CASHLESS POLICY AND ECONOMIC ACTIVITIES OF SMALL-SCALE BUSINESSES IN DELTA CENTRAL SENATORIAL DISTRICT IN DELTA STATE - NIGERIA: BENEFITS AND CHALLENGES

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Abstract

The paper examined the cashless policy and economic activities of small-scale businesses in Delta Central Senatorial District in Delta State - Nigeria: Benefits and challenges. Descriptive survey research design was adopted. Two research questions and two null hypotheses guided the study. The population of the study consisted of 2,600 small-scale business (SSB) owners and a simple random sampling technique was used and a sample of 260 was obtained. A 24-item questionnaire titled questionnaire for cashless policy on economic activities of small-scale businesses (QCPEASSB) *was used for data collection. The face and content validity of the instrument was done by three experts from Delta State University, Abraka. The internal consistency of the instrument was ascertained using a Cronbach"s Alpha statistical tool which yielded an overall reliability coefficient of 0.80. Mean and standard deviation were used for answering research questions while t-test statistics was used in testing null hypotheses at 0.05 alpha level of significance. The benefits of cashless policy on economic activities of Small Scale Businesses (SSB) in Delta Central Senatorial District in Delta State are, faster transaction, reduced crime rate, flexibility of payment among others while challenges of the policy include insufficient point of sale (POS), poor electricity, and poor network system among others. The study recommended that the SSB owners should make adequate use of the e-channels in making and receiving payment for transactions since it helps to reduce the level of stress, revenue leakage and cash handling cost. Also, Government should make provision of constant power in every part of Delta Central Senatorial District and the National Communication Commission and the banks need to improve the network system to avoid fund transactions failure.*

Keywords: Cashless policy, economic activities, small-scale business, benefits,

challenges **Introduction**

The cashless policy was introduced to Nigeria in the year 2012 as a result of the problems associated with the cash economy. This was caused, in part, by the large number of people who crowded the bank buildings to physically withdraw money, pay for products and services, and transfer fund to other beneficiaries. The Central Bank of Nigeria (CBN) specified in 2017 that the cashless economy will make use of the following to actualize the policy, Automated Teller Machine (ATM), Point of Sale (POS), Web/Internet Transfers payments, Mobile payments, Nigerian interbank payments/Nigerian interbank settlement scheme fund transfer, national electronic funds transfer, m-mobile, e-bills pay, remittances and central pay as the electronic payment system available in Nigeria to sustained cashless economy and all these refer to how transactions and payments are effected in a cashless economy (Mamudu & Gayovwi, 2019).

However, the implementation of the policy was poor because cash withdrawals in bank halls was poorly regulated and the needed facilities for effective implementation were not readily available. The implication is that, the psychological disposition of many Nigerians is to do business transactions in cash and therefore prefer to possess the physical cash either in the wallet or at home. This led the Central Bank of Nigeria (CBN) to have less control of the Naira as the former CBN Governor Godwin Emefiele cried out on December, 2022 that out of the 3.23 trillion Naira supposedly in circulation, only about 500 billion are truly in circulation within the banks while over 2.73 trillion are stalked in individual homes (CBN, 2022). The former Governor also ascertained that the lack of control of the cash in circulation could be responsible for the increase in financial related crimes. Consequently, the CBN opted for improved implementation of the cashless policy revising the cash withdrawal policy and redesigning the 200, 500, and 1000 naira notes (CBN, 2022). In this drive aimed at full implementation of the cashless policy, the maximum withdrawal by individual bank customer cannot be more than ₦100,000 in a week while the weekly withdrawal limit for corporate users was set at ₦500,000. As a result, the daily withdrawal limit for ATM and POS transactions was decreased to ₦20,000 (CBN, 2022).

The general goal of implementing this policy is to decrease the use of a significant amount of cash, advance and modernize payment systems, lower the cost of banking services, promote financial inclusion by offering more effective transaction options and a wider reach and enhance the efficiency of monetary policy in controlling inflation and promoting economic growth (Mamudu & Gayovwi, 2019). Also, the cashless policy aimed at getting more of the money in circulation into the system as well as to track money laundering activities and other financial related criminal funds. It also sought to promote electronic-based transactions instead of cash payments for transfers, goods and services, among others. The Nigerian cashless system however, is where payment is not made in cash for monetary businesses rather, all transactions are electronic, using debit or credit cards or payment services like PayPal, Zelle, Venmo, and Apple Pay. It has been evolving in line with the global payments evolution. Cashless system of payments and instruments are significant contributors to the broader effectiveness and stability of the financial system (Akara & Asekome, 2018). Thus, the government rejuvenated implementation of this cashless policy was to quicken transactions and business growth without going to the banking halls as well as to stimulate the country‘s economic activities.

Nonetheless, the economic activities of the small-scale businesses in Nigeria may be greatly affected by the policy as small-scale business owners play a major role in the economic development of the nation. An economic activity in this context is referred to as a process that is based on inputs that leads to the manufacturing of goods or the provision of services. When resources like labour, capital goods, manufacturing processes, or intermediary items are combined to create particular goods or services that is considered an economic activity.

Resource management, production of goods and services, distribution of goods and services, and consumption of goods and services are thus the four fundamental economic activities. Hence, Osotimehin in Elechi and Chizoba (2016) described small-scale businesses as investment in machinery and equipment, working capital, capital cost, turnover and values of installed fixed cost. Small-scale business is a business that is not gigantic in terms of its size, financial involvement, scope of operation and the workforce involved and in most cases the ownership of the business is one entrepreneur (Obi, 2015). Therefore, small-scale business could be defined as a business owned by one entrepreneur and there is no public sales of shares, the owners of these businesses must personally finance their businesses.

Thus, for a country such as Nigeria to advance economically, emphasis should be made to develop the private sector. This can be attained by developing and supporting small-scale enterprises. Therefore, there is need to fathom the implications of government policies, such as the cashless policy on them. It is equally good to know how best to implement such policies to their advantage in order to ensure the survival and growth of these businesses.

There are numerous benefits derivable from the cashless policy. Osazevbaru and Yomere, (2015) carried out a study on benefits and challenges of Nigeria‘s cashless policy and found that the cashless policy reduced the high operational cost incurred in a cash based economy. It minimize the risk involved in the use of physical cash that occurs as a result of burglaries and thefts as well as financial loses in fire out breaks; increase convenience, more service option, reduce risk of cash related crime, cheaper access to banking services and credit to customer.

Echekoba and Ezu in Acha, Kanu and Agu, (2017) affirmed that cashless policy brings about faster transactions by this it reduces queues at sales point, enhance sales, also, improve payment method – time spent on gathering, totaling and sorting cash is removed. Electronic payments will assist business people sprout their customer base and resource pool, far beyond the confines of their current geographic area (Oyewole, Gambo & Onuh, 2013).

In spite of the benefits of the cashless policy, there are lots of challenges facing the policy. Osazevbaru and Yomere, (2015); Acha, Kanu and Agu (2017) identified the following as challenges confronting the policy in Nigeria.

Financial infrastructure deficit: The policy dependence on ICT to properly function and the susceptibility of fraudsters spreading their plots is very high. However, the cashless payment channels are insufficient in meeting the demand of the policy. Hence, the policy is open to security flaws.

Electricity infrastructure: The effectiveness of the cashless policy depends heavily on the infrastructure for electricity. Regretfully, Nigeria is unable to declare that all regions of the nation steadily receive electrical power. Lack of electricity power will definitely hinder the implementation of the cashless policy if ignored.

High fees and charges: The high fees and charges paid on certain e-channels are capable of inciting conflict among the banking population.

The population's level of illiteracy: People's poor literacy rates have an impact on cashless policy since most small-business owners are illiterate and cannot use the advanced technology needed to operate e-channels.

Statement of the Problem

Since the dawn of time, many payment systems have been used to purchase products and services, beginning with barter trading. The trade by barter transaction technique was the foundation for the development of money and coins to solve the problem of double coincidence of wants and divisibility that trade by barter encountered. The use of paper money/coins was introduced after the use of trade by barter method as there were various challenges associated with trade by barter, but the use of paper money/coin has affected small-scale businesses and economic activities which required replacement with a better payment system (John, 2020).

It has been observed that developed countries around the world are increasingly shifting away from paper payment instruments toward electronic ones, particularly payment cards (Onwe, 2018). Marco and Bandiera as cited in Ugochukwu (2022) argued that increased usage of cashless banking instruments reinforces the monetary policy efficiency and economic development.

Monetary policy as a technique of economic management to bring about sustainable economic growth and development through cashless policy and banking system was introduced by the Central Bank of Nigeria (CBN). The Nigeria economy seemed to be faced with a lot of setback as a result of this policy. It seemed that most small-scale business owners are refusing to accept transfer as means of making payment for purchases of goods and services as they give excuses that they cannot access their accounts, their account may not be credited with the said amount or the payment may be reverse or that their banks do not have network to enable them access the money among others and this may have some negative impact on the small-scale businesses and their economic activities and thereby affect the nation as a whole.

It is against this backdrop that this study sought to investigate the cashless policy and economic activities of small-scale businesses in Delta Central Senatorial District in Delta State - Nigeria: Benefits and Challenges.

Research Questions

The following research questions guided this study.

1. What are the benefits of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District?
2. What are the challenges of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District?

Hypotheses

The following null hypotheses were formulated and tested at 0.05 level of significance to guide the study.

Ho_1: There is no significant difference in the mean responses of small-scale business owners on rating of benefits of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District, based on gender.

Ho_2: There is no significant difference in the mean responses of small-scale business owners on rating of challenges of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District, based on gender.

Research Method

The descriptive survey research design was adopted. The population of the study consisted of 2,600 small-scale business owners in Delta Central Senatorial District. A sample size of 260 was drawn through simple random sampling technique. A 24-item self-structured questionnaire was used for data collection, titled questionnaire for cashless policy on economic activities of small-scale businesses (QCPEASSB) and it was divided into 2 parts. Part A contains bio-data information of the respondents, while part B has 2 sections based on the 2 research questions. Four-point rating scale of Strongly Agree-4, Agree-3, Disagree-2 and Strongly Disagree-1 was used in rating their responses.

The instrument was face and content validated by 3 experts from Measurement and Evaluation Unit and Department of Business Education all from the Delta State University, Abraka. A pilot study was conducted using 30 small-scale business owners from Delta South Senatorial District. The Cronbach‘s Alpha statistical tool was used in analyzing the data and a reliability co-efficient of 0.82 was obtained for benefits of cashless policy and 0.78 was obtained for challenges of cashless policy.

The overall Cronbach‘s Alpha obtained was 0.80 indicating high reliability of the instrument. The researcher with the help of three research assistant administered the instrument and all the 260 instrument administered were retrieved. Mean and standard deviation were used in answering the research questions while t-test was used for testing the null hypotheses at 0.05 alpha level of significance. The decision rule was that a mean score of 2.50 and above indicates acceptance of the item by the respondents, while a mean score below 2.50 indicates rejection by the respondents. For the hypotheses test, the probability value (p) was used. When p-value was greater than 0.05, the null hypothesis was retained, but when the p-value was less than 0.05, the null hypothesis was rejected.

Results

Research Question 1: What are the benefits of Cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District?

Table 1: Mean analysis of benefit of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District

S/N	Items/statements	Mean(X)	SD	Decision
1	Cashless policy leads to faster transaction	3.35	0.72	Agreed
2	Cashless policy reduced costs and risks related with physical cash collection arising from thefts, burglaries as well as financial loses in fire outbreaks	3.32	0.78	Agreed
3	Cashless policy leads to increase in purchases by customers.	3.19	0.89	Agreed
4	Cashless policy results to effective monetary policy.	3.18	0.76	Agreed
5	Cashless policy *reduces* the level of corruption	2.75	0.84	Agreed
6	Cashless policy reduces crime rate.	3.34	0.61	Agreed
7	The flexibility of payment in the cashless policy leads to increase convenience, more service options, reduce risk of cash related crimes.	3.27	0.71	Agreed
8	Small-scale businesses will benefit from the cashless policy by way of faster access to capital, reduced revenue leakage and reduced cash handling cost.	3.01	0.75	Agreed
9	Cashless policy help to reduce the level of stress involve in making payment for transaction.	2.68	0.98	Agreed
10	Cashless policy assist small-scale enterprises to properly manage their finances.	2.60	0.68	Agreed
11	Cashless policy assist in reducing the running cost of the business enterprises.	3.09	0.73	Agreed

12	Cashless policy helps to increase the profit of the enterprise since additional interest is add to the cash in the bank.	3.33	0.67	Agreed
13	Cashless policy reduces the rate of theft in the business.	3.19	0.94	Agreed
	Total Mean/SD	**40.30**	**10.06**	
	Grand Mean/SD	**3.10**	**0.77**	**Agreed**

Source: Field work, 2023

Data in Table 1 revealed that the respondents agreed to all the items on benefit of cashless policy on economic activities of small-scale businesses. The grand mean for all the items was 3.10 while the standard deviations for all the items was 0.77 and this showed that the standard deviation were within the same range showing that the respondents were not wide apart in their ratings.

Research Question 2: What are the challenges of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District?

Table 2: Mean Analysis of Challenges of Cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District

S/N	Research Items		SD	Decision
14	Insufficient financial infrastructure.	3.03	0.73	Agreed
15	Electricity power failure.	3.54	0.65	Strongly Agreed
16	Fraudulent practices.	3.00	0.78	Agreed
17	Insufficient point of sale (POS)	3.02	0.72	Agreed
18	System failure.	2.96	0.94	Agreed
19	Internet failure.	3.01	0.67	Agreed
20	Poor network connectivity.	3.02	0.71	Agreed
21	Debiting customers account without crediting the designated account.	3.22	0.86	Agreed
22	High charges and fees in some of the electronic channels.	3.62	0.92	Strongly Agreed
23	High rate of ICT illiteracy among the customers.	3.18	0.76	Agreed
24	Regular malfunctioning of machine making ATM cards to get trapped.	2.62	0.88	Agreed
	Total Mean/SD	**34.22**	**8.62**	
	Grand Mean/SD	**3.11**	**0.78**	**Agreed**

Source: Field work, 2023

Data on Table 2 showed that out of the 11 items listed on challenges of cashless policy on economic activities of small-scale businesses, the respondents agreed with 9 items (item 14, 16, 17, 18, 19, 20, 21, 23 and 24). The mean rating for these items ranges from 2.62 to 3.62. They strongly agreed with 2 of the items (item15 and 22) with the mean rating of 3.54 and 3.62 respectively. The grand mean of 3.11 means that all the small-scale business owners agreed to these challenges as challenges affecting small-scale businesses. The standard deviation for all the items were within the same range showing that the respondents were not wide apart in their ratings.

Hypothesis 1

There is no significant difference in the mean responses of small-scale business owner on benefits of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District, based on gender.

The null hypothesis was tested using t-test at 0.05 level of significance and the results was presented in Table 3.

Table 3: Summary of t-test analysis of male and female small-scale business owners on rating of benefits of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District

Gender	N	X	SD	t-val	df	P-value	Decision
Male	110	3.02	0.78	0.50	258	0.54	NS
Female	150	3.18	0.86				

Data presented in table 3 revealed that the t-value is 0.50 while the corresponding P-value is 0.54 at 258 degree of freedom. This value is greater than the alpha value of 0.05 (p>0.05), which means that the respondents did not significantly differ in their mean ratings on the perceived benefits of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District as a result of gender. Therefore, the null hypothesis was retained.

Hypothesis 2

There is no significant difference in the mean responses of small-scale business owner on rating of challenges of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District, based on gender.

The null hypothesis was tested using t-test at 0.05 level of significance and the results were presented in Table 4.

Table 4: Summary of t-test analysis of male and female small-scale business owners on rating of challenges of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District

Gender	N	X	SD	t-val	df	p-value	Decision
Male	110	3.12	0.75	1.37	258	0.78	NS
Female	150	3.08	0.82				

Data presented in table 4 revealed that the t-value is 1.37 while the corresponding P-value is 0.78 at 258 degree of freedom. This value is greater than the alpha value of 0.05 (p>0.05).This indicated that there is no significant difference in the mean ratings of the responses of male and female small-scale business owners on their perceived rating of challenges of cashless policy on economic activities of small scale businesses in Delta Central Senatorial District. Therefore, the null hypothesis of no significant difference in the mean responses of small scale business owner on challenges of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District based on their gender was retained

Discussion of Findings

Findings in research question one indicated that small-scale businesses derive huge benefits from the implementation of the cashless policy such as faster transaction, reduced costs and risks related with physical cash collection arising from thefts, burglaries as well as financial loses in fire outbreaks, reduced crime rate, flexibility of payment, reduce risk of cash related crimes, faster access to capital, reduced revenue leakage and reduced cash handling cost. This is in line with the findings of Osazevbaru and Yomere (2015); Mamudu and Gayovwi (2019) who found that cashless policy reduced the high operational cost incurred, minimize the risk involve in the use of physical cash that occurs as a result of burglaries and thefts as well as financial loses in fire out breaks. Also, this findings is in conformity with Echekoba and Ezu in Acha, Kanu and Agu, (2017) who stated that cashless policy brings about faster transactions. The findings corroborates that of Oyewole, Gambo and Onuh (2013) that electronic payments will assist business people sprout their customer base and resource pool, far beyond the confines of their current geographic area.

The findings on hypothesis one revealed that there is no significant difference in the mean responses of small-scale business owner on benefits of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District, based on gender. Therefore, the null hypothesis of no significant difference was retained.

The findings from research question two showed that small-scale businesses are confronted with a lot of challenges with the implementation of the cashless policy in Delta Central Senatorial District such as insufficient financial infrastructure, electricity power failure, system and internet failure and high rate of ICT illiteracy among the customers. This finding is in agreement with that of Osazevbaru and Yomere (2015); Acha, Kanu and Agu, (2017) who found that cashless policy implementation lack financial infrastructure, electricity infrastructure and that the level of literacy of the people also affect the policy.

The findings on hypothesis two revealed that there is no significant difference in the mean responses of small-scale business owner on challenges of cashless policy on economic activities of small-scale businesses in Delta Central Senatorial District, based on gender. Therefore, the null hypothesis of no significant difference was retained.

Conclusion

Based on the study's findings, it was therefore concluded that, despite the various benefits received from the cashless policy, there are several elements that work against the policy and thereby have negative impacts on economic activities of small-scale businesses. As the study's purpose was to determine the impact of cashless policy on the economic activities of small-scale businesses in Delta Central Senatorial District, proper attention and consideration must be given to eliminating all factors that can impede effective implementation of the policy in order for small-scale businesses to reap the full benefits of the policy.

Recommendations

Based on the findings of the study the following recommendations were made:

1. Small-scale business owners should make adequate use of the e-channels in making and receiving payment for transactions since it helps to reduce the level of stress, revenue leakage and cash handling cost.
2. The government should ensure that there is constant electricity power supply to rural and urban areas of the State since the cashless policy make use of e-channels that require electricity.
3. Banks should organize a seminar for their customers to teach them how to make use of e-channels in making payment for goods and services purchased and also beef up their security to ensure there are no leakages for fraudsters to tamper with their system.
4. National Communication Commission and the banks need to improve the network system to avoid fund transactions failure.

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