The Impact of Cashless Policy on Small Scale Businesses in Ogoni Land of Rivers State, Nigeria

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Abstract: *The purpose of this paper is to examine the impact of cashless policy on small scale businesses. The study carried out in Ogoni of Rivers state, using the purposive sampling technique, 250 owners and operators of small scale businesses were selected and administered questionnaire. The data collected were coded and analyzed using frequency table and percentage, while regression analysis was used to test the formulated hypotheses using SPSS (Statistical Package for Social Sciences). The results indicate that: small scale businesses in Ogoni land are predominately occupied by sole proprietorship with meager income with a significant numbers of them having a very poor banking habit; it was also found out that small scale businesses statistically do not rely on heavy capital outlay; couple with the fact that provision of services is their main business activity makes bank transaction, ATMs usage and online banking of less or no significance since their transaction is grossly hinged on "cash and carry basis"; the findings from the study also suggest that operators of small scale business have zero tolerance to ICT usage in both the operations and transactions of their businesses; and this constitute a major challenge to the adoption of cashless policy in the study area and generally, there was a negative significant influence of the introduction of cashless policy on the operations and growth of small scale businesses in Ogoni land. Based on the findings some recommendations among others made are: the need for government to harness efforts which should be directed at improving the activities of small scale businesses through concerted policies, regulations and actions that will encourage and empower small scale businesses financially thereby making the sector vibrant and productively ready to withstand a cashless economy.*
Key words: *Cashless Policy, Economy, Impact, Rural development, Small Scale Businesses.*

I. Introduction

There have been a consistent agreement in the body of extant literatures [1][2][3][4][5] that small and medium scale enterprises have the tendency to improve the economy of any nation through job creation and increased flow of finance to the economy calls for policy formulation and implementation that will enhance its growth and performance. However, the recent introduction of cashless policy by the central bank of Nigeria (CBN) has relegated SMEs to a characterization of what is described as the declining glory of the sector. This is evident in SMEs performance, growth and operation, especially in rural Ogoni land.

The situation is more disturbing when compared with what other sectors (with lesser economic implication) of the economy has been able to achieve. Studies have also described the situation by showing a high correlation between access to finance and operations, performance and growth of SMEs. Hence, if the goals of SMEs which is widely acclaimed by researchers [6][7][8][1][2][3] as a boast to the economy will be achieved, then the development and enhancement of the performance, operations and growth of SMEs should be vigorously pursued.

The growth of SMEs in Ogoniland and anywhere else is a product of availability of finances and effective utilization of mechanism which enhances their performance, operation and growth in terms of execution of transaction. Thus, inability to accomplish the foregoing could hinder the growth of SMEs especially with the recent introduction of cashless policy which calls for internet and online banking, the use Automated Transfer Machine (ATMs), etc., makes the situation even more disturbing for SMEs especially those operating in the rural areas due to the proximity, lack of awareness and knowledge, access to Information and Communication Technology (ICT) [9][10][11][12][13][14].

The description of SMEs as a business that utilize average trading capital and the largest number of participant operating as the lowest strata of the economy, could make the introduction of the cashless policy not only a plaque to the operators, but also a burden to the economy. The problem of this study therefore, is to investigate if the introduction of cashless policy has any impact on Small scale business in Ogoni Land.

The objective of this paper therefore is to examine the impact of cashless policy on Small scale businesses in Ogoni Land. Specifically, emphasis will be placed on: determining the characteristics of small scale businesses in the study area; identifying the challenges that have hindered the adoption of cashless policy by small scale businesses in the study area; investigating if cashless policy has in any way enhanced the growth

of small scale businesses in the study area; examining the impact of cashless policy on the performance of small scale businesses in the study area and finally, make evidence-based recommendations on how the adoption of cashless policy could be enhanced in other to reposition small scale businesses to boast the economy of the study area and Nigeria.

II. Methodology

Research design: This study adopted the survey method design to meet its purposes. According to [15][16], surveys describe current conditions or attitudes as well as explain the reason for certain existing situations. The survey design is considered appropriate because it has the advantage of effectiveness in obtaining information about personal perceptions, belief, feelings, motivations, anticipation and future plans as well as past behavior. The survey was carried out through the administration of questionnaire on owners and operators of small scale businesses in the study area. In the context of this study, the researcher sought to examine the impact of cashless policy on small scale businesses in Ogoni land. These populations (owners and operators of small scale businesses) represent some of the key players in rural economy and they are capable of giving relevant information that will be useful for the study.

Sample procedure: The purposive sampling procedure was used to select the sample for this study. This was a pointer to the fact that the study population (owners and operators of small scale businesses) have no definite statistics with regards to its population. Hence, 250 small scale businesses were selected, and their owners responded to the research questionnaire.

Method of data analysis: this study adopted the regression analysis to analyze the data with a view to determining the impact of cashless policy on small scale businesses. The regression is implemented with the quantitative statistical software called SPSS (Statistical Package for Social Sciences). The decision criteria are that if the critical f-ratio is greater than the calculated f-ratio at 1 and 248 degree of freedom with 0.05 level of significance followed by a 95% confidence interval for the mean, the conclusion is that we retain the null hypothesis (Ho) and discard the alternative hypothesis (Hi).

The model for analyzing the impact of cashless policy on small scale businesses in the study area is denoted as follows:

$Y = a + b_1 X_1$ -   -   -   -   -   -   -   -   (1)

Where y = dependent variable

a = constant

b_1 = coefficient of X_1

X_1 = independent variable (explanatory variable)

Based on the equation, we derive the model for this analysis.

$OSME = f(CP)$ -   -   -   -   -   -   -   -   (2)

Expressing equation (2) in linear functional form,

$OSME = a_o + a_1 CP + e_t$ -   -   -   -   -   -   -   (3)

Where, OSME = Operation of SMEs

a_o = constant

a_1 = coefficient of CP

CP   = Cashless Policy

e_t = Error term*

Following equation (2), we develop the model for influence of cashless policy on growth of small scale businesses as;

$GSME = f(CP)$ -   -   -   -   -   -   -   (4)

With a linear relationship such as

GSME = Growth of SMEs

β_1 = Constant

β_2 = Coefficient of CP

CP   = Cashless Policy

e_t = Error term*

* This takes care of other variables that were not included in the study.

III. Data Analysis And Interpretation And Discussion Of Results

A total of 250 small scale businesses were administered questionnaire. The result of this study is divided into four groups; characteristics of small scale businesses; challenges of small scale businesses in adopting cashless policy; influence of cashless policy on operations of small scale businesses and influence of cashless policy on growth of small scale businesses. The following sections thus present the study findings:

3.1 Characteristics of Small Scale Businesses

The result on the ownership and registration status of SMEs in Ogoni land as shown in table 1 below indicates a high level of non-registration of businesses with corporate affairs commission (CAC) and sole proprietorship (76%). This indicates a low level of income which characterized such enterprises, couple with the confirmation in extant studies [17][18][19][20] that rural areas (including its economy) is marked with a high level of poverty or low income. Hence, the introduction of cashless policy as implemented by the central bank of Nigeria (CBN) in the rural areas could hinder SMEs' performance, operation and growth, with a significant negative influence on total turnover on investment and the national economy.

Result of the financial institution that SMEs uses show a very high (76%) rate of non-usage of formal financial institution, with very low (24%) patronage to formal financial institutions (commercial and micro finance bank). This could inform poor attitude towards adopting and accepting cashless policy in the area and anywhere else.

Table 1: Characteristics of SMEs in Ogoni land (N=250)

	Variables	Characteristics	No	%
1	**Ownership**	Sole proprietorship	190	76
		Partnership	36	14.4
		Joint Stock	24	9.6
		Total	**250**	**100**
2	**Liability/Registration with CAC**	Public Limited Liability	24	9.6
		Private limited Liability	36	14.4
		Un-Registered	190	76
		Total	**250**	**100**
3	**Bankers**	Commercial Bank	24	9.6
		Micro Finance Bank	89	35.6
		No Banker	137	54.8
		Total	**250**	**100**
5	**Main Business Activity**	Whole sale	21	8.4
		Retail	91	36.4
		Manufacturing	11	4.4
		Services	127	50.8
		Total	**250**	**100**
5	**Main Transactions Channel**	Cash Transactions	220	88
		Point of Sales	3	1.2
		Transfer/Cheques	27	10.8
		Web Based	0	0
		Total	**250**	**100**
6	**Staffing**	Full-time staffing	189	75.6
		Contract Staffing	61	24.4
		Total	**250**	**100**
7	**ICT Application***	Web sales/Purchases	12	4.6875
		Accounting	101	39.453
		Online adverts	50	19.531
		None	93	36.328
		Total	**256**	**100**

Source: Study Result, 2014; Multiple Responses

Data in table 1 above further reveal that the main business activities of SMEs in the study area is mostly services accruing a little above half of the total numbers of SMEs in Ogoni land (50.8), while other SMEs which constitutes approximately 49.2 percent are variously engaged in wholesale, retail and manufacturing respectively. This result dose not has any indication for evaluating the impact of cashless policy, but rather affirms that SMEs is a boast to rural enterprise in Ogoni land.

The result of the main transaction channels SMEs as shown in table 1 above indicates a zero web based transaction; 1.2 percent point of sales transaction; 10.8 percent transfer/cheque transaction and a very high percent (88%) of cash transaction channel. This result suggests that the main channel of transaction by SMEs is cash based. Hence, adopting the cashless policy could hinder its growth and performance, thereby affecting the rate of total turn-over on investment as well as the economy at large.

3.2 Challenges of Small Scale Businesses

Data in Table 2 below shows some of the challenges that SMEs faces in adopting cashless policy in Ogoni land. The decision rule for the challenge to be significant, indicate that the mean rating must be 2.5 and above, while challenges that rate less than 2.5 were ruled not significant. The result from the challenges of SMEs in adopting cashless policy indicate the following as some of the challenges of SMEs in adopting cashless policy: lack of ICT knowledge, Non-availability of ICT, fear of online fraud, Non-availability of POS, distance of ATMs, cost of internet, unreliable networks, low income and ICT phobia.

Table 2: Mean Rating of Challenges of Adopting Cashless Policy by SMEs in Ogoni Land

Variable	N	$\overline{X}$	SD	Remarks*
Lack of ICT knowledge	250	3.2920	.65149	Significant
Non-availability of ICT	250	3.0760	.58617	Significant
Fear of online fraud	250	3.2720	.57212	Significant
Non-availability of POS	250	2.8720	.49049	Significant
Distance of ATMs	250	2.9800	.60420	Significant
Cost of Internet	250	3.2120	.64554	Significant
Unreliable Networks	250	3.0440	.55434	Significant
Low income	250	2.9240	.55085	Significant
ICT Phobia	250	2.0720	.64846	Significant
Protocols in Cheque Liquidation	250	1.9960	.50299	Not Significant
Fear of Stale Cheques	250	1.9280	.55502	Not Significant

Source: Study Result, 2014; *Significant value, X = 2.50 and Above.

Similarly, the result based on the data in table 2 above revealed that protocols in cheque liquidation and fear of stale cheques with mean rating of 1.9960 and 1.9280 were not considered a challenge in adopting cashless policy by SMEs in Ogoni land. This result is supportive evidence [2] that the rural areas are characterized with low income, and also, a significant numbers of the SMEs operating in the area support the Osusu system (informal financial institutions) operating outside the scope of banking laws and regulations including ROSCA [Rotatory Savings and Credit Association], FISCA [Fixed Savings and Credit Association], TELETU [in Ogoni translation], MB [Mobile bankers], and IML [Individual Money Lenders].

3.3 Influence of Cashless Policy on Operations of Small Scale Businesses
Table 3: Regression Analysis of Influence of Cashless Policy on Operations of SMEs

Source of Variation	Sum of Squares	Df	Mean Square	F	Sig.*
Regression	.120	1	.120	.085	.771[b]
Residual	349.980	248	1.411		
Total	350.100	249			
	Coefficients [a]	Std. Error	Beta	T	Sig.
(Constant)	18.934	.668		28.344	.000
Cashless Policy	-.012	.040	-.019	-.292	.771
Source of Variation	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sig.***
Regression	.120	1	.120	.085	.771[b]
Residual	349.980	248	1.411		
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	Coefficients [a]	Std. Error	Beta	T	Sig.
(Constant)	18.934	.668		28.344	.000
Cashless Policy	-.012	.040	-.019	-.292	.771

Source: Study Result, 2014; P>0.05; df $_{1,248}$; Critical F = 3.89

The data in table 3 table shows that degree of freedom 1 and 248, under 0.05 level of significance, the critical f-ratio is 3.89 and it is greater than the calculated f-ratio of 0.085. The significant level of the f-ratio of 0.085 is 0.771 and is greater than the significance level of 0.05, denoting 95% confidence used for the study. Hence, we retain the null hypothesis of no significant influence of cashless policy on operations of SMEs in Ogoni land. In other words, we reject the alternative hypothesis, namely, that the introduction of cashless policy will enhance the operations of SMEs in Ogoni land. Thus there is qualified evidence which suggest that there is a significant relationship between cashless policy and the operations of SMEs in the study area.

3.4 Influence of Cashless Policy on Growth of Small Scale Businesses
Table 4: Regression Analysis of Influence of Cashless Policy on Growth of SMEs

Source of Variation	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.375	1	.375	.275	.601[b]
Residual	338.025	248	1.363		
Total	338.400	249			
	Coefficients [a]	Std. Error	Beta	T	Sig.
(Constant)	18.578	.656		28.299	.000
Cashless Policy	.021	.040	.033	.524	.601

Source: Study Result, 2014; P>0.05; df $_{1,248}$; Critical F = 3.89

The data in table 4 table shows that degree of freedom 1 and 248, under 0.05 level of significance, the critical f-ratio is 3.89 and it is greater than the calculated f-ratio of 0.275. The significant level of the f-ratio of 0.275 is 0.601 and is greater than the significance level of 0.05, denoting 95% confidence used for the study.

Hence, we retain the null hypothesis of no significant influence of cashless policy on growth of SMEs in Ogoni land. In other words, we reject the alternative hypothesis, namely, that the introduction of cashless policy will enhance the growth of SMEs in Ogoni land. This result suggests that the introduction of cashless policy will hamper the growth of SMEs in the area. This is a pointer to the fact the amount available to SMEs (as shown in table 1 – characteristics of SMEs), is relatively meager as what is obtained in the urban areas; couple with the relatively low usage of ICT, web based and online financial transactions (also see table 1 and 2 above for details).

IV.   Discussion Of Findings

The result indicates that small scale businesses in Ogoni land are predominately occupied by sole proprietorship with meager income (Table 1) with a significant numbers of them having a very poor banking habit (table 1). As evidenced from data in table 1 above, SMEs statistically do not rely on heavy capital outlay; couple with the fact that provision of services is their main business activity makes bank transaction, ATMs usage and online banking of less or no significance since their transaction is grossly hinged on "cash and carry basis". This can be affirmed in a study by [1] on traditional financial institutions (TFIs) and rural enterprise in Ogoni land of Rivers state.

The findings from the study also suggest that operators of small scale business have zero tolerance to ICT usage in both the operations and transactions of their businesses; and this constitute a major challenge to the adoption of cashless policy in the study area (Table 2). This makes the adoption of cashless policy to small scale businesses an activity for the future. However, availability of ATMs and ICT capacity building of SMEs operators could bring the future to present.

Generally, there was a negative significant influence of the introduction of cashless policy on the operations (see table 3) and growth (see table 4) of small scale businesses in Ogoni land. This is evidenced to the fact that a paradigm shift to the application of ATMs, online transaction , distance to ATMs etc., couple with the low knowledge of ICT by operators of SMEs could hinder their operation and growth, thus, leads to low Total Turn-over on Investment (TTI), as well as slow rural economic ventures in Ogoni land.

V.   Conclusion And Recommendations

The implication of the findings from this study is that the introduction of cashless policy has a negative significant influence on the operation, performance and growth of small scale businesses in Ogoni land. The results of the study revealed that the characteristic of small scale businesses is a strong indicator for measuring the level of adoption of cashless policy was statistically low. Generally, the characteristics of small scale businesses in Ogoni land do not support the adoption of cashless policy in the area (see table 1 and 2). This study therefore opines that small scale businesses do not rely on heavy capital; hence, the introduction of cashless economy could be a hindrance on its operations and growth.

Based on the study's findings, the following suggestions are discernable:

i.   Low capital by small scale businesses have been implicated as a bane on the adoption of cashless policy. Therefore, there is need for government to harness efforts which should be directed at improving the activities of small scale businesses through concerted policies, regulations and actions that will encourage and empower small scale businesses financially thereby making the sector vibrant and productively ready to withstand a cashless economy.

ii. Low based ICT knowledge was implicated as one of the challenge of adopting cashless policy. Hence, there is need to build capacities in small scale businesses operators through adult literacy programme, seminars, and mass ICT training programmes in rural areas. This will ensure readiness to go cashless, and also enhance personal abilities for cashless transactions.

iii. There is need to build synergy between formal/informal financial institutions, and operators of small scale businesses. This will consolidate a more effective working relationship which could boast rural small scale businesses capital based, ensure high turn-over in investment, as well as address the challenge of lack of trust to utilize internet banking transactions.

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