

Effect of Naira Redesign Policy on the Performance of SMEs in Yenagoa Metropolis, Bayelsa State

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Abstract

The Naira redesign policy introduced by the Central Bank of Nigeria (CBN) in 2022 aimed to curb inflation, reduce counterfeiting, and promote a cashless economy. However, its abrupt implementation disrupted cash-dependent Small and Medium Enterprises (SMEs), particularly in Yenagoa, Bayelsa State, where digital payment infrastructure remains underdeveloped. While prior studies on currency reforms often focus on large economies or short-term effects, this study addresses a critical gap by examining the policy's localized impact on SMEs in a region with low financial inclusion, providing context-specific insights absent in broader analyses. Using a cross-sectional design, data were collected from 360 SMEs via structured questionnaires, analyzed descriptively (mean, SD) and inferentially. Findings reveal statistically significant negative effects: reduced sales revenue (mean = 3.28), profitability decline (mean = 3.53), and cash flow disruptions (mean = 3.42), all scoring above the neutral midpoint (3.0) with narrow standard deviations (0.597–0.858), indicating high consensus. Challenges included limited access to new notes (mean = 3.25), operational cost increases (mean = 3.39), and customer distrust (mean = 3.48). Despite these setbacks, the policy spurred digital payment adoption (mean = 3.26), though SMEs faced implementation barriers like infrastructure gaps. The study underscores the need for phased monetary reforms complemented by targeted support for SMEs. Policy recommendations include: (1) CBN-led SME sensitization programs to improve policy awareness, (2) subsidized POS/Fintech partnerships to reduce digital transition costs, and (3) liquidity buffers for rural financial institutions to mitigate cash shortages. These measures, tied to regulatory action, could balance macroeconomic goals with SME resilience in cash-dependent regions.

Keywords: Naira redesign, SMEs, digital payments, policy disruption, Yenagoa.

1. Introduction

Small and Medium Enterprises (SMEs) constitute the backbone of Nigeria's economy, contributing significantly to employment, GDP growth, and poverty reduction. According to the National Bureau of Statistics (2021), SMEs account for approximately 48% of Nigeria's GDP, 96% of businesses, and 84% of employment in the non-agricultural sector. Despite their critical role, these enterprises face numerous challenges including limited access to finance, inadequate infrastructure, and macroeconomic instability. The

introduction of the Naira redesign policy by the Central Bank of Nigeria (CBN) in October 2022 further exacerbated these challenges, particularly for cash-dependent SMEs in regions like Yenagoa, Bayelsa State. The policy, which targeted the ₦200, ₦500, and ₦1000 notes, was implemented as part of Nigeria's broader liquidity management and financial formalization strategy, aiming to curb inflation, reduce counterfeiting, and promote a cashless economy (CBN, 2022). However, its abrupt execution led to severe cash scarcity and operational disruptions, disproportionately affecting SMEs that rely heavily on cash transactions.

The Naira redesign policy must be understood within the context of Nigeria's ongoing efforts to transition to a cashless economy, which began in 2012. The CBN's 2021 report revealed that cash transactions still dominated 82% of all transactions in Nigeria, highlighting the challenges of financial inclusion and digital payment adoption. By redesigning high-denomination notes, the CBN sought to mop up excess liquidity estimated at ₦2.7 trillion outside the banking system, thereby addressing inflationary pressures which stood at 21.3% in late 2022 (CBN Monetary Policy Report, Q4 2022). However, the policy's implementation was marred by several shortcomings, including a restrictive 90-day transition period and uneven distribution of new currency notes. These issues created a liquidity crunch that severely impacted SMEs, particularly in regions with limited banking infrastructure. While the policy succeeded in increasing digital transaction volumes by 72% (NIBSS, 2023), its execution flaws undermined its potential benefits for small businesses.

This study is grounded in two key theoretical frameworks: Monetary Theory and Diffusion of Innovation Theory. Monetary Theory explains how the contraction of M1 (physical cash supply) directly affected SME liquidity, leading to reduced working capital, delayed supplier payments, and suppressed consumer demand - all critical factors influencing SME performance (Friedman & Schwartz, 1963). Meanwhile, Diffusion of Innovation Theory (Rogers, 2003) helps explain the uneven adoption of digital payments among SMEs in Yenagoa, where disparities in awareness, infrastructure, and perceived utility created significant variations in adaptation rates. While some sectors like retail were able to transition relatively smoothly to digital payments, others such as agriculture and fisheries, which traditionally rely on cash and barter systems, faced greater challenges in adapting to the new policy environment.

The study examines several key variables and their interactions. The independent variable, the Naira redesign policy, is operationalized through two main dimensions: currency scarcity (limited access to new notes) and cash flow disruption (delays in transactions and reduced liquidity). The dependent variables include SME performance, measured through sales revenue decline, profitability shocks, and operational costs, as well as adaptive strategies such as digital payment adoption versus persistent cash reliance. The study also considers moderating factors such as sectoral differences (e.g.,

retail versus agriculture), geographic financial inclusion gaps, and varying levels of policy awareness among SME owners. These variables interact in complex ways to determine the overall impact of the policy on SME operations and sustainability.

Existing literature on currency reforms, such as India's 2016 demonetization, has primarily focused on national-level aggregates and short-term effects, often neglecting important regional and sectoral variations (Ghatak, 2016). This study addresses these gaps by providing a nuanced analysis of how the Naira redesign policy affected SMEs in Yenagoa, a region characterized by a cash-heavy informal economy where approximately 68% of the population lacks formal bank accounts (SMEDAN, 2021). The research highlights significant sectoral differences in policy impact, with retail SMEs generally adapting more successfully to digital payments compared to their counterparts in agriculture and fisheries, where traditional cash-based transactions remain deeply entrenched. Furthermore, the study examines how poor stakeholder engagement and inadequate policy communication exacerbated the challenges faced by SMEs during the transition period.

Moreover, many SMEs in Yenagoa lack the necessary infrastructure to fully transition to digital payment systems. The challenges of poor network connectivity, high transaction fees, and customer preference for cash further hampered their ability to adapt quickly. This has raised concerns about the sustainability of the Naira redesign policy and its potential to stifle the growth of SMEs, which are crucial to job creation and economic development. Therefore, it is essential to investigate the real-world impact of this policy on SMEs in Yenagoa, to understand how it has affected their performance and what strategies could be employed to mitigate these challenges. The main objective of this study is to investigate the effect of the Naira redesign policy on the performance of SMEs in Yenagoa metropolis, Bayelsa State. Specifically, the study seeks to:

1. Assess the impact of the Naira redesign policy on the sales and revenue of SMEs in Yenagoa.
2. Examine the challenges faced by SMEs in adapting to the Naira redesign policy.
3. Evaluate the extent to which the policy has influenced the adoption of digital payment systems among SMEs in Yenagoa.

2. Literature Review

2.1 The Effects of Currency Redesign on SMEs

Currency redesign, which involves altering the appearance and security features of a nation's currency, can have significant economic implications. Governments typically implement such policies to combat counterfeiting, enhance the security of banknotes, curb inflation, and promote digital payments. However, while these objectives are often well-intended, currency redesign policies can create substantial disruptions for

businesses, particularly Small and Medium Enterprises (SMEs). SMEs, which form a critical part of the economic structure in many developing countries, are highly sensitive to changes in cash flow due to their reliance on cash transactions for daily operations.

One of the most immediate effects of currency redesign on SMEs is the disruption in cash flow. When a currency is redesigned, the old notes are typically phased out over a short period, requiring businesses to exchange their cash reserves for the new currency. This process can be particularly challenging for SMEs, especially in economies where cash transactions are predominant. For example, during the demonetization policy in India in 2016, SMEs experienced severe cash shortages, which led to a significant decline in business activities (Mehta & Gupta, 2018). A similar situation was observed in Nigeria during the implementation of the Naira redesign policy in 2022, where many SMEs faced difficulties accessing the new currency notes, leading to reduced sales and disruptions in supply chains (Adeniran & Saka, 2023).

Another significant impact of currency redesign on SMEs is the increased cost of doing business. During the transition period, businesses often incur additional costs associated with the logistics of exchanging old notes for new ones, adapting to new financial systems, and managing the disruptions caused by the temporary unavailability of cash. SMEs, which usually operate on thin profit margins, may struggle to absorb these additional costs, leading to reduced profitability. Furthermore, if the redesign is accompanied by policy measures that promote digital payments, SMEs may need to invest in digital infrastructure such as Point of Sale (POS) terminals, mobile payment systems, and software upgrades, which could be financially burdensome for small business owners (Olaniyi, 2023).

Currency redesign can also affect consumer behavior, which in turn impacts the performance of SMEs. When the availability of cash is limited, consumers may cut down on their spending, leading to a decrease in sales for businesses. This was evident during the Naira redesign policy in Nigeria, where customers, unable to access the new notes, reduced their expenditure, leading to a decline in revenue for many SMEs, especially those operating in the retail and hospitality sectors (Udo & Ekong, 2023). Such a decrease in consumer spending can create a domino effect, resulting in lower sales volumes, reduced profit margins, and in some cases, the closure of businesses that are unable to sustain the prolonged period of reduced cash flow.

Despite these challenges, currency redesign policies can also present opportunities for SMEs, particularly in the promotion of digital payments. In economies where cash is the primary means of transaction, redesigning the currency can serve as a catalyst for the adoption of digital financial systems. Governments often encourage the use of electronic payments during such periods, which can lead to increased financial inclusion and the formalization of businesses that were previously operating on a cash-only basis (Singh &

Goel, 2020). However, the effectiveness of this shift largely depends on the availability and reliability of digital payment infrastructure. In regions where digital payment systems are underdeveloped, SMEs may face significant challenges in making the transition, which could hamper the intended benefits of the currency redesign policy (Olaniyi, 2023).

Additionally, the impact of currency redesign on SMEs can be influenced by the level of preparedness and communication from policymakers. Effective communication and adequate notice before the implementation of a currency redesign policy are critical to ensuring a smooth transition. When businesses are well-informed and given sufficient time to prepare, they can plan their cash flow, inform their customers, and make necessary adjustments to their operations. However, in cases where the policy is implemented abruptly, without adequate sensitization, the result is often confusion, panic, and disruption of business activities. The Central Bank of Nigeria's introduction of the new Naira notes in 2022 was criticized for the short notice period and lack of sufficient communication, which left many SMEs unprepared and unable to adapt to the new policy quickly (Adeniran & Saka, 2023).

Moreover, the effectiveness of a currency redesign policy in promoting economic stability depends on institutional support. In economies where SMEs face challenges such as limited access to credit, inadequate banking infrastructure, and poor digital connectivity, the introduction of new currency notes can exacerbate existing issues. For instance, SMEs in rural areas may find it difficult to access banks or ATMs to exchange their old currency notes, leading to prolonged periods of cash shortages and a decline in business activities. Studies have shown that for currency redesign policies to be successful, there must be adequate institutional support, including the provision of financial services, training for business owners on digital payments, and measures to ensure smooth distribution of the new currency (Mehta & Gupta, 2018).

While currency redesign policies are often implemented with the objective of enhancing economic security and promoting digital payments, their impact on SMEs can be profound. The success of such policies in benefiting SMEs depends on several factors, including the level of preparedness of businesses, the availability of digital infrastructure, consumer behavior, and the extent of institutional support. Policymakers must consider these factors to minimize the negative effects of currency redesign on SMEs and to ensure that such policies contribute to the overall economic growth and sustainability of small businesses.

2.2 Theoretical Literature

The theoretical framework for understanding the effects of currency redesign on SMEs can be analyzed through several economic and business theories. Each of these theories offers insights into how policy changes, particularly those involving currency, can affect

business operations, consumer behavior, and the overall economic environment. The relevant theories include:

2.2.1 Monetary Theory

Monetary Theory explains the relationship between the money supply, inflation, interest rates, and economic activity. The theory posits that changes in the money supply directly affect the economic activities of a country. If the money supply is suddenly reduced, as often happens during a currency redesign, it can lead to liquidity issues, reduced consumer spending, and lower business activity (Friedman, 1968).

Currency redesign often involves withdrawing old currency notes from circulation, which effectively reduces the amount of cash available in the economy. For SMEs, this reduction in cash flow can result in liquidity challenges, especially if they rely heavily on cash transactions. The sudden decrease in cash availability can lead to disruptions in their ability to make purchases, pay suppliers, and conduct daily business operations. The Monetary Theory suggests that unless there is a compensating increase in digital or non-cash transactions, the reduction in the money supply can lead to a slowdown in economic activity and, by extension, a decline in the performance of SMEs (Adeniran & Saka, 2023).

Moreover, the theory also highlights the importance of consumer confidence in the economy. According to the monetary theory, when consumers face uncertainties, such as difficulty accessing cash or concerns about the value of the new currency, their spending behavior may change, affecting SMEs that depend on regular customer purchases.

2.2.2 Diffusion of Innovation Theory

The Diffusion of Innovation Theory, developed by Everett Rogers (1962), provides a useful lens for understanding the varied pace at which Small and Medium Enterprises (SMEs) in Yenagoa adopted digital payment systems following the Naira redesign policy. According to the theory, the adoption of any innovation such as digital financial services follows a predictable pattern across categories of adopters: innovators, early adopters, early majority, late majority, and laggards.

In the context of this study, early adopters among SMEs were typically more adaptive, better informed, and more willing to experiment with new technologies. These businesses recognized the limitations of cash-based transactions during the cash scarcity and proactively transitioned to digital payment solutions such as Point-of-Sale (POS) terminals, bank transfers, and mobile money platforms. Often, they were owned or managed by relatively younger entrepreneurs with higher digital literacy or access to financial services. Their motivation to sustain sales and maintain customer relationships under constrained liquidity conditions pushed them to embrace change quickly.

Moreover, early adopters were likely to view digital payments not merely as a temporary solution but as a strategic move toward operational efficiency.

Conversely, laggards represented SMEs that either delayed or outright resisted adopting digital payment systems. These were often micro-businesses or traditional enterprises with limited access to internet-enabled devices, poor network infrastructure, or a deep-seated mistrust of digital financial systems. Cultural habits, lack of technical knowledge, and fear of fraud further entrenched their resistance. Many of these businesses relied heavily on cash for day-to-day operations and were skeptical of the reliability of electronic transactions. For laggards, the perceived complexity and risks of digital payments outweighed the benefits, particularly in an environment where their customers were also digitally excluded.

Thus, the uneven adoption of digital payment systems among SMEs in Yenagoa can be attributed to differences in innovativeness, perceived usefulness, communication channels, and socio-economic context, all central to the Diffusion of Innovation framework. Effective policy implementation would require strategies that target laggards by simplifying digital tools, building trust, and improving infrastructure, while reinforcing the gains experienced by early adopters.

2.2.3 Institutional Theory

Institutional Theory examines how institutional structures, including regulations, norms, and organizational behaviors, influence the practices of businesses. According to this theory, the success of policy changes, such as currency redesign, depends on the support and enforcement provided by institutions (Scott, 2001). For SMEs, institutional support is crucial during the implementation of such policies because it can help them navigate the transition process, minimize disruptions, and sustain their operations.

Institutional Theory emphasizes that organizations, including SMEs, are influenced by the regulatory environment in which they operate. When a currency redesign policy is announced, the effectiveness of the policy depends on how well institutions, such as central banks, commercial banks, and government agencies, facilitate the exchange of old notes for new ones and promote the adoption of digital payment systems. In the case of the Naira redesign, the Central Bank of Nigeria's role was critical in ensuring that SMEs had access to the new notes and were aware of alternative payment methods (Adeniran & Saka, 2023).

The Central Bank of Nigeria's (CBN) Naira redesign policy, while ostensibly aimed at monetary control and formalization, can be critically examined through Institutional Theory, which emphasizes how organizations including policymakers operate within broader regulatory, normative, and cultural-cognitive frameworks (Scott, 2014). The CBN's failure to align its policy design with the informal institutional realities of

Nigeria's SME sector exacerbated disruptions, revealing a fundamental mismatch between formal policy objectives and on-the-ground economic behaviors.

Regulatory Overreach without Legitimacy

Institutional Theory posits that policies succeed when they attain legitimacy through stakeholder buy-in (DaMaggio & Powell, 1983). The CBN's top-down approach violated this principle by excluding SME associations, market unions, and rural financial intermediaries from the policy design phase. For instance, the 90-day transition timeline ignored the cash flow cycles of agricultural SMEs, who rely on seasonal cash liquidity (SMEDAN, 2023). This contrasts with India's demonetization in 2016, where the RBI conducted phased consultations with trader federations, allowing for adjustments to rollout timelines (Ghosh, 2020). The CBN's regulatory fiat, devoid of participatory legitimacy, triggered institutional defiance evidenced by the widespread hoarding of old notes and rejection of new currency in informal markets (Olaniyi, 2023).

2.3 Empirical Literature Review

Empirical studies on the impact of currency redesign policies reveal mixed outcomes, often dependent on the economic context and preparedness of the market. In India, for example, the demonetization policy of 2016, which involved the withdrawal of high-denomination notes, resulted in a sharp decline in economic activities, with SMEs being the hardest hit. According to a study by Mehta and Gupta (2018), small businesses in the informal sector experienced a 30% drop in revenue during the initial months of demonetization. The study attributed this decline to the sudden disruption in cash flow, which limited customers' purchasing power and reduced transaction volumes.

In a similar vein, Adeniran and Saka (2023) conducted a study on the Naira redesign policy in Nigeria and found that SMEs in urban areas like Yenagoa experienced a 40% reduction in sales in the first three months of the policy implementation. The study highlighted that the majority of SMEs were ill-prepared for the transition, citing issues such as limited access to banking services, lack of digital payment infrastructure, and inadequate sensitization as key challenges. Furthermore, the researchers observed that SMEs that had adopted digital payment systems prior to the policy were more resilient and better able to navigate the liquidity crisis.

Ghosh (2020) examined the platform's nationwide adoption between 2016-2019. Using a mixed-methods approach combining NPCI transaction data with surveys of 2,500 SMEs across 15 states, the research found that UPI adoption reduced payment processing times by 72% and increased SME sales volumes by 18-34% depending on sector. The study highlighted how UPI's interoperability and zero merchant fees addressed critical barriers to digital payment adoption among small businesses.

The macroeconomic effects of UPI were rigorously analyzed in Chodorow-Reich *et al.*'s (2020) by applying difference-in-differences methodology to RBI district-level data, the authors demonstrated that regions with higher pre-demonetization UPI penetration experienced significantly smaller economic contractions (1.2% vs 2.7% GDP decline) during the 2016 cash crisis. Their findings revealed that every 10% increase in UPI adoption prior to demonetization was associated with 4.3% faster recovery in SME transaction volumes, underscoring the system's shock-absorption capacity.

Sector-specific adoption patterns were explored in Mandal and Sarkar's (2022) employed panel data analysis of 8,000 formal and informal enterprises from 2017-2021, supplemented with qualitative interviews. Their work identified stark disparities in adoption rates, ranging from 89% among urban service providers to just 22% for rural agricultural suppliers. Key constraints included limited smartphone access (only 31% penetration in rural areas) and persistent cash preferences among suppliers and customers in traditional sectors.

The operational challenges of UPI implementation were documented in Agarwal *et al.*'s (2018) through case studies of 500 merchants across five cities, combined with transaction log analysis, the research team found that while UPI reduced payment delays by 62%, fraud incidents increased by 215% in the first two years of operation. The study recommended enhanced security protocols and merchant education programs, which were subsequently adopted by NPCI in their 2019 system upgrades.

Another study by Olaniyi (2023) explored the effects of currency redesign on the adoption of cashless payments in Nigeria. The findings revealed a significant increase in the use of mobile money and digital transactions among SMEs following the Naira redesign policy. However, the study also pointed out that the shift to digital payments was hindered by poor network connectivity, high transaction costs, and customers' reluctance to switch from cash to electronic methods. These challenges underscore the need for a robust digital payment infrastructure to support SMEs during such policy shifts.

Udo and Ekong (2023) conducted a study on the effects of the policy on SMEs in Port Harcourt, Rivers State, and found that businesses that had previously embraced digital payment systems were better able to cope with the cash shortages. The research indicated a 25% increase in the use of mobile money transactions among SMEs during the currency redesign period. However, the adoption rate was not consistent across all sectors, with SMEs in traditional markets and rural areas showing less enthusiasm for digital payments due to issues such as high transaction fees, poor network coverage, and a lack of trust in digital platforms.

Ozturk and Aydin (2019) analyzed the effects of Turkey's currency change in 2005, when the government introduced the New Turkish Lira (TRY) to replace the old Lira. The study found that the success of the policy was largely due to the government's efforts to engage with the business community, provide information through various channels, and ensure that sufficient new currency was available at all banking outlets before the old notes were phased out. SMEs were also given incentives to adopt digital payment systems, which helped to mitigate the short-term disruption caused by the transition.

Olaniyi (2023) conducted a survey on consumer behavior during the Naira redesign policy in Nigeria and found that many consumers reduced their spending due to the uncertainty surrounding the availability of the new notes. The survey results showed that 60% of respondents preferred to limit their purchases to essential goods, as they were unsure when they would be able to access new currency notes. This shift in spending patterns affected SMEs, particularly those in the non-essential retail sector, leading to a drop in sales and inventory backlogs. This aligns with earlier findings by Adeniran and Saka (2023) who demonstrated that 78% of Lagos-based SMEs experienced transaction delays during the policy implementation period, leading to supply chain disruptions and inventory shortages.

The World Bank's (2022) Enterprise Survey revealed that Nigerian SMEs facing liquidity constraints typically experience 30-50% reductions in daily transactions, with cash-dependent sectors like retail and agriculture suffering the most severe impacts. Similarly, a SMEDAN (2021) study showed that during periods of currency scarcity, Bayelsa State SMEs reported 58% lower customer footfall and 35% fewer completed transactions compared to normal periods.

In India, Ghosh *et al.* (2017) found that demonetization reduced SME transactions by 60% in the first month, with informal sector enterprises taking nearly 9 months to recover pre-policy transaction levels. Likewise, in Zimbabwe, Makochekanwa (2014) documented how currency shortages led to a 70% decline in SME transactions during the 2013-2014 liquidity crisis.

As noted by Beck and Demirgüç-Kunt (2006), liquidity crunches create a "double bind" for SMEs by simultaneously reducing customer purchasing power while increasing operational costs, particularly for businesses that lack access to formal credit channels. This explains why, Udoka and Oko (2022) found that, Nigerian SMEs with limited digital payment capabilities suffered 3-5 times greater transaction declines during the Naira redesign period compared to their digitally-enabled counterparts.

2.3.1 Literature Gap

This study applies the Diffusion of Innovation Theory to explore why some SMEs in Yenagoa adopted digital payment systems early in response to the Naira redesign policy,

while others delayed or resisted. Crucially, it addresses Nigerian-specific gaps, particularly the rural-urban disparities in cash access, digital infrastructure, and financial inclusion that are often glossed over in broad cross-country studies. While global research tends to assume a relatively uniform baseline for digital readiness and institutional trust, this study highlights how uneven access to banking services and digital tools in Nigeria fundamentally shapes innovation adoption. Early adopters, typically urban-based SMEs with better internet connectivity and customer demand for cashless options, were positioned to adapt quickly. In contrast, laggards, often in peri-urban or underserved communities faced practical constraints such as unreliable networks, lack of trust in digital platforms, and a cash-dependent customer base.

3. Methodology

3.1 Research Design

A cross-sectional research design was utilized for this study. This design allows for the collection of data at a single point in time, facilitating the examination of relationships between the Naira redesign policy and the performance of SMEs. Cross-sectional studies are particularly useful in exploring phenomena within a specific context and can provide insights into the current state of affairs (Creswell, 2014). By adopting this design, the research aims to capture the immediate effects of the currency redesign on SMEs while also allowing for comparative analysis among different sectors.

3.2 Population of the Study

The population of this study comprises SMEs operating in Yenagoa metropolis, Bayelsa State. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), there are approximately 6,000 registered SMEs in Bayelsa State, with a significant concentration in Yenagoa (SMEDAN, 2021). This population includes various sectors such as retail, manufacturing, services, and agriculture, providing a diverse backdrop for analyzing the impact of the Naira redesign policy on different business types.

3.3 Sampling Procedure

A stratified random sampling technique was employed to select participants from the population. This method ensures that various subgroups (or strata) of the population are adequately represented, which is crucial given the diversity of SMEs in terms of size, sector, and operational characteristics (Bryman, 2016). The strata were defined based on the sector of operation (retail, manufacturing, services, and agriculture) to ensure a representative sample. Random sampling within these strata helps to mitigate bias and enhance the reliability of the findings.

3.4 Sample Size

The sample size for this study was determined using the Cochran formula, which is suitable for estimating sample sizes for finite populations. Given the total population of

6,000 SMEs in Yenagoa, a sample size of 360 was computed using a confidence level of 95% and a margin of error of 5%. This sample size is deemed adequate to provide reliable data for statistical analysis while being manageable for data collection (Cochran, 1977). The breakdown of the sample size across the strata was proportional to the size of each sector within the population.

3.5 Description of Research Instrument

The primary data collection instrument for this study was a structured questionnaire. The questionnaire comprised closed-ended questions designed to gather quantitative data on various aspects of SME performance, including sales revenue, cash flow, and the adoption of digital payment systems. The questionnaire also included items measuring the perceived impact of the Naira redesign policy on business operations. The use of structured questionnaires is advantageous in collecting standardized data, allowing for easier comparison and statistical analysis (Fowler, 2014).

3.6 Validity of the Instrument

To ensure the validity of the research instrument, a panel of experts, including academics and practitioners in the field of business and economics, reviewed the questionnaire. Their feedback was instrumental in refining the questions for clarity and relevance to the research objectives. Additionally, a pilot test was conducted with a small sample of SMEs (n=30) in Yenagoa to assess the reliability and clarity of the instrument. The results of the pilot test were analyzed using Cronbach's alpha, achieving a reliability coefficient of 0.85, indicating good internal consistency (Nunnally, 1978).

3.7 Method of Data Collection

Data collection was carried out through self-administered questionnaires distributed to the selected SMEs in Yenagoa. The researchers engaged with participants to explain the purpose of the study and ensure a high response rate. Questionnaires were distributed in person and via electronic means to accommodate the preferences of participants. To enhance the response rate, follow-up reminders were sent to participants after the initial distribution, as recommended by Dillman *et al.* (2014).

3.8 Method of Data Analysis

The collected data were analyzed using descriptive and inferential statistical techniques. Descriptive statistics, including mean, and standard deviation, were employed to summarize the data and provide an overview of SME performance indicators. Data analysis was performed using statistical software such as SPSS (Statistical Package for the Social Sciences) to facilitate accurate and efficient analysis (Pallant, 2020).

4. Results and Discussion

Table 4.1: The impact of the Naira redesign policy on the sales and revenue of SMEs in Yenagoa

Questionnaire Items	N		Mean	Std. Deviation	Decision
	Valid	Missing			
The Naira redesign policy has significantly reduced my business's sales revenue.	360	0	3.28	0.858	Accept
Since the implementation of the Naira redesign policy, there has been a decline in the number of daily transactions.	360	0	3.10	0.822	Accept
The Naira redesign policy has negatively affected the overall profitability of my business.	360	0	3.53	0.597	Accept
My business has experienced cash flow problems due to the challenges associated with the Naira redesign policy	360	0	3.42	0.786	Accept
The introduction of new currency notes has led to a decrease in customer spending in my business	360	0	3.28	0.858	Accept
The Naira redesign policy has caused delays in payments from customers, affecting my sales revenue.	360	0	3.42	0.715	Accept
Grand Mean			3.34		Accept

Source: Author’s Computation from survey data, 2025

The data in Table 4.1 summarizes the responses of 360 SMEs in Yenagoa regarding the impact of the Naira redesign policy on their sales and revenue. Each questionnaire item was rated on a Likert scale, and the results are presented in terms of the mean and standard deviation, along with a decision based on the average response. The mean score for the statement "The Naira redesign policy has significantly reduced my business's sales revenue" is 3.28, with a standard deviation of 0.858. This indicates that respondents generally agree that the policy has led to a decrease in sales revenue. The decision is to "Accept," showing that the perceived impact on sales revenue is significant across businesses.

With a mean of 3.10 and a standard deviation of 0.822, the statement "Since the implementation of the Naira redesign policy, there has been a decline in the number of

daily transactions" also received an "Accept" decision. This suggests that the redesign policy has had a negative effect on the frequency of customer transactions for most SMEs.

The highest mean score of 3.53 (standard deviation of 0.597) was observed for the statement "The Naira redesign policy has negatively affected the overall profitability of my business." The lower standard deviation indicates that the responses are relatively consistent. The decision to "Accept" highlights that SMEs generally perceive a significant adverse impact on profitability due to the policy.

The mean score for "My business has experienced cash flow problems due to the challenges associated with the Naira redesign policy" is 3.42, with a standard deviation of 0.786. The decision is to "Accept," indicating that many SMEs have faced cash flow difficulties following the implementation of the redesign policy.

The item "The introduction of new currency notes has led to a decrease in customer spending in my business" has a mean of 3.28 and a standard deviation of 0.858. The decision to "Accept" suggests that SMEs perceive a drop in customer spending behavior due to the challenges posed by the new currency notes.

With a mean score of 3.42 and a standard deviation of 0.715, the statement "The Naira redesign policy has caused delays in payments from customers, affecting my sales revenue" received an "Accept" decision. This implies that SMEs have experienced payment delays, which in turn affects their sales revenue.

The grand mean of 3.34 across all six items indicates a general agreement among SMEs that the Naira redesign policy has had a negative impact on their sales and revenue. The consistent decision to "Accept" across all items suggests that the policy has posed significant challenges for SMEs, leading to reduced sales, profitability issues, cash flow problems, and delays in customer payments. The standard deviations indicate some variability in responses, but the means consistently hover above the neutral midpoint (3.00), demonstrating an overall perception of negative impacts.

The data from Table 4.1 clearly shows that SMEs in Yenagoa have been adversely affected by the Naira redesign policy. Key areas of impact include reductions in sales revenue, profitability, and customer spending, as well as issues related to cash flow and delays in payments. These findings highlight the need for policies that can help SMEs mitigate these challenges and adapt to the new currency system effectively.

Table 4.2: the challenges faced by SMEs in adapting to the Naira redesign policy.

Questionnaire Items	N		Mean	Std. Deviation	Decision
	Valid	Missing			
My business faced difficulties in accessing the new Naira notes from banks or ATMs during the redesign period.	360	0	3.25	0.912	Accept
The Naira redesign policy has increased the cost of doing business for my SME (e.g., transportation, transaction fees).	360	0	3.39	0.816	Accept
The transition to the new currency notes was poorly communicated by financial institutions and the government.	360	0	3.16	0.780	Accept
Customers have frequently requested to make purchases on credit because of the challenges with accessing new currency.	360	0	3.31	0.896	Accept
My business had to temporarily close or reduce operations due to cash shortages caused by the Naira redesign.	360	0	3.17	0.899	Accept
The Naira redesign policy has created a lack of trust among customers, impacting their purchasing behavior.	360	0	3.48	0.749	Accept
Grand Mean			3.29		Accept

Source: Author’s computation from survey data, 2025

From Table 4.2, the mean score of 3.25 (standard deviation of 0.912) for the statement "My business faced difficulties in accessing the new Naira notes from banks or ATMs during the redesign period" suggests that many SMEs experienced challenges in obtaining the redesigned currency. The decision to "Accept" indicates that these difficulties were widespread and significantly impacted business operations. With a mean of 3.39 and a standard deviation of 0.816, the statement "The Naira redesign policy has increased the cost of doing business for my SME (e.g., transportation, transaction fees)" received an "Accept" decision. This shows that the redesign policy led to increased operational costs for many businesses, likely due to logistical challenges and higher transaction fees.

The item "The transition to the new currency notes was poorly communicated by financial institutions and the government" has a mean score of 3.16 and a standard deviation of 0.780. The decision to "Accept" suggests that the SMEs perceived inadequate communication and guidance during the transition period, which may have led to confusion and operational disruptions.

The mean score of 3.31 (standard deviation of 0.896) for "Customers have frequently requested to make purchases on credit because of the challenges with accessing new currency" indicates that many SMEs encountered increased customer requests for credit. This reflects how currency shortages affected consumer purchasing power, leading to greater reliance on credit arrangements. With a mean of 3.17 and a standard deviation of 0.899, the statement "My business had to temporarily close or reduce operations due to cash shortages caused by the Naira redesign" was also accepted. This highlights that some businesses were unable to sustain normal operations due to cash flow constraints during the period of policy implementation.

The highest mean score of 3.48 (standard deviation of 0.749) was recorded for "The Naira redesign policy has created a lack of trust among customers, impacting their purchasing behavior." The decision to "Accept" indicates that the policy may have led to a loss of confidence among consumers, which could have further impacted sales and business stability.

The grand mean of 3.29 across all six items suggests that SMEs in Yenagoa generally agreed that they faced multiple challenges in adapting to the Naira redesign policy. The decision to "Accept" across all items demonstrates that these challenges were significant and widespread. The data from Table 4.2 reveal that SMEs in Yenagoa encountered a range of difficulties while adapting to the Naira redesign policy. Key challenges included limited access to new currency notes, increased operational costs, poor communication during the transition, higher reliance on credit purchases, temporary business closures, and reduced customer trust. These findings emphasize the need for better planning, effective communication, and supportive measures to help businesses adapt smoothly to such policy changes in the future.

Table 4.3: The extent to which the policy has influenced the adoption of digital payment systems among SMEs in Yenagoa

Questionnaire Items	N		Mean	Std. Deviation	Decision
	Valid	Missing			
The Naira redesign policy encouraged my business to start accepting digital payments (e.g., mobile money, POS).	360	0	3.21	0.92	Accept
Since the implementation of the policy, there has been an increase in the use of digital payment methods by customers.	360	0	3.34	0.662	Accept
My business has faced challenges in implementing digital payment systems due to the Naira redesign.	360	0	3.17	0.973	Accept
Customers have expressed a preference for digital payments over cash transactions following the currency redesign.	360	0	3.29	0.795	Accept
My business had to invest in new equipment (e.g., POS machines) to accommodate the increase in digital transactions	360	0	3.25	0.786	Accept
The policy has increased my reliance on digital payment systems for my business transactions.	360	0	3.31	0.895	Accept
Grand Mean			3.26		Accept

Source: author’s Computation from field survey

From Table 4.3, the mean score of 3.21 (standard deviation of 0.92) for the statement "The Naira redesign policy encouraged my business to start accepting digital payments (e.g., mobile money, POS)" suggests that the policy motivated many businesses to adopt digital payment options. The decision to "Accept" indicates a positive response toward the uptake of digital transactions.

With a mean of 3.34 and a standard deviation of 0.662, the statement "Since the implementation of the policy, there has been an increase in the use of digital payment

methods by customers" received an "Accept" decision. This implies that customers have increasingly turned to digital payments, possibly due to challenges associated with accessing cash during the redesign period. The mean score for "My business has faced challenges in implementing digital payment systems due to the Naira redesign" is 3.17, with a standard deviation of 0.973. The decision to "Accept" shows that while businesses adopted digital payments, they also encountered difficulties in the implementation process, such as technical issues, costs, or lack of infrastructure.

The item "Customers have expressed a preference for digital payments over cash transactions following the currency redesign" has a mean score of 3.29 and a standard deviation of 0.795. The "Accept" decision indicates that there has been a shift in customer behavior toward favoring digital transactions, possibly due to the inconvenience of dealing with the new currency notes. With a mean of 3.25 (standard deviation of 0.786), the statement "My business had to invest in new equipment (e.g., POS machines) to accommodate the increase in digital transactions" received an "Accept" decision. This suggests that many SMEs needed to invest in new technology to support the growing demand for digital payments, reflecting an adaptation to changing payment trends.

The mean score of 3.31 (standard deviation of 0.895) for "The policy has increased my reliance on digital payment systems for my business transactions" indicates that the redesign policy led to a greater dependence on digital solutions for conducting business. The "Accept" decision reflects a trend toward digitalization as a response to the challenges of cash-based transactions.

The grand mean of 3.26 across all six items suggests a general consensus among SMEs that the Naira redesign policy has had a notable impact on the adoption of digital payment systems. The consistent decision to "Accept" across the board indicates that the policy acted as a catalyst for increased digital transactions, even though some challenges were noted during implementation.

The data from Table 4.3 demonstrate that the Naira redesign policy has positively influenced the adoption of digital payment systems among SMEs in Yenagoa. Businesses were encouraged to integrate digital payment methods, which in turn led to increased customer usage of digital platforms. Despite facing some challenges in implementing these systems, SMEs invested in new technologies and have become more reliant on digital solutions for transactions.

Table 4.4: Logistic regression Result on the impact of the Naira redesign policy on the sales and revenue of SMEs in Yenagoa

Variable	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
Digital Adoption	-1.5	0.39	-3.85	0	-2.263	-0.737
Cash Access	-1.2	0.31	-3.87	0	-1.808	-0.592
Location	-0.8	0.28	-2.86	0.004	-1.349	-0.251
Business Size	-0.4	0.18	-2.22	0.026	-0.753	-0.047
Education Level	-0.6	0.17	-3.53	0	-0.933	-0.267

LR chi2(6) = 42.13
 Prob > chi2 = 0.0000
 Log likelihood = -178.221
 Pseudo R2 = 0.105

Source: Authors’ Computation

Table 4.4 presents the results of a logistic regression analysis conducted to assess the impact of the Naira redesign policy on the sales and revenue performance of SMEs in Yenagoa, using key explanatory variables such as digital adoption, cash access, location, business size, and education level. The dependent variable in this model is a binary indicator of whether the SME experienced a negative impact on sales and revenue due to the policy (1 = negatively affected, 0 = not affected).

The results show that digital adoption has a statistically significant negative coefficient of -1.5 ($p < 0.01$), suggesting that SMEs that adopted digital payment systems were less likely to report a negative impact on their sales and revenue. This underscores the buffering role of digital financial tools in periods of cash scarcity induced by monetary policy reforms. Similarly, cash access is also significant and negative (-1.2, $p < 0.01$), indicating that firms with better access to physical cash were less affected. This finding reflects the continued reliance of many SMEs on cash-based transactions, especially in semi-urban and rural parts of Yenagoa.

The location variable, with a coefficient of -0.8 ($p = 0.004$), indicates that SMEs situated in urban areas were significantly less likely to suffer adverse effects compared to those in rural or peri-urban areas. This is consistent with Nigeria’s ongoing rural-urban divide in financial infrastructure and service access. Business size also matters: the coefficient of -0.4 ($p = 0.026$) implies that larger SMEs were more resilient to the policy shock, potentially due to better capital buffers or diversified transaction channels. Lastly, education level has a significant negative effect (-0.6, $p < 0.01$), indicating that owners/managers with higher levels of formal education were better able to navigate the

disruptions caused by the Naira redesign policy, possibly by leveraging information and alternative payment mechanisms more effectively.

The model itself is statistically significant, with a likelihood ratio chi-square of 42.13 ($p < 0.0001$), suggesting a good fit. The pseudo R-squared value of 0.105 indicates that approximately 10.5% of the variation in the probability of being negatively affected is explained by the model – a reasonable figure for cross-sectional SME data.

5. Conclusion and Recommendations

The findings from the study indicate that the Naira redesign policy had a significant impact on the performance of SMEs in Yenagoa, Bayelsa State, bringing about both challenges and opportunities. On one hand, the policy led to several operational difficulties, including reduced sales and revenue, cash flow problems, and disruptions in day-to-day business activities. SMEs struggled with accessing the new currency notes, which in turn affected customer purchasing behavior, leading to increased reliance on credit transactions and a decrease in overall profitability.

On the other hand, the policy also played a role in driving the adoption of digital payment systems among SMEs. The challenges associated with cash availability pushed businesses to explore alternative payment methods, such as mobile money and POS transactions. This shift towards digitalization could have long-term benefits, including increased efficiency, improved financial management, and greater financial inclusion for SMEs. Despite the initial challenges in implementing these systems, the adoption of digital payments emerged as a positive outcome of the policy. Thus, while the Naira redesign policy created substantial short-term difficulties for SMEs, it also catalyzed a shift towards digital payment solutions, which may help businesses adapt more effectively in the future. Drawing from the above, the following recommendations are made.

1. Financial institutions and the Central Bank should ensure better distribution mechanisms to make the redesigned currency more accessible to businesses. This can include increasing the availability of new notes at ATMs and bank branches, as well as introducing special initiatives to prioritize cash distribution to SMEs during the transition period.
2. Effective communication is essential during major policy changes. Policymakers and financial institutions should provide clear, consistent, and timely information to businesses about the policy, its implementation process,

- and expected changes. Awareness campaigns can help SMEs prepare and adapt, reducing confusion and operational disruptions.
3. To encourage the continued use of digital payment systems, the government and financial institutions should offer incentives to SMEs, such as subsidized fees for digital transactions, grants for purchasing POS machines, and training on how to effectively implement and manage digital payment platforms. This will help ease the transition and foster long-term adoption of digital solutions.
 4. Given the cash flow problems and increased costs reported by SMEs, financial assistance in the form of low-interest loans, grants, or tax relief could help businesses manage the additional expenses caused by the policy. This support would allow SMEs to invest in necessary infrastructure, such as digital payment systems, and address cash shortages.
 5. The development of robust and reliable digital payment infrastructure is crucial for SMEs to successfully adopt cashless payment methods. This includes improving internet connectivity, expanding mobile network coverage, and ensuring the availability of secure and user-friendly payment platforms. By addressing these infrastructural needs, the government can help SMEs overcome challenges and reap the benefits of digitalization.

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