



The Effect of Cashless Policy on the Growth of Small and Medium Enterprises (SMEs) in Afikpo North Local Government Area of Ebonyi State

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Abstract

The study examined the effect of cashless policy on the growth of Small and Medium Enterprises (SMES) in Afikpo North Local Government Area of Ebonyi state. The study adopted descriptive survey design for the study and simple percentages was used for analyzing the data. The main purpose of the study is to find out the effect of cashless policy on the growth of Small and Medium Enterprises (SMES) in Afikpo North. From the findings, it was observed that cashless policy has a negative effect on the growth of SMES in AFIKPO North which was attributed from unawareness, corruption and network problems. The study recommend among others that government should collaborate with central Bank of Nigeria (CBN) in providing infrastructure for the improvement of network in Nigeria and increase the efficiency of existing anti craft agencies previously established by Government.

Keywords: Cashless, Policy, Government, Growth and SMES

Introduction

The goal of any economy of the world is to have a sustainable economic growth. This is achievable by implementing policies that will enhance a reboots economic growth. Among the policies is monetary policy; where the central bank use monetary instrument to regulate the volume of money in circulation. Like other economy in the world, the central Bank of Nigeria (CBN) in January 2012 disclosed its plans to begin a transition to a cashless economy as part of the country's ambition to become one of the best 20 economics before the year 2020. The aim of the

cashless policy initiative was to reduce the number of naira notes and coins used for business, to increase convenience and access to payment, to enable more transparency, to reduce risk of robbery and so on.

A cashless policy is described as an economy where transaction can be done without necessarily carrying physical cash as a means of payment or exchange of goods and services, rather where credit or debit card or other electronic medium of payment are replaced. In the word of Yusuf, Adedena and Egbekube (2015), cashless policy

entails a drastic reduction in the handling of cash for transaction purpose, but relies heavily on the sending of electronic signals to bank for the payment and receipt of money on one's behalf in the process of exchange. The cashless policy was aimed at curbing some of the negative consequences associated with the usage of physical cash in the economy including high cost of cash, high risk of using cash, high subsidy, armed robbery, inefficiency as well as corruption, (CBN, 2011). If it's well executed, should be an enabling ground for improvement in small and medium enterprises in Nigeria.

Small and medium enterprises (SMES) are small scale business that engaged in buying and selling of goods and services like retailing and wholesaling of goods and some are productivity businesses that engaged in turning raw material into finished goods.

Government all over the world concentrate on the growth of the Small and Medium Enterprises (SMEs) sector to encourage economic growth. In Nigeria, over 80% workforce were engaged by the small and medium enterprises (Ogundipe 2022) Small and medium enterprises are regarded as the bases of industrial development and play a critical role in economic growth. Along with massive job creation, small and medium enterprises, support interlinkages and integration as well as effective strategies for reducing rural- urban migration. But, these have not been seen in Nigeria as anticipated.

The challenges of the relatively low adoption of the use of electronic payment have seriously affected the implementation of cashless policy, and general public as well in Nigeria. This paper tries to find out the effect of cashless policy on the growth of small and medium enterprises in Afikpo North Local Government Area of Ebonyi state.

Objective of the Study

The main objective of the study is to find out the effect of cashless policy on the growth of small and medium enterprises in Afikpo North specifically, the study seeks:

- 1 To find out the rate of awareness of cashless policy in Afikpo North
- 2 To find out the impact of cashless policy on business performance in Afikpo North Local government of Ebonyi state
- 3 To examine the financial position of SMES in Nigeria since cashless policy implementation.
- 4 To ascertain the challenges hindering cashless policy implementation in Afikpo North local government of Ebonyi state.

Research Questions

- 1 What is the rate of awareness of cashless policy in Afikpo North
- 2 What is the impact of cashless policy on business performance in Afikpo
- 3 What is the financial position of Small and Medium Enterprises (SMEs) in Afikpo since cashless policy implementation
- 4 What are the challenges hindering cashless policy implementation in Afikpo North local government area of Ebonyi state.

Literature Review

A cashless policy is a macroeconomics policy through which consumers services by credit cards or electronic funds transfer without the use of cash (Sakiru & Okafor 2022). According to Taiwo, Oluwafemi, Ewawere, & Agwu (2016), a cashless policy displays an economic situation whereby transactions are carried out without the need to move physical cash and this is done with the use of credit card or debit card payment.

According to Ikpo, Nnadu and Itumo (2017), Small and medium enterprises (SMES) are different kind of firms that could be found in different business activities across the country. They include artisans

producing local agricultural implements, the coffee shop owners, tailor shop owners, iron fabrication, road side mechanics, small transport firm, the internet café, small engineering or software firm and medium-sized automotive parts manufacturer. World Bank (2006) defined medium enterprises as an enterprises which employees with a maximum of million dollars annual turnover.

Okonye and Ezejiolor (2013) examined the significant benefits and essential elements of cashless policy, and the extent at which it can enhance the growth of financial stability in the country. Descriptive research design was adopted for the study with a sample size of 68 questionnaires arrived at using the convenience sampling technique. The data collected were subjected to face validity test, and were tested with ANOVA and chi-square technique. The results indicated that majority of Nigerians are already aware of the policy and have agreed that the policy will help the fight against corruption and money laundering as well as reduce the risk of carrying of cash. However, the major problems envisaged to hamper the implementation of the policy are power and cyber fraud and illiteracy. Based on the findings, they recommended that government should adopt a different strategy to educate the non-literate Nigerians about the cashless policy until measures are in place to encourage and push fast the banking culture's change for the success of the cashless economy in Nigeria.

Okeke (2017) Investigated the effect of cashless policy on the development of small and medium scale enterprises in Anambra state. The study used descriptive survey method. The major statistical tools of analysis were Pearson correlation and multiple regression analysis. The result of the analysis showed that automated teller machine, point of sale and mobile banking have positive significant effect on the development of small and medium scale enterprises in Anambra state. The study concluded that with more awareness being created about the usefulness of cashless practices, small and medium enterprises will perform better. Also, Onyekwelu and Nnabugwu (2018) examined the effect of cashless policy of the government on the performance of micro, small and medium scale Enterprises (MSMEs) in Anambra state, using the cashless channels of internet/ online banking services, automated teller machine service and the mobile banking services as the independent variables. The study adopted descriptive survey design. Pearson correlation and multiple regression were used for the analysis. From the Findings, internet/online banking services, automated teller machine services and mobile banking services have positive and significant effect on the performance of MSMEs in Anambra state.

Nwankwo and Eze (2013) ascertained the extent to which electronic payment affects cashless economy of Nigeria using a descriptive research design. The study indicated that the electronic system of payment has a great implication on cashless economy of Nigeria, but that it will lead to significant decrease in deposit mobilization and credit extension by Nigerian deposit money banks. They concluded that cashless system of payment need to be examined and e-payment system developed, so that people will get used to it before talking of cashless economy.

According to Agu and Agu (2020) the study examined the impact of cashless policy on economic growth of Nigeria over the period of Q12010 to Q42018. It employed quarterly time series data using ordinary least squares (OLS) technique. The data was subjected to unit Root, co integration and Granger causality test. The findings revealed that cashless policy has been a veritable tool in influencing economic performance especially as it relates for Automated Teller machine (ATM) transactions and point of sale (POS) payment patterns

Chuwa (2015) investigated the factors influencing the adoption of internet banking by small and medium enterprises (SMES) in Nyamagama District, Mwanza Tanzania. The study adopted descriptive survey design. The result of the analysis showed that demographic factors such as age, income, education etc. influence the adoption of internet banking. It was also revealed that perceived relative advantage, compatibility, complexity, risk and cost also affect the rate of adoption of internet banking by SMES in the state.

The study concluded that social influence, including the opinion of friends, parents and colleagues negatively affects the use of internet banking by SMES in Tansania. Nigeria and shale (2017) examined the role of electronic point of sales on supply cash performance in the retail sector of Kenya among selected super market chain in Nairobi. Descriptive survey method was adopted for the study. The finding indicates that there is a positive and significant effect on supply and chain performance

Isola and Mesagn, (2018) carry out a research on three West African Nations, Nigeria, Ghana and Gambia from 1981 to 2016. They focused on how monetary policy affect the performance of small and medium enterprises. It was discovered that during the source of the time, the output of SMES was negatively impacted by the private sector’s access to credit, the rate of inflation, and the exchange and interest rates only interest rate, out of all the monetary policy measures had a direct impact on how well SMES performed in Ghana, but the exchange rate had a favorable impact on SMES production in the Gambia. The result shows that none of the result countries monetary policies were conducive to the success of the SMES sector in West African nations.

According to Wright and Reynolds (2014) in their research examined the impact of the cashless system on user’s perception and retail marketing performance in Nigeria retail sectors. The study used survey instrument (questionnaire) and randomly selected samples as to generate data on the impact of cashless system on user perception and retail marketing performance in Nigeria. The study found that the two measure of cashless system have positive influence on the measures of retail marketing performance. Adedokun (2017), examine the effect of cashless banking on the financial performance of small and medium scale enterprises in Zaria metropolis

The study is cross sectional in nature and hence collected data using self administered questionnaire to the 120 respondents. Multiple regression analysis was used to test the hypotheses formulated for the study using statistical package for social science (SPSS) version 20. The findings showed that mobile banking and point of scales (POS) machine services have significant positive effect on the financial performance of SMES.

Methodology

Research Design

The study adopted descriptive survey design because the result would be generalized for the entire population of interest

Population of Study

The target population of this study comprises of all educated traders in Eke market and Environs of Afikpo North Local Government Area, Ebonyi state. The population of the study is 244

Sample Size Determination

The sample size is determined using Yaro Yamen’s formular as shown below

$$N = \frac{N}{1 + N(e)^2} \text{ Type equation here.}$$

Where n= Sample size

N= Population

e= error margin at 5%

Substituting N and e in the equation we have

$$n = \frac{244}{1 + 244(0.05)^2}$$

n = 152 (approximately)

Sample size 152

Instruments for Data Collection

The instruments for Data collection emanated from questionnaire administered to the educated traders in Eke marked Afikpo North Local Government Area of Ebonyi state and it's environs,

Procedure for Processing Data collected

In analysis the data collected a frequency distribution and simple percentage were used to characterize the response. The percentage analysis enables the figures in the research work which were in absolute terms to be converted to real terms. The techniques facilitate the comparison of figures and standardize data. It uses 100 as its base.

Finding and Discussions

From the analysis of effect of cashless policy on the growth of small and medium enterprises in Afikpo North local government area of Ebonyi state, the following observations were made.

1. From the question, what is the rate of cashless policy awareness in Afikpo North Local government of Ebonyi state? 0.66% of the respondents rated "High" 0% rated "Very High" 33.55% rated "Low" and 65.79% rated "Very low". Therefore the cashless policy awareness in Afikpo North local government area of Ebonyi state was very low.
2. From the question, what is the impact of cashless policy on business performance in Afikpo North local government area of Ebonyi state? 19.74% of the respondents rated "positive", 14.47% rated "very positive" 34.21% rated "Negative" and 31.58% rated "very negative". In Afikpo North Local Government Area of Ebonyi state is negative
3. From the question, What is the Financial position of small and medium enterprises in Afikpo North local government area of Ebonyi state since cashless policy implementation in Nigeria? 13.16% of the respondents rated "favourable" 12.5% rated "very favourable". 13.9% rated "unfavourable" and 41.45% rated "Very unfavourable". Therefore, the financial position of small and medium enterprises in Afikpo North local government area of Ebonyi state is very unfavourable since the implementation of cashless policy in Nigeria .
4. From the question. What are the challenges hindering cashless policy implementation in Afikpo North local government area of Ebonyi state? 28.95% of the respondents rated "corruption" 32.9% rated "Network", 13.16% responded "Education", 7.9% of the respondents responded "infrastructure" and 17.11% of the respondents responded "Poverty" so, corruption and network are the major challenges hindering cashless policy implementation in Afikpo North local government area of Ebonyi state.

Conclusion

The study examined the effect of cashless policy on the growth of small and medium enterprises in Afikpo North local government area of Ebonyi state. It employed descriptive research design and from the analysis it was observed that cashless policy awareness was very low in Afikpo North Local government area of Ebonyi state. And it has a negative impact on the business performance. The major challenges that are hindering cashless policy implementation in Afikpo North are corruption and network.

The study concludes that cashless policy has a negative effect on the growth of small and medium enterprises in Afikpo North local government Area of Ebonyi state.

Recommendation

Based on the findings made from the study, the following suggestions are made to boost the growth of small and medium enterprises in Afikpo North Local government area of Ebonyi state.

1. The government should sensitize and create awareness on the benefit of cashless policy to help improve the growth of Small and Medium Enterprises (SMEs) in Afikpo North Local Government Area of Ebonyi:
2. Government should collaborate with the CBN in providing infrastructure for the improvement of Network in Nigeria.
3. Government should increase the efficiency of existing anti-graft agencies previously established by government to fight corruption in Nigeria such Economic and Financial Crime Commission (EFCC) and Independent Corruption Practices Commission (ICPC).

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