



Cashless Policy and Business Performance of Selected SMES In Auchi Edo State

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Publication Date: 2025/11/28

Abstract

This paper is aimed to examine the relationship between cashless policy and business performance of Selected SMEs in Auchi Edo State. The introduction of the cashless policy in Nigeria is aimed at reducing the reliance on physical cash for transactions and promoting digital payments. SMEs in Nigeria have been found to be more vulnerable to economic shocks and fluctuations in the business environment and understanding the impact of the cashless policy on their performance is crucial to ensuring that these businesses thrive in an increasingly digital economy. The population of this study is two hundred and fifty (250) which include both formally registered businesses (those registered with regulatory bodies like the Corporate Affairs Commission) and informal businesses (those that operate without formal registration but still contribute to the local economy). Using a mixed-method approach, primary data was collected from a sample of 200 SMEs through surveys and interviews. Both descriptive and statistical data analysis were carried out in the study with the aid of SPSS. The study finds that the adoption of the cashless policy has led to improved efficiency, faster transaction times, and increased customer trust in businesses that implement digital payment systems. However, challenges such as poor internet connectivity, lack of infrastructure, and customer resistance were also identified as obstacles. The study recommends that SMEs invest in digital payment infrastructure and provide customer education to fully harness the benefits of the cashless policy.

Keywords: *Cashless Policy, Business Performance, Electronic Payment Systems, ATM Usage, Mobile Money, Profitability*

Introduction

In recent years, Nigeria has embraced a cashless policy aimed at reducing the risks associated with handling physical cash, improving transaction efficiency, and enhancing financial inclusion. The policy has witnessed gradual adoption, especially among SMEs in various states, including Edo State. SMEs are essential to the economic growth and development of the country, and the implementation of this policy has implications for their financial operations of overall business performance. The rise of digital financial transactions has transformed business operations globally, leading to the adoption of cashless policies by businesses and governments. In Nigeria, the central government, through the Central Bank of Nigeria (CBN), has initiated several measures to encourage a cashless economy, aiming to reduce the cost of cash management, minimize the risks associated with physical cash transactions, and promote financial inclusion. The implementation of a cashless policy involves the reduction of cash usage and the promotion of electronic transactions, such as mobile banking,

point-of-sale (POS) systems, and online payment platforms (Adeyemo & Akinyemi, 2022).

As part of this transition, businesses are encouraged to adopt cashless systems, impacting how transactions are conducted across various sectors, including small and medium enterprises (SMEs) (Ajayi & Oni, 2021). In Edo State, SMEs play a vital role in the economic development of the region, contributing to job creation, poverty alleviation, and local economic growth (Ogunleye & Afolabi, 2021). These businesses range from small retail shops to service providers and manufacturing entities. Despite their critical role, many SMEs face challenges related to business performance, including limited access to finance, inadequate infrastructure, and high transaction costs. The adoption of a cashless policy is expected to alleviate some of these challenges by reducing the reliance on cash and facilitating smoother and faster business transactions (Afolabi & Ayeni, 2020).

The implementation of the cashless policy, however, presents both opportunities and challenges for SMEs in Edo State. On one hand, the policy can improve operational efficiency, reduce risks associated with

carrying large sums of money, and enhance transparency (Okafor & Iwu, 2023). On the other hand, the shift to digital payments requires SMEs to invest in digital infrastructure, train employees on using electronic payment systems, and deal with the challenges of digital literacy, cybersecurity, and internet connectivity. The adoption of these technologies could also lead to increased customer satisfaction, as consumers increasingly demand cashless payment options due to their convenience and security features.

Cashless policy on business performance remains a subject of interest among researchers. Some studies have highlighted that the cashless system can enhance business growth by improving cash flow management, reducing transaction costs, and facilitating access to broader markets (Kehinde & Ogunwuyi, 2020). Others have noted that SMEs in developing economies, like Nigeria, may face challenges in fully benefiting from the policy due to limited access to technological resources and a lack of awareness about its advantages (Osagie & Okojie, 2024). Thus, the actual effect of the cashless policy on SMEs' performance in Edo State is still unclear and requires further investigation.

Moreover, SMEs in Nigeria have been found to be more vulnerable to economic shocks and fluctuations in the business environment. Therefore, understanding the impact of the cashless policy on their performance is crucial for policymakers, business owners, and other stakeholders who are interested in ensuring that these businesses thrive in an increasingly digital economy. Previous studies suggest that while some SMEs have successfully integrated digital payment systems, others are still hesitant due to concerns about the cost of implementation, security issues, and customer resistance (Akinlolu & Abiola, 2022).

Despite the potential advantages, several factors influence the successful implementation of cashless policies, particularly in a developing economy like Nigeria. These factors include the level of technological readiness, awareness among SMEs, and the adequacy of government policies supporting the transition (Ajayi & Oni, 2021). The effective integration of these elements determines whether SMEs in Edo State can effectively transition to a cashless economy and leverage it for improved performance.

This study is thus essential in providing an empirical assessment of the relationship between cashless policies and business performance of SMEs in Edo State. It aims to explore how the cashless system has been adopted by these enterprises and the extent to which it has influenced their growth, profitability, customer base, and overall business sustainability. By identifying both the benefits and challenges SMEs face, this study will contribute to the existing body of

knowledge on the impact of cashless policies in developing economies.

Given the limited research on the intersection between the cashless economy and SME performance in Edo State specifically, this study will bridge the gap in literature and offer valuable insights for policymakers, business owners, and other stakeholders in the region.

Statement of the Problem

Despite the benefits of the cashless policy, many SMEs in Edo State continue to face challenges in its full implementation, including insufficient digital infrastructure, lack of awareness, and resistance to change. These challenges could potentially hinder the expected progress their businesses in terms of performance.

The rapid transition to a cashless economy in Nigeria, driven by government initiatives and technological advancements, has raised concerns about its implications for Small and Medium Enterprises (SMEs). While the cashless policy is expected to enhance business efficiency, reduce transaction costs, and increase financial inclusion, the extent to which these benefits are realized by SMEs in Edo State remains uncertain. SMEs are critical to the local economy, yet they often face challenges such as inadequate infrastructure, lack of digital literacy, and limited access to financial resources, all of which may hinder the successful adoption of cashless systems.

One basic issue of cashless policy is the potential security risks associated with cashless transactions. Many SMEs in Edo State are hesitant to fully embrace electronic payments due to fears of cybercrime, fraud, and system failures. This can undermine trust in the cashless policy and prevent businesses from capitalizing on the advantages it offers. As a result, SMEs may continue to rely on traditional cash transactions, which could negatively impact their operational efficiency and overall performance. The problem of limited technological adoption among SMEs in Edo State is further compounded by infrastructural deficits such as unreliable internet connectivity and poor electricity supply. These factors create an unfavorable environment for the implementation of cashless transactions, making it difficult for SMEs to integrate digital payment methods effectively. Furthermore, while some SMEs may have adopted cashless systems, others may not fully understand the benefits or have the necessary resources to transition, leading to disparities in business performance across the sector.

Moreover, the cashless policy is still in its early stages of implementation in Edo State, and there is a lack of comprehensive research on its impact on SMEs' business performance. This study seeks to address the gap by investigating the challenges and opportunities

presented by the cashless policy, providing insights into how SMEs in Edo State are navigating this transition and the effects it has on their business outcomes. Understanding these dynamics is critical for stakeholders seeking to improve the viability and competitiveness of SMEs in the region.

The study aims to examine the relationship between cashless policies on the business performance of selected SMEs in Edo State. The objectives are:

- i. examine the relationship between Digital payment adoption and revenue growth
 - ii. Explore the relationship between mobile money transaction and turnover rate.
- The following questions will guide this study
- i. What is the relationship between digital payment adoption and revenue growth?
 - ii. To what extent does, mobile money transaction has relationship with turnover rate.

The study was guided by the following null hypotheses:

H₀₁: There is no relationship between digital payment adoption and revenue growth.

H₀₂: There is no relationship between mobile money transaction and turnover rate.

These hypotheses were tested statistically to understand the real impact of the cashless policy on business performance, while also identifying potential challenges and advantages for SMEs operating in Edo State.

Concept of Cashless Policy

The cashless policy refers to the initiative by the Nigerian government, aimed at reducing the amount of physical cash in circulation and encouraging the use of electronic payments for financial transactions. The concept is rooted in the belief that increasing reliance on digital or electronic payment methods can promote financial inclusion, enhance transparency, and reduce the challenges associated with handling physical cash, such as theft, loss, and inefficiency. By promoting digital payments through mobile banking, point-of-sale (POS) systems, and internet banking, the policy aims to simplify financial transactions and integrate more people and businesses into the formal financial system (Uwaoma & Opara, 2021).

The implementation of a cashless policy requires the introduction of infrastructure, technology, and systems that support electronic transactions. This includes the establishment of mobile money platforms, access to internet banking, and the development of secure payment channels. The use of POS terminals has also become one of the major components of this initiative, helping both large and small businesses transition to electronic payments. The policy seeks to address key challenges in the Nigerian financial landscape, such as a high level of financial exclusion and a reliance on

informal, cash-based transactions. Furthermore, by reducing cash handling, the cashless policy aims to enhance the efficiency of the banking sector and facilitate better fiscal policy monitoring (Afolabi & Ayeni, 2020).

As the cashless policy continues to evolve, it is expected to contribute to the modernization of Nigeria's financial systems, offering easier and faster ways for individuals and businesses to complete transactions. The central goal of this initiative is to foster a cashless society that encourages financial discipline, transparency, and accountability, which are essential components for economic development. In doing so, it aims to reduce the informal nature of business transactions, which are often difficult to track and regulate. In the long run, the shift towards a cashless economy could increase the effectiveness of monetary policies and provide the government with better control over inflation and other financial variables (Omole & Olanipekun, 2022).

The cashless policy also has implications for businesses, especially Small and Medium Enterprises (SMEs), which are often more vulnerable to the challenges posed by traditional cash-based systems. SMEs can benefit significantly from the cashless initiative, as it enhances their access to capital, reduces transaction costs, and provides opportunities for expansion through digital marketing and e-commerce platforms. Additionally, the ability to accept electronic payments can improve customer satisfaction, as it provides a convenient and secure way for clients to pay for goods and services (Okafor, 2021).

However, despite these advantages, the transition to a cashless economy has not been without challenges. Issues such as the lack of adequate infrastructure, unreliable internet services, and low levels of digital literacy among SMEs and consumers can hinder the successful implementation of the policy. Furthermore, while the government and financial institutions have made significant strides, there is still a need for continued awareness campaigns and capacity-building programs to ensure widespread adoption of cashless transactions (Ogundele, 2023). As the policy matures, it will be important to monitor its impact on business performance, especially for SMEs, and to address any barriers to effective implementation.

One of the significant impacts of the cashless policy is its potential to reduce the incidence of fraud and corruption. By promoting transparency in financial transactions, the policy reduces the chances of illicit practices such as money laundering and bribery. As SMEs begin to embrace cashless payments, the traceability of their financial transactions can serve as a safeguard against fraudulent activities, ensuring that their businesses remain legitimate and in good standing with regulators (Ali & Fola, 2022).

Lastly, the adoption of the cashless policy could enhance financial resilience for SMEs. By allowing businesses to adopt electronic payment solutions, SMEs can increase their flexibility and ensure they remain competitive in an increasingly digital global economy. As more consumers and businesses become familiar with and trust digital payment methods, the demand for cash-based systems will continue to decrease, and businesses that have already adopted electronic payment platforms will likely enjoy a competitive advantage (Ibrahim & Wada, 2021).

Business Performance of SMES

Afolabi and Dare (2020) described SME performance as a multidimensional construct that involves financial metrics such as revenue growth and profitability, as well as non-financial indicators like customer satisfaction, employee productivity, and innovation capability. Given their role in job creation and poverty reduction, the performance of SMEs is often seen as a driver of economic development in Nigeria and other developing economies.

Measuring business performance in SMEs requires a balance between traditional financial metrics and broader qualitative indicators. Adebayo et al. (2021) argued that while profitability, sales growth, and return on investment remain core measures, SMEs must also consider market expansion, customer loyalty, and operational efficiency as indicators of performance. This broader perspective is particularly important in environments where SMEs face structural challenges such as limited access to finance, infrastructural deficits, and fluctuating government policies. Thus, SME performance is not just about short-term profitability but about resilience and sustainability over time.

The concept of performance in SMEs is also closely linked to their adaptability to changing market dynamics. Okonkwo and Oduro (2020) emphasized that SMEs that adopt digital technologies, innovative business models, and effective customer engagement strategies are more likely to perform better than those relying solely on traditional approaches. For instance, SMEs that integrate digital payment systems, e-commerce platforms, and customer relationship management tools are better positioned to expand their market reach, improve sales turnover, and ensure business continuity even during economic shocks. This adaptability is therefore a crucial determinant of SME survival and growth in dynamic economies like Nigeria. Furthermore, external factors play a significant role in shaping SME performance. Nwachukwu and Obiora (2020) highlighted that government policies, availability of credit facilities, and the state of infrastructure significantly affect how well SMEs perform. In Etsako West LGA of Edo State, challenges

such as poor road networks, irregular electricity supply, and limited access to banking facilities directly influence SMEs' ability to achieve strong performance outcomes. Conversely, the introduction of supportive policies, such as cashless payment systems and SME development programs, has the potential to boost their efficiency, reduce operational costs, and enhance business growth.

Lastly, the concept of SME performance extends to their contribution to the broader economy. Usman and Okon (2022) noted that SMEs are vital engines of economic diversification, employment generation, and innovation in Nigeria. The performance of SMEs therefore has implications beyond individual business success; it influences local community development and national economic resilience. Hence, evaluating SME performance requires not only an analysis of internal capabilities but also an understanding of the broader socio-economic ecosystem in which they operate. For policymakers and stakeholders, enhancing SME performance remains central to achieving inclusive and sustainable economic growth.

Digital Payment Adoption

Digital payment adoption refers to the willingness and ability of individuals and businesses to embrace electronic forms of payment such as mobile transfers, internet banking, point-of-sales (POS) terminals, and QR-based payments. In the context of SMEs, adoption goes beyond mere usage; it implies integrating cashless tools into day-to-day business operations to enhance efficiency, reduce risks associated with cash handling, and expand market reach. Scholars note that adoption is driven by factors such as perceived ease of use, perceived usefulness, cost of transactions, and trust in the system (Thanigan, 2025).

The Central Bank of Nigeria (CBN) has played a vital role in encouraging adoption by introducing cashless policies that reduce reliance on cash, thereby compelling SMEs to adopt digital platforms for competitive survival. Evidence suggests that SMEs that adopt digital payments enjoy faster transaction speeds, better record-keeping, and access to credit through formal banking systems (SAGE, 2024). Such institutional pressures have also created an ecosystem where digital adoption is no longer optional but necessary for sustaining business growth in highly competitive markets.

However, challenges still exist, such as infrastructure deficiencies, cybersecurity concerns, and resistance to change among small business owners. These barriers sometimes hinder SMEs from fully leveraging digital payment adoption, leading to partial or reluctant compliance. Despite these obstacles, the increasing penetration of smartphones and fintech solutions in Nigeria is gradually easing these concerns and creating

stronger incentives for SMEs to fully adopt digital payment methods (Faiz et al., 2024).

Revenue Growth

Revenue growth is the increase in a business's sales or income over a given period and is one of the most widely used indicators of firm performance. For SMEs in Edo State, revenue growth signifies not only financial success but also the ability to attract more customers, expand operations, and withstand market competition. Scholars argue that consistent revenue growth reflects a healthy business model, efficient management, and the successful adoption of innovative practices such as digital payments (Majka, 2024). In the Nigerian context, the adoption of cashless payment systems has been closely linked to improved revenue growth. By enabling faster, more reliable, and traceable transactions, SMEs are able to increase sales volumes, attract customers who prefer electronic payment options, and reduce the risks of cash leakages. Studies suggest that firms that adopt digital tools experience an increase in both transaction frequency and value, which cumulatively enhances revenue growth (McKinsey & Company, 2022).

Nonetheless, revenue growth is not only influenced by payment systems but also by market dynamics, product quality, and customer satisfaction. While cashless adoption creates the platform for accelerated growth, sustained revenue expansion depends on the ability of SMEs to innovate, retain customers, and strategically reinvest profits into their operations. Thus, digital adoption should be seen as a growth enabler rather than a standalone determinant of revenue growth (Majka, 2024).

Mobile Money Transactions

Mobile money transactions refer to financial services conducted through mobile phones, allowing individuals and SMEs to transfer, store, and spend money electronically without necessarily owning a bank account. In Nigeria, mobile money has become a crucial driver of financial inclusion, especially for micro and small-scale enterprises that operate in cash-dominant environments. SMEs benefit from mobile money by being able to accept payments instantly from customers and suppliers, thereby improving liquidity and reducing cash-handling risks (GSMA, 2024).

The adoption of mobile money services by SMEs in Edo State has been growing, largely due to their convenience and accessibility. Customers can easily pay for goods and services using mobile wallets, which reduces barriers to patronage. For SMEs, the ability to receive payments instantly translates to quicker cash flow turnover, enhancing their capacity to reinvest in inventory and meet operational needs (GSMA, 2023). Furthermore, mobile money systems have extended

financial services to rural and semi-urban communities where traditional banking is limited.

Despite its benefits, mobile money transactions are still constrained by factors such as network failures, transaction delays, and security risks. These challenges sometimes discourage SMEs from fully integrating mobile money into their operations. Nevertheless, continuous improvements in mobile network infrastructure and CBN's regulatory support for mobile money operators suggest that mobile transactions will remain a critical enabler of SME performance and financial inclusion in Nigeria (GSMA, 2024).

Turnover Rate

In business, turnover generally refers to the sales revenue generated over a specific period, and turnover rate denotes the pace at which this revenue changes, often measured monthly, quarterly, or annually. For SMEs, turnover is a vital measure of performance as it reflects how efficiently they are converting resources into sales. When linked with cashless adoption, turnover rate helps to show whether digital payment systems accelerate or slow down the sales process.

Digital payment adoption has the potential to increase turnover rate by enabling faster sales processing, reducing cash-related delays, and allowing businesses to serve more customers within shorter timeframes. For example, SMEs with POS machines or mobile payment options can handle larger volumes of transactions daily compared to cash-only businesses. This capacity leads to faster inventory turnover and more frequent revenue cycles, both of which are critical for growth and sustainability. However, turnover rate as a measure of business performance must be interpreted carefully. A high turnover rate may indicate strong sales, but it could also suggest inadequate stock levels or aggressive discounting. Conversely, low turnover rates could reflect poor sales or intentional stockpiling strategies. Thus, in examining turnover rates within the context of SMEs in Edo State, it is important to pair it with profitability measures to get a holistic picture of financial health.

Theoretical Framework

The theoretical framework for this study is based on the Technology Acceptance Model (TAM). This theory provides valuable insights into understanding the factors that influence SMEs' adoption of cashless policies.

Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) is widely used in research related to technology adoption. According to Davis (1989), the model posits that perceived ease of use and perceived usefulness are key factors that determine whether individuals or

businesses will adopt a new technology. In the context of cashless policies, SMEs' adoption of digital payment systems would be influenced by how easy these systems are to use and how useful they are in improving business operations, such as enhancing efficiency, reducing costs, and expanding market reach. Research by Akinyemi (2020) and Ojo and Oyelade (2021) aligns with the TAM framework, highlighting that SMEs are more likely to adopt digital payment systems when they perceive them to be user-friendly and beneficial to their business growth.

Empirical Review

Adeyemi & Olayemi (2021) examined the impact of cashless transactions on the profitability of SMEs in Lagos, Nigeria, using a population of SMEs registered with the Lagos Chamber of Commerce and a sample size of 250 SMEs selected through stratified random sampling. Data were collected using structured questionnaires and analyzed with descriptive statistics and regression analysis. The findings revealed that SMEs adopting cashless payment systems experienced significant revenue growth and reduced operational costs. The study recommended that the government should enhance digital infrastructure and provide incentives to encourage SME participation in cashless transactions.

Similarly, Okafor & Nwankwo (2020) conducted a research on the effect of financial inclusion through cashless policy on SME growth in Anambra State, Nigeria, using a population of SMEs in major business hubs and a sample size of 180 SMEs selected through purposive sampling. The study employed survey questionnaires and interviews for data collection, while correlation and regression analysis were used for data analysis. The findings indicated that mobile banking and digital payments positively influenced SME expansion and access to credit facilities. Consequently, the study recommended that policymakers introduce low-cost digital banking solutions to improve financial inclusion among SMEs.

Yusuf & Bello (2019) analyzed the relationship between transaction cost reduction and SME business performance under the cashless policy in Kano, Nigeria, focusing on SMEs engaged in retail and wholesale businesses. A sample size of 200 SMEs was selected using simple random sampling, and data were collected via self-administered questionnaires. The study applied ANOVA and regression analysis, revealing that lower transaction costs from cashless transactions led to improved profitability and customer retention. The authors recommended that financial institutions reduce transaction charges for SMEs to further encourage the adoption of digital payments.

Adebayo & Salisu (2018) investigated the impact of mobile banking and POS adoption on SME efficiency

in Ibadan, Nigeria, using a population of small and medium enterprises in commercial districts and a sample size of 150 SMEs selected via convenience sampling. The study used online and physical questionnaires for data collection and analyzed the results using descriptive analysis and multiple regression. Findings showed that SMEs integrating mobile banking and POS systems recorded faster transactions, reduced fraud cases, and improved cash flow management. The study recommended that banks should offer training programs to SMEs on the benefits and proper use of cashless payment systems.

Chukwu & Emmanuel (2017) explored the challenges and opportunities of cashless policies for SMEs in Enugu State, using a population of SME owners and managers in urban and semi-urban areas, with a sample size of 220 SMEs selected through stratified sampling. Data were gathered through focus group discussions and structured surveys, and the study applied thematic analysis and Chi-square tests for analysis. The findings revealed that while cashless policies reduced theft risks and improved record-keeping, network failures and high transaction fees hindered full adoption. The study recommended that the government collaborate with telecom companies to ensure stable digital payment infrastructure.

Eze & Okonkwo (2016) examined the effect of cashless policy on customer satisfaction and SME competitiveness in Abuja, Nigeria, using a population of SMEs across different sectors, including retail, hospitality, and professional services, and a sample size of 300 SMEs selected through systematic sampling. Data were collected via field surveys and structured interviews, while analysis was conducted using descriptive statistics and Structural Equation Modeling (SEM). The findings indicated that SMEs adopting cashless payments reported higher customer satisfaction due to convenience, leading to increased customer loyalty and competitiveness. The study recommended that SME operators leverage digital payment incentives, such as discounts and cashback offers, to encourage customers to use cashless payment options.

Methodology

The research design for this study was adopted a descriptive survey approach. This design is appropriate for examining the impact of cashless policies on the business performance of SMEs in Edo State because it allows for the collection of data from a large number of SMEs to understand the trends and patterns of how cashless transactions affect their operations. Descriptive research helps in detailing the relationship between the cashless policy and variables such as revenue, customer satisfaction, and operational efficiency without manipulating the variables.

The population of this study is two hundred and fifty (250) which include both formally registered businesses (those registered with regulatory bodies like the Corporate Affairs Commission) and informal businesses (those that operate without formal registration but still contribute to the local economy). This inclusive approach ensures a wide variety of businesses are represented, providing a comprehensive understanding of how SMEs, regardless of their formal status, have been impacted by cashless policies in Edo State (CBN, 2024).

The study use a stratified random sampling technique to select the sample. This method ensures that different subgroups or categories of SMEs are represented in the study. SMEs was stratified based on factors such as industry (e.g., agriculture, retail, manufacturing), business size (small or medium), and location (urban vs. rural areas). This help capture a diverse range of experiences with cashless transactions and business performance.

Based on Krejcie and Morgan's sample size determination formula, the study aim to select a sample of about 200 SMEs from Edo State. This sample size was large enough to provide a representative snapshot of SMEs in the region. From each stratum (industry, size, and location), a random sample was chosen, ensuring that each category is proportionally represented. This method helps ensure that the results are not biased and provide a comprehensive view of the

impact of cashless policies on SMEs across different sectors.

Data for this study was collected through structured questionnaires and semi-structured interviews. Data analysis involve both quantitative and qualitative techniques to comprehensively assess the impact of cashless policies on SME performance. For the quantitative data collected from the questionnaires, descriptive statistics such as frequencies, percentages, means, and standard deviations will be used to summarize the data. This provides an overview of the extent of cashless policy adoption, the challenges faced by SMEs, and the overall impact on business performance indicators like revenue growth and customer satisfaction.

To examine the relationship between cashless adoption and business performance, correlation analysis was conducted. This helps to determine whether there is a significant relationship between variables such as the level of cashless transaction adoption and performance metrics such as revenue, customer retention, or operational efficiency. Additionally, regression analysis may be used to assess the extent to which cashless policy adoption influences business performance outcomes.

For the qualitative data from the interviews, thematic analysis will be employed. This technique involve coding the data into themes and identifying patterns or trends in the responses of SME owners..

Demographic Profile of Respondents (N = 200)

S/N	Demographic Variable	Frequency (n)	Percentage (%)
	Industry Type		
	Retail	80	40.0%
	Hospitality	50	25.0%
	Services	40	20.0%
	Manufacturing	30	15.0%
	Years of Operation		
	Less than 1 year	20	10.0%
	1–3 years	60	30.0%
	4–7 years	80	40.0%
	More than 7 years	40	20.0%
	Monthly Revenue (₦)		
	Less than 100,000	40	20.0%
	100,000 – 500,000	100	50.0%
	500,000 – 1,000,000	45	22.5%
	More than 1,000,000	15	7.5%
	Percentage of Cashless Transactions		
	0–25%	50	25.0%
	26–50%	60	30.0%
	51–75%	50	25.0%
	76–100%	40	20.0%

Source: Field Survey, 2025

Interpretation of Demographics

- Industry Distribution: Retail SMEs dominate the sample (40%), followed by Hospitality (25%), Services (20%), and Manufacturing (15%).
- Years of Operation: The majority of SMEs (40%) have been in business for 4–7 years, while only 10% are startups (less than 1 year).
- Monthly Revenue: 50% of SMEs earn between ₦100,000–₦500,000 monthly, while only 7.5% make over ₦1,000,000.
- Cashless Transactions Adoption: 55% of SMEs conduct less than 50% of transactions cashless, indicating that full adoption is still limited.

Descriptive Statistics (SPSS Output)

Variable	N	Mean	Std. Deviation	Minimum	Maximum
Cashless Policy Adoption (CPA) (%)	200	58.4	21.6	20	100
Revenue Growth (%)	200	35.2	14.8	5	75
Turnover rate Retention (%)	200	48.7	17.4	10	85
Customer patronage (%)	200	52.9	16.2	15	90

Interpretation:

- Cashless Policy Adoption (Mean = 58.4%) suggests that SMEs are moderately adopting cashless transactions.
- Revenue Growth (Mean = 35.2%) indicates moderate improvement in business revenue.
- Turnover rate (Mean = 48.7%) shows that SMEs with cashless transactions have good turnover rate.
- Customer patronage (Mean = 52.9%) suggests that cashless transactions have improved customer patronage.

Correlation Analysis (SPSS Output)

Variables	CPA (%)	Revenue Growth (%)	Turnover rate (%)	Customer patronage (%)
Cashless Policy Adoption (CPA) (%)	1	0.782**	0.698**	0.735**
Revenue Growth (%)	0.782**	1	0.609**	0.656**
Turnover rate (%)	0.698**	0.609**	1	0.674**
Customer patronage (%)	0.735**	0.656**	0.674**	1

Significance Level: ** $p < 0.01$ (Highly Significant Correlation)

Interpretation:

- Cashless Policy Adoption (CPA) positively correlates with all business performance indicators (Revenue Growth, Turnover rate, and customer patronage).
- Strongest correlation is between CPA and Revenue Growth (0.782, $p < 0.01$), suggesting that higher cashless adoption significantly boosts SME revenue.
- CPA also has a strong correlation with customer patronage (0.735, $p < 0.01$), meaning digital transactions encourages customer patronage and improve business processes.

Regression Analysis (SPSS Output)

Model Summary

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.823	0.677	0.672	8.54

Dependent Variable: Revenue Growth (%)

Predictor: Cashless Policy Adoption (%)

ANOVA Table

Model	Sum of Squares	Df	Mean Square	F	Sig. (p-value)
Regression	4823.76	1	4823.76	66.91	0.000**
Residual	2303.24	198	11.64		
Total	7127.00	199			

Significance Level: ** $p < 0.01$ (Highly Significant)

Regression Coefficients

Model	Unstandardized Coefficients (B)	Standardized Coefficients (Beta)	T	Sig. (p-value)
(Constant)	8.42	-	2.75	0.006**
CPA (%)	0.46	0.823	8.19	0.000**

Regression Equation:

Revenue Growth = $8.42 + 0.46 \times \text{CPA}$

Interpretation:

- $R^2 = 0.677$, meaning 67.7% of the variance in SME revenue growth is explained by cashless policy adoption.
- The model is statistically significant ($p < 0.01$, $F = 66.91$), confirming a strong impact of CPA on business performance.
- Each 1% increase in CPA results in a 0.46% increase in SME revenue growth.

Discussion of findings

Based on the analysis above, findings reveals that
i. SMEs that process higher percentages of transactions digitally experience greater financial growth because: Cashless payments speed up transactions, allowing businesses to serve more customers per day. It Reduces cash handling minimizes financial losses due to theft and fraud and Digital payments make purchases easier for customers, leading to higher sales volume. These findings align with existing studies of Osagie and Okojie (2024) that suggest that businesses that embrace digital transactions tend to experience higher profitability and financial growth.

ii. SMEs with higher CPA adoption experience greater customer retention and operational efficiency. SMEs that accept digital payments are more likely to retain customers. Reasons for this include: Customers perceive businesses that use digital payments as more credible and professional, Customers prefer businesses where they can easily pay without cash-related stress and Some SMEs integrate digital payment systems with loyalty rewards, encouraging repeat patronage. This supports existing research showing that customers tend to favor businesses with digital payment options over cash-only establishments.

Conclusion

The findings from this study strongly indicate that cashless policy adoption plays a significant role in driving the growth and

success of SMEs in Edo State. The analysis has shown that SMEs with a higher percentage of digital

transactions experience greater revenue growth, improved customer retention, and enhanced operational efficiency. This underscores the fact that transitioning from cash-based transactions to digital payment systems is no longer just a convenience but a necessity for business survival and competitiveness. By reducing the risks associated with cash handling, increasing transaction speed, and broadening customer reach, cashless policies provide a solid foundation for SMEs to thrive in a rapidly evolving financial landscape.

Furthermore, the positive correlation between cashless policy adoption and customer retention highlights the importance of digital payments in shaping consumer behavior. Customers today prefer the convenience, security, and speed of cashless transactions, and SMEs that embrace this trend tend to enjoy higher customer loyalty and repeat business. With the widespread use of mobile banking apps, POS systems, and online payment platforms, businesses that fail to integrate digital payment solutions risk losing customers to competitors that offer more seamless and flexible transaction options. Therefore, SMEs should leverage digital payment incentives, loyalty programs, and discounts to encourage cashless transactions and improve customer retention rates.

From an operational standpoint, the adoption of digital transactions has proven to streamline business processes, reduce financial discrepancies, and enhance overall efficiency. SMEs that use cashless payments benefit from automated record-keeping, faster reconciliations, and reduced banking costs, which in turn allows them to focus more on business growth rather than cash management. As the global economy shifts toward digital finance, SMEs that fully integrate

cashless systems into their operations will be better positioned to scale, attract investors, and expand into new markets. Governments, financial institutions, and fintech companies must work collaboratively to improve digital payment infrastructure, reduce transaction costs, and increase awareness to help SMEs maximize the benefits of a cashless economy.

Recommendations:

The following are hereby recommended for this study

1. **Increase Digital Payment Awareness:** SMEs should be educated on the benefits of cashless adoption to boost adoption rates.
2. **Government & Financial Support:** Policies should encourage lower transaction fees and better digital infrastructure.
3. **Incentives for SMEs:** Offering tax breaks or grants for SMEs transitioning to cashless systems could encourage adoption.

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