

## **CASHLESS POLICY EFFECT ON PERFORMANCE OF AGRICULTURAL SMALL AND MEDIUM SCALE ENTERPRISES IN OGBOMOSO, OYO STATE, NIGERIA**

**Aremu, Y.M. and Adesiyun, O.I.**

Department of Agricultural Economics, Ladoké Akintola University of Technology  
Corresponding Author's address: aremuyetunde@gmail.com

---

### **ABSTRACT**

Cashless policy effect on performance of Agricultural small and medium scale enterprises is a global phenomenon that is gaining traction indifferent parts of the world, including developing countries. This study examined the effects of cashless policy on the performance of small and medium scale Agricultural enterprises in Ogbomoso ADP Zone of Oyo State Nigeria. The primary data for this study were drawn from 265 SMEs with the aid of a structured questionnaire. A multi-stage random sampling technique involving a random selection of two Local Government Areas (LGAs) from the zones, ten areas per LGA and 20 SMEs were selected from the two LGAs. The data collected were analyzed using descriptive statistics (frequency, tables and percentages) to profile the socioeconomic characteristics and to identify the challenges hindering the effectiveness of cashless policy instruments by small and medium scale agricultural enterprises. Multiple regression was used to analyze the effects of cashless policy on the performance of small and medium scale agricultural enterprises in the study area. The results showed that majority (35.85%) of the respondents age group fall between 30-39 years for the medium scale, while 68.67% of the respondents age group fall between 40-49 years for small scale enterprises, majority (92.31%) were singles. The results indicate substantial skepticism (74.71%) regarding the idea that using POS terminals reduces queues for payment.

**Keywords:** Cashless Policy, POS, ATM, Mobile Banking

---

### **INTRODUCTION**

Cashless policy refers to a monetary transaction that does not involve the physical exchange of cash, but rather the use of electronic or digital payment systems (Alao et al., 2019). The concept of a cashless policy is a global phenomenon that is gaining traction in different parts of the world, including developing countries (Badakshan et al., 2022). In Nigeria, the Central Bank of Nigeria (CBN 2011) introduced the cashless policy in 2012 with the aim of reducing the amount of physical cash circulating in the economy and promoting electronic payment systems. 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. Over the last few years, small and medium scale enterprise owners have innovatively responded to changing market dynamics by adopting innovations in their firms aimed at maximizing their returns as they minimize costs, (Makee and Willy, 2014).

In recent years, the financial sector has witnessed a rapid influx of technological innovations that have reshaped traditional banking practices, transcending common man's imagination and usage. According to Funke (2018), the payment cards industry, with key players like Chams Access, has expanded its frontiers far beyond the realms of credit, debit, and prepaid cards, as well as Automated Teller Machines (ATMs), Point of Sales (POS) terminals, and internet banking. This expansion is fueled by a quest for novel technologies capable of further propelling business growth and unlocking substantial revenue potential within the global financial services industry. The overarching goal behind these innovations lies in enhancing the security and convenience of payment processes for consumers, thereby ushering in a new era of digital transactions. However, in a developing nation like Nigeria, the adoption of these cashless policy technologies has encountered significant resistance. Consequently, the government's objective of fostering a cashless economy appears to face formidable challenges. Based on the aforementioned, this research tends to give answers to the following research objectives.

The main objective of this study is to analyze the effects cashless policy on the performance of small and medium scale Agricultural enterprises in Ogbomoso ADP zone, of Oyo state, Nigeria. The specific objectives are to:

1. To profile the socioeconomic characteristics of the respondents in the study area.
2. analyze the effects of cashless policy on the performance of small and medium scale agricultural enterprises in the study area

### METHODOLOGY

This study was carried out in Ogbomoso ADP zone, Oyo state, Nigeria. Ogbomoso (also Ogbomoso) is a city in Oyo State, south-western Nigeria, on the A1 highway. It was founded in the mid 17th century. The population was approximately 245,000 in 2006 population census. The majority of the people are members of the Yoruba ethnic group. Yams, cassava, cashew, mango, maize, and tobacco are some of the notable agricultural products of the region. The population of the study includes all the small-scale agricultural enterprises resident in the area. Mugenda and Mugenda (2003) define population as the entire group of individual, events or object having common observable characteristics. It is the total no of subjects on interest to the researchers (Chuwa 2015). The target population studied were the small and medium scale Agricultural enterprises in Ogbomoso Agricultural Zone of Oyo State. The primary data was employed in gathering information from all the respondents. Interviews were also conducted with other stakeholders, including customers of agricultural enterprises.

Descriptive statistics and inferential statistics were used to analyze the objectives of the study. Descriptive statistics such as mean, frequency and percentage were used to describe the socioeconomic characteristics of SMEs and identify the challenges hindering the effectiveness of cashless policy instruments by small and medium scale agricultural enterprises in the study area.

#### Model Specification

The model is specified as follows:

$$ASMEs P = f( IB, ATM, MB ) \quad (1)$$

Specifying econometrically, it implies

$$ASMEs P = \alpha_0 + \alpha_1 IB + \alpha_2 ATM + \alpha_3 MB + \mu t \quad (2)$$

Where:

ASMEs P= Agricultural Small and Medium Scale Enterprises Performance.

$\alpha_0$  = The intercept

$\mu t$  = Error term

IB = Internet banking

ATM = Automated Teller Machine

MB = Mobile banking

While  $\alpha_1, \alpha_2, \dots, \alpha_n$  are the coefficients of the variables to be estimated.

The a priori or expected signs of the coefficients are as follows:  $\alpha_1 > 0, \alpha_2 > 0$  and  $\alpha_3 > 0$

or  $\alpha_i > 0$

The functional equation (model of estimation) shows that performance of ASMEs would depend on IB, ATM and MB.

### RESULT AND DISCUSSIONS

#### Socio-economic Characteristics of Respondents

This study analyzed the effects of cash less policy on the performance of small and medium scale enterprise in Ogbomoso Agricultural zone. The age distribution of the medium scale enterprise revealed that the age group of 29 – 39 years constitutes the largest segment at 35.85%. In contrast, the age group of 18 – 28 years has the lowest representation, comprising only 8.68% of respondents. Small-scale enterprises dominate across all age groups, with the age group of 40 – 49 years having the highest percentage (68.67%) engaged in such ventures. This finding aligns with **Alao and Sorinola (2019)**, who highlighted that younger entrepreneurs tend to be more adaptable and innovative, which may lead them to engage in medium-scale enterprises. Their research indicates that age can influence the willingness to adopt new technologies, which is crucial in a cashless economy. The study highlighted a higher percentage of females (75.51%) in small-scale enterprises compared to males (73.65%), suggesting that small-scale agricultural ventures might be a more prevalent choice for female participants in the study area. The results indicate a higher percentage of females in small-scale enterprises. This is consistent with findings by **Makee and Willy (2014)**, which suggest that women often gravitate towards smaller business models due to lower entry

barriers and the flexibility they offer. This trend reflects broader societal patterns where women engage in informal sectors or small enterprises to balance work and family responsibilities. Small-scale agriculture prevails among those with no formal education (57.14%) and tertiary education (84.48%), highlighting a diverse participant range cutting across educational backgrounds. This is supported by **Chuwa (2015)**, which suggested that better-educated entrepreneurs are more likely to adopt technology-driven financial tools, enhancing their operational efficiency.

The need for targeted educational programs in the current study echoes **Funke (2018)**, who emphasized the importance of financial literacy in maximizing the benefits of cashless transactions. Majority (77.07%) of small-scale enterprise owners have households with five or fewer members, indicating a prevalence of smaller family units. In contrast, medium enterprises have a lower percentage (22.93%) with smaller households. For households with 6-10 members, 71.15% are in small enterprises, suggesting a significant portion of small-scale enterprise owners come from larger households, impacting labor availability and resource dynamics. Additionally, an equal distribution (50%) exists between medium and small enterprises for households with more than 10 members. The study indicated a strong association between marital status and enterprise scale. The majority of singles (92.31%) are in small-scale enterprises, suggesting a significant link between being unmarried and this enterprise category. Additionally, a larger percentage of married and divorced individuals (73.71%) fall into the small-scale category, indicating shared attributes or lifestyles associated with small enterprises. The study revealed substantial skepticism (74.71%) regarding the effectiveness of POS terminals in reducing queues. This skepticism mirrors concerns documented by **Badakhshan and Ball (2022)**, where the adoption of new technologies in developing economies faces resistance due to infrastructural challenges and a lack of trust in digital systems. Such findings reinforce the need for educational and infrastructural support to foster a cashless economy. Furthermore, majority (77.78%) of small-scale enterprises

predominantly rely on personal savings and financial institutions for their source of capital, while only few of medium-scale enterprises (22.22%) utilize these sources. This aligns with **Obi (2023)**, who noted that SMEs often face significant barriers in accessing traditional financing. The current study's findings highlight the necessity for financial literacy programs to improve understanding and utilization of available financial resources. Personal savings represent the primary source of capital for small-scale enterprises (76.88%), while medium-scale enterprises rely less on savings (23.13%). Additionally, small-scale enterprises lean heavily on support from friends and family (70.45%), contrasting with medium-scale enterprises (29.55%) who rely less on personal networks for capital.

#### **Effect of Cashless Policy on the Performance of Small and Medium Scale Enterprise**

The table 2 presented the influence of cashless policy on the performance of small and medium scale. The findings revealed that more (37.36%) of the respondents agreed that electronic transaction increase the purchasing power of people, while 27.92%, 18.49% and 16.23% strongly agreed, strongly disagreed and disagreed respectively that electronic transaction increase the purchasing power of people. This finding aligns with **Alao and Sorinola (2019)**, who reported that cashless transactions enhance customer satisfaction and spending capacity in Nigerian commercial organizations. Their research suggests that electronic payment systems can facilitate smoother transactions, potentially leading to increased purchasing power for consumers. Also the study revealed that most (55.47%) of the small and medium scale agreed that as a result of automated electronic payment, bank deposit has been increase thereby increasing money available for year business loan, while 17.74%, 15.47% and 11.32% strongly agreed, strongly disagreed and disagreed respectively to this statement. This is supported by **Funke (2018)**, who emphasized that improved banking services through technologies like Automated Teller Machines (ATMs) lead to higher customer deposits and better loan conditions for SMEs.

The correlation between increased deposits and loan availability underscores the importance of cashless systems in improving financial health for small businesses. Furthermore, the findings from the table 2 revealed that 47.55% of the respondents agreed that the use of electronic payment was safe and convenient, while 24.91%, 23.77% and 3.77% strongly agreed, strongly disagreed and disagreed respectively to the use of electronic payment being safe and convenient. This perception aligns with findings from **Badakhshan and Ball (2022)**, who noted that convenience and safety are critical drivers for the acceptance of digital payment methods in supply chains. Their research indicates that consumer confidence in electronic transactions can significantly influence adoption rates, reflecting similar sentiments in the current study. The research also showed that 49.79% (agreed), 25.28% (Strongly agreed), 21.89% (strongly disagreed) and 3.40% (disagreed) that there were conveniences in electronic transactions such as ATM, mobile banking. This finding is consistent with **Obi (2023)**, who found that the implementation of cashless systems significantly improves transaction efficiency in SMEs. The reduction of wait times can enhance customer experience and potentially increase sales, as indicated by the current study's finding that 47.92% believed sales volume increased due to POS usage. The study further revealed that the use of POS for transaction reduces queues for payment in our enterprises was agreed by more (49.43%) of the respondents, while 25.28%, 21.89% and 3.40% strongly agreed, strongly disagreed and disagreed respectively to this statement. Also, 47.92% agreed that the volume of sales increased due to the use POS terminal in their enterprise, while 26.04%, 16.98% and 9.06% strongly disagreed, strongly agreed and disagreed respectively to this statement. The study further revealed that there was a big difference in income when the POS terminals was active and when it was not. This statement was agreed mostly (50.57%) by the respondents, while 24.91% strongly disagreed, 17.74% strongly agreed and 6.79% disagreed respectively to this statement. This trend is echoed in **Makee and Willy (2014)**, who highlighted that mobile payment services can lead to increased income for micro and small

enterprises by streamlining payment processes and expanding customer reach. The correlation between POS usage and income variability emphasizes the economic benefits of adopting cashless systems.

### SUMMARY

This study analyzed the effects of cash less policy on the performance of small and medium scale enterprise in Ogbomoso Agricultural zone. The age distribution of the medium scale enterprise revealed that the age group of 29 – 39 years constitutes the largest segment at 35.85%, indicating active engagement in agricultural enterprise activities. Both male and female respondents predominantly engage in small-scale enterprises, indicating a shared inclination toward smaller agricultural operations. Contrary to expectations, respondents with higher education, especially tertiary education, show a higher inclination toward small-scale enterprises. Majority (77.07%) of small-scale enterprise owners have households with five or fewer members, indicating a prevalence of smaller family units. The study indicated a strong association between marital status and enterprise scale. The majority of singles (92.31%) are in small-scale enterprises, suggesting a significant link between being unmarried and this enterprise category. Additionally, a larger percentage of married and divorced individuals (73.71%) fall into the small-scale category, indicating shared attributes or lifestyles associated with small enterprises. In contrast, widowed and separated respondents are found to be medium-scale enterprise owners. Furthermore, the study explored the influence of the cashless policy on small and medium enterprises. The responses indicate a divided opinion among respondents regarding the positive impact of electronic transactions on purchasing power. While 34.72% agreed or strongly agreed, a higher percentage (65.28%) express skepticism or disagreement.

### CONCLUSION

Based on the comprehensive findings outlined in the study, several key conclusions can be deduced, shedding light on the nuanced interplay between various factors and the performance of small and medium-scale enterprises (SMEs) in the study area.

The age distribution analysis uncovered a notable concentration of medium-scale enterprises within the age group of 29 to 39 years, signifying active engagement in agricultural activities during this life stage. The prevalence of small-scale enterprises across age groups, especially among individuals in their 40s, suggests a trend where factors such as resource availability, land size, and capital constraints influence the choice or necessity of operating smaller agricultural ventures. The study also concluded that both male and female respondents demonstrated a predominant engagement in small-scale enterprises, indicating a shared preference for smaller agricultural operations. The higher percentage of females in small-scale enterprises highlights a potential inclination or preference for such ventures among female participants in the study area. The study concluded that household size emerged as a crucial factor influencing enterprise scale. The majority of small-scale enterprise owners had smaller households (five or fewer members), while medium enterprises were more prevalent in households with larger sizes. This indicates a correlation between household size, labor availability, and resource dynamics, impacting the choice of enterprise scale.

The study further concluded that marital status demonstrated a strong association with enterprise scale. Singles were overwhelmingly engaged in small-scale enterprises, suggesting a significant link between being unmarried and choosing this enterprise category. Married and divorced individuals also leaned toward small-scale enterprises, while widowed and separated respondents were more likely to be medium-scale enterprise owners. The study also concluded that small-scale enterprises generally achieved higher incomes across various categories, with a significant majority realizing income in the range of 301,000 – 400,000 thousand naira.

### RECOMMENDATIONS

Based on the findings made from the study and the conclusion drawn from the study, the following recommendations were made:

1. Given the positive effects of variables such as ATM usage, POS transactions, and knowledge of electronic transactions on

enterprise performance, there should be targeted educational programs. These programs can enhance the understanding and utilization of electronic financial tools among SMEs, ensuring they maximize the benefits.

2. Implement financial literacy programs that specifically focus on educating small and medium-scale enterprise owners about the advantages of savings and effective use of financial institutions. This can contribute to improved financial management and overall enterprise performance
3. Recognizing that education level showed a positive effect on enterprise performance, support programs should be tailored to accommodate individuals with various educational backgrounds.

### REFERENCES

- Alao, A. A., & Sorinola, O. O. (2019). Cashless policy and customers' satisfaction: A study of commercial organization in Ogun State, Nigeria. *Research Journal of Finance and Accounting*, 6(2), 37-47.
- Badakhshan, E., & Ball, P. (2022). Applying digital twins for inventory and cash management in supply chains under physical and financial disruptions. *International Journal of Production Research*, 1-23.
- Funke, K. O. (2018). Impact of automated teller machine on banking services delivery in Nigeria: *A stakeholder analysis. Cad. Ed. Tec. Soc., Inhumas*, 9(1): 64-72
- Central Bank of Nigeria (2011), Money Market Indicators & Money and Credit Statistics, CBN Statistical Bulletin, CBN Publications
- Chuwa, G. (2015). Factors influencing the adoption of internet banking by small and medium enterprises (SMES) in Nyamagana District, Mwanza-Tanzania. *European Journal of Business Management*. 7 (13): 135-161
- Makee, K., & Willy, M. (2014). Effect of mobile phone transfer services on performance of Micro and small Enterprises. *International Journal of Academic Research in Business & Social Sciences*, 4 (11).
- Obi, Y. M. V. (2023). E-payment Administration and the Growth of Small and Medium Enterprises (SMEs) in Southeast Nigeria: An Evaluation of Cashless Policy. *Global Journal of Political Science and Administration*, 11(2): 42-57.

**Table 1: Socio-economic Characteristics of Respondents**

Variables	Medium	Small	Total
<b>Age group</b>			
18-28	4(17.39)	19(82.61)	23(100)
29-39	19(20.00)	76(80.00)	95(100)
40-49	26(31.33)	57(68.67)	83(100)
50-59	8(25.81)	23(74.19)	31(100)
60 and above	11(33.33)	22(66.67)	33(100)
<b>Gender</b>			
Female	24(24.49)	74(75.51)	98(1000)
Male	44(26.35)	123(73.65)	167(1000)
<b>Level of Education</b>			
No formal Education	12(42.86)	16(57.14)	28(100)
Primary Education	6(20.69)	23(79.31)	29(100)
Secondary Education	17(27.87)	44(72.13)	61(100)
Tertiary Education	33(22.45)	114(77.55)	147(100)
<b>Household size</b>			
<=5	36(22.93)	121(77.07)	157(100)
6-10	30(28.85)	74(71.15)	104(100)
Above 10	2(50)	2(50)	4(100)
<b>Electronic Transaction</b>			
Yes	61(25.63)	177(74.37)	238(100)
No	7(25.93)	20(74.04)	27(100)
<b>Marital status</b>			
Single	2 (7.69)	24 (92.31)	26 (100.00)
Married	61 (26.29)	171 (73.71)	232 (100.00)
Widowed	3 (100.00)	0 (0.00)	3 (100.00)
Divorced	1 (33.33)	2 (67.67)	3 (100.00)
<b>Source of Capital</b>			
Savings	37 (23.13)	123 (76.88)	160 (100.00)
Financial Institution	14 (32.56)	29 (67.44)	43 (100.00)
Friends and family	13 (29.55)	31 (70.45)	44 (100.00)
Savings and Financial	4 (22.22)	14 (77.78)	18 (100.00)

Figures in parentheses are percentage values. **Source:** Field survey, 2023

**Table 2: Effect of Cashless Policy on The Performance of Small and Medium Scale Enterprise**

	SA	A	SD	D
Electronic transaction increases the purchasing power of people	74 (27.92)	99 (37.36)	49 (18.49)	43 (16.23)
As a result of automated electronic payment, bank deposit has been increase thereby increasing money available for year business loan	47 (17.74)	147 (55.47)	41 (15.47)	30 (11.32)
It is safe and convenient to use electronic payment since it has a number of macroeconomic benefits	66 (24.91)	126 (47.55)	63 (23.77)	10 (3.77)
There are conveniences in electronic transactions such as Atm, mobile banking etc.	65 (24.53)	124 (46.79)	38 (14.34)	38 (14.34)
The use of POS for transaction reduces queues for payment in our enterprises	67 (25.28)	131 (49.43)	58 (21.89)	9 (3.40)
The volume of our sales has increased due to the use of POS terminal (s) in our enterprises	45 (16.98)	127 (47.92)	69 (26.04)	24 (9.06)
Income There is a big difference in income when the POS terminal(s) is active and when it was not	47 (17.74)	134 (50.57)	66 (24.91)	18 (6.79)

**Source: Field Survey, 2023**