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# Currency Redesign Policy Implementation: Implications for Industrial Performance in Nigeria

## Abolaji D. Dada 🔾

Department of Entrepreneurship, School of Logistics and Innovation Technology, The Federal University of Technology, Akure, Nigeria
Email: addada@futa.edu.ng

## Abstract

This paper investigates the effect of currency redesign policy implementation on industrial performance in Nigeria. The study adopted survey research design using Google Form and Computer Aided Personal Interviewing (CAPI) tool for data collection, which were carried out in the months of February and March 2023. A total of 514 micro, small, medium and large scale enterprises (MSMLEs) were randomly selected across some selected industrial sectors in five states within the six geo-political zones and Federal Capital Territory, Abuja, Nigeria. A response rate of 59.53% at a reliability level of 95% was recorded. The study revealed that the currency redesign policy implementation has negative short term effect on industrial performance. The effect includes weak access to cash flow, vulnerable economic hardship, inadequate marketing/loss of customers; and low returns on business investment. In the long run, the study revealed the positive effect of the policy as leading to reduced currency counterfeiting, encouraged a cashless economy, addressing cash hoarding that has led to reduction in the incidences of kidnapping and terrorism as well as strengthen the Naira against the US dollar in the long run term. The result also revealed that the policy has a significant difference ($X^2$ = 15.3, $p \leq 0.05$) on enterprise performances by scale from small to large. The paper concludes that the currency redesign policy implementation has both negative and positive implications for industrial performance. The paper recommends the need to make Nigerian monetary policy implementations more industrially effective and friendly in the future. Moreso, monetary policy should be set in such a way that the objective it wants to achieve is clearly and transparently defined in response to the dynamics of the domestic and global economic developments for industrial growth in Nigeria.

## Keywords

Currency Redesign, Policy Implementation, Enterprises, Central Bank of Nigeria

## 1. Introduction

Enterprise operations across the world are characterised by competition, economic interdependence and are influenced by various policies of the economies. The industrial sector of any economy consists of micro, small and medium scale enterprises (MSMEs) which are important in driving industrial development of economies (Dada, 2021; Dada et al., 2021). The overall objective of national policies on enterprise operations is to create, nurture as well as to promote the essential ecosystem for the growth and development of industrial sector. The policies are usually based on close partnership and cooperation between the various levels of government and various sectors of any economy.

One of such is monetary policy which entails measures to coordinate various financial interventions for sustainable development of a nation (Abubakar & Yandaki, 2023). The monetary policy over time involves redesign and reissue of currency for several reasons around the world. Generally, currency redesign policies (sometimes called demonetization policies) are designed by countries to strengthen the performance of key macroeconomic parameters and equally combat social improprieties (Emefiele, 2023; Aroghene & Imene, 2023). The redesign of currencies improves the security of legal tender by enabling countries to prevent counterfeit currencies and their threats on sustainable development (Aroghene, 2023). Consequently, policy makers and researchers have recognised currency redesign over a period of time for global competition.

In transitional economies like Nigeria, understanding the potential patterns of future policy implementation in industrial space is crucial for planning the industrial landscapes and sustainable development. The importance of enterprises as sources of sustainable economic growth and development is well appreciated by researchers, industrial operators and policy makers (Dada & Asaolu, 2023). A major economic objective of government is therefore, to accelerate economic growth and development through supports for enterprises with a view to improving the quality of life of citizens. Hence, the policy decision by the Central Bank of Nigeria (CBN) to redesign the N200, N500 and N1000 denominations was announced on October 26, 2022. This is in line with the CBN Act of 2007 which stipulates that the CBN shall oversee and administer all monetary and financial sector policies on behalf of the Federal Government of Nigeria (FGN). Section 18 (a) & (b) and Section 20 (3) of the Act empower the CBN to print, redesign, destroy, and re-distribute currencies. The national currency has been redesigned 16th time since 1959. Global best practice permits central banks to redesign, produce and circulate new local legal tender every five to eight years.

The Nigerian apex bank was worried over the management of series of banknotes and currency in circulation, particularly those outside the banking system. The concern of the CBN was that the hoarding banknotes are over 85 percent of currency in circulation which are outside the vaults of our commercial banks (CBN, 2023a, 2023b; Emefiele, 2023). As at the end of September 2022, N2.73 trillion out of the N3.23 trillion currency in circulation was outside the vault of deposit money banks across the country (Emefiele, 2023). The CBN was also compelled to redesign the naira because of the prevailing level of insecurity (terrorism and kidnapping) situation in the country. The perpetrators were holding onto large volume of money outside the banking system which are used as source of funds for ransom. The redesigning of the naira notes was to help to curb the hoarding of currency due to corrupt practices that thrives in Nigeria. This necessitated the urgency to redesign the Nigerian legal tender, which the FGN expects to curb instances of hoarding, insecurity, and the bastardization of the Nigerian currency. The redesign of the currency generated divergent views on the appropriateness and timeliness of the policy. A withdrawal policy was later instituted by the CBN which restricted withdrawals from ATMs, point-of-sale devices, and over-the-counter locations to just N100,000 per week for individuals and N500,000 for corporate organizations. The withdrawal policy was later increased to N500,000 for individuals and N5,000,000 for corporate organizations. The Nigeria Governors' Forum (NGF), the Bank Customers Association of Nigeria (BCAN), the House of Representatives and the Senate urged CBN in separate statements expressed concerns and appealed for the CBN to extend the deadline for change of old to newly designed currency notes. The President of Nigeria later approved a 10-day extension of the expiry date of the old naira notes from January 31, 2023, to February 10, 2023. The extension of the deadline was to allow for collection of more old notes legitimately held by Nigerians. The currency redesign policy was targeted at addressing the current blow of insecurity, corruption and economic sabotage among other actions of some Nigerians especially the politicians. The policy affected several sectors of the economy due to insufficient supply of new notes for withdrawal to individual customer in the money deposit banks. The policy has direct implications for industrial sector development.

This paper therefore, examined the consequences of the currency redesign policy implementation on enterprise performance in Nigeria. This is with a view to suggesting appropriate policy framework for improved performance of enterprises in Nigeria. The long-term impact of this study is to develop evidence-based information for appropriate policy that can engender entrepreneurial and innovative competitiveness in the Nigerian economy. The remaining section discusses the past literature review which dovetails into the methodology adopted in this paper. This is immediately followed by the results and discussion of the data analysed. The last section dwells on the conclusion and recommendations of policy redesign implementations on the performances of micro, small,

medium and large scale enterprises in the study area.

## 2. Review of Related Literature

### 2.1. Global Best Practices on Currency Redesign Policy

There are adequate indications in the literature on currency redesign policy implementations and restructuring across countries of the world. Currency redesign policy is usually informed by disequilibrium in the macroeconomic fundamentals of countries basically on the basis of poor macroeconomic performance especially hyper-inflation (Nwafor, 2018; Olujobi & Chuba, 2023). Nations redesign and recirculate their currencies due to various reasons. Some countries for instance redesign their legal tenders to prevent currencies' counterfeits. Such redesign develop security of the currencies by keeping counterfeiting low. Another reason for currency restructuring and redenomination is to provide a platform for broad package of economic and political reforms and restoration of credibility of the currency with a view to combating hyperinflationary pressures (Somoye & Onakoya, 2013). Some countries had adopted currency redesign and this policy in the countries had been implemented as far back as 19th century. The Indian government in 2016, redesigned her currencies by reducing the amount of money in circulation through withdrawing and reintroducing the 500 and 1000 denominations of the Indian rupee. Nwachukwu and Nwogu (2023) posited that the effect of the policy may lead to low level of inflation in the future. Currency management may not impact negatively on inflation but the multiplier effect of the policy could have negative consequences in the overall economy (Ochei, 2022). For instance, in some Latin American countries and Africa, the policy might precipitate other negative economic consequences that might defeat the objective of the policy whenever implemented (Ochei, 2022).

#### 2.1.1. Experience of the United Kingdom

The Bank of England is responsible for producing and issuing banknotes in England and Wales. The most recent series of Bank of England banknotes, technically known as Series G, was launched over a five-year period, between 2016 and 2021. This series is the first that was printed on polymer. A new 5 pound was issued in September 2016. The legal tender status of paper five was withdrawn in May 2017, while new 10 pound was issued in September 2017. The legal tender status of paper 10 pound was withdrawn March 2018, new 20 pound issued February 2020 and new 50-pound issued June 2021. Legal tender status of paper 20 pound and 50 pound were withdrawn on September 2022. Following the death of Queen Elizabeth, the Bank of England unveiled the design of King Charles III banknotes on December 20, 2022.

The King's portrait will appear on all four of its polymer banknotes (£5, £10, £20 and £50). The new note will enter circulation by mid-2024.

#### 2.1.2. United States of America Experience

In the United States of America, the currency redesign and distribution exercise

are both systematic and systemic. Before a Federal Reserve note enters circulation, it must pass through four critical steps—design, order, production and issuance. The US Bureau of Engraving and Printing, which collaborates with the Federal Reserve, as well as the Treasury Department and the US Secret Service, reported that the US had ongoing plans to redesign its currencies.

The Bureau stated, "The current denomination sequence and planned issuance dates have been in development with the Advanced Counterfeit Deterrence Committee since 2011: $10 (2026), $50 (2028), $20 (2030), $5 (2032) and $100 (2034). This sequence addresses risk mitigation and counterfeiting concerns." In the US, plans to effect the currency re-issuance have been on since 2011, with the first currency to be deployed 15 years after, in 2026.

## 2.2. History of Currency Redesign Policy in Nigeria

In 1965, the Nigerian redesigned currencies' policy was first implemented when Nigeria became a federal republic (Pillah, 2023). The leading purpose for redesigned of the currencies was to reflect the ownership as that of the Federal Republic of Nigeria. In 1968, the Nigerian currency was redesigned due to a civil war in Nigeria as a war tactic to counteract the misuse of the country's currency notes during the war. In 1973, Nigeria implemented a genuine monetary system in decimal form to replace the imperial system inherited from the British colonial administration leading to another form of a currency redesign (Aroghene & Akpoyibo, 2023). In 2007, as part of the economic reforms implemented, the Nigerian banknotes were redesigned. In 2023, new banknotes was introduced to limit counterfeit currencies, stimulate a cashless economy, reduce the large quantity of dirty banknotes that was circulating in the economy as well as reducing illegal financial transactions. The new currencies policy can also address the high amount of currency outside the deposit money banks. The CBN Act of 2007 stipulates that CBN shall oversee and administer all monetary and financial sector policies in Nigeria (Somoye & Onanuga, 2013). This is to ensure monetary and price stability; to issue legal tender currency in Nigeria; maintain external reserves to safeguard the international value of the legal tender currency; promote a sound financial system in Nigeria; and act as a banker and provide economic and financial advice to the federal government. The Section 18 (a) & (b) and Section 20 (3) of the Act empower the CBN to print, redesign, destroy, and re-distribute currencies. The redesigning of the currency will help curb the hoarding of currency against corrupt practices in Nigeria where some people keep large sums of money in soak-aways, overhead tanks and unoccupied buildings. The CBN also instituted a withdrawal policy that restricted withdrawals from ATMs, point-of-sale devices, and over-the-counter locations to just N100,000 per week for individuals and N500,000 for corporate organizations, but it was increased to N500,000 for individuals and N5,000,000 (CBN, 2022; Fate Foundation, 2023). This was later reduced to N10,000 and N5000 in some instances. The CBN directed deposit money banks to stop handing out new, redesigned notes over the counter and to reload ATM machines instead to aid

circulation at the beginning of this year (Fasua, 2023). However, because there is an insufficient supply of new notes, banks are left with old notes that they must load into ATM machines. This is despite the announcement that all Nigerians should deposit old notes as they will no longer be accepted as legal tender as of January 31. The deadline was later postponed to December 31, 2023. A number of studies had been carried out on the effect of currency redesign policy on the general performance of the Nigerian economy. For instance, Onimisi (2023) examined the implication of currency redesign on socio-economic development in Nigeria. Pillah (2023) evaluated the currency redesign and monetary policy of Nigeria while Olujobi and Chuba (2023) examined the macroeconomic implications of the new currency refurbishment and capital formation in Nigeria. The gap is how the currency redesign policy implementation specifically affected the industrial sector comprising of micro, small, medium and large scale enterprises in Nigeria. This gap necessitated this study.

## 3. Methodology

### 3.1. Research Design

This study adopted survey research design with two research instruments—Google form questionnaire and Computer Aided Personal Interviewing (CAPI) tool in Nigeria. The questionnaire administration and interviews were carried out in the months of February and March 2023.

### 3.2. The Study Area

Nigeria is the most populous country in Africa with the largest population of over 206 million people (Sasu, 2023). Nigeria is a mixed economy with evolving market growing in agricultural, manufacturing, financial, service, communications, technology and entertainment sectors (Duntoye, 2020). Nigeria is divided into northern and southern regions with each region divided into three geo-political zones in addition to the Federal Capital Territory (FCT). The northern region consists of north-east, north-north and north-west geo-political zones. The southern region consists of south-east, south-south and south-west geo-political zones. The country as a whole is committed to global production and market trade competition for its development that could make Nigeria a top-20 economy in 2030. To raise incomes and living standards, Nigeria must accelerate her industrial productivity by building new links with the rest of the global economy which the process of globalization has introduced inter-linkages for MSMLEs from developing nations (Dada, 2016).

### 3.3. Sampling Techniques

Cluster sampling technique was first used by adoption of the six geo-political zones as clusters. Five clusters and the FCT were chosen. One industrially operational state was purposively selected from each selected geo-political zone. The selected states are Anambra (Southeast geo-political zone), Rivers (Southsouth

geo-political zone), Lagos (Southwest geo-political zone), Nassarawa (Northcentral geo-political zone), Kano (Northwest geo-political zone). No state was chosen from the Northeast geo-political zone due to the high security volatility of the zone as at the time of this study. The FCT was chosen because of the centrality of the location as well as the closeness of MSMLEs to the site of policy making in Nigeria. The presence of Lagos State among the study states enriches the industrial validation as Lagos remains the industrial hub of Nigeria (Adebule, 2017). In the second stage, the state capitals of the selected states and Abuja, the headquarters location of the FCT were selected. A purposive sampling technique was used in third phase to sample respondent enterprises. Finally, a random sampling technique was used to elicit data from enterprise operators across the selected industrial sectors. The number of respondents distributed by state was relative to the number of similar enterprises recorded in each of the states.

## 3.4. Population of the Study

The target population consist of all the micro, small, medium and large scale enterprises (MSMLEs) in Nigeria. The MSMLE population are in Technology Services (graphics design, electrical installation, automobile engineering services, photoshop services, engineering fabrication, aluminum fabrication, security electronic installations and gate automation services), Creative Designs (fashion designing, leatherworks) and Manufacturing Production (food manufacturing/food sales, solar energy/panel production, textile production, paints production and plastic production).

## 3.5. Sampling Technique and Sample Size

The study adopted a multi-stage sampling technique to select the location of the study. The first stage in the purposive selection of five industrial states across five of the six geopolitical zones and the Federal Capital Territory (FCT) of Nigeria. The second stage involves a purposive sampling technique based on specific purpose and appropriate characteristics required of the samples to select the state capitals of each of the selected states and the FCT to make six locations for the study (Table 1). The third stage is a purposive (a non-probabilistic) sampling of three classification of enterprise operations. These are technology service enterprises, manufacturing/production enterprises; and creative design enterprises. The selection of these enterprises is informed by the uniformity of their existence across the six locations of the respondents in Nigeria. Krejcie and Morgan (1970) sampling method was adopted to determine a total of 514 micro, small, medium and large scale enterprises (MSMLEs) operators that were randomly selected across the selected industrial sectors in Nigeria. A response rate of 59.53% (306 respondents) at a reliability level of 95% was calculated. This response rate was considered adequate for analysis because it was greater than 50% response rate (Osano & Languitone, 2016) and adequately represent all the targeted population.

Table 1. Locations of enterprise operators by state in Nigeria.

| Location by State | Frequency | Percent |
|---|---|---|
| Lagos | 194 | 37.8 |
| Kano | 93 | 18.1 |
| Anambra | 89 | 17.3 |
| Rivers | 60 | 11.7 |
| Nassarawa | 55 | 10.6 |
| Federal Capital Territory | 23 | 4.5 |
| Total | 514 | 100.0 |

Source: Field study, 2023.

### 3.6. Pilot Study/Pre-Test

The research instrument (questionnaire) was pre-tested in one of Ondo state among 56 micro, small, medium and large scale enterprises (MSMLEs) operators. The analysis of the pilot study was used to validate the questionnaire before it was administed on the MSMLEs operators across Nigeria.

### 3.7. Analysis of Data

Data gathered from the field survey were uploaded, vetted and exported to Excel format. The entire database was stored and managed in Microsoft Excel environment for ease of retrieval. The coded data were thoroughly certified for clean-up before they are subjected to data analysis. The data analysis was done using a combination of tools and software including the Microsoft Excel, Statistical Packages for Social Science (SPSS) software, version 27.0. A multiple of analytical methods of descriptive and inferential statistics was employed in the study. The descriptive statistic involved the measures of percentages and frequency counts. For the variables that assessed the respondents' perception on a 5-point Likert scale, the degree of importance of each factor was established using the Weighted Average Index (WAI). For the computation of WAI, a value of "5" was assigned to the highest level of perception on the Likert scale while "1" was assigned to the lowest level. Inferential statistics (Chi-square) was also employed for data analysis.

## 4. Results and Discussion

This section of the paper presents the results and discussion of the study which include locations of enterprise operators by state in Nigeria, classification of enterprise operations, respondents' demographic characteristics, classification of enterprises by scale of operations, type of businesses engaged by enterprise operations; and effect of Nigerian currency redesign policy on enterprise performance.

## 4.1. Locations of Enterprise Operators by State in Nigeria

The locations of the enterprise operators by state in Nigeria who are captured in this study are shown in Table 1. The Table shows that the highest (37.75%) proportion of the respondents were located in Lagos state. This high number is not unconnected with the fact that Lagos state is the commercial capital of Nigeria and the economic hub of West Africa with an estimated Gross Domestic Product (GDP) of $355 billion by 2025. This has made many enterprises with sustainable business models, technology and innovations to target the market share in Lagos state for optimum profitability. The locations of other enterprise operators by state in Nigeria are Kano state (18.09%), Anambra state (17.32%), Rivers state (11.67%), Nassarawa state (10.70%); and the least in Federal Capital Territory (4.47%).

## 4.2. Classification of Enterprise Operations by Questionnaire Administrations (N = 514)

The classification of enterprise operations by questionnaire administrations is shown in Figure 1. The Figure shows that most (43.97%) of the respondents were involved in technology service enterprises. Technology service enterprises are businesses that apply modern technology to facilitate the activities of their enterprises. Moreover, 37.16% of the responding enterprises are into manufacturing/production enterprises which employ plant and machinery in processing of goods. Few (18.87%) are into creative design enterprises that use digital and physical image-making goods for marketing purposes and rely on the work of visual designers.

## 4.3. Demographic and Socio-Economic Characteristics of Respondents

This section reports the demographic and socio-economic characteristics of the respondents across the selected states in Nigeria. These characteristics include the distributions of the MSMLE operators (respondents) by age (years), gender, marital status, highest educational qualifications, job responsibilities, business operations experience (years), ethnic origins; and associations' memberships.
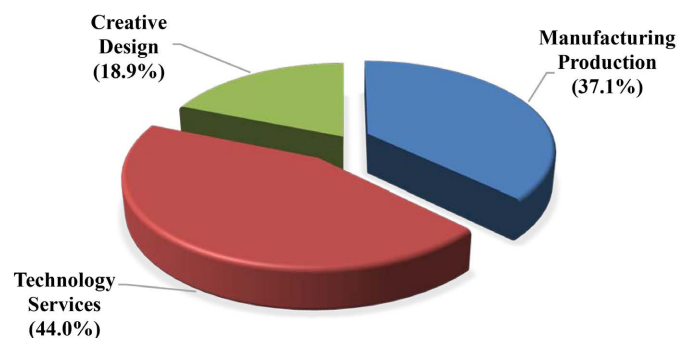


**Figure 1.** Classification of enterprise operations by questionnaire administrations (N = 514). Source: Field study, 2023.

### 4.3.1. Age Distributions of the Respondents (N = 306)

The age by year distribution of respondents across the selected states is depicted in Table 2. The Table revealed that the majority (73.5%) of the respondents were of the age range of 31 and 50 years. The age range revealed that the respondents are in their productive years which may contribute to the productivity of the respondents in the enterprises. Other respondents were of the age range of 21 and 30 (5.9%) and above 50 years (20.6%).

Table 2. Respondents' demographic characteristics (N = 306).

| Characteristic | Frequency | Percent |
|---|---|---|
| Age (Years) | | |
| 21 - 30 | 18 | 5.9 |
| 31 - 40 | 102 | 33.3 |
| 41 - 50 | 123 | 40.2 |
| Above 50 | 63 | 20.6 |
| Gender | | |
| Male | 266 | 87.0 |
| Female | 40 | 13.0 |
| Educational Background | | |
| Engineering/Technology | 84 | 27.5 |
| Management/Social Sciences | 71 | 23.2 |
| Natural/Applied Sciences | 52 | 16.9 |
| Art/Humanities | 49 | 16.0 |
| Agricultural Sciences | 11 | 3.6 |
| Job Responsibility | | |
| General Manager | 99 | 32.4 |
| Managing Director/CEO | 83 | 27.1 |
| Production Manager | 42 | 13.7 |
| Administrative/Finance Manager | 37 | 12.1 |
| Production Supervisor | 33 | 10.8 |
| Others Specified | 12 | 3.9 |
| Business Operations Work Experiences (Years) | | |
| 1 - 5 | 18 | 5.9 |
| 6 - 10 | 47 | 15.4 |
| 11 - 15 | 65 | 21.2 |
| 16 - 20 | 97 | 31.7 |
| Above 20 | 79 | 25.8 |

Source: Field study, 2023.

### 4.3.2. Distribution of Respondents by Gender

Table 2 also revealed distribution of the respondents by gender. The Table revealed that the male respondents accounted for 87.0% while females are about 13.0% of the respondents. The reason for high proportion of male MSMLEs' operators may be due to the belief that manufacturing are male dominated businesses. The result agrees with Akpan (2010), that males are often more energetic and could readily be available for energy demanding jobs/activities than their female counterparts. Moreover, it may be as a result of the belief in some quarters that women should not work for others. Hence, their husbands prefer them to establish their own businesses so that they can take care of the home fronts. Ovharhe and Gbigbi (2016) opined that gender can influence the type and quality of the work of individuals. Brijlal et al. (2013) also noted that women need to balance between business and family engagements.

### 4.3.3. Educational Background of Respondents

The distribution of the respondents by their educational background is also revealed in Table 2. Most (27.5%) and (23.2%) of the enterprise operators had their educational background in engineering/technology and management/social science background respectively. The high percentage of the respondents within these backgrounds may not be unconnected with the relevance of these courses to innovation and entrepreneurial behaviours of individuals. Moreover, other respondents had their educational background in natural/applied sciences (16.9%), art/humanities (16.0%), legal studies (12.8%); and agricultural sciences (3.6%).

### 4.3.4. Distribution of Respondents by Job Responsibility (Status)

As depicted in Table 2, the distribution of job responsibility (status) of the respondents have the greatest (32.4%) and (27.1%) of the enterprise operators as general manager and managing director respectively. Other respondents claimed to be production managers (13.7%), administrative/finance Managers (12.1%), production supervisor (10.8%); and other specified (3.9%) by the respondents were production officers, administrative officers, strategic managers, marketing managers and officers as well as sales manager.

### 4.3.5. Business Operations Work Experiences (Years)

The business operations experience measured in years is also shown in Table 2. This Table revealed that the largest (52.9%) proportion of the respondents have business operations experiences of between 11 and 20 years. Moreover, 25.8% of the respondents claimed to have more than 25 years of business operations experiences. A few (15.4%) and (5.9%) of the respondents claimed to have business operations experiences of 6 and 10 years; and 1 and 5 years respectively.

### 4.3.6. Distribution of Respondents by Membership of Associations

Figure 2 depicts the distribution of respondents by membership association. The Figure reveals that the majority (63.20%) of respondents belong to Manufacturer Association of Nigeria (MAN) while 55.90% claimed to belong to Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA).
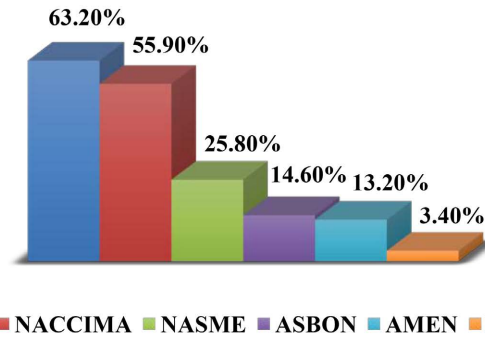
**Figure 2.** Distribution of respondents by membership of associations (N = 306). *Multiple responses. Source: Field study, 2023. MAN—Manufacturer Association of Nigeria, NACCIMA—Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture, NASME—Nigerian Association of Small & Medium Enterprises, ASBON—Association of Small Business Owners of Nigeria, AMEN—Association of Micro Entrepreneurs of Nigeria, FINTECHA—Financial Technology Association.

Further analysis shows that 28.80% of the respondents belong to Nigerian Association of Small & Medium Enterprises (NASME). Other respondents were of Association of Small Business Owners of Nigeria, ASBON (14.60%), Association of Micro Entrepreneurs of Nigeria, AMEN (13.20%); and Financial Technology Association, FINTECHA (3.20%).

## 4.4. Enterprises' General Information

This section presents the general information about the selected micro, small, medium and large scale enterprises across the five chosen geo-political zone in Nigeria. The information include the categories of enterprises by scale of operations, ownership/legal structure of the enterprises, type of businesses engaged by enterprise operation as well as range of capital base of business enterprise (₦).

### 4.4.1. Categories of Enterprises by Scale of Operations

**Figure 3** depicts the categories of enterprises considered in this study by scale of operations. The Figure shows that the majority (56.54%) of the responding enterprises were micro-scale. According to the National Policy on MSMEs (2018) and SMEDAN (2021), micro-scale enterprises are those ones whose capital asset base is less than 10 million naira (<N10 m) excluding land and buildings. The micro-scale enterprises also have less than 10 employees. A typical micro enterprise is operated by a sole proprietor or manager that is aided mainly by family members and random paid employees. The Figure further reveals that small scale enterprises were 27.78%. This category of enterprise have asset base of between 10 million naira (<N10 m) but less than 100 million naira (<N100 m) excluding land and buildings. The small-scale enterprises have between 10 and 49 employees. Like micro enterprises, most small-scale enterprises are sole-proprietorships, although a number of the enterprises are incorporated businesses with large educational manpower and technical skills (SMEDAN. 2021). The small-scale enterprises have the highest potential for growth through innovation,
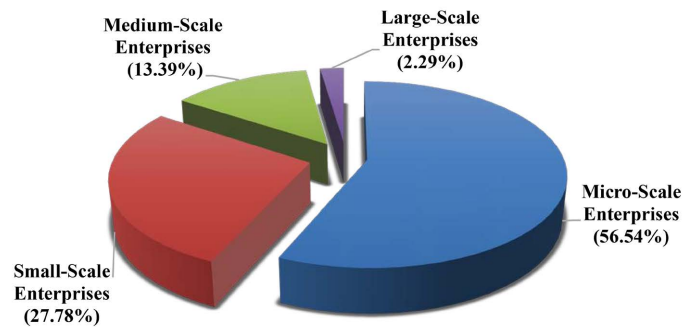
**Figure 3.** Scale of operations of enterprise operations. Source: Field study, 2023.

capability buildings as well as support services from public and private organisations (Obamuyi, 2022; Dada & Asaolu, 2023). The Figure also revealed that the medium-scale enterprises in the study were 13.9% in proportion. Medium-scale enterprises have asset base of between 100 million naira (N100 m) but, less than 1000 million naira (<N1000 m) excluding land and buildings. The medium-scale enterprises have between 100 and 499 employees. In Nigeria, medium-scale enterprises are concentrated in a few sectors like manufacturing, information and communication technology as well as oil and gas. Only few (2.29%) of the sampled enterprises were of large-scale.

This category of enterprises have asset base of 1000 million naira (N1000 m) and more excluding land and buildings. The large scale enterprises have 500 and more employees. Large scale enterprises have immense infrastructural layout, high raw material, high manpower and large capital bases. The large scale enterprises provide employments for a number of employees and often have a spillover effect on other sectors of the economy.

### 4.4.2. Ownership/Legal Structure of the Enterprises (N = 306)

The ownership/legal structure of the enterprises is revealed in Figure 4. The Figure shows that the largest number of the enterprises were owned by sole-proprietors. The finding is similar to Ojo et al. (2023) where the ownership structure of most enterprises in southwest Nigeria was found to be sole proprietorship. Limited liability companies and partnership form of enterprises were found to be 29.74% and 15.36% respectively. However, most of the limited liability companies were found to be located in Lagos state, southwest Nigeria due to the fact that Lagos is the industrial hub of the country and Kano state, northwest Nigeria due to the fact that Kano is the centre of commercial activities in the country. Few (5.56%) of the enterprises stated to belong to other specified form of enterprises' ownership/legal structure such as cooperative societies' businesses, family ownership businesses as well as inherited businesses.

### 4.4.3. Type of Businesses Engaged by Enterprise Operations

Table 3 depicts the various forms of businesses engaged by enterprise operations for this study in Southwest, Nigeria. The enterprises engaged under technology services are Electronic and information technology enterprises (8.95%). These
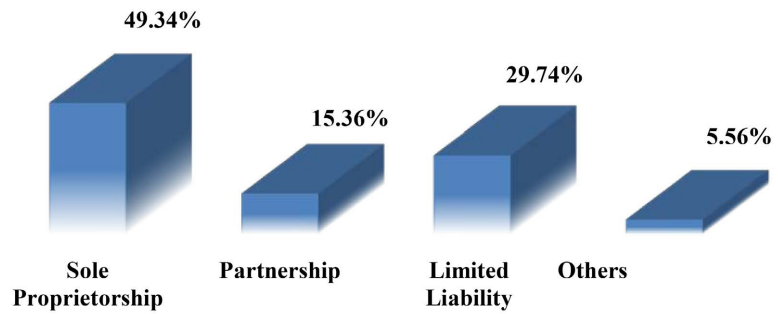
**Figure 4.** Ownership/legal structure of selected enterprises (N = 306). Source: Field study, 2023.

**Table 3.** Type of businesses engaged by enterprise operations (N = 306).

| Type of Business Engaged | Frequency | Percent |
|---|---|---|
| **Manufacturing** | | |
| Agri-businesses/Agro-based Enterprises | 37 | 12.09 |
| Food manufacturing | 22 | 7.19 |
| Wholesale and Retail Enterprises | 14 | 4.58 |
| Textiles and Clothing | 12 | 3.92 |
| Paints production | 15 | 4.90 |
| Plastic production | 19 | 6.21 |
| **Sub-total** | **119** | **38.89** |
| **Technology Services** | | |
| Electronic and Information Technology Enterprises | 29 | 9.47 |
| Wood Processing and Furniture | 14 | 4.58 |
| Automobile Engineering Services | 20 | 6.54 |
| Metal Fabrication and Engineering Enterprises | 16 | 5.23 |
| Building and Construction Enterprises | 13 | 4.25 |
| Campus Technology-Based Enterprises | 15 | 4.90 |
| **Sub-total** | **107** | **34.97** |
| **Creative Designs** | | |
| Graphics Design Enterprises | 25 | 8.17 |
| Fashion Design Enterprises | 33 | 10.78 |
| Leather and Leather Product Enterprises | 22 | 7.19 |
| **Sub-total** | **80** | **26.14** |
| **Gross Total** | **306** | **100.00** |

Source: Field study, 2023.

enterprises have grown to become important for increasingly development of digitally based enterprises. Others are wood processing and furniture (6.61%), automobile engineering services (9.53%), metal fabrication and engineering enterprises (6.43%), building and construction enterprises (7.98%); and campus technology-based enterprises (4.47%). The manufacturing production businesses are agri-businesses/agro-based enterprises (11.87%), food manufacturing (7.39%), wholesale and retail enterprises (4.28%), textiles and clothing (3.50%), paints production (4.67%); and plastic production (5.45%). The creative design enterprises are graphics design enterprises (4.09%), fashion design enterprises (7.78%); and leather and leather product enterprises (7.00%).

### 4.4.4. Range of Capital Base of the Selected Enterprise

The range of capital base on investment by the selected micro, small, medium and large scale enterprises is shown in Table 4. This Table usually reveals the level of investment of many of these enterprises. Majority (20.09%) of the enterprises had capital base of less than or equal to 10 million naira while only 10.78% of the enterprises had capital base of less than or equal to 1 million naira.

Furthermore, 17.32% of the respondents claimed to have capital base of less than or equal to 50 million naira. Moreover, 13.40% of the respondents had capital base of less than or equal to 100 million naira. Other enterprises (29.41%) claimed to have between capital base of less than or equal to 200 million naira and greater than 500 million naira.

### 4.5. Effect of Nigerian Currency Redesign Policy Implementations on Enterprise Performance

The effect of currency redesign policy implementations on enterprise performance in Nigeria is as shown in Table 5 (negative effect) and Table 6 (positive

**Table 4.** Range of capital base of selected enterprises.

| Capital base (₦) | Frequency | Percent |
|---|---|---|
| Less than or equal to 1 million naira | 33 | 10.78 |
| Less than or equal to 10 million naira | 89 | 29.09 |
| Less than or equal to 50 million naira | 53 | 17.32 |
| Less than or equal to 100 million naira | 41 | 13.40 |
| Less than or equal to 200 million naira | 28 | 9.15 |
| Less than or equal to 300 million naira | 23 | 7.52 |
| Less than or equal to 400 million naira | 18 | 5.88 |
| Less than or equal to 500 million naira | 12 | 3.92 |
| Greater than 500 million naira | 9 | 2.94 |
| **Total** | **306** | **100.00** |

Source: Field study, 2023.

**Table 5.** Negative effect of Nigerian currency redesign policy implementation on enterprise performance.

| Negative Effect | *Mean Rank |
|---|---|
| Sharp reduction in money supply/Weak access to cash flow (A) | 4.75[a] |
| Vulnerable economic hardship/High inflation (B) | 4.71[a] |
| Inadequate Marketing/Loss of customers (C) | 4.68[a] |
| Low returns on business investments due to high operating cost (D) | 4.64[a] |
| Inadequate Enterprise Funds/High Production Costs (E) | 3.89[ab] |
| Sharp reduction in economic activity (F) | 3.47[ab] |
| Risk of currency counterfeiting (G) | 3.25[bc] |
| Increased risk to financial instability (H) | 3.06[b] |
| Shortage of clean and fit currency (I) | 2.87[c] |
| Self-inflicted recession, Protests and social unrest (J) | 2.51[c] |

*Mean Rank: (1) Very low insignificant effect - (5) Very high significant effect. Means with the same alphabets are not significantly different (F = 0.399, $p \leq 0.05$). ***Multiple Responses. Source: Calculated from the field study, 2023.

**Table 6.** Positive effect of Nigerian currency redesign policy implementation on enterprise performance.

| Positive Effect | *Mean Rank |
|---|---|
| Reduced Naira counterfeiting (A) | 4.75[a] |
| Encourage a cashless economy (B) | 4.71[a] |
| Address cash hoarding that have paraded the Nigerian economy (C) | 4.68[a] |
| Bring more people into the financial sector (D) | 4.64[a] |
| Reduce the incidences of kidnapping and terrorism (E) | 3.89[ab] |
| Reduction in hardship, confusion, apprehension, rancuor and despondency (F) | 3.47[ab] |
| Vulnerable economic hardship (G) | 3.25[bc] |
| Could strengthen the Naira against the Foreign currencies (H) | 3.06[b] |
| Reduction in inflation (I) | 2.87[c] |
| Encourages financial inclusion and cashless society (J) | 2.51[c] |
| Aid in the acceleration of the monetary policy objectives (K) | 2.37[c] |
| Could tackle insecurity challenges and reduction in banditry and kidnappings (L) | 2.16[c] |
| Curtails the worsening shortage of clean and fit currency (M) | 2.03[c] |

*Mean Rank: (1) Very low insignificant effect - (5) Very high significant effect. Means with the same alphabets are not significantly different (F = 0.399, $p \leq 0.05$). ***Multiple Response. Source: Calculated from the field study, 2023.

effect). The depth of the effect was measured on 5-point likert scale (weighted average index). A value of "5" was assigned to the highest level of perception on the likert scale while "1" was assigned to the lowest level. As shown in Table 5, sharp reduction in money supply and weak access to cash flow was the highest (4.75) negative effect of the policy implementation on the performance of the MSMLEs in Nigeria. This was followed by vulnerable economic hardship and high inflation (4.75); and inadequate marketing/loss of customers (4.68) by the enterprises. The World Bank (2023) had earlier affirmed that the previous mix of fiscal, monetary, exchange rate and trade policies, including the naira redesign programme, did not deliver the desired improvements in growth, inflation, and economic resilience. Other negative effect of the currency redesign policy implementation on the performance of enterprises in Nigeria are low returns on business investments due to high operating cost (4.64), inadequate enterprise funds/high production costs (3.89) as well as sharp reduction in economic activities (3.47). Risk of currency counterfeiting (2.25), increased risk to financial instability (3.06), shortage of clean and fit currency (2.87); and self-inflicted recession, protests and social unrest (2.51) were other negative effect of currency redesign policy implementation claimed by the respondents in the study area. However, a number of the respondents affirmed that the currency redesign policy implementation had very high significant (4.75) effect in reducing Naira counterfeiting, encouraging a cashless economy (4.71); and address cash hoarding that have paraded the Nigerian economy (4.68). In a similar study, Olujobi (2022) posited that currency redesign policy implementation in the country has reduced excess money supply in circulation for curbing inflationary level and improve exchange rate policy and liquidity. The respondents also admitted that the currency redesign policy implementation brought more people into the financial sector (4.64), reduce the incidences of kidnapping and terrorism (3.89), reduction in hardship, confusion, apprehension, rancuor and despondency (3.47) as well as vulnerable economic hardship (3.25). The policy could also strengthen the Naira against foreign currencies (3.06%) as claimed by the respondents. Other influence of the policy implementation is reduction in inflation (2.87), encouragement of financial inclusion and cashless society (2.51), aid in the acceleration of the monetary policy objectives, whilst also tackling the insecurity challenges and reduction in banditry and kidnappings as well as curtail the worsening shortage of clean and fit currency.

## 4.6. Test of Hypothesis

The test of hypothesis on the effect of the currency redesign policy implementation was carried out by analysis of variance (ANOVA) and the Chi-Square ($X^2$) analysis.

### 4.6.1. Analysis of Variance (ANOVA)

The ANOVA test revealed statistical significance (F = 0.399, $p \leq 0.05$) of the

currency redesign policy implementation on enterprise performance in Nigeria (Table 7). The result indicates that all the independent variables have significant effect on enterprise performance of the micro, small, medium and large scale enterprises considered in this study. The outcome of the analysis has implications for industrial development in Nigeria. Oguntoke (2023) posited that many enterprises that offer non-essential goods like clothing, furniture, and electronics were affected by the currency redesign and cash scarcity leading to reduced sales and consumer and condensed profits for these enterprises. Other enterprises that were adversely affected were hospitality industry, entertainment, beauty services like hairdressing, barbing, massages, facials as well as travel and tourism.

### 4.6.2. Chi-Square ($X^2$) Analysis

The Chi-Square ($X^2$) analysis of the effect of naira redesign policy implementation was carried out on enterprise performances in Nigeria according to rules of probability. To investigate the agreement between the observed and expected frequencies (Table 8), the $X^2$ value is computed to validate the hypothesis that naira redesign policy implementation does not significantly affect industrial performances in Nigeria. Since the $X^2$ Calculated (19.6) is greater than the $X^2$ Tabulated (15.3), there is significant difference (using 0.05 significance level) in the effect of naira redesign policy on enterprise performance by scale in Nigeria. The policy may have affected the micro scale enterprises more than other enterprises by scale or vice-versa. In the process of economic development, small and medium scale enterprises have been recognised by succeeding governments in Nigeria than large scale capital intensive enterprises from the 1980s. The growth and development of SMEs is therefore seen as a cardinal and veritable instrument in the industrialization process of Nigeria. However, the survival small and medium scale enterprises to a large extent depend on adequate robust economic policy and sustainable financing supports. In a study by Udoh et al. (2018), the impact of monetary policy on the growth of SMEs in Nigeria was investigated from 1986 to 2016. The study recommended that monetary policy should be set in such a way that the objective it wants to achieve is clearly and transparently defined in response to the dynamics of the domestic and global economic developments for the growth of SMEs in Nigeria (Table 9).

Table 7. Analysis of variance of the effect of Nigerian currency redesign policy implementation on industrial performance.

| Source | Df | Sum of Squares | Mean Squares | F-value | Prob. ≤ F |
|---|---|---|---|---|---|
| Corrected Model | 2 | 4523.00 | 2261.50 | 0.399 | 0.0109 |
| Factors | 10 | 56570.23 | 5657.02 | | |
| Corrected Factors | 12 | 61093.23 | | | |

Source: Calculated from the field study, 2023.

**Table 8.** Observed and expected frequencies of the effect of naira redesign policy on enterprise performances in Nigeria.

| Effect/ Enterprise Scale | Micro-Scale Enterprises | Small-Scale Enterprises | Medium-Scale Enterprises | Large-Scale Enterprises | Row Total |
|---|---|---|---|---|---|
| Very Low | 2.00 (3.10) | 3.00 (2.50) | 2.00 (2.00) | 1.00 (0.40) | **8.00** |
| Low | 1.00 (1.50) | 2.0 (2.80) | 4.00 (2.30) | 2.00 (0.50) | **9.00** |
| Medium | 8.00 (14.60) | 14.0 (11.90) | 14.00 (9.60) | 2.00 (2.00) | **38.00** |
| High | 149.00 (146.10) | 124.0 (118.60) | 94.00 (95.70) | 13.00 (19.60) | **380.00** |
| Very High | 153.00 (145.70) | 111.0 (118.30) | 91.00 (95.40) | 24.00 (19.60) | **379.00** |
| Column Total | **313.00** | **254.00** | **205.00** | **42.00** | **814.00** |

Values in parentheses are expected frequencies. ***Multiple variables' effect. Source: Calculated from the field study, 2023.

**Table 9.** Contingency table of the effect of naira redesign policy on enterprise performances in Nigeria.

| Effect/ Enterprise Scale | Micro-Scale Enterprises | Small-Scale Enterprises | Medium-Scale Enterprises | Large-Scale Enterprises |
|---|---|---|---|---|
| Very Low | 0.40 | 0.10 | 0.00 | 0.90 |
| Low | 1.80 | 0.20 | 1.30 | 4.50 |
| Medium | 3.00 | 0.80 | 2.00 | 0.00 |
| High | 0.10 | 0.20 | 0.00 | 2.20 |
| Very High | 0.40 | 0.50 | 0.20 | 1.00 |

$X^2$ Square Calculated = 19.6, $X^2$ Tabulated = 15.3. Source: Calculated from the field study, 2023.

## 5. Conclusion and Policy Recommendations

This paper touches on relevant issues concerning the effect of currency redesign policy implementation on enterprise performance in Nigeria. The study found that the currency redesign policy of Nigerian affected enterprise performance. In addition, the short-term decline in cash holding and the increased formalization of business activities as the cashless policy forces more economic agents to open bank accounts boost fiscal policy. The policy resulted in the contraction of industrial space in Nigeria. The fundamental challenge is that the Nigerian investment and business climate during the policy implementation was unfavourable to boost local production of goods and services. However, there was an improvement in foreign exchange as naira gained value relative to US Dollar in the black market. Over time, many implications have been established and argued that currency redesign policy was not desirable to ensure impactful benefits at the time of implementation in Nigeria. The currency redesign reduced inflation, combat naira counterfeits and addressed financial insecurity. In general the policy implementation helped to improve the health of the monetary policy that

enables the CBN to monitor the flow of funds in the country. This study also revealed that currency redesign policy negatively affects the performance of MSMLEs in Nigeria. This negative effect is significantly larger with micro enterprises than the large scale enterprises in the country. It was, however, obvious that the production and service capabilities across all the categories of enterprises were low during the implementation.

The success of similar policy in the future will depend on the preparing the minds of the citizenry, given longer deadlines and removal of politic complications to the policy implementation. Operators of Point of Sale (PoS) should be regulated against unnecessary advantage of fellow Nigerians to become more difficult to control. There is the need for CBN to encourage money deposit banks to establish more branches in the rural area of the country. The currency redesign policy implementation exposed that the alternatives to regular banking activities are yet to be well established in rural areas of Nigeria. A number of local government areas in Nigeria have limited or no commercial banks located in them. Deposit money banks should support and satisfy their customers by investing more on online platforms and make their systems more reliable while lowering their service charges. Nigeria can as well seize the window of opportunities of currency redesign policy to harness comprehensive reform in monetary, fiscal and structural policy for sustainable industrial performance, economic growth and development.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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