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Cashless Economy: the Impact of Demonetization on Small and Medium Enterprises in Bida Local government Area of Niger State

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Abstract

Demonetization is a financial environment that minimizes the use of physical cash by providing alternative channels for making payment. The objectives of this study include; to identify the challenges those have hindered the adoption of demonetization policy by small and medium scale enterprises, to investigate if demonetization in any way enhanced a growth on small and medium scale business enterprises and finally to identify the challenges those that have hindered the adoption of demonetization policy on small and medium scale enterprises all in Bida Local government Area of Niger State. The survey was carried out through the administration of questionnaire on owners and operators of small and medium scale enterprises in the study area. Due to the introduction of e-payment by Niger State, small and medium scale enterprises have started utilizing electronic based payment in their day to-day payments and business activities through Point of Sale Terminals (POS), GSM, Mobile Banking, and Automated Teller Machine (ATM). This signifies that an efficient and modern payment system positively correlated with economic development and it is a key enable of the economic growth.

Keywords: Demonetisation, Small and Medium Enterprises, Digital habits, Electronic Transaction, Demonetization Economy.

Introduction

For some time now, the Nigerian economy has been working on a demonetization economy. To allay public and corporate worries about Nigeria's plans to create a demonetization economy; critics have urged the government to address the issues of small enterprises that have been reluctant to adopt the technology (Ogochukwu and Oluseun, 2019). In our technologically advanced society, a demonetization economy is both feasible and desired (Siliang and Ghosh, 2023).

The advantages of a demonetization budget have been widely publicized, yet many people and enterprises are still wary. Since barter agreements gave way to markets and money, the financial system has undergone a number of changes. Information and communication technology (ICT) advancements have produced new applications for technology in human endeavors (Anifa *et al*., 2022). According to Rawat and Sharma (2023) rapid advancements in digital technology and its applications have improved people's lives and increased the prosperity of organizations. A shift in society toward digital platforms in the digital economy is not primarily being driven by conventional digital economy corporate operations. Along with themes including entertainment, health, education, business, and politics, public participation in governance is taken into account.The use of ICT infrastructure makes transactions possible in a demonetization society. The development of the internet and technology has made electronic money, a form of currency, legal (Khando *et al*., 2022). A Demonetization society relies entirely on electronic technologies to conduct all transactions in order to do away with the need for actual money. The objectives of this effort include promoting openness and trust in financial transactions (Raj *et al*., 2023). Policymakers, experts, and enterprises all across the world already predict that a currency-based system will eventually collapse. Since 2010, there has been a significant increase in payments done electronically.

In 2023, there were hundreds of billions of dollars more non-cash transactions than there were in 2022, according to the World Payments Report. Wealthy countries are also increasingly adopting the trend toward a Demonetization economy (Srouji, 2020). A demonetization economy where electronic money takes the place of legal tender has been proposed in a number of publications. Globally, a rising number of nations are implementing digital economic systems (Alvin and Reshma, 2020). In this study, a Demonetization payment system will be investigated to discover what impact it has on the market for small enterprises.

Brief Review of Literature

In a demonetization economy, goods and services are traded electronically rather

than through the use of actual money. The process of integrating new technology into already-in-place business processes is known as ICT integration. E-currency transfers are challenging due to the complexity of the underlying technology and economics, according Anifa *et al* (2022). E-money can be used to send payments to anyone other than the issuer without a bank account (Rawat and Sharma, 2023). Computerized payments would make it simpler to locate missing monies, according to REF. Nigerian companies, banks, and the general public would all profit from this. All these are emphasis on the significance of electronic payments and communication networks. According to Okifo (2015), electronic payments offer several more benefits in addition to simplicity and security. The amount of money available for economic activity is anticipated to increase as a result of electronic payments. The Nigerian government cannot afford the costs associated with accepting cash as payment. As a result, there will be a decrease in the costs associated with managing currencies, monitoring transactions, detecting tax evasion and fraud, and integrating the parallel economy with the mainstream economy. There are various advantages to using a credit card, for both enterprises and individuals (Siliang and Ghosh, 2023).

In a demonetization society, the flow of actual money is restricted rather than stopped. According to Zhou (2022), the definition of a digital payment market is "a gradual or abrupt shift in an economic development payment service from the use of physical currency to the system. Billboards, company advertisements, local and international trade, as well as interpersonal relationships and activities, are all included in the phrase "public and private". For instance, customers could buy A demonetization society greatly inhibits the mobility of money as opposed to completely eradicating it. According to Zhou (2022), a digital payment market is defined as a gradual or abrupt switch from the usage of physical money to a system in a payment service for economic growth. Advertisements, homes, small local businesses, international trade, even intimate relationships and pastimes are all examples of things that fall between the public and private categories. In a demonetization economy, electronic devices may be utilized for routine financial operations like exchanging money with others or buying products and services. Each transaction requires access to these services. This card can be used to pay for anything, including energy bills, school fees, hotel reservations, and rental payments. Demonetization payment alternatives available today include mobile banking, internet banking, telephone banking, electronic cards, POS systems, ATMs, and more (Anifa *et al*., 2022).

Objectives of the Study

i. To examine impact of demonetization economy on the performance of small and medium enterprises in Bida Local government Area of Niger State.

ii. To identify the challenges that has hindered the adoption of demonetization economy by small and medium scale enterprises in Bida Local government Area of Niger State.

iii. To investigate the extent of enhancement of small and medium scale enterprises by demonetization economy on in Bida Local government Area of Niger State.

Research Questions

i. Do the demonetization have any impact on the performance of small and medium scale business enterprises in Bida Local government Area of Niger State?

ii. What are those challenges that have hindered the adoption of a demonetization in Bida Local government Area of Niger State?

iii. To what extent does demonetization economy enhance the growth of small and medium scale enterprises in Bida Local government Area of Niger State?

Research Methodology

The Study Area

The study was conducted in Bida Local Government Area (LGA) of Niger State, Nigeria. Bida is the headquarters of Bida LGA, and also doubles as the headquarters of zone A. The State lies between latitude $9^{0}36^{1}$ North and longitude $6^{0}22^{1}$ East of the equator. The State lies in the Guinea Savannah zone of the country with favourable climatic condition for small and medium scale business on crops and livestock. The state is bordered to the North by Sokoto State, West by Kebbi State, South by Kogi State, Kaduna State and the Federal Capital Territory share common boundaries with the state to the North and East respectively. The state also has an International boundary with the Republic of Benin along Agwara and Borgu Local Government Areas to the North-West which is also expected to favours small and medium scale business. The State has a population of 3,950,249 (NPC, 2006). Similarly, the state is ranked 8^{th} out of 36 in terms of population density. About 55% of Niger State populations are farmers while the remaining 45% engage in other vacations mostly business and white collar jobs.

Population and Sampling

The target populations for this study were all owners and operators of small and medium scale enterprises in Bida Local government Area of Niger State. The sampling design used for this study is multi-stage cluster sampling. The study's sample size was 250, which were across towns in Bida Local Government Area. For this study, survey design has been adopted to meet its purposes. Survey was carried out by administering a questionnaire on both owners and operators of small and medium scale enterprises in the study area.

Data Analysis

The data generated from this study were subjected to analysis using a four (4) Likert scale type and simple percentage

Results and Discussion of Findings

Results

Table 1: Responses to research question one

S/N	Item	Agreed (N)	Disagreed (N)	Agreed (%)	Disagreed (%)
1	There are ease in electronic transactions such as ATM, mobile banking among others	163	82	65	35

2	It is simple and accessible to acquire credit from your business side	45	205	18	82
3	Electronic transaction improved the purchasing power of people	60	190	24	76
4	As a result of automated electronic payments bank deposits has been improved, thus increasing money accessibility for your business loans	133	117	53	47
5	It is secure and suitable to use electronic payments since it has many macro-economic advantages	126	124	50.4	49.6
6	There is protracted process in cheque liquidation	32	218	12.8	87.2
	Total	559	936		

Overall percentage; Agree = 559/1495 X 100 = 37.39% Disagree = 936/1495 X 100 = 62.61%

Table 2: Responses to research question two

S/N	Item	Agreed (N)	Disagreed (N)	Agreed (%)	Disagreed (%)
1	You are already having awareness and knowledge about the adoption of cashless	20	230	8	92
2	You already have access to information communication technology	19	232	7.6	92.4
3	The majority of the sole proprietorship (small scale businesses) in Bida Local government Area of Niger State having a very poor banking habit	193	57	77.2	22.8
4	Your transactions are mainly carried on a cash and carry basis	178	72	71.2	28.8
5	There is no fear of online fraud and unreliable networks	28	222	11	89
6	There is an improvement of power supply for smooth operations of financial activities	15	237	6	94
7	The literacy rate is very low, especially in Bida Local government Area of Niger State	45	205	18	82
8	There were protocols in cheque liquidation and fear of stale cheques	200	50	80	20
	Total	698	1305		

Overall percentage; Agree = 698/2000 X 100 = 34.75% Disagree = 1305/2000 X 100 = 65.25%

Table 3: Responses to the research question three

S/N	Item	Agreed (N)	Disagreed (N)	Agreed (%)	Disagreed (%)
1	Government financial support of small and medium-sized firms will increase their viability and productivity	243	7	97.2	2.8
2	Owners and operators of SMEs will be persuaded to accept demonetization through education and widespread ICT training.	245	5	98	2
3	Increasing knowledge of banking services and their advantages will support the growth of rural small enterprises that are capital-based	235	15	94	6
	Total	723	27		

Overall percentage; Agree = 723/750 X 100 = 96.4% Disagree = 27/750 X 100 = 3.6%

Research question one asks "Do the demonetization having any impact on performance of small and medium scale enterprises in Bida Local government Area of Niger State? To answer the research question, questionnaire item 1-6 include the information gathered from the respondents is summarized in Table 1.

Data in Table 2 shows some of the impacts of demonetization on the performance of small and medium scale enterprises in Bida Local government Area of Niger State, Nigeria. Overall percentage of the respondents who agreed that there are impacts of demonetization on small and medium scale enterprises representing 34.75%, while those who disagreed that there were no impacts of demonetization on small and medium scale enterprises representing 65.25%. The analysis above indicate the following as some of the impacts of demonetization on small and medium scale enterprises: There were conveniences in the electronic transactions such as ATM, mobile banking, POS among others, automated electronic payments help in increasing bank deposits, thereby increasing money available for business loans, It is safer and convenient to use electronic payments since it has a number of macro-economic benefits. Similarly, Table 2 reveals that demonetization economy ease credit availability from business sides, electronic transaction increased the purchasing power of people. There are protocols in cheque liquidation that were not considered to impact SMEs' performance in Bida Local government Area of Niger State.

Research question three asks, "To what extent does the Demonetization enhanced the growth of small and medium scale enterprises in Bida Local government Area of Niger State? In order to respond to the aforementioned research topic, respondents were asked to provide the information for questions 1-3. The information in Table 3 demonstrates how SMEs in Niger State's Bida Local Government Area can move forward with the adoption of a demonetization strategy. The aggregate percentage of respondents that believed demonetization is still a ways off policy represents 96.4%. The results indicate the way forward includes government empowerment of small and medium scale enterprises financially to make them vibrant and productive, educating and mass ICT training will encourage owners and operators of SME's to accept Demonetization, creating awareness about banking services and its benefit to help in boosting rural small scale enterprises capital-based among others.

Discussions of Findings

The findings show that small and medium-sized enterprises (SMEs) in Bida Local Government Area are primarily owned by sole proprietorships, have low incomes, and have poor banking habits because, for the most part, they provide services as their primary line of work, making bank transactions of little or no importance because most of their business is conducted on a "cash and carry basis." A significant obstacle to the full acceptance of demonetization in the research area is that SMEs have zero tolerance for using ICT in any of their economic activities. In the Bida Local Government Area of Niger State, Table 2 outlines some of the difficulties faced by SMEs in implementing a demonetization. Those who concurred that there are difficulties in implementing a demonetization made up 34.75% of the sample, while those who disagreed that there were difficulties in implementing a demonetization made up 65.25%. The results of SMEs' difficulties with demonetization show a lack of ICT awareness, fear of online fraud, an unstable network, a lack of power supply, and a low literacy rate. As shown in Table 2 above, the majority of SMEs in rural areas support informal financial institutions that operate outside of the scope of banking laws and regulations. As a result, SMEs in the state considered adopting demonetization to be difficult due to poor banking habits, the use of ATMs and online banking, the lengthy cheque liquidation process, and the fear of stale checks.

Conclusion

Few small and medium-sized enterprises have begun using electronic-based payment in their daily payments and business activities through Point-of-Sale (POS), Mobile Banking, and Automated Teller Machines (ATM) as a result of the introduction of e-payment by the Niger State government. Because of this, the use of Demonetization transactions impeded SME operations, growth, and development in the state.

Recommendations

It recommended that the government implement workable financial programs and regulations that would make these small enterprises productive because they are characterized by a limited quantity of capital, which inhibited their capacity to adapt to demonetization transactions. Government should launch educational and ICT training initiatives in both urban and rural areas so that small-scale business owners can acquire the fundamental skills necessary to conduct their operations electronically in accordance with the policy.

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