

Impact of CBN cash withdrawal limit and currency redesign monetary policies on the operation of young Point of Sale (POS) merchants in Enugu State, Nigeria

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Abstract

Background: Monetary policies from the Central Bank of Nigeria (CBN) can significantly impact the income of small, medium and large businesses. Despite this, limited studies have examined the impact of CBN's monetary policies on the operation of point of sale merchants in Nigeria.

Objective: This study aimed to examine the impact of the Central Bank of Nigeria's cash withdrawal limits, and currency redesign monetary policies on the operation of Point of Sale (POS) operators in Enugu State. The researcher also determined the contribution of POS business on Enugu State's youth earnings.

Methodology: The researcher made use of a descriptive survey to conduct the study and sampled 330 POS merchants in Enugu State. The questionnaire was used for data collection while data were analysed percentages, mean and standard deviation and multiple regression.

Result: The result of the study revealed that POS business contributes in improving the income of youth in Enugu State. However, a longer duration in the business was found to be an essential contributing factor in improving the income of youth within the study area. It was also found that although both cash withdrawal limit and currency redesign policies significantly impact POS operations, the currency redesign impact more on their operations.

Key contribution: This study has provided empirical evidence revealing how monetary policies in developing economies impact income and business operations of youth.

Conclusion: Based on the result of this study, the researcher concludes that CBN's cash withdrawal and currency redesign policies impact the operations of POS in Enugu State.

Recommendation: The researcher recommends, among others, that CBN should consult widely and carry POS operators along in planning and implementing monetary policies.

Keywords: Central Bank of Nigeria; monetary policy; point of sale

Introduction

Point of Sale (POS) operators are now important stakeholders in business activities in the current business transactions eco system. They are the closest "banks" to the people because they can be established in streets and residential areas. Customers now visit POS merchants to make withdrawals at agreed charges. Some business owners equally have POS machines in their shops

so that customers can easily make payments using their debit cards. Young Nigerians who are looking for business opportunities have also been employed through the POS business. Customers equally have new expectations from business owners with regard to payment mode because they expect to have the opportunity to make payments through POS machines. Ardakani et al. (2015) say that POS merchants have changed the face of the financial sector substantially and bank customers have new expectations entirely different from what it used to be many years back.

Withdrawal and deposits are among the important services that POS merchants render. They make it easier for customers to have access to their funds as well as make deposits. Instead of people having to travel miles to make deposits or withdrawals, they are able to do these within their neighbourhood through POS merchants. Okeke et al. (2017) note that POS merchants play crucial roles in cash circulation by offering services that were hitherto offered exclusively by banks in banking halls.

Although POS operators are not directly attached to the Central Bank, their operation is somehow affected by the Central Bank of Nigeria's policies. The CBN Act of 2007 empowers the apex bank to monitor, regulate, and control activities in the banking sector in Nigeria. The Bank is also responsible for advising the Federal Government of Nigeria on monetary policies to ensure sanity in the financial sector and propel economic growth. Under the current arrangements in Nigeria, POS merchants are affiliated with banks, and banks take orders from the Central Bank of Nigeria. The implication is that CBN decisions indirectly have a significant impact on POS merchants in Nigeria.

One of the CBN's policies that is worth examining here is its cash withdrawal limit. CBN had, towards the end of last year, proposed a cash withdrawal limit of twenty thousand Naira (N20,000) weekly and a monthly withdrawal limit of one hundred thousand naira (N100,000) for individuals. However, the policy generated outcry from the Nigerian public and this was modified. Under the new arrangement, the weekly withdrawal limit is one hundred thousand Naira and a monthly withdrawal of four-hundred thousand Naira (N400,000). Another policy of the CBN that is worth examining is currency redesigning. The apex bank has redesigned 1,000, 500 and 200 Naira denominations. Accordingly, the bank gave a deadline for currency swaps to face out the old notes and use the new ones. These policies are capable of affecting POS operators because of the central roles they now play in the financial sector. Therefore, this study aimed to examine these policies' impact on the operations of POS merchants in Enugu State.

Statement of the problem

In recent times, there have been arguments and counter-arguments regarding the impact of the Central Bank of Nigeria's cash withdrawal and currency redesign monetary policies on the operations of POS merchants in Nigeria. The controversy these CBN's policies have generated cannot be separated from the perceived contribution of POS merchants to the money market as well as the growth of the Nigerian economy. There is also an argument from those, especially security experts, who submit that POS merchants have become a source of security threats as criminals have infiltrated their ranks. Both arguments are right in their own reason, but literature examining the impact of CBN's cash withdrawal limit and currency redesign on the operation of POS merchants is scanty. Understanding the impact of CBN's policies is important because it will offer empirical evidence that will not only influence scholarly debate but it could as well inform

policies and programmes on how to regulate the activities of POS merchants in Nigeria effectively. This is the problem as well as the motivation for this study.

Objectives of the study

This study will pursue the following objectives:

1. To determine the contribution of POS business on the earnings of operators in Enugu State.
2. To ascertain the influence of the length of POS operation on the earnings of operators in Enugu State.
3. To ascertain the impact of CBN's cash withdrawal limit and currency redesign monetary policies on the operations of POS operators in Enugu State.

Literature review

Impact of new technologies on the banking sector

Information and communication technologies have had a significant impact on the banking sector in Nigeria, just like any other part of the world. Before the emergence of information and communication devices, banking transactions were strictly done within the banking hall and customers could only get bank services in the banking hall. However, in contemporary society, bank customers are able to get bank services outside of the banking hall. According to Wisdom (2012) ICTs have changed the face of banking and sector completely and customers have new expectations from banks regarding how they want to access banking services. Loonam and O'Loughlin, (2008) corroborate that as a result of the introduction of new technologies in banking, customers have changed their preference in favour of virtual banking.

There are several new technology devices that have been used in the banking sector. Among them is mobile banking which allows bank customers to access banking services with the use of their mobile phones. With the use of mobile phones, customers are able to use mobile applications to carry out bank transactions. Customers are also able to use their mobile phones and use unstructured supplementary service data (USSD) codes to check their account balances, buy data, make transfers, and subscribe for their cable television among other services. These are services that were hitherto done only in the banking halls. Nyamtiga et al. (2013) did a study to determine the effectiveness of mobile banking through mobile applications and USSD platforms. The researchers conducted the study in Tanzania and collected data with the use of a structured questionnaire. The researchers found that bank customers make use of mobile banking for efficiency in banking services.

Another banking format that is now commonplace is Internet banking. As a mediated banking service, Internet banking is the online carrying out of banking transactions through online platforms with the use of a personal computer (PC). With the use of PCs, customers are able to carry out transactions and engage in other banking services. Srivastava (2007) conducted a study in India to determine the use of Internet banking among bank customers in India. The researcher used a descriptive survey design and sampled 500 respondents. The researcher found that Internet banking has become a popular platform for banking transactions. Abubakar et al. (2012) did a study and concluded that new technologies have changed the face of banking significantly.

Monetary policies and economic growth

Monetary policy can be defined as strategies and guidelines utilized by the central bank of a country to control money supply and stimulate economic growth. In every country, there is a central bank whose responsibility is to make good policies related to money with the aim of ensuring economic prosperity. Folawewo and Osinubi (2006) say that monetary policy aims to regulate value, cost of money economy, and supply. The aim is to stabilize price, achieve payment equilibrium, promote growth and attain growth in employment. The current withdrawal limits and the currency redesign policies of the Central Bank of Nigeria are part of the Bank's statutory efforts at propelling economic growth.

Monetary policies have a significant impact on the economic development of countries. Fasanya et al. (2013) did a study to determine the impact of monetary policy on the economic development of Nigeria. The researcher utilised time-series data from 1975 to 2010 and found that there is a long-term relationship between monetary policy and economic development. The researchers further revealed that the rate of inflation, external reserves and exchange rate are essential monetary policy tools that can be applied to propel development in a country. This study is related to the current one because it examined the centrality of monetary policy. However, the researchers did not link it to how specific monetary policies impact aspects of economic growth. For example, the effective functioning of POS merchants can contribute significantly to economic development.

Twinoburyo et al. (2018) conducted a study to examine the relationship between monetary policy and economic development. The researchers survey existing literature with a focus on both theoretical and empirical literature. The researchers found that monetary policy plays a huge role in promoting economic growth, especially in developed countries where the central banks enjoy independence. However, the researchers found that such a relationship is weaker in less developed countries largely because central banks in less developed countries do not enjoy autonomy as with the case with economically advanced countries. The result of this study is relevant to the current study because it highlights the centrality of monetary policies to economic growth.

Onyeiwu (2012) did a study to examine the impact of monetary policy on economic development in Nigeria. The researcher used the Ordinary Least Squares Method and analysed data from 1981 to 2008. The result of the study revealed that monetary policy presented by monetary experts positively impacts GDP growth as well as a balanced payment. However, it negatively impacts inflation rate. Although the researcher has shown the relevance of monetary policy on economic growth, the researcher was silent on how this affects the masses who may not undertint high-sounding economic terms. Abata et al. (2012) in a study also conclude that monetary policy has a significant impact on economic development. Adeoye (2006) says that the debate on the relationship between monetary policy and economic development is inconclusive; hence more and more studies are needed to understand how monetary policies impact economic development. In this study, the monetary policies that were examined were CBN cash withdrawal limits and currency redesigning policies of the apex bank. The researcher examined these policies on the effective operations of POS operators whose roles are critical for economic development in the 21st-century society.

Theoretical framework

The theory that was used in this study was the classical monetary theory. The theory was suggested by Keynes in 1936 to explain the relationship between monetary policy and economic variables. The classical monetary theory is based on the foundation of the Fisher equation, which has elements such as money supply, the velocity of money, average price level and volume of transactions in an economy. Therefore, the classical monetary theory states that money supply in an economy will significantly impact the velocity of money (the rate at which money changes hands in an economy), and this will, in turn, affect the average price level and, eventually, the volume of transactions in an economy. Researchers (Gali, 2008; Mankiw & Taylor, 2007) argue that this theory offers an important framework for understanding the impact of monetary policy on economic development by offering specific ways by which monetary policy drives economic growth. For example, Mohamed (2020) conducted a study in Sudan to determine the impact of the velocity of money on economic growth and found that the velocity of money is affected by monetary policy. The result also showed that the velocity of money significantly affect trading and other business activities. Therefore, the classical theory of monetary policy was used in this study because it offers a framework for understanding the impact of CBN's monetary policies on cash withdrawal and currency redesigning on the operations of POS merchants.

Methodology

The methodology in this study was implemented under the following sub-headings:

Design: The researcher used a descriptive survey to conduct this study. The choice of a descriptive survey is because it enables a researcher to describe, explain or explore an issue. Therefore, hence the aim of this study is to understand the impact of CBN's cash withdrawal and currency redesign policies on POS operators, the descriptive survey was regarded most suitable and was used.

Population: The target population of this study was all the operators of POS in Enugu State. Unfortunately, there is no exact number of POS operators in Nigeria.

Sample size: The sample size of this study was 330 POS merchants who were selected after a *priori* power analysis had been conducted using the G*power programme. The researcher set the parameters thus: effect size 0.19; power $(1 - \beta)$ at 0.95 and $\alpha = .05$. The result showed that a sample size of 330 was needed to detect statistical differences at a .05 level of confidence. Figure 1 below illustrates our results.

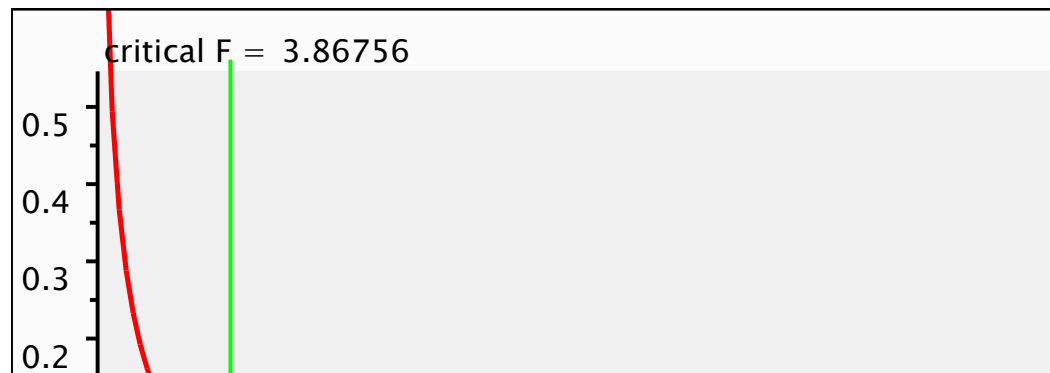


Figure 1 Result of the power analysis

The researcher used respondent-driven sampling (RDS) chain referrals as a sampling technique in this study. RDS starts with the identification of earlier potential participants who subsequently suggest other potential participants. The earlier POS merchants were contacted randomly and requested to suggest others. The process continued until all the participants were selected.

Instrument for data collection

The researcher used a structured questionnaire to collect data for this study. The researcher considered the questionnaire because of its capacity to generate a large volume of data. The questionnaire had two segments named A and B. Segment A collected bio-data while segment B collected psychographic data. Three measurement and evaluation experts from the University of Nigeria validated the instrument. The researcher conducted a pilot study involving 40 participants who were not be a part of the real study to determine the reliability of the instrument. The result showed an overall Cronbach Alpha score of .74, meaning that the instrument was reliable.

Data Collection/Analysis

The researcher collected data in this study by sorting out the responses from the questionnaire and writing same down for analysis. In the analysis of the result of the study, the researcher made use of percentages, and regression analysis. The results were presented in tables and charts.

Results

Out of the desired sample size of 330 participants, only 306 copies of the questionnaire were filed and returned. This means that the return rate in this study was 93%. The sample was 54% males and 46% females. The age range of the participants was 22 years. Regarding educational level, the majority (55%) had secondary education.

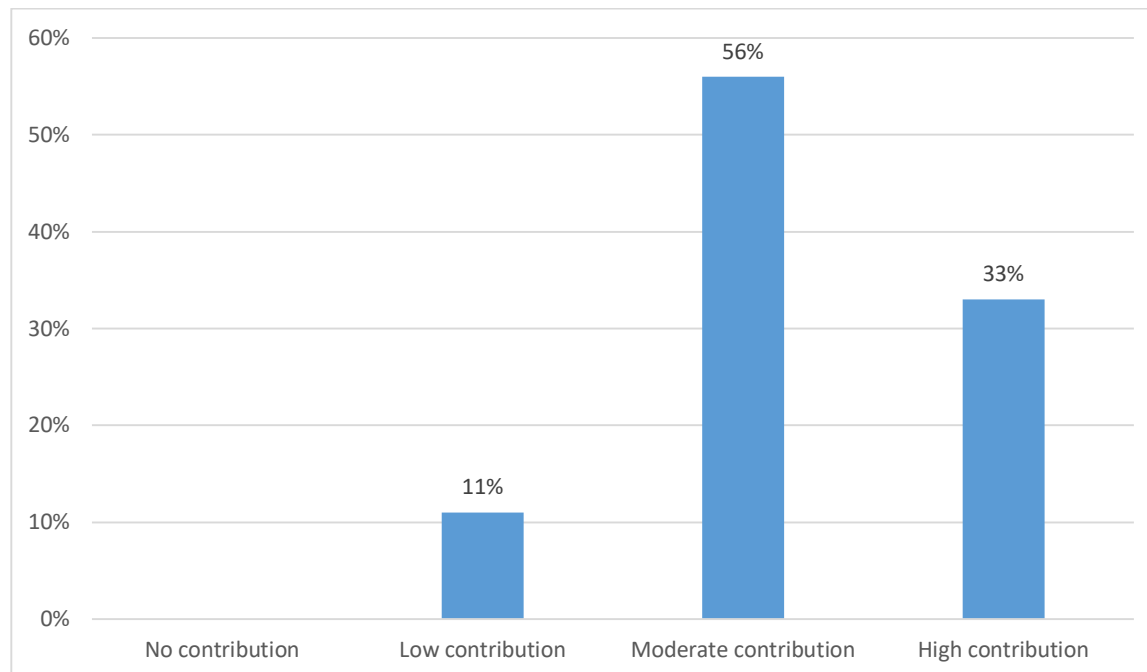


Figure 1: Contribution of POS to the earners of youth

In Figure 1, the researcher determined the contribution of POS to the earnings of the POS operators sampled. The result of the study revealed that the majority of the operators indicated that POS

business has contributed moderately to their earnings. The implication is that POS business plays a role in improving the income of the youth involved. It is essential to note here that none of the participants indicated that POS has not contributed to their income. The researchers further conducted a multiple regression analysis to determine the contributing role of duration of POS operation on the income of the participants and the results is presented in Table 1.

Table 1: Regression analysis of the predictive power of duration of POS operation on earnings

Duration	Constant	β value	R square	F. value	P. value
Below a year	2.203	.182	.315	42.521	.06
1-2 years		.251			.001
Above 2 years		.417			.001

Table 1 was computed to determine the predictive power of duration of POS operation like below a year, 1-2 years and above two years on the income of the respondents examined. The result of the study revealed our model contributes 31.5% in explaining changes in earnings from POS business, $R^2=.315$, $p=0.001$, $F(2,110)$ 42.521. It is essential to add here that although on the combined analysis, duration achieved statistical significance. However, individually, those with less than one year duration did not achieve a statistical significance regarding the contribution of POS on their income. The researcher also inspected the individual contribution of the three durations and it was found that POS operators who have been in business for more than two years reported more positive impact on their earnings followed by those who have spent between 1 to 2 years.

Table 2: Regression analysis of the predictive power of cash withdrawal limits and currency redesign on POS operations

Duration	Constant	β value	R square	F. value	P. value
Cash withdrawal limit	3.201	.282	.45.2	40.520	.04
Currency redesign		.581			.002

Table 2 determined the predictive power of two CBN's monetary policies on the operations of POS operators in Enugu State. The policies were cash withdrawal limit and currency redesign. The result of the study revealed that the two monetary policies contributed 45.2% in explaining changes in operations of POS in Enugu State, $R^2=.452$, $p=0.001$, $F(3,210)$ 40.520. Both policies cumulatively and individually achieved statistical significance. Comparatively, currency redesign impacted more on the operation of POS merchants.

Discussion of findings

In this study, the researcher examined the impact of the Central Bank of Nigeria's cash withdrawal limits and currency redesign monetary policies on the operation of Point of Sale (POS) operators in Enugu State. The researcher also determined the contribution of POS business on the earnings of youth in Enugu State. The result of the study revealed that POS business contributes in improving the income of youth in Enugu State. However, a longer duration in the business was found to be an essential contributing factor in improving the income of youth within the study area. This study has extended previous studies (Ardakani et al., 2015; Okeke et al. 2017) in two ways. First, it has shown that involvement in POS operations contributes in improving the earnings of youth. This aspect has not been sufficiently explored in the literature related to POS operations, especially in less developed countries like Nigeria. Secondly, the study has shown that the longer youth stay in the POS business, the more they make profits and improve their lives. Previous studies (Abubakar et al., 2012; Nyamtiga et al., 2013) paid more attention to the use of POS for banking transactions with less attention to how POS assist its operators in improving their standard of living.

Another aspect of the current study that is worth highlighting is the impact of CBN's monetary policies on the operations of POS operators within the study area. The participants reported that although both policies significantly impact their operations, the currency redesign impacted more on their operations. This study has extended previous studies (Fasanya et al., 2013; Twinoburyo et al., 2018) that have shown that there is a significant relationship between monetary policy and economic growth. This is because, in the current study, the researcher did not just examine the contributing role of monetary policy on economic growth but examined two specific monetary policies and associated it with economic activities such as POS operation. This extension has offered greater insights regarding the association between monetary policy and economic growth.

The result of this study has implications for the classical theory of monetary policy by showing that there is an association between monetary policy and economic activities. The information provided in this study has offered fresh perspectives on how CBN's policies impact economic activities. This study has made theoretical, practical and scholarly contributions. Theoretically, the study has contributed to our understanding of the classical theory of monetary policy by showing the link between monetary policy and economic activities with particular reference to two monetary policies in a developing economy. In practical terms, the study has provided empirical evidence that could guide future policy planning and implementation in the banking sector. Finally, the current study has enriched debates on the impact of monetary policy on economic development.

Conclusion/Recommendations

Based on the results of this study, the researcher concludes that POS operation significantly contributes to the earnings of POS operators in Enugu State. The researcher also concludes that such impact on earnings is dependent on the length of time spent in the business. Another conclusion of this study is that CBN's cash withdrawal and currency redesign policies impact on the operations of POS in Enugu State. Despite the contribution of the study, it has some limitations. One of the study's limitations is that it was impossible to get the exact number of POS operators in Enugu State. Another limitation of this study is that the researcher examined only POS

operators. There are other business owners that could be affected by CBN's monetary policy and such categories of people like artisan, small business holders and other corporate bodies also deserve attention in the literature. The researcher makes the following recommendations: First, CBN should consult widely and carry POS operators along in planning and implementing monetary policies. Also, sufficient awareness and time should be allowed before the implementation of new monetary policies. This is important because of POS operators' critical roles in the 21st century economy. In the third place, further studies should be conducted involving other categories of people to understand the impact of CBN monetary policy on their operators.

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