

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

There have been a consistent agreement in the body of extant literatures (Daasi, 2012; Nelson & Nelson, 2010; Gboski, Joshua & Stephen, 2007) 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 areas.

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 (Daasi, 2012; Nelson & Nelson, 2010) as a boost 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 Nigeria 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 of 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) (Ebepanipre & Oyuoyo, 2013; James, 2012; Olajide, 2012).

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.

With the advent of Information Technology and the internet, the monetary system is taking a new swing into using electronic money as a legal tender for exchange. Several literatures have pointed out the emergence of a cashless economy where the present legal tender (which is paper money and coins) is replaced with electronic money. This initiative has become a global trend. Bonugli (2006) noted that bank notes and coins are gradually phasing out as mode of payment for transactions as more systems present themselves to be viable and better alternatives across the world.

Nigeria is not left out of this trend as the cashless policy is the latest innovation of the Central Bank of Nigeria, among its numerous efforts to reform the Nigerian financial system. There was the recapitalization agenda, then the redenomination of the Naira, the non-interest (Islamic) banking and most recently the cashless economy. While some of these policies made sense to the citizens, others were treated with discord. Though as always with any change attempt, resistance is inevitable. Amidst the skepticism of Nigerians, the recapitalization agenda which kicked off in 2005 has been successful. The redenomination of the Naira and the Islamic banking were flogged with critics. For instance, the redenomination of the Naira was judged to be counter-productive while the initiators of the non-interest banking concept are accused of

masking under some hidden agenda (Akhalmeh and Ohiokha, 2012). The cashless policy has not escaped such critics, hence the need to address the concerns of the citizenry if the policy must survive. The anticipated benefits of the adoption of the cashless economy have been greatly stressed but people have not been convinced that the policy is for the good of all especially the SMEs which contributes majorly to the economy.

1.2 STATEMENT OF THE PROBLEM

The problem of this study therefore, is to investigate if the introduction of cashless policy has any impact on Small and medium business in Nigeria with focus on Edo State. Specifically, emphasis will be placed on: determining the characteristics of small and medium businesses in the study area; identifying the challenges that have hindered the adoption of cashless policy by small and medium businesses in the study area; investigating if cashless policy has in any way enhanced the growth of small and medium scale businesses in the study area; examining the impact of cashless policy on the performance of small and medium 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 and medium scale businesses to boost the economy of Nigeria.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of this study:

To examine the effect of cashless policy on Small and medium businesses in Edo State.

To determine the characteristics of small and medium businesses in Edo State.

To analyze the challenges that have hindered the adoption of cashless policy by small and medium businesses in Edo State.

1.4 RESEARCH QUESTIONS

What are the effect of cashless policy on Small and medium businesses in Edo State?

What are the characteristics of small and medium businesses in Edo State?

What are the challenges that have hindered the adoption of cashless policy by small and medium businesses in Edo State?

1.5 HYPOTHESIS

H_0 : There is no significant relationship between cashless policy and economic development of SMEs in Edo State

H_A : There is significant relationship between cashless policy and economic development of SMEs in Edo State

1.6 SIGNIFICANCE OF THE STUDY

The following are the significance of this study:

The result from this study will educate the managers of small and medium business and the general public on the effect of cashless policy on SMEs recommending coping strategies to ensure profitability with the use of the modern technology.

This research will be a contribution to the body of literature in the area of the effect of personality trait on student's academic performance, thereby constituting the empirical literature for future research in the subject area

1.7 SCOPE/LIMITATIONS OF THE STUDY

This study is limited to SMEs in Edo State. It will also cover the relationship between cashless policy and

economic development of SMEs in Edo State.

LIMITATION OF STUDY

Financial constraint- Insufficient fund tends to impede the efficiency of the researcher in sourcing for the relevant materials, literature or information and in the process of data collection (internet, questionnaire and interview).

Time constraint- The researcher will simultaneously engage in this study with other academic work. This consequently will cut down on the time devoted for the research work

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