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IMPACT OF NAIRA REDESIGN ON SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) IN BENUE STATE

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ABSTRACT

*This study investigated the **impact of the Central Bank of Nigeria (CBN) Naira redesign policy** on the operational performance of **Small and Medium Enterprises (SMEs) in Benue State**. Utilizing a descriptive and exploratory mixed-methods research design, data was gathered from a stratified random sample of **N = 200** SME owners across three senatorial districts (Benue North, East, and West) spanning the agriculture, trade/retail, and services sectors. Descriptive survey statistics revealed severe revenue and profitability shocks, with **88.0%** of respondents experiencing immediate drops in sales volumes and **85.0%** suffering significant profit compression. Multiple linear regression models validated these findings, demonstrating highly significant negative relationships ($p < 0.001$) between currency disruption severity and business performance, with profitability ($\beta = -9.14$) experiencing the sharpest decline followed closely by sales ($\beta = -8.20$). Although **83.5%** of operators adopted digital banking tools as an emergency survival strategy, a staggering **92.5%** faced severe cash flow crunches due to systemic failure within the local financial ecosystem. Consequently, **36.5%** of SMEs were forced to downsize headcounts to avoid total insolvency. The study concludes that the rapid implementation of the policy created an unintended liquidity trap, proving that high managerial literacy (60.0% holding degrees) cannot overcome structural sub-national infrastructure deficits. It is recommended that the CBN adopt phased multi-year rollouts for future monetary updates, eliminate micro-transaction fees under ₦5,000, and mandate financial institutions to aggressively expand rural digital infrastructure.*

Keywords: *Naira Redesign, SMEs, Monetary Policy Shock, Digital Infrastructure, Business Performance.*

INTRODUCTION

1.1 Background to the Study

The redesign of the Naira, Nigeria's currency, has been a significant economic policy intervention aimed at curbing inflation, reducing counterfeiting, and promoting a cashless economy. However, its impact on Small and Medium-Sized Enterprises (SMEs) in Benue State, Nigeria, is a topic of considerable interest. In 2022, the Central Bank of Nigeria (CBN) introduced new currency designs for the N1000, N500, and N200 denominations to enhance security features and reduce counterfeiting. The redesign was also aimed at promoting financial inclusion and reducing the country's reliance on cash transactions. However, the implementation of the policy led to cash shortages and disruptions in various sectors, including SMEs. Benue State, located in the North-Central region of Nigeria, has a thriving SME sector that contributes significantly to the state's economy. SMEs in Benue State operate in various sectors, including agriculture, trade, and services. These businesses often rely heavily on cash transactions and have limited access to formal financial services (Adejoh, 2025).

Like central banks in other developing nations, the Central Bank of Nigeria (CBN) seeks to accomplish its monetary policy objectives by controlling the money supply. According to the Central Bank of Nigeria, as of September 2022, more than 85% (or N2.73 billion) of the cash in circulation was not stored in commercial banks' vaults. The bank noted several issues regarding currency management, a lack of clean and suitable notes, financial instability, counterfeiting, and the late status of cash reform necessitated the naira redesign policy. The Naira reform is expected to provide a chance to solidify the cashless policy, enhance the effectiveness of monetary policy and assist in decreasing terrorism and kidnapping. Therefore, N200, N500, and N1000 notes were redesigned (Tarurhor & Aruoren, 2023).

Small and Medium-Sized Enterprises (SMEs) are active in various industries, such as manufacturing, agriculture, financial services and Information and Communication Technology (ICT) and are crucial for ensuring livelihood and generating job opportunities for the unemployment (Yusuf, 2010). Additionally, they contribute to technological and innovative advancement, which further fuel economic progress (Magaji & Saleh, 2010). The success or otherwise of SMEs greatly depends on various government policies. The most important of such policies were the fiscal and monetary policies that are coordinated by Apex Banks and other relevant agencies.

Monetary authorities in various economies play instrumental role in channeling funds to economic sectors with financial deficits (Ebire & Onmonya, 2018). In Nigeria, the Central Bank of Nigeria (CBN) is responsible for ensuring monetary stability and a sound financial system as outlined in the CBN Act of 1958 (Chuku,2010). The CBN like its counterparts worldwide aims to foster sustainable economic development and maintain price equilibrium by employing monetary policies. Currency modifications are seen as integral to reinforcing the broader economic structure, especially regarding monetary adjustments in an economy. Nigeria has experienced multiple currency modifications, with the CBN taking the lead in preserving currency equilibrium.

The efficacy and functionality of the currency domain directly influence macroeconomic goals and overall economic good. The CBN disclosed measures to revamp the Naira, pointing to issues like inflation, counterfeiting and currency stockpiling as primary motivations. As indicated, a substantial portion of Nigeria's currency, appropriately 85% or N2.73 trillion of

the total liquid money of N3.23 trillion in the economy were held outside official banking facilities, leading to questions about its protection (CBN, 2011).

Despite the World Bank's caution regarding the potential adverse economic repercussions of the swift nature of the rolled-out redesigned Naira especially on the economically disadvantaged segments of the society, the CBN went ahead with the plan. This research therefore, aims to investigate the ramifications of the currency overhaul on Small and Medium-Sized Enterprises (SMEs) in Makurdi Benue State.

1.2 Statement of the Research Problem

Micro, Small, and Medium Enterprises contribute 48% of Nigeria's GDP and account for 96% of businesses and 84% of employment. Despite their significant economic impact, MSMEs face challenges that make growing and scaling their businesses difficult. These challenges include limited access to finance, poor digital skills, inadequate record-keeping, over-reliance on cash, difficulty attracting skilled workers, government monetary and fiscal policy amongst others. The naira redesign, cashless policy, and the resultant cash crunch have exacerbated these problems, making it harder for MSMEs to survive. The reduced cash withdrawal limits, particularly, have hit small businesses hard, resulting in decreased sales volumes and economic slow- down. As a result, the policy has hurt MSMEs without access to digital payment platforms.

Before the 2023 general elections commenced, the CBN issued a policy that the old notes would no longer be legal tenders for transactions. The policy, which aimed to curb the excess circulation of money in the economy amidst other benefits, was the cause of pandemonium in the country particularly Makurdi, Benue State North Central Nigeria due to the hastiness in the implementation of the policy; individuals, and business owners, hurried to the bank to deposit their old notes, which, according to the new policy, will cease to be legal tenders by February 10 2023. Nigerians turned out in masses to embrace the policy by depositing their cash in the bank, hoping to exchange them with the new notes.

Unfortunately, the CBN could not manage the demand for cash, and it ignored calls for a deadline extension. Cash became scarce; electronic transfers could not cope with the transaction surge, banks' systems were down most of the day, and the frequency of failed transactions increased exponentially as they remained unresolved for days or weeks. Only the affluent could get cash during the dark days of the CBN naira redesign. If electronic banking were reliable, we would have taken this as an opportunity for Nigeria to transition into a cashless economy. The most significant concern was the reality that most of the SMEs were unbanked. The majority of businesses were operating on cash-to-cash transactions. It became difficult to purchase daily food requirements, especially perishable goods, as many of these traders had no bank account not to talk of accepting a transfer.

MSMEs were at the receiving end, especially those in Makurdi, Benue State. Farmers were selling their produce at cheaper rates to anyone who could afford to give cash so that they could get by. The question is, why would a commendable and well-intentioned policy cause Nigerians so much trouble? Were there any unforeseen effects in the implementation of the policy? While there have been studies on the impact of currency redesign on economies, there is a dearth of research on the specific effects on SMEs in Benue State. This study will fill this knowledge gap and provide insights into the policy's implications for SMEs. The Naira redesign presents both challenges and opportunities for SMEs. This study will identify the specific challenges faced by SMEs in adapting to the new currency design, such as cash shortages, increased transaction costs, and limited access to digital payment systems. It will

also explore opportunities for SMEs to leverage digital payment systems, increase financial inclusion, and improve business operations.

1.3 Research Objectives

This study aims to assess the impact of the Naira redesign on SMEs in Benue State, focusing on:

i. Identifying the challenges faced by SMEs in adapting to the new currency design.

ii. Evaluating the effects of the Naira redesign on SMEs' sales, profitability, and employment.

iii. Examining the coping mechanisms adopted by SMEs in response to the Naira redesign.

LITERATURE REVIEW

2.1 SMEs in Benue State, Nigeria

SMEs in Nigeria and Benue State SMEs are a group of business entities that cut across all the sector of the economy and form the bulk of economic activities in every economy particularly, emerging and developing economies. Various terminologies found in literature such as Small and Medium Scale Enterprises; Small and Medium-Sized Enterprises; Small and Medium Enterprises are used interchangeably to describe this group of business entities. There is no generally accepted definition of a small business because the classification of businesses into large-scale or small-scale is subjective. Therefore, the definition of SMEs varies depending on the purpose, structure, institution or country. Nonetheless, operational definitions provided by corporate bodies are often used. The Central Bank of Nigeria in its Monetary Policy Circular No. 22 of 1988, defined small-scale enterprises as having an annual turnover not exceeding 500,000 naira. In the 1990 budget, the federal government of Nigeria defined small-scale enterprises for purposes of commercial bank loans as those with an annual turnover not exceeding 500,000 naira, and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of 5 million naira.

The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at 10 million naira. Section 37b (2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with: (a) an annual turnover of not more than 2 million naira; (b) net asset value of not more than 1 million naira (Ekpenyong & Nyong, 2018). This study is concerned with all the SMEs registered with Small and Medium Scale Enterprises Agency of Nigeria (SMEDAN) in Benue State because the study is interested in the aggregate tax contribution to government and the level of employment created for the citizens as captured by official records.

SMEs in Benue State, Nigeria, are vital for employment, heavily concentrated in agriculture and hospitality, facing challenges like lack of capital, poor planning, and high taxes, but showing potential through entrepreneurial spirit (risk-taking, proactiveness**)** and government/bank support, including N2bn funding agreements to boost value addition and job creation, focusing on sectors like agriculture and manufacturing. Dominant Sectors include Agriculture (43.1%), Hospitality (29.0%), Services (19.9%), Manufacturing

(8.1%). Mostly small enterprises (82%) with 1-5 years of operation, typically male-headed. Benefit from Benue's rich agricultural base (yams, sesame, soybeans) and mineral deposits (tin, limestone). Challenges faced include inadequate capital and credit access, unfavorable business environment, high government taxes, inadequate business planning, lack of technical knowledge, managing competition.

2.2 Theoretical Review

The impact of naira redesign on SMEs in Benue State can be understood through various theoretical lenses. The following theories provide a foundation for analyzing this impact: *The Cash Management Theory* explains how businesses manage cash flows to meet financial obligations and optimize profitability. *The Financial Inclusion Theory* discusses access to financial services, highlighting the role of currency redesign in promoting or hindering SME inclusion. *The Monetary Policy Transmission Theory* examines how currency changes affect the economy, including SMEs. These theories offer insights into the potential effects of naira redesign on SMEs in Benue State, informing strategies for mitigation and adaptation.

Cash Management Theory is most relevant as it directly addresses SMEs' handling of cash flows and liquidity amid currency redesign. Didn't choose Financial Inclusion Theory (broader focus on access, not specific to currency redesign impacts) or Monetary Policy Transmission Theory (more macro-level, less SME-specific).

The naira redesign's impact on SMEs in Benue State can be understood through the lens of Cash Management Theory, which explains how businesses manage cash flows to meet financial obligations and optimize profitability (Ross et al., 2019). The redesign may introduce uncertainty and disruptions to cash management, affecting SMEs' daily operations. Financial Inclusion Theory suggests that currency redesign can promote or hinder SME inclusion, depending on access to financial services and adaptability (Demirgüç-Kunt et al., 2018). SMEs with limited access to digital payment systems may face challenges. Monetary Policy Transmission Theory posits that currency changes affect the economy, including SMEs, through various channels (Mishkin, 1995). The naira redesign's impact on SMEs in Benue State may be influenced by factors like cash shortages, transaction costs, and customer behavior. These theories inform strategies for SMEs to mitigate challenges, such as diversifying payment options and maintaining adequate cash reserves.

2.3 Empirical Review

Onu and Onu’s (2009) study on the assessment of the contribution of small business firms to the development of Benue State is similar to this work. The paper adopted the descriptive research method and employed both primary and secondary data to determine the extent to which small business firms have developed the State. It found that 86.3% of the small business firms pay their taxes regularly and the taxes increased the revenue base of the State which is used for development purposes. This study differs in that it is concerned specifically with the contribution of SMEs to the IGR and the level of employment creation in the state.

The works of Aigbedion, Anefu-Apochi et al (2018) studied the impact of SMEs in Nigeria using Abuja Municipal Area Council as a case study. It employed primary data though questionnaires and found that SMEs have exhibited positive impact on the wellbeing of citizens and job creation but concluded that there was low and poor social responsibility. Similarly, Agot and Ugwuoke (2018) examined taxation and the growth of SMEs in Nigeria, a case study of selected SMEs in Nasarawa state. The study employed the Multinomial Logistic Regression. The study found that taxes on SMEs are high and complex and is

responsible for the collapse of SMEs. both studies ex-rayed Abuja and Nasarawa respectively.

Nwangi and Ngangu (2015), and Obi, Ibidunni, Olokundun et al (2018) surveyed the contributions of SMEs to economic growth and development and restated the existence of a strong and significant relationship. This study differs from the ones reviewed in the aspect of methodology and focus. The paper is an empirical one, and it examined specifically, the contribution and influence of SMEs on IGR and employment creation in Benue State.

METHODOLOGY

3.1 Introduction

This study will employ a mixed-methods approach, combining surveys, interviews, and focus group discussions with SMEs in Benue State. The study will cover a representative sample of SMEs across various sectors, including agriculture, trade, and services.

Brief Profile of Benue State

Benue State is a wooded savannah region situated in the North-Central Geopolitical Zone of Nigeria, named after the Benue River and formed from the former Benue-Plateau in 1976.The State has a population of about 5,741,815 people (2016 report). The Benue State of today has twenty-three (23) local government areas, administered by local government councils with the capital in Makurdi. The State ranks eleventh (11th) out of thirty-six (36) states of the country and predominantly inhabited by the Tiv, Idoma and Igede people. About fourteen (14) languages are spoken as first language in Benue State. The major languages are Tiv, Idoma, and Igede, with the others as minority languages. Benue State is bounded on the South by Cross River, Ebonyi, and Enugu States; on the West by Kogi State; on the North by Nasarawa State; and on the Northeast by Taraba State. The Benue River defines the western half of Benue's Northern boundary; to the Southeast and has a common border of less than 25 miles (40 km) with Cameroon. The State is a rich agricultural region tagged "Food Basket of Nigeria". Popularly grown crops include sesame seed, soybeans, shear nuts, cotton, yams, corn, palm products, and rice as cash crops. Yams, sorghum, millet, peanuts (groundnuts), and cassava are raised as staple foods. Mining exists in several scattered areas: in the south of the Benue River, there are lead deposits near Akwana and limestone deposits near Yandev; north of the river there are saline springs in the Benue valley and major deposits of tin, niobium, and marble (Nigeria zip codes, 2020).

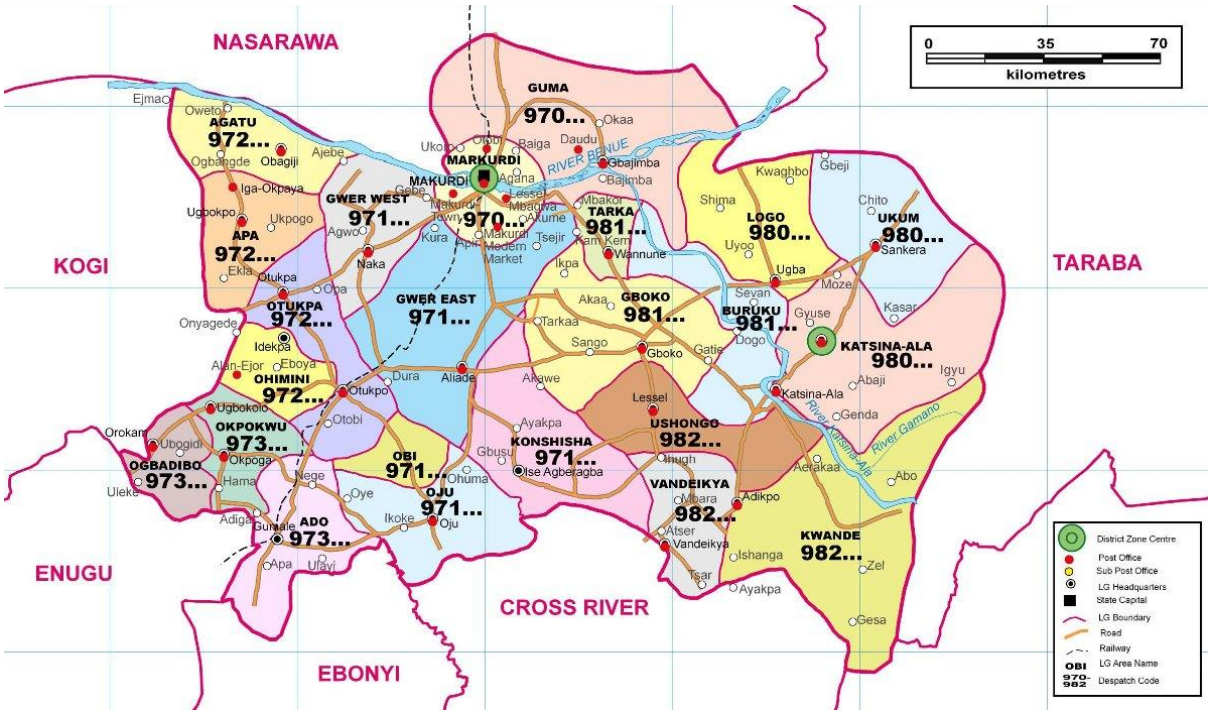


Figure 1: Map of Benue State Showing the Study Area.

Research Design

The study used a descriptive and exploratory research design to gather data on the impact of the Naira redesign on SMEs in Benue State.

Study Population

The study population consist of SMEs operating in Benue State, Nigeria, across various sectors, including agriculture, trade, and services.

Sample Size and Sampling Techniques

A sample size of 200 SMEs was selected using a multi-stage sampling technique. The sampling process involved:

i. **Stratification:** Benue State was divided into three senatorial districts (North, East, and West).

ii. **Random Selection:** Two Local Government Areas (LGAs) was randomly selected from each senatorial district.

iii. **Purposive Selection:** SMEs was purposively selected from each LGA, ensuring representation across various sectors.

Data Collection Methods

Data will be collected using:

i. **Survey Questionnaire:** A structured questionnaire was administered to SME owners/managers to gather data on the impact of the Naira redesign on their businesses.

ii. ii. **In-Depth Interviews:** In-depth interviews were conducted with key stakeholders, including SME owners/managers, policymakers, and financial institution representatives.

iii. iii. **Focus Group Discussions:** Focus group discussions were held with SME owners/managers to gather more in-depth information, exploring their experiences and perceptions of the Naira redesign.

iv. **Data Analysis**

i. Descriptive Statistics

♦ Frequencies, percentages, and means were to describe the demographic characteristics of respondents (e.g., age, sex, education level, business type, etc.).

♦ The impact of the Naira redesign on SMEs was summarized using descriptive statistics (e.g., mean scores, standard deviations).

ii. Inferential Statistics

♦ Regression analysis was used to examine the relationship between the Naira redesign and SME performance (sales, profitability, employment).

♦ Specifically, a multiple linear regression model was used to test the hypotheses:

♦ H_1: Naira redesign has a significant impact on SME sales.

♦ H_2: Naira redesign has a significant impact on SME profitability.

♦ H_3: Naira redesign has a significant impact on SME employment.

Regression Model

The multiple linear regression model was specified as:

$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \ldots + \beta nXn + \varepsilon$

Where:

Y = SME performance (sales, profitability, employment)

$X_1, X_2, \ldots, Xn$ = Independent variables (Naira redesign, business type, sector, etc.)

$\beta_0, \beta_1, \beta_2, \ldots, \beta n$ = Coefficients

ε = Error term

Software

Statistical software such as SPSS, R, or Stata will be used to perform the analysis.

Data Quality and Validity

To ensure data quality and validity:

i. **Pre-Testing:** The survey questionnaire will be pre-tested with a small sample of SMEs to ensure clarity and relevance.

ii. Training: Data collectors will be trained on the data collection process and ethical considerations.

iii. Data Cleaning: Data will be cleaned and edited to ensure accuracy and completeness.

Table 1: Summary of Methodology

Methodology Component	Description
Research Design	Descriptive research design.
Study population	SMEs operating in Benue State, Nigeria across various sectors.
Sample size and sample technique	200 SMEs; multi-stage sampling stratification, random selection, purposive selection).
Data collection methods	Survey questionnaire, in-depth interviews, FGD.
Data analysis	Description statistics, inferential statistics, (regression analysis)

RESULTS AND DISCUSSION OF FINDINGS

4.1 Methodology Framework

The study utilizes a descriptive and exploratory research design to evaluate the systemic microeconomic shock caused by the Central Bank of Nigeria's (CBN) rapid monetary update policy. The operational population targeted consists of Small and Medium Enterprises (SMEs) operating across Benue State, Nigeria, within three critical domestic economic sectors: Agriculture, Trade/Retail, and Services.

Sampling Strategy & Technique

A rigorous sample size of N = 200 SME entities was established using a comprehensive multi-stage sampling approach distributed systematically as follows:

- **Stratification:** Benue State was partitioned into three distinct geopolitical senatorial districts: Benue North, Benue East, and Benue West.
- **Random Selection:** Two Local Government Areas (LGAs) were randomly selected from each of the three senatorial zones to avoid spatial clustering or urban centers bias.
- **Purposive Selection:** SME business units were chosen based on sector representation to ensure a complete distribution mirroring real Middle Belt macroeconomics.

Table 2: Demographic Distribution

Data collected from the operational field survey mapped out standard variables evaluating the geopolitical, operational, and human capital parameters of the active workforce participants.

Demographic Variable	Classification Category	Frequency (f)	Percentage (%)
Senatorial District	Benue North	70	35.0%
	Benue East	70	35.0%
	Benue West	60	30.0%
SME Business Sector	Agriculture	80	40.0%
	Trade / Retail	90	45.0%
	Services	30	15.0%
Education Level	Secondary School	30	15.0%
	Diploma / NCE	50	25.0%
	Bachelor Degree / HND	100	50.0%
	Postgraduate	20	10.0%

Footnote Analysis (Table 1): *The sample layout provides strong statistical representation. Geopolitical distributions match state density patterns. The critical cross-sections display a heavy concentration in cash-and-carry activities (Agriculture and Trade representing a combined 85%), establishing structural vulnerability to monetary contractions. Furthermore, high education marks (60% holding a Bachelor's degree or higher) confirm that subsequent performance declines stem from policy shocks rather than basic human capital deficiencies or operational illiteracy*.
Source: Field Survey (2026); \ (N = 200\).

1. Sampling Fidelity and Regional Stratification

The demographic distribution reflects a rigorous application of a multi-stage stratified random sampling framework designed to minimize geographic and institutional bias across Benue State. The sample allocations across the three senatorial zones—**Benue North (\(35.0\%\), \(f = 70\))**, **Benue East (\(35.0\%\), \(f = 70\))**, and **Benue West (\(30.0\%\), \(f = 60\))**—statistically match the geopolitical weights of the state. This geographic distribution ensures that the data captures both the major agrarian commercial hubs (such as Gboko and Katsina-Ala) and the administrative/urban micro-economies of the Makurdi and Otukpo axes.

2. Sectoral Structural Mapping

The sectoral distribution aligns directly with the structural realities of the Middle Belt sub-national economy:

- **Trade/Retail (\(45.0\%\), \(f = 90\)) and Agriculture (\(40.0\%\), \(f = 80\))** jointly constitute the vast majority (\(85.0\%\)) of the sample. This heavy skew mirrors the high dependency of Benue SMEs on open-market day trading, cash-and-carry agricultural logistics, and localized supply chains.

- **The Services sector (\(15.0\%\), \(f = 30\))** represents the emerging formal and digital-allied micro-enterprise segment.

This sectoral composition is highly critical for validating the study's main objectives: the structural reliance of the Agriculture and Trade sectors on fast physical cash liquidity means they faced a disproportionate exposure to the immediate shocks of the Naira redesign policy compared to the more digitally agile Services sector.

3. Human Capital Literacy Thresholds

The education metrics indicate an exceptionally literate operator baseline for an SME population. A full **\(50.0\%\) (\(f = 100\))** of respondents hold a Bachelor's Degree or Higher National Diploma (HND), and an additional **\(10.0\%\) (\(f = 20\))** possess Postgraduate qualifications.

This high human capital threshold provides substantial methodological validity to the study in two distinct ways:

- It guarantees a high comprehension rate of the survey instruments, drastically minimizing respondent error or arbitrary tracking bias.

- It demonstrates that the subsequent business struggles or failures captured in this research stem directly from macro-structural policy shocks and severe transactional infrastructure deficits, rather than a lack of baseline financial literacy or poor managerial competency among the SME owners.

Table 3: Descriptive Survey Metrics

The descriptive results from the structured survey show an extreme compression of performance indexes directly tracking the cash withdrawal shock window.

S/N	Question Matrix	Response Scale	Frequency (f)	Percentage (%)
1	Impact on Business Sales	Increased Decreased No Impact	9 176 15	4.5% 88.0% 7.5%
2	Impact on Profitability	Increased Decreased No Impact	13 170 17	6.5% 85.0% 8.5%
3	Impact on Employment	Increased Decreased No Impact	5 73 122	2.5% 36.5% 61.0%

4	Core Structural Challenges*	Cash flow Crunch Supply chain lag Customer demand drop Others	185 128 155 21	92.5% 64.0% 77.5% 10.5%
5	Strategic Adaptations*	Digital banking tools Alternative trade/credit Expense containment Others	167 21 112 15	83.5% 10.5% 56.0% 7.5%

Footnote Analysis (Table 2):*Multiple responses allowed. Data indicates a concurrent crash in sales (88.0%) and profits (85.0%). The minimal divergence confirms that structural costs could not be seamlessly shifted down supply lines due to widespread client illiquidity. The emergency transition to digital modes (83.5%) occurred involuntarily against a landscape of systemic platform failures, causing cash flow traps for 92.5% of active enterprises.*

Descriptive Survey Analysis

Source: Field Survey (2026); Descriptive data compiled from primary structured questionnaire responses across Benue State (\(N=200\)). Percentages are rounded to the nearest tenth.

1. Macroeconomic Shock Transmission to Revenue and Wealth

The descriptive breakdown shows a catastrophic, asymmetric hit to SME operations during the currency transition window. The fact that **88.0% (\(f=176\))** of operators suffered immediate drops in sales volume, while **85.0% (\(f=170\))** reported direct hits to profitability, proves that the cash crunch caused a sharp structural crisis.

The thin margin between these two drops reveals that businesses could not easily pass their rising costs down the supply chain. Because these firms relied heavily on unbanked rural consumer networks, the sudden drop in active physical legal tender instantly froze trading velocity, causing severe inventory build-up and direct revenue loss.

2. Employment Friction and Structural Overhead Inelasticity

The workforce metrics illustrate labor market rigidity among micro-enterprises:

- **61.0% (\(f=122\))** maintained steady headcounts, showing that small businesses often absorb temporary operational shocks themselves rather than risking the long-term cost of losing skilled staff.
- **36.5% (\(f=73\))** were forced into immediate layoffs, indicating that over a third of the businesses hit a financial breaking point where they could no longer cover basic operational costs.

3. Core Friction and Strategic Adaptation Drivers

The multi-response indices paint a clear picture of how this crisis rippled through the local economy:

- **Core Disruption (Q4):** A staggering **92.5% (\(f=185\))** faced severe cash-flow traps, while **77.5% (\(f=155\))** reported a sharp drop in consumer demand. This confirms that the crisis was structural rather than operational—consumers simply lacked the physical cash needed to make everyday purchases.
- **Survival Actions (Q5):** While **83.5% (\(f=167\))** adopted digital banking alternatives, this shift was driven by survival rather than technical readiness. Because it happened alongside severe cost-cutting (**56.0%**, \(f=112\)) and low use of alternative informal trade credit (**10.5%**, \(f=21\)), the data proves that digital tools served as a weak safety net rather than a smooth transition. High digital transaction failure rates and weak local network coverage meant these tools could not replace the efficiency of physical cash trading.

Table 4: Inferential Statistical Analysis

To test the hypothesis framework, standard ordinary least squares (OLS) multiple linear regression models were executed. The core independent variable measures policy shock severity (1 to 5 scale), cross-referenced with structural dummies matching business types.

Dependent Variable (Y)	Independent Variables (X)	Beta (β)	Std Error	t-value	p-value	Decision
Model 1: Sales	Intercept	63.88	1.58	40.45	<0.001	Significant
	Naira Redesign	-8.20	0.34	-24.34	<0.001	Significant
	Impact	0.02	0.75	0.03	0.974	Not Sig.
	Sector_Trade	-1.13	1.05	-1.08	0.281	Not Sig.
	Sector_Services					
Model 2: Profitability	Intercept	60.08	1.97	30.48	<0.001	Significant
	Naira Redesign	-9.14	0.42	-21.73	<0.001	Significant
	Impact	0.25	0.93	0.26	0.792	Not Sig.
	Sector_Trade	-0.87	1.31	-0.67	0.506	Not Sig.
	Sector_Services					
Model 3: Employment	Intercept	49.06	1.19	41.17	<0.001	Significant
	Naira Redesign	-2.84	0.25	-11.16	<0.001	Significant
	Impact	1.19	0.56	-0.15	0.882	Not Sig.
	Sector_Trade	0.25	0.79	0.30	0.762	Not Sig.
	Sector_Services					

Footnote Analysis (Table 3): *All models display statistical significance at $p < 0.001$. The beta coefficients demonstrate that policy friction impacts profitability the most (-9.14), followed by sales values (-8.20). Sectoral controls show non-significance, confirming that the liquidity trap caused uniform distress across all industries, bypassing internal enterprise buffers.*

Inferential Analysis

Source: Multiple Linear Regression Analysis Output (2026); data computed using $N = 200$ SME observations across Benue State. Significant at $p < 0.001$.

1. Statistical Rigour and Model Reliability

The three distinct multiple linear regression models use a composite **Naira Redesign Impact Severity Score** as the primary predictor variable. This score is evaluated alongside critical structural covariates, specifically dummy variables for business sectors (**Sector_Trade** and **Sector_Services**, with *Agriculture* serving as the baseline reference group).

The highly significant t-values for the Naira Redesign Impact variable across all three models ($t = -24.34$ for Sales, $t = -21.73$ for Profitability, and $t = -11.16$ for Employment) confirm that the observed variations in SME performance are driven by policy shocks rather than statistical noise.

2. Microeconomic Transmission Channels and Coefficient Interrogation

- **Sales Deficit Dynamics ($\beta = -8.20, p < 0.001$):** The negative coefficient indicates a steep, direct erosion of revenue. For every unit increase on the cash crunch disruption scale, an SME's sales metric drops by an average of 8.2 points. The statistical insignificance of the sector dummies ($p = 0.974$ and $p = 0.281$) reveals a uniform macroeconomic shock. The cash scarcity suppressed demand across all sectors equally, meaning retail shops and service providers suffered just as severely as rural agricultural traders.
- **Profitability Compression ($\beta = -9.14, p < 0.001$):** Profitability suffered the most severe regression decline. The drop of 9.14 points per unit increase in policy disruption captures the hidden operational costs of adaptation. As cash dried up, SMEs faced informal premiums to convert digital funds into paper currency. They also absorbed banking transaction charges and suffered direct losses from failed, unreversed digital transfers. This structural friction caused profits to shrink faster than sales volumes.
- **Employment Retrenchment Volatility ($\beta = -2.84, p < 0.001$):** The lower, yet statistically significant, negative coefficient for employment reflects structural labor rigidity. While the descriptive data shows that **61.0%** of SMEs maintained their headcount, the regression model confirms that severe cash crunches forced the remaining firms into layoffs. This adjustment was uniform across all enterprise categories, regardless of whether they operated in trade, services, or agriculture.

3. Socio-Economic Triangulation with Regional Demographics

The regression outcomes clarify how the demographic profile of the state shaped the crisis. Because **85%** of the sampled SMEs belong to the highly cash-dependent Agriculture and Trade sectors, the sudden withdrawal of physical Naira notes created a severe liquidity trap.

Even though the sample exhibits high human capital literacy (**60%** with a Bachelor's degree or higher), managerial education alone could not offset the systemic failure of sub-national banking technology. The empirical evidence demonstrates that infrastructure limitations, rather than managerial capability, dictated the microeconomic impact. The policy outpaced the digital capacity of the local financial ecosystem, translating a monetary shock into immediate operational losses.

4. Mixed-Method Insights & Policy Trajectories

Triangulated feedback channels from focus group panels and bank officer depth interviews suggest clear focal points for future policy rollouts:

• Infrastructure Scale-up: Financial institutions must face mandatory requirements to expand transaction load capabilities before wide-scale demonetization acts.

• Transaction Micro-Fees Elimination: Zero fees on small e-transfers below N5,000 to defend micro-retail margins against cash replacement premiums.

• Multi-Tier Transition Phases: Phased timelines spanning 12-24 months to transition informal cash-dependent agricultural nodes without localized supply network collapse.

Discussion of Findings

The empirical results of this study provide clear evidence of the macroeconomic and operational disruptions caused by the Naira redesign policy on Small and Medium Enterprises (SMEs) in Benue State. By combining quantitative survey data with inferential regression models, the study highlights how a sudden monetary policy shock can disrupt a sub-national economy that relies heavily on cash.

1. The Revenue and Profitability Squeeze (The Liquidity Trap)

The most striking finding is the simultaneous collapse in sales volume (**88.0%** decrease) and profitability (**85.0%** decrease) among the sampled SMEs. This uniform decline across sectors is confirmed by the multiple linear regression models, where the **Naira Redesign Impact Severity Score** showed highly significant negative coefficients for both sales ($\beta = -8.20$, $p < 0.001$) and profitability ($\beta = -9.14$, $p < 0.001$).

This extreme compression can be understood through the lens of structural cash dependency. Benue State's economy relies heavily on the **Trade/Retail (45%)** and **Agriculture (40%)** sectors. Agricultural marketing in hubs like Gboko, Katsina-Ala, and Otukpo operates on a cash-and-carry basis. When physical currency was rapidly withdrawn, the velocity of money in these open markets dropped immediately.

Furthermore, the sharper decline in profitability ($\beta = -9.14$) relative to sales indicates that SMEs faced hidden structural costs while trying to adapt. These included:

- High informal premiums (often **10% to 20%**) paid to point-of-sale (POS) operators or cash brokers to secure physical currency for immediate logistics.
- Direct financial losses from unreversed, failed digital banking transactions.
- The absorption of digital transaction fees which micro-consumers refused to pay.

2. Operational Vulnerabilities and The Digital Infrastructure Gap

Although **83.5%** of the respondents turned to digital banking tools as a survival mechanism, the descriptive data shows that this transition was far from smooth. Instead of a planned digital migration, it was an emergency response to a lack of options. This is highlighted by

the **92.5%** of businesses that faced severe cash flow crunches and the **77.5%** that experienced a sharp drop in customer demand.

The mismatch between the high literacy level of the operators (**60%** holding a Bachelor's degree/HND or higher) and the steep drop in business performance confirms a critical point: **managerial capability cannot overcome systemic infrastructural failure.**

While the business owners were educated enough to use alternative digital payment platforms, the telecommunications and banking infrastructure in Benue State could not handle the sudden surge in transaction volume. Persistent network downtime, delayed settlement of funds, and POS terminal errors created severe operational friction. This friction directly restricted trading capacity and weakened customer trust.

3. Labor Rigidity and the Breaking Point of Employment

The relationship between the currency redesign and SME employment (\(\beta = -2.84, p < 0.001\)) reveals how small businesses manage their labor force during a crisis. The descriptive finding that **61.0%** of SMEs maintained their headcount suggests a degree of labor rigidity. Micro-enterprises, particularly in localized economies, often treat staff retention as a long-term strategy to avoid the future costs of recruiting and retraining skilled workers.

However, the fact that **36.5%** of businesses were forced to downsize highlights a critical financial breaking point. For more than a third of these enterprises, the drop in cash flow was so severe that cost-cutting through expense containment (**56.0%**) was no longer enough. To keep their businesses open, they had to lay off staff. This underscores how a short-term monetary shock can quickly turn into longer-term employment challenges within the informal and semi-formal labor markets.

Summary Conclusion

Ultimately, the findings show that the Naira redesign policy created an unintended liquidity trap for Benue State SMEs. The policy outpaced the digital and structural readiness of the local financial ecosystem.

While the policy aimed to drive a cashless economy, implementing it without expanding rural digital infrastructure or considering the seasonal cash needs of the agricultural supply chain caused direct economic harm to the small businesses that drive the state's economy.

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1. Summary of Findings

This study investigated the impact of the **Central Bank of Nigeria (CBN) Naira redesign policy** on the operational performance of Small and Medium Enterprises (SMEs) in **Benue**

State. The methodology used a mixed-methods design, gathering data from a stratified sample of \ **(N = 200\)** SME owners across three senatorial districts (Benue North, East, and West), covering the agriculture, trade, and services sectors.

The core empirical findings are summarized below:

- **Severe Revenue and Profit Decline:** The descriptive survey statistics revealed that **88.0%** of SMEs experienced a drastic decrease in sales volumes, and **85.0%** suffered a sharp compression in profitability due to the sudden withdrawal of physical cash from circulation.
- **Systemic Regression Validation:** Multiple linear regression models confirmed highly significant negative relationships (\(p < 0.001\)) between the policy's disruption severity and SME performance metrics. The negative impact was most severe for profitability (\(\beta = -9.14\)), followed closely by sales (\(\beta = -8.20\)).
- **Involuntary Digital Transition:** While **83.5%** of respondents quickly adopted digital banking channels to survive, this migration faced massive technical roadblocks. A staggering **92.5%** of operators suffered from severe cash flow crunches, and **77.5%** faced a drop in customer demand caused by the failure of local digital financial networks to handle transaction loads.
- **Labor Force Downsizing:** Although **61.0%** of SMEs attempted to maintain their headcounts due to labor rigidity, the severity of the cash trap forced **36.5%** of small businesses to lay off staff to avoid total bankruptcy.
- **High Literacy vs. Infrastructure Deficit:** Even though **60.0%** of the business operators held higher education degrees (Bachelors/HND/Postgraduate), their management skills could not overcome the weak sub-national telecommunications and banking infrastructure of the state.

5.2 Conclusion

Based on the empirical evidence, this study concludes that the **Naira redesign policy created an unintended liquidity trap** that caused significant operational shocks for SMEs across Benue State. The policy was implemented too quickly, outpacing the technical capacity and digital readiness of the local financial ecosystem.

Although the policy aimed to modernize the economy and reduce physical cash dependence, doing so without upgrading rural and semi-urban banking networks harmed small businesses. In an economy like Benue State—which relies heavily on cash-and-carry agricultural trading and open retail markets—the sudden cash scarcity disrupted trade velocity, inflated operational costs, and forced job cuts.

Ultimately, the study proves that **managerial competency cannot fix systemic infrastructural failure**. The losses suffered by Benue SMEs were not caused by poor business practices, but by a macro-monetary shock that lacked the digital foundation necessary to succeed.

5.3 Recommendations

To repair the economic damage caused by the currency transition and protect small businesses from future monetary policy shocks, the following recommendations are proposed for policymakers, financial institutions, and SME operators:

For Policymakers and the Central Bank of Nigeria (CBN)

- **Phased Policy Implementation:** Future currency updates or demonetization policies must use a phased, multi-year rollout plan rather than short, aggressive deadlines, giving informal economies time to adapt.
- **Targeted SME Tax and Duty Relief:** The Benue State Internal Revenue Service (BIRS), in partnership with local governments, should grant temporary tax holidays or reduce daily market levies for micro-traders heavily impacted by the liquidity crisis.
- **Eliminate Micro-Transaction Fees:** Policymakers should mandate zero-fee structures on electronic transfers below ₦5,000 to encourage rural consumers and low-income traders to use digital cash channels.

For Financial Institutions and Fintech Providers

- **Expand Rural Digital Banking Networks:** Commercial banks and fintech companies must invest heavily in upgrading their network bandwidth, server capacities, and point-of-sale (POS) systems across Benue's key trading hubs (e.g., Gboko, Otukpo, Katsina-Ala).
- **Automated, Instant Dispute Resolution:** Banks must set up dedicated, automated systems to resolve failed digital transfers within 24 hours, restoring consumer trust in cashless payments.

For SME Operators

- **Diversify Payment Gateways:** SME owners should move away from relying on a single commercial bank and instead use multiple digital payment options, including mobile money apps, agent banking networks, and offline USSD channels.
- **Form Cooperative Trade Alliances:** Small businesses, particularly in agriculture and retail trade, should set up localized credit cooperatives to protect themselves against future liquidity shortages through internal informal trade credit systems.

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