tech-savvy. Only 36% of Nigerian small firms have embraced digital payment systems, and many of them still conduct cash transactions, according to a recent poll (Adeniran, 2020). As a result, the cashless policy can provide a significant obstacle for individuals, especially for those who live in remote places with little access to energy, internet connectivity, or banking services. They may find it difficult to comply with the policy and face penalties for non-compliance, which may hinder their operations and growth prospects.

Statement of the Problem

It has been noted that there are a number of problems with the way people get cash from banks and the services they provide. These problems include bad customer service, long queues in the banking areas, the inability to withdraw cash outside of business hours, restricted international payment options, and the inability to request online statements or even transfer deposits to an account held by a third party. There is no doubt that an improvement in these services will have a major effect on small and medium-sized businesses' overall success. On the other hand, small and medium-sized businesses will gain from speedy service delivery, fewer in-person bank visits, and less cash handling, which could result in increased turnover.

It is believed that Nigeria's cashless policies and the implementation of a new currency could have a big influence on how small enterprises operate. Since the cashless policy has been implemented, small businesses that frequently rely heavily on cash transactions may see a reduction in such transactions or their elimination. In addition, Nigeria's adoption of the new currency and cashless policy seems to have presented chances as well as obstacles for

the nation's small enterprises. While there are potential advantages, such as greater financial inclusion and improved security, there are also worries about how these developments may affect small businesses' day-to-day operations. A few of the possible problems small firms can have are a lack of infrastructure to facilitate digital transactions, possible obstacles to obtaining finance and credit, and challenges with cash flow management. In light of this, the purpose of this study is to examine how Nigeria's small businesses are adjusting to the new currency and cashless policies and how they are able to maintain their competitiveness in the market.

Purpose of the Study

The main purpose of the study is to investigate the impact of the new currency and cashless policy on the operations of small scale businesses in Nigeria. The specific objectives of the study are to:

i. examine how the new currency affect the operations of small scale businesses in Ekiti State, Nigeria;
ii. identify the challenges hindering the adoption of cashless economy by small scale businesses;
iii. examine the combined contributions of new currency and cashless policy on operations of small scale businesses.

Research Questions

The following research questions were raised for the study:

i. How does the new currency affect the operations of small scale businesses in Ekiti State, Nigeria?
ii. What are the challenges hindering the adoption of cashless economy by small scale businesses in Ekiti State, Nigeria?
iii. What are the combined contributions of new currency and cashless policy on operations of small scale businesses?

Research Hypotheses

i. There is no significance relationship between the new currency and the operations of small scale businesses in Ekiti State, Nigeria;
ii. There is no significant contribution of new currency and cashless policy on the operations of small scale businesses in Ekiti State, Nigeria?

Method

The descriptive research design of the survey type was adopted in this study. The population comprised of all small scale enterprise in all the 16 local government areas of Ekiti State. The sample for the study consisted of 200 small scale business owners in Ekiti State using simple random sampling technique. An instrument titled "New Currency and Cashless Policy Questionnaire (NCCPQ)" was the instrument for the collection of data for the study. The reliability of the instrument was determined through test-retest method to obtain a reliability coefficient of 0.82. The data collected through the instruments was analyzed using descriptive and inferential statistics. The research questions were answered using mean rating and standard deviations. Hypothesis 1 was tested using Pearson's Product Moment Correlation (PPMC) while hypothesis 2 was tested using regression analysis. All hypotheses were tested at 0.05 level of significance.

Results

Research Question 1: How does the new currency affect the operations of small scale businesses in Ekiti State, Nigeria?

Table 1: Descriptive analysis showing how new currency affect the operations of small scale businesses

S/N	ITEMS		MEAN	SD	REMARKS
1	The implementation of the new currency affected small scale businesses	200	3.28	0.45	Agree
2	New currency caused naira scarcity which resulted to reduced patronage	200	3.82	0.38	Agree
3	New currency affects the purchasing behaviour of customers	200	3.32	0.46	Agree
4	New currency temporarily disrupt banking services affecting small businesses' access to funds	200	3.73	0.44	Agree
5	Transitioning from old to new currency affects small scale business in updating cash register	200	3.46	0.50	Agree

The data in table 1 were collated and analysed using descriptive statistics such as mean and standard deviation. The mean score cut-off mark of 2.50 was used and it was derived by finding the average of the scoring system. Mean score of items greater than mean cut-off of 2.50 were

accepted while those less than 2.50 were rejected.

Effect of new currency on the operations of small scale businesses is presented in table 1. Using the criterion mean score of 2.50 as cut-off to determine the affirmative of each statement, all the statement in the table were accepted. It could be concluded that the implementation of the new currency affected small scale businesses, new currency caused naira scarcity which resulted to reduced patronage, new currency affects the purchasing behaviour of customers, new currency temporarily disrupt banking services affecting small businesses' access to funds and transitioning from old to new currency affects small scale business in updating cash register

Research Question 2: What are the challenges hindering the adoption of cashless economy by small scale businesses in Ekiti State, Nigeria?

Table 2: Descriptive analysis showing the challenges hindering the adoption of cashless economy by small scale businesses

S/N	ITEMS	MEAN	SD	REMARKS
1	Lack of awareness and understanding of about the benefits of a cashless economy	3.28	045	Accepted
2	Inadequate network coverage	3.46	0.50	Accepted
3	Cost of acquiring and maintaining POS devices	3.32	0.47	Accepted
4	Fear of security risk associated with digital transaction	3.55	0.50	Accepted
5	Limited access to banking services	3.32	0.47	Accepted

N = 200 Mean Cut-off = 2.50

The challenges hindering the adoption of cashless economy by small scale businesses in Ekiti State is presented in table 2. Using the criterion mean score of 2.50 as cut-off to determine the affirmative of each statement, all the statement in the table were accepted. The challenges hindering the adoption of cashless economy by small scale business include lack of awareness and understanding of about the benefits of a cashless economy, inadequate network coverage, cost of acquiring and maintaining POS devices, fear of security risk associated with digital transaction and limited access to banking services

Research Question 3: What are the combined contributions of new currency and cashless policy on operations of small scale businesses in Ekiti State, Nigeria?

Table 3: Descriptive analysis showing the combined contributions of new currency and cashless policy on operations of small scale businesses

S/N	ITEMS	MEAN	SD	REMARKS
1	New currency and cashless policy improves small scale business performance	3.32	0.47	Accepted
2	New currency and cashless policy has reduced the risk of theft and fraud	3.18	0.39	Accepted
3	New currency and cashless policy has reduced counterfeiting	3.64	0.48	Accepted
4	New currency and cashless policy has increased consumer confidence in small scale business	3.50	0.50	Accepted
5	New currency and cashless policy has made transaction easier and faster	3.55	0.49	Accepted

N = 200 Mean Cut-off = 2.50

The combined contributions of new currency and cashless policy on operations of small scale businesses in Ekiti State are presented in table 3. Using the criterion mean score of 2.50 as cut-off to determine the affirmative of each statement, all the statement in the table were accepted. The combined contributions of new currency and cashless policy on operations of small scale businesses include new currency and cashless policy improvement of small scale business performance, reduces the risk of theft and fraud, reduces counterfeiting, increases consumer confidence in small scale business and has made transaction easier and faster.

Testing of Hypotheses

Hypotheses 1: There is no significance relationship between the new currency and the operations of small scale businesses in Ekiti State, Nigeria**.**

Table 4: Pearson's Product Moment Correlation showing the Relationship between the new currency and the operations of small scale businesses

Variables	N	Mean	Standard Deviation	r-cal	P-value
New Currency	200	3.52	0.35		
Operations of Small Scale Business	200	3.39	0.37	-0.801*	0.000

* P < 0.05

Table 4 showed a significant relationship between new currency and the operations of small scale businesses, r-cal = -0.801, p-value = 0.000 ($p< 0.05$). The r-cal value showed a high negative correlation between the variables. Therefore, the hypothesis formulated which states that there is no significant relationship between the new currency and the operations of small scale businesses in Ekiti State is therefore rejected.

Hypotheses 2: There is no significant contribution of new currency and cashless policy on the operations of small scale businesses in Ekiti State, Nigeria

Table 5: Regression summary showing the significant contribution of new currency and cashless policy on the operations of small scale businesses

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.277	2	10.138	268.295	.000[b]
	Residual	7.444	197	.038		
	Total	27.721	199			

a. Dependent Variable: Operations
b. Predictors: (Constant), Cashless, Newcurrency

Coefficients [a]

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta		Sig.
1 (Constant)	-1.020	.219		-4.656	.000
Newcurrency	.703	.044	.652	15.799	.000
Cashless	.562	.069	.335	8.127	.000

a. Dependent Variable: Operations

$\boldsymbol{F} = 268.295$
$\boldsymbol{R} = 0.855$
$\boldsymbol{R^2} = 0.731$
$\boldsymbol{R\,Adj} = 0.729$
$\boldsymbol{P < 0.05\ (Significant)}$

The findings on table 5 shows that the R square value is 0.731 which indicates that 73.1% of the variation in the dependent variable (small scale business) is explained by new currency and cashless policy while the remaining 26.9% is explained by other factors not considered by the study. The study also shows that the correlation coefficient value (R) is 0.855. However, the result on table 5 shows that the new currency (β= 15.799, p<.05) and cashless policy (β= 8.127, p<.05), significantly influenced the operation of small scale business. Finally, it was revealed that new currency and cashless policy jointly and significantly influence the operations of small scale business. The hypothesis is therefore rejected; this implies that there is a joint significant contribution of new currency and cashless policy on the operations of small scale businesses in Ekiti State, Nigeria

Discussion

The finding revealed that effect of new currency on the operations of small scale businesses are that it affected small scale businesses, causes naira scarcity which resulted to reduced patronage, affects the purchasing behaviour of customers, temporarily disrupt banking services affecting small businesses' access to funds and transitioning from old to new currency affects small scale business in updating cash register.

The result of the findings also revealed the challenges hindering the adoption of cashless economy by small scale business to include lack of awareness and understanding of about the benefits of a cashless economy, inadequate network coverage, cost of acquiring and maintaining POS devices, fear of security risk associated with digital transaction and limited access to banking services. According to Ogunsuyi and Siyanbola (2019), this study's limitations on its use and effectiveness include, among other things, insufficient network service, excessive transaction fees, inefficient interbank processing, and a clearing system. This undoubtedly lessens the intended influence on the SMEs' performance. The various authorities ought to address these issues. SMEs will be able to fully profit from mobile banking, POS terminal usage, and the overall cashless policy once these are completed.

Furthermore, the combine contributions of new currency and cashless policy on operations of small scale businesses include improvement of small scale business performance, reduces the risk of theft and fraud, reduces counterfeiting, increases consumer confidence in small scale business and has made transaction easier and faster. The results are consistent with those of Ikpefan and Ehimare (2012), who showed that

the payment system brought about by cashless policies is essential to any economy since it serves as a conduit for the transfer of financial resources between different economic sectors.

The hypotheses formulated for the study thereby revealed a significance relationship between the new currency and the operations of small scale businesses in Ekiti State. Also, the result revealed there is a joint significant contribution of new currency and cashless policy on the operations of small scale businesses in Ekiti State. This is consistent with Okeke's (2017) study, which finds that new currency and cashless policies have a favourable impact on the growth of small and medium-sized businesses.

Conclusion

Sequel to the findings of this study, new currency has negative influence on the operations of small scale businesses and there are some challenges hindering adoption of cashless policy. However, there is a joint significant contribution of new currency and cashless policy on the operations of small scale businesses in Ekiti State.

Recommendations

Based on the findings of this study, the following recommendations were made.

1 Government and the CBN should create awareness on the benefits derivable from cashless policy for the improvement of Small and medium scale enterprises businesses and economic development.
2 The Central Bank of Nigeria should formulate policies that will ease the swap of old currency to new currency so as not to affect the performance of Small Scale Businesses.
3 There is need for mobile companies and other companies offering mobile banking services to design mobile banking applications and services that are easy to use by all customers regardless of their social status.

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