



# STRAPPED

IMPACT OF THE CASH SCARCITY ON  
INDIVIDUALS AND BUSINESSES

MAY 2023



STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

## Disclaimer

The data in this report is only up-to-date as of Thursday, 6 April 2023. Some of it is subject to change during the natural course of events. SB Morgen cannot accept liability for any errors or omissions that may follow such events that may invalidate data contained herein.

Our researchers employed one-on-one interviews, desk research and polling to collate the available data. Our editors sifted through the data and prepared the report, using various proprietary tools to fact-check and copy-edit the information gathered.

Our publicly released reports are formatted for easy and quick reading and may not necessarily contain all the data that SB Morgen gathered during a given survey. Complete datasets can be made available on request.

All forecasts were built using data from a variety of sources. A baseline of accurate and comprehensive historical data is collected from respondents and publicly-available information, including regulators, trade associations, research partners, newspapers and government agencies.



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## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

In the last quarter of 2022, Nigeria was rocked by a cash change policy announced by the Central Bank of Nigeria Governor, Godwin Emefiele. The CBN planned to replace the country's high-denomination banknotes within six weeks, a move that faced challenges given a multitude of factors including upcoming elections, and the country's own derelict infrastructure.

As was expected, the move had a severe impact on the country, especially in rural areas, where poor road networks and limited internet access hindered banking services. The use of USSD and 2G networks was hampered by their poor delivery. PoS operators in IDP camps and agrarian communities faced cash shortages, limiting their ability to serve customers.

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Agriculture suffered from depressed spending, and farmers ended up resorting to trade by barter



## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

The agriculture sector, which contributes significantly to the economy, suffered from depressed spending, affecting farmers' ability to pay for labour and resulting in reduced production. The cash shortage also affected trade volumes, as many transactions in rural areas, and in the country's informal sector are cash-based. Traders resorted to various coping mechanisms, such as reducing product values, offering discounts for cash payments, and bartering goods.

The lasting damage from the cash shortage was assessed in a study carried out by SBM Intelligence across the country. Our findings show that transportation and feeding became more difficult due to the cash squeeze, as transportation workers had to use PoS machines to ease payment for their passengers. Food sellers reduced prices and battered their goods to obtain other essentials. Across the board, all households were affected by the naira phase-out. Although it was difficult to find cash during the crunch, a combination of bank queues and PoS operators usually yielded just enough to last a few days with reduced expenditures.

Nevertheless, many interviewees said they would continue to trust the banks with their funds. The businesses we interviewed were significantly impacted by the cash crunch, as some had to lay off staff or



## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

reduce working hours.

Sadly, the policy failed to achieve its intended outcome. The new printed notes were not enough to cover for the old notes. Instead, the price of the naira at PoS points has increased as Nigerians often paid up to a 30% premium to access cash.

It has become clear to many Nigerians that the CBN perhaps has capacity challenges. However, if internet connections were more dependable, more people would have utilised them frequently, and the policy would not have been detrimental to individuals in the formal sector. Therefore, we suggest the CBN should rethink its policy and set the goals of its cashless initiative in line with internet penetration.



STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

## Introduction

On 26 October 2022, Central Bank Governor, Godwin Emefiele, announced an ambitious plan to mop up cash from the Nigerian economy by giving Nigerians six weeks to replace the three highest denominations of old notes (₦200, ₦500 and ₦1,000) with new ones. Those weeks were to span from 15 December 2022 to 31 January 2023.

The Central Bank of Nigeria (CBN) said it designed the policy to “check counterfeiting, strengthen the economy, reduce the expenditure on cash management, promote financial inclusion, and enhance the CBN’s visibility of money supply.” At that briefing, the CBN governor said the naira redesign would reduce the large volume of money outside bank vaults, drying up the means to pay ransoms to kidnapers<sup>1</sup>. At the time of announcing the policy, ₦3.23 trillion was in circulation. Of that sum, only ₦500 billion, or 15% was in bank vaults; the rest were in houses, pockets, and bags.

Since that announcement was made, the figures have been reversed. As of January 2023, data from the CBN’s website shows

<sup>1</sup>[Citing Excessive Cash Hoarding, Counterfeiting, Prevailing Security Situation, CBN to Release Redesigned Naira Notes – ThisDay](#)



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The cash policy ended up inverting the proportion of cash in circulation, leaving Nigerians to deal with the black market in order to access naira notes.

₦2.04 trillion of cash outside banks have been mopped up<sup>2</sup>. Within and outside Deposit Money Banks (DMBs), ₦1.91 trillion has been wiped out, effectively leaving Nigerians dealing in the black market to access naira notes. Just ₦788.91 billion in cash was outside banks at the end of January, out of ₦2.84 trillion at the end of October 2022.

A week before the 31 January 2023 deadline, the CBN dispersed 30,000 super agents and senior officials to rural areas to swap ₦10,000 in old cash with new ones<sup>3</sup>, recording deposits above the cash ceiling in e-wallets and newly opened bank accounts. Unsat-

<sup>2</sup>Central Bank of Nigeria: Money and Credit Statistics

<sup>3</sup>Naira redesign: CBN announces cash swap across 774 LGAs - Daily Post Nigeria



## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

ified with the implementation of the policy, state governments took the federal government to the Supreme Court, demanding a stay of execution<sup>4</sup>. On 2 February 2023, the highest court gave an ex-parte order, which lapsed after seven days. On the seventh day, President Buhari said old ₦200 notes should be allowed to circulate until April<sup>5</sup>, but his comments did not relieve those in rural areas who could not access cash.

On 3 March 2023, after the presidential election, the Supreme Court ruled that old naira notes should remain in circulation till the end of the year.<sup>6</sup> Consequently, the amount of money outside banks has steadily increased by 82.46%, from ₦792.18 billion to ₦1.44 trillion between January and March.

<sup>4</sup>[Naira redesign: 10 states to file contempt charges against FG, CBN over non-compliance - The Cable](#)

<sup>5</sup>[Buhari Directs CBN to Release Old N200 Note into Circulation Till April 10 – ThisDay](#)

<sup>6</sup>[Nigeria central bank says old naira notes still legal tender | Reuters](#)





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## Living Cashless

The cashless period took a toll on Nigerians, disproportionately affecting persons in rural areas. The bad road networks isolated them from towns with bank branches, and a broadband penetration rate of 48.20%<sup>7</sup> made Internet banking difficult. The CBN's push for these communities to use Unstructured Supplementary Service Data (USSD) and other 2G network services was hampered by the poor state of this class of service delivery. Several reports indicate that Point-of-Sale (POS) operators in Internally Displaced Persons (IDP) camps and agrarian communities could not access enough cash for customers who see them as their sole banking option<sup>8</sup>. Some said they could only access ₦5,000 (\$6.67) daily at banks, forcing them to pack their POS machines.

Based on the 2022 GDP reading<sup>9</sup>, a quarter of Nigeria's economy is domiciled in the agriculture sector, so depressed spending in rural areas has a blanket effect on the entire economy. In the last year, this sector contributed 25.58% to the Nigerian economy, chiefly from crop production. The labour needed to plant and harvest those crops are seasonal rural workers paid in cash. Due to devastating floods

<sup>7</sup>[CJ Industry Statistics - NCC](#)

<sup>8</sup>[Anger spreads as CBN-induced cash crunch bites rural communities | Dataphyte](#)

<sup>9</sup>[Nigerian Gross Domestic Product Report \(Q4 2022\) - NBS Nigeria](#)



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and the cancellation of the Anchor Borrower Programme, farmers are now contending with the turmoil of how to pay for labour during the planting season, which ends in May. Media reports have claimed that cocoa growers found it tough to pay their labourers.

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In February, Nigerian manufacturers said that the cash scarcity induced by the naira redesign policy could wipe out a quarter of the rural economy

Since one-quarter of the activities contributing to the size of the economy are in rural areas, much of the Nigerian trade volume—largely cash-based—also takes place in these places. Last year, 16% of real-term GDP came from trade. With little cash to fuel transactions and high electricity, transportation, and logistical costs, Nigerian manufacturers were forced to produce less and hold a high stock of unsold goods. In February, the head of the Manufacturers Association



of Nigeria, Segun Ajayi-Kadir, said that continued cash scarcity could wipe out 25% of economic activities in the rural sector because the vacuum left by the cash shortage was not filled<sup>10</sup>.

Based on the Enhancing Financial Innovation and Access (EFInA) biennial financial inclusion report, there are 106 million Nigerians who are 18 and above as of 2020. About 69.7 million of them, or 65.75%, live in rural areas. Out of this population, only one-third are banked, underscoring the suppressive impact of delimiting cash flow in the economy.

## Coping Cashless

The estimated 70 million Nigerians in rural areas have learnt to be resilient in dealing with insecurity, flooding, and lack of cash. The CBN's ₦10,000 disbursement did nothing to cushion the effect of taking more than ₦1.9 trillion from circulation. In states bordering areas where the French-controlled CFA Franc is used, reports of traders foregoing the naira emerged. Instances of this have been reported in Illela local government of Sokoto State, bordering Niger Republic<sup>11</sup>.

<sup>10</sup>[Manufacturers and Unintended Consequences of a Laudable Monetary Policy – ThisDay](#)

<sup>11</sup>[Traders Reduce Foodstuff Prices In Sokoto, Northwest Nigeria Over Low Patronage Caused By Naira Scarcity | Sahara Reporters](#)



To deal with the scarcity, traders resorted to reducing the value of their produce. Some sellers offered discounts to customers paying with cash<sup>12</sup> whilst hiking the price for those paying with transfers. Livestock sellers, including those who use CFA francs, prefer naira notes to bank transfers. Many subsistence farmers do not have bank accounts, especially those who have not benefited from CBN schemes, so traders who buy from them need to pay with cash. In some states like Benue, traders bartered their goods to meet their needs.<sup>13</sup> Some sellers had to swap their products for reduced value to get much-desired produce in return.

As the country returned to normalcy, SBM Intelligence surveyed individuals and businesses across five of the country's six geopolitical zones to see if there was any lasting damage from the naira redesign policy the Supreme Court defined as breaching the fundamental rights of Nigerians.<sup>14</sup> We did not survey the North-East as our North-East based enumerators were involved in another project.

<sup>12</sup>[Naira Scarcity: Traders Reduce Prices For Cash - The Tide](#)

<sup>13</sup>[Cashless policy: Benue traders resort to trade by barter - Vanguard](#)

<sup>14</sup>[Supreme Court decision on naira redesign policy - Punch](#)

## Reasons for the Study

SBM did a study of individuals and businesses to:

- Examine the effects of cash shortage on local economies in Nigeria, with a focus on the rural areas;
- Assess the coping strategies employed by individuals and businesses in affected areas to carry out their daily activities;
- Evaluate the perception of businesses, small traders, and individuals towards the cash swap policy; and
- Find out the challenges faced by businesses, small traders, and individuals in accessing financial services.

### Methodology of the Study

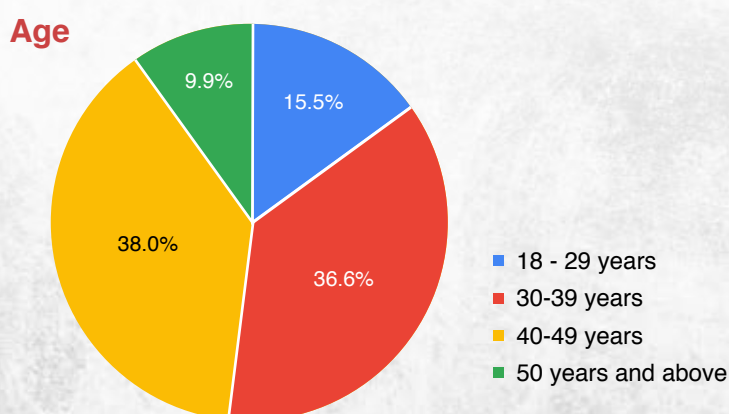
The study used an indicative survey to x-ray the impact of the sudden implementation of the naira redesign policy on the ability of rural households to meet necessary demands. The study received responses from individual respondents, and we also interviewed some small businesses to deduce how they coped with reduced access to cash. The research also used other secondary sources, including the CBN's cash swap circulars, the federal government's cashless policy and financial inclusion strategy policy briefs, and media reports to assess the effects of the policy on individuals and businesses that are largely outside the formal economy.

# Results and findings

## 2.1 Demography

### 2.1.1 Respondents Interviewed by Age

Most of the respondents interviewed for this study (38.03%) fall between the 40-49 age bracket. They are followed by the 30-39 age range, who comprise 36.62% of those surveyed. The age category least represented in the survey is those who are 50 and above, at 9.86%. The youngest age bracket, 18-29, comprises 15.49% of the persons surveyed.



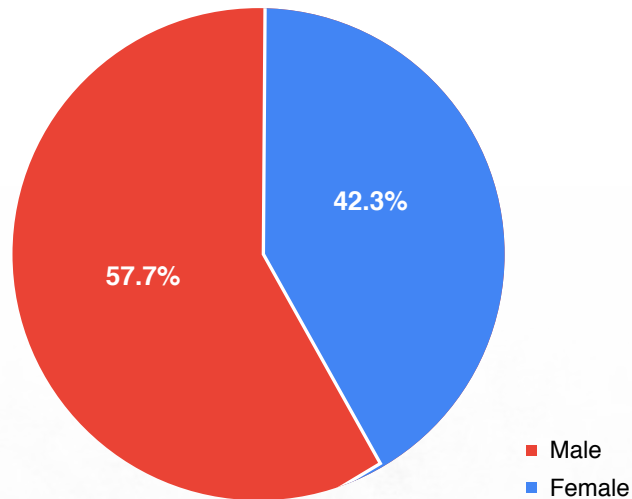
### 2.1.2 Respondents Interviewed By Gender

The percentage of females interviewed for the study is 42.25%. The other 57.75% of respondents identify as male, which is a fair representation of both genders.



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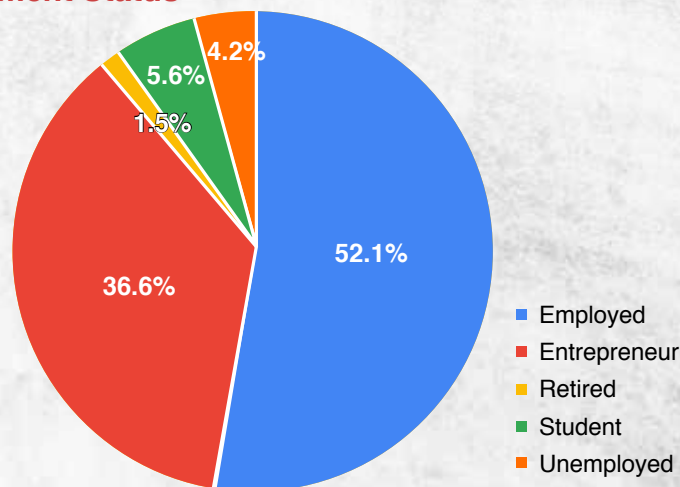
**Gender**



**2.1.3 Respondents Interviewed by Employment Status**

Among the respondents, 52.11% are employed, while those who are entrepreneurs, traders or self-employed are 36.62%. Just one respondent, representing 1.41% of those surveyed, is retired. The student population of the survey is 5.63%, while 4.23% are unemployed.

**Employment Status**



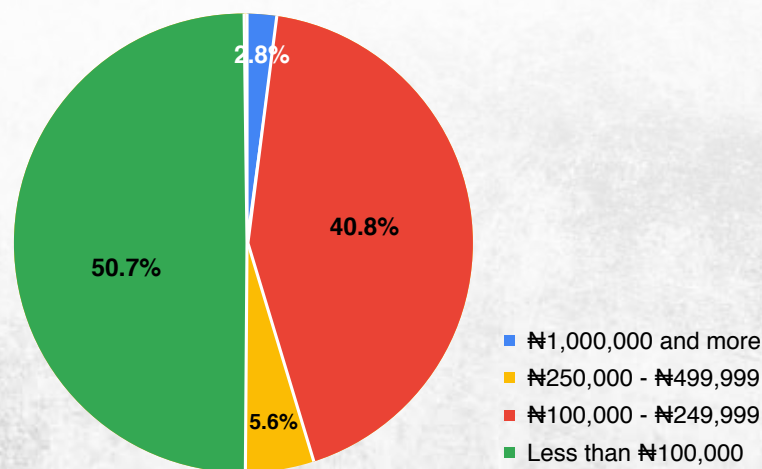


### 2.1.4 Respondents Interviewed by Monthly Income

Half of those interviewed (50.70%) earn less than ₦100,000 monthly, while two of the respondents (2.82%) earn ₦1,000,000 or more. The second-highest category earns between ₦100,000 and ₦249,999, summing up to 40.885%, while those who earn from ₦250,000 to less than ₦500,000 represent 5.63% of the survey.

#### Chart of Respondents by Income

Total Household monthly income



### 2.1.5 Respondents Interviewed by Household

The single-person household is the least represented in the survey, with 7.04%. The four-person household is at the top of the scale, making up 22.54% of respondents. This is followed by the five-person household, which comprises 21.13% of the respondents, closely

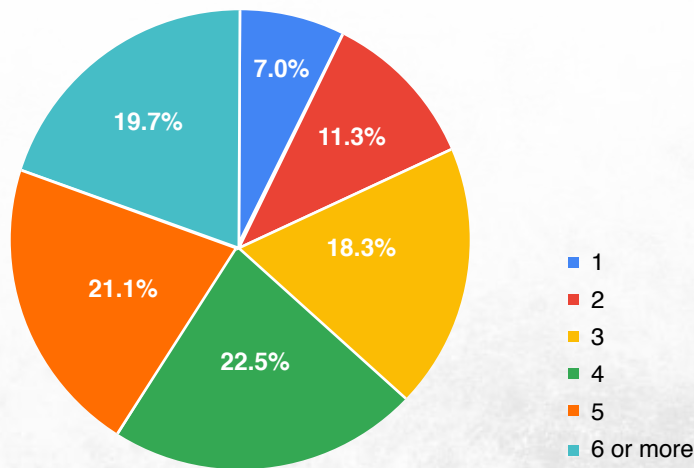




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following the six-person household representing 19.72% of persons interviewed. After this is the household of three, comprising 18.31% of respondents; next is the two-person household, which adds up to 11.27% of interviewees.

**Household size**



**2.2 Impact of the Cash Shortage**

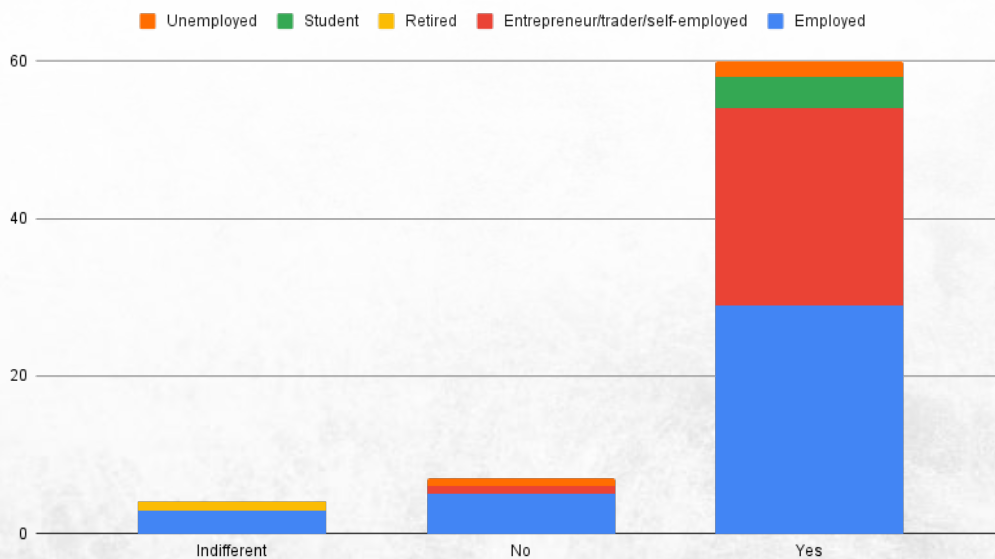
About 84.51% of responses from the interviewees show that the federal government’s induced cash scarcity negatively affected Nigerians. The other respondents, totalling up to 15.49%, either said they were indifferent or not affected. The percentage of those indifferent was 9.86%, while those unaffected was 5.63%.

Many respondents said they found transporting and feeding more difficult due to the cash squeeze. Bus drivers and conductors took PoS



machines onboard to ease payment for their passengers. As mentioned in the introduction, food sellers reduced prices and battered their goods to obtain other essentials.

**Were you impacted by the cash shortage due to the naira design policy (Employment status)**



**2.2.1 Impact of the Cash Shortage by Geopolitical Zone**

Most respondents across the five geopolitical zones surveyed said the cash crunch impacted them.

**North Central**

In North Central Nigeria, 100% of the interviewees said they were affected by cash scarcity. When the CBN started easing the scarcity



## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

between January and March, petty traders could not access their old notes stored in bank vaults, and customers could not pay. They could not sell, restock or feed their families. When Abuja shop owners were not manning their shops, they were stuck in bank queues, hoping to get some cash to pay for necessities. That was pervasive across the North-Central region.

### **North West**

Long bank queues and filling-station lines characterised parts of the North West where we conducted this survey. It is, therefore, unsurprising that 81.82% of people in the North West said they were affected negatively by the policy, while roughly 18.18% were undeterred by the queues. To cope with the shortage, persons in border towns turned to the use of CFA francs, saying they would use that until the naira became more available.

### **South East**

In the South East, where trading is a key source of income, customers and traders were incapacitated by poor network coverage. Since less than 50% of the country is covered by broadband, last-mile internet coverage remains porous. Around 90% of those surveyed in the



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South East said they were affected by the cash crunch, while 10% were indifferent. For instance, traffic in Anambra motor parks was lighter than usual because drivers struggled to access digital payments from passengers.

### **South-South**

The oil-producing region records the lowest number of people affected by the cash shortage, but like other regions, there were complaints of poor network hampering digital payments, bank queues, and patronage. In Cross River, the police force was preemptively deployed to, according to the spokespersons, forestall any problem. In Port Harcourt, hoodlums reportedly set tyres ablaze and robbed people, but the police successfully quelled the riots. All of this had the effect of constraining economic activities.

### **South West**

In this zone, banks were targets of arson, with several reports of attacks on financial institutions emanating from Lagos, Ogun, and Oyo States. More than 94% (94.74%) of our respondents said they were affected, the rest said they were untroubled.



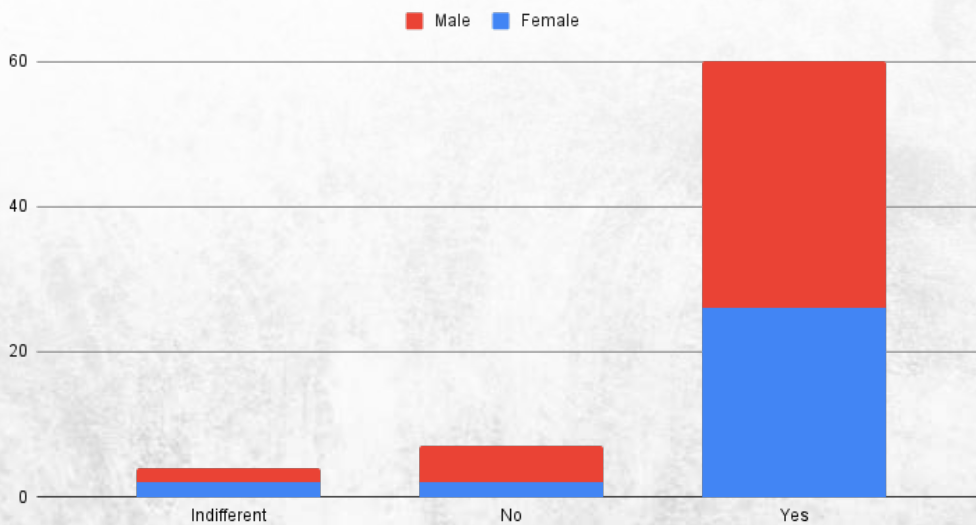
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**2.2.2 Impact of the Cash Shortage by Gender**

Approximately 6.67% of females said they were unaffected by the cash shortage; the same percentage of women were also indifferent to the scarcity, making 13.33%.

For the men, 4.88% said they were indifferent to the outcome of the cash squeeze, while 12.20% said the heightened naira scarcity touched them. Those who said “no” and “indifferent” make up 17.07% of the respondents.

**Were you impacted by the cash shortage due to the naira design policy (Gender)**



**2.2.3 Impact of the Cash Shortage by Age**

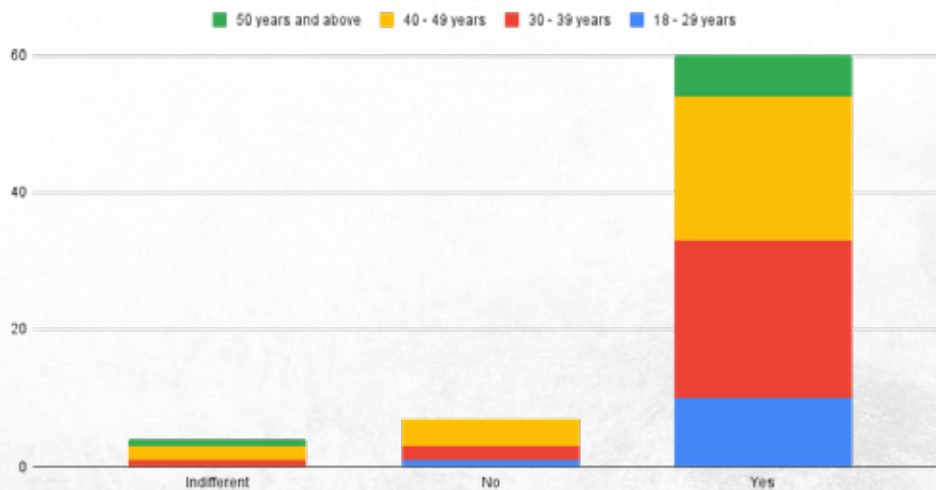
When examined by age, the respondents most affected by the cash squeeze are those aged between 18-29 (90.91%). The least affected age range was those aged 40-49 (77.78%). The highest percentage



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of those who said “no” were aged 40-49 (14.81%). Although it is a single respondent who was indifferent among those aged 50 or older, it is the highest percentage at 14.29%.

**Were you impacted by the cash shortage due to the naira design policy (Age)**



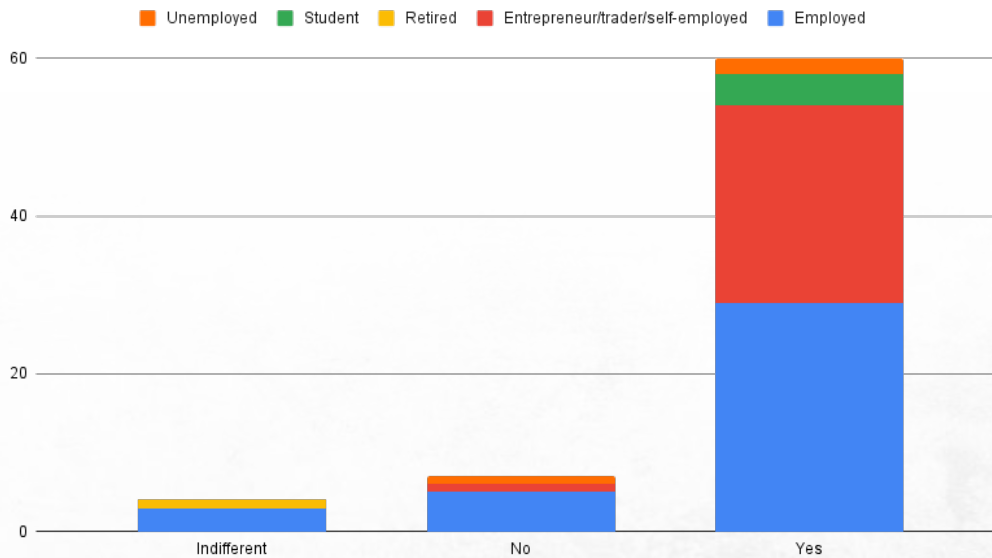
**2.2.4 Cash Shortage Impact by Employment Status**

Those employed were the least affected by the cash shortage (78.38%). Those who were entrepreneurs, traders, or self-employed overwhelmingly reported being affected by the cash crunch at 96.15%. At 13.51%, the employed class topped the percentage of people who said they were unperturbed by the cash squeeze. Two-thirds of the unemployed respondents said they were impacted, while all the students reported being affected.



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**Were you impacted by the cash shortage due to the naira design policy (Employment status)**



**2.2.5 Impact of Cash Shortage by Income**

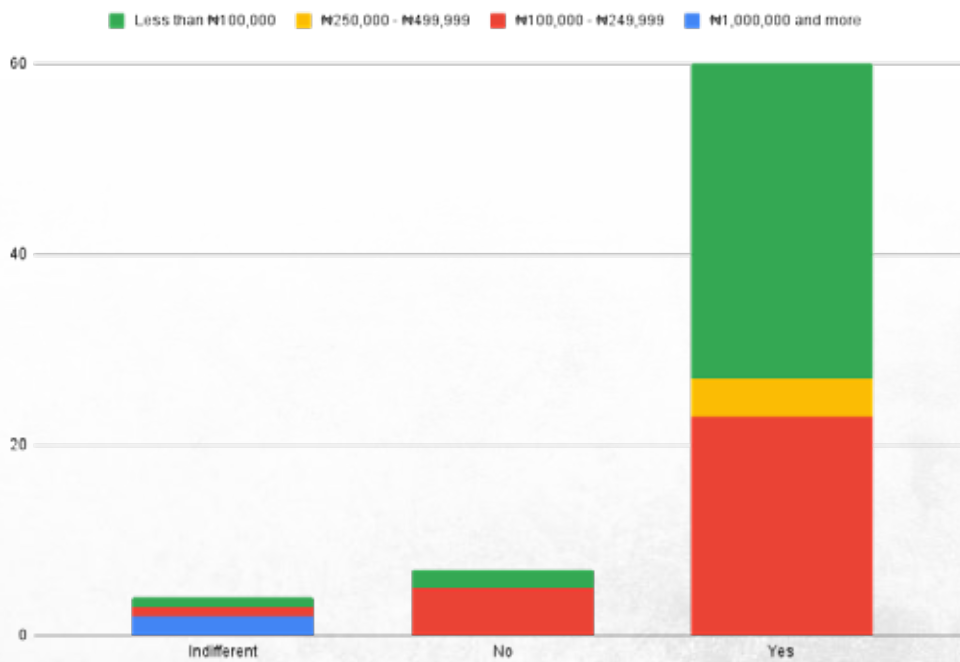
Respondents earning monthly incomes of between ₦250,000 and under ₦500,000, as well as those grossing below ₦100,000, were the most affected by the cash shortage. All the respondents in the former were affected, while the policy hit 91.67% of the latter.

The respondents earning above ₦1 million were indifferent, while 79.31% of persons making below ₦250,000 but above ₦100,000 said they experienced setbacks due to the policy.



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**Were you impacted by the cash shortage due to the naira design policy (Household monthly size income)**



**2.2.6 Impact of the Cash Shortage Based on Household Size**

Across the board, all households were affected by the naira phase-out. However, the least affected, at 71.43%, are respondents who are part of larger-sized households of six or more. The household size with the preponderance of impacted persons (93.75%) are those in four-sized households.





## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

### 2.3 Access to Cash

Although it was difficult to find cash during the crunch, a combination of bank queues and PoS operators usually yielded enough to last a few days. However, this was not the case for 30.99% of the respondents. On the other hand, the percentage of those who could find cash is 69.01%.

#### 2.3.1 Access to Cash by Gender

More female respondents were able to get cash at 76.67%. About 63.41% of the male interviewees were able to access cash, as opposed to 36.59, who could not access it. Of the female respondents, 23.33% said they could not spend the naira.

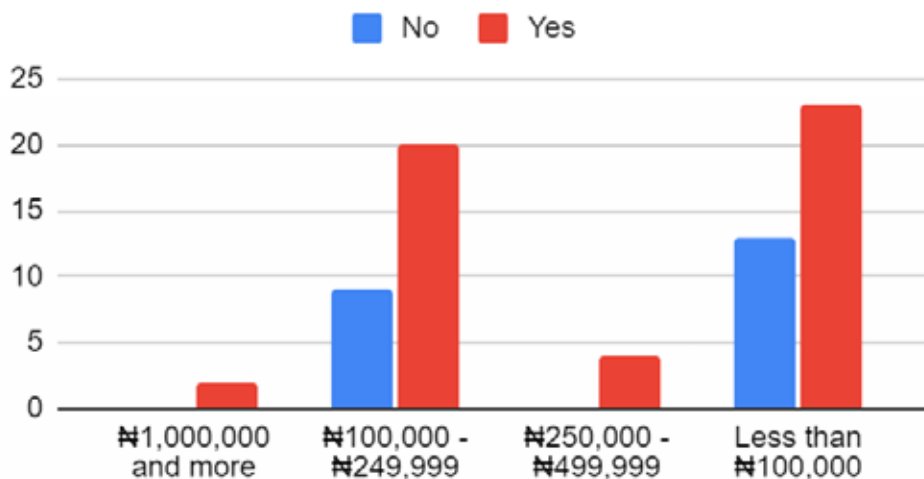
#### 2.3.2 Access to Cash by Monthly Income

Respondents within the income distribution of ₦250,000 and under ₦500,000, as well as those who earned ₦1 million or more, said they could access cash during the crunch. On the other hand, 36.11% of those who earn above ₦100,000 and under ₦250,000 could not access cash. Among those receiving less than ₦100,000, 31.33% said they could not spend the naira in its paper form while it was scarce.



**STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES**

**Were you impacted by the cash shortage due to the naira design policy (Total Household monthly income)**



**2.3.3 Access to Cash by Employment Status**

When ordered by their occupational reality, only the retired category (one respondent) reads 100% for access to cash. The entrepreneur/self-employed/trader, at 76.92%, tops other employment categories for access to cash. About 75% of the student respondents had access to cash, 66.67% of the unemployed interviewees had access, and 62.16% of those employed at the time of the research could find naira notes. With many employees stuck at work, they may have relied more on digital transfers than other categories.



## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

### 2.3.4 Access to Cash by Age

The 18-29 age range was least able to get cash, with 45.45% of them unable to get the physical naira during the federal government's botched currency swap. They were followed by those aged 30-39; 34.62% of them failed to access the naira. Further down the list were those aged 40-49; 25.93% of them could not access the physical naira. Moving linearly, the respondents most able to access the naira were those aged 50 and above. However, reports on social media and the mainstream online media space showed that many older persons, especially those in rural areas, experienced difficulty in accessing the naira while it was scarce. The Nigeria Union of Pensioners penned an open letter in March<sup>15</sup>, lamenting the impact of the cash scarcity on senior citizens. The elderly were too impaired to collect tallies and queue at banks like younger people. However, older people living with their offspring or resourceful persons had access to cash more than much younger persons in queues.

### 2.3.5 Access to Cash by Location

The southeast location of Anambra and one of the south-south locations of Cross River recorded surprising outcomes in the access-to-cash question. 80% of Anambra respondents said they did not have

<sup>15</sup>[Cash crunch: we've been reduced to beggars in our fatherland-pensioners – The Sun Nigeria](#)



## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

access to cash during the scarcity. In Cross River, it was 63.64%. Like other parts of the country, Anambra banks stopped collecting old naira notes and sparingly released the money after the extended deadline of February 10. According to reports, businesses refused to collect old notes from customers because the burden would be on them to deposit those notes with the Central Bank branch in the state.

In South South, 42.86% of respondents could not access naira notes during the scarcity, as opposed to 57.14% who did.

In North Central, 80% of them could access naira notes, even though it came at increased costs. Just as it happened across the country, PoS operators were selling naira to willing buyers as high as a quarter of the value they needed.

In the North West, it was the same outcome. The percentage of respondents who accessed cash was 81.82%, in contrast to 18.18% who did not.

In the South West, 94.74% of respondents had access to cash, as against 5.26% who did not. The use of that cash had to be regulated, though. And that rationed use crippled industries like poultry depen-



## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

dent on constant sales. In mid-March, as the scarcity began to ease up, the Poultry Association of Nigeria issued a press release, saying they had been unable to sell 15 million crates of eggs between the first week of February and the date of the statement.

Emmanuel Ogunnaike, a commercial poultry producer in Oyo State, said that poultry farmers could not buy feed for their birds due to the paucity of naira notes. According to him, eggs have a shelf life of 21 days<sup>16</sup>.

### **2.4 Was the Policy Implemented to Help Nigerians?**

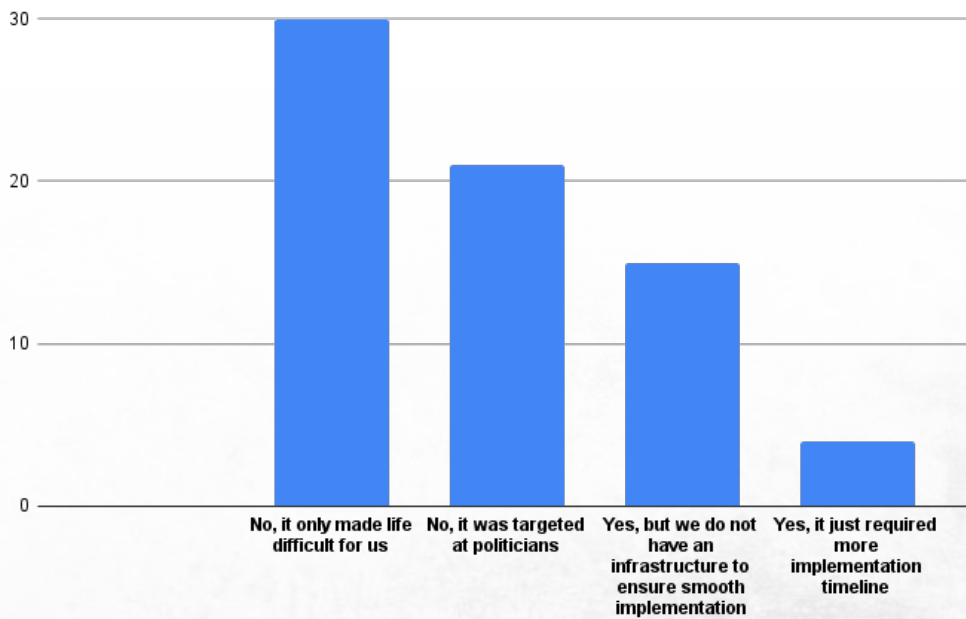
Although 84.51% of Nigerians said the policy affected them negatively, the percentage dropped to 72.86% when asked if the delayed naira swap was done to improve financial inclusion and help Nigerians. About 27.14% of the respondents said they believe the policy was designed for a positive outcome, while 78.95% said there was no infrastructure to execute it properly. The other 21.05% said more time was needed for the implementation.

<sup>16</sup>[Cash crunch: Poultry business under threat, on brink of collapse —Ogunnaike - Tribune](#)



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**Do you think the cashless policy was implemented to improve financial inclusion and help Nigerians?**



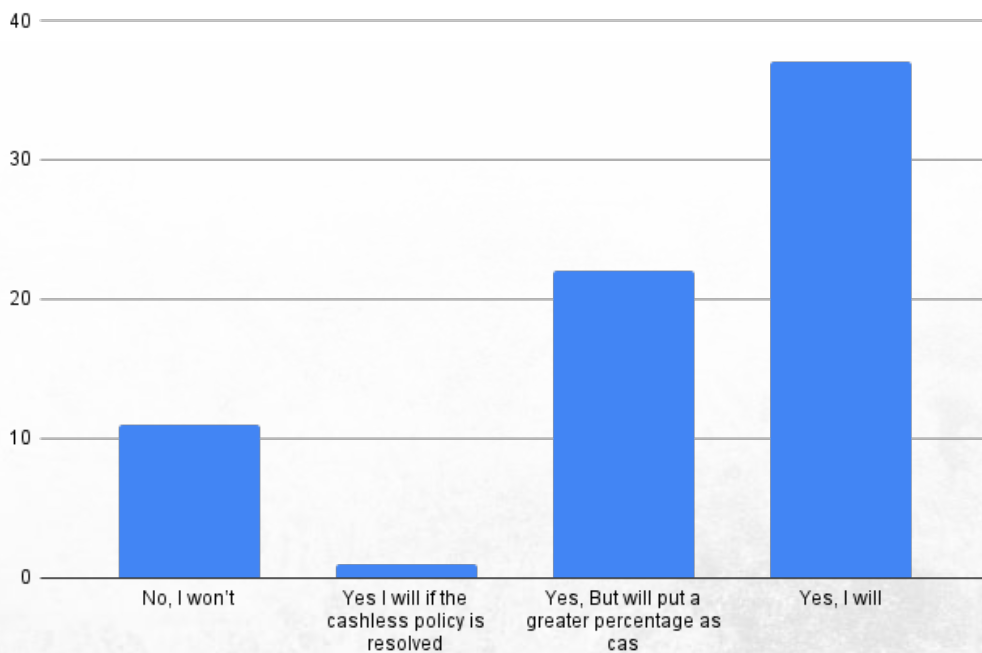
**2.5 Do Nigerians Still Have Confidence in the Banking System?**

Only a small percentage of those interviewed (15.49%) said they would keep their money out of the banking system. The majority (84.51%) said they would continue to trust the bank with their funds. Of the preponderant number, 36.67% said they would domicile a greater portion of their finances outside banks. If a wider survey is done on the country’s banked population, there may be at least a one or two percent drop in those with bank accounts as an outcome of this policy.



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**Following your experience with the cash crunch, will you still put your money in the bank?**



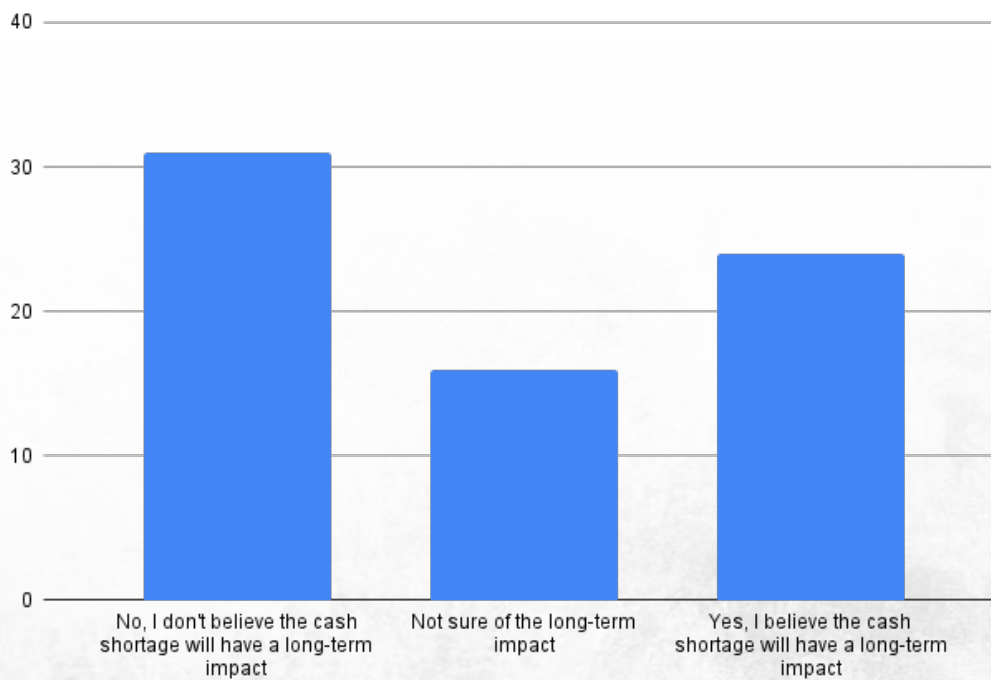
**2.6 Long-term Impact**

Respondents were split about the length of the effect of the cash swap policy. A majority (43.66%) held that the policy's effect would not last long, while 22.54% said they were unsure. A substantial 33.80% were positive that the policy would have a lingering effect on their finances.



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**Do you believe that the cash shortage will have a long-term impact on your earnings?**



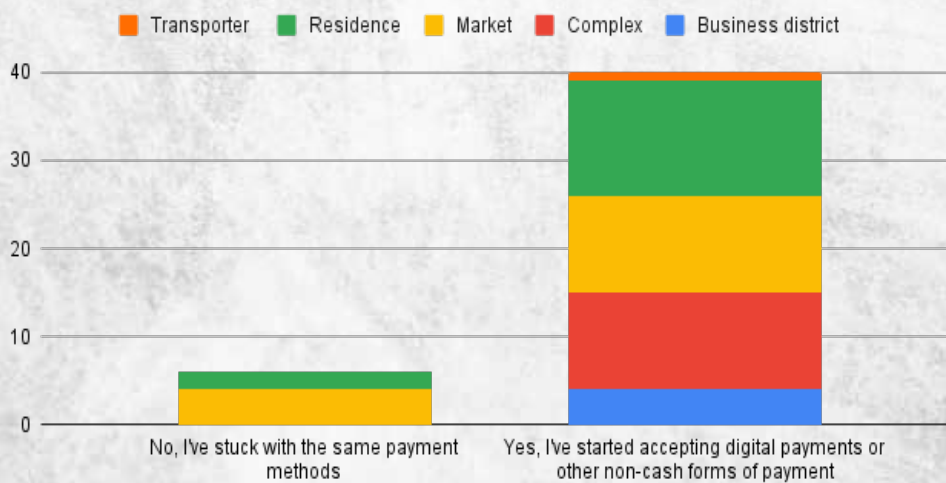




# Impact of the Cash Shortage on Businesses

In addition to speaking with individuals, SBM also engaged 46 businesses across the five geopolitical zones to gauge the impact of the cash shortage on them. From egg producers stuck with their produce to rice traders who had to bring down their prices to make sales, most of the business owners interviewed said they were negatively affected by the cash shortage. The percentage of those who said their enterprise was significantly impacted totalled 76.09%. A further 17.39% said their businesses were somewhat affected. Just about 6.52% said their ventures were not affected at all.

## Have you had to implement new payment methods or strategies to cope with the cash shortage? (Business Environment)



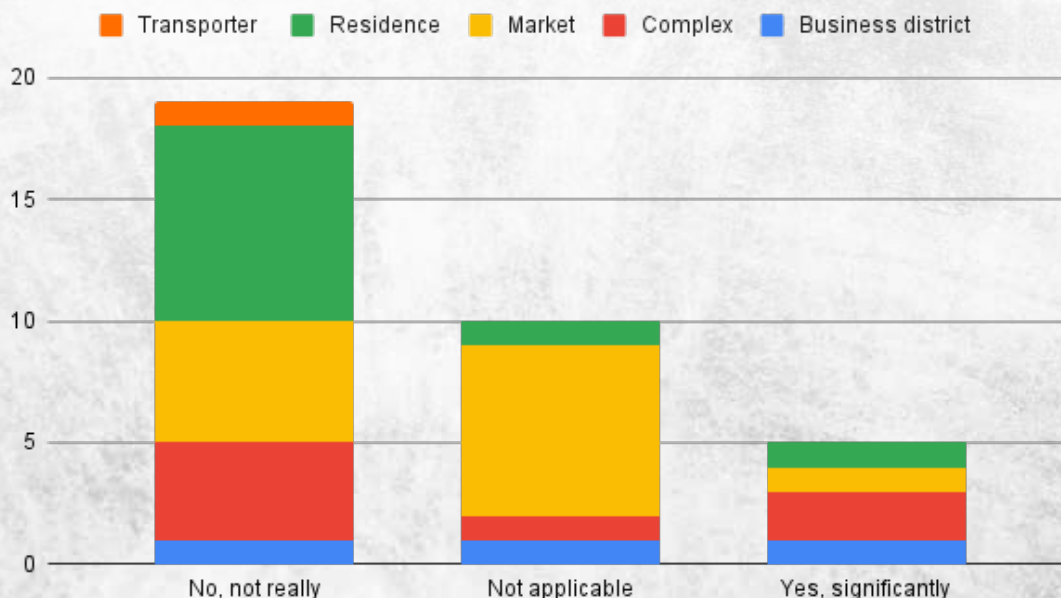


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### 3.1 Need to Lay Off Staff

Out of the 46 businesses interviewed, 36.96% had to lay off staff or reduce working hours to weather the cash shortage. About 41.30% did not have to make such adjustments. However, when you remove those who said those issues did not apply to them, nearly half had to make staff cuts or reduce work hours. About 47.22% had to make staff or work-time changes, while 52.78% were resilient enough to stand the cash shortage without reducing staff strength or opening periods.

**Have you had to lay off employees or reduce working hours due to the cash shortage? (Business Environment)**



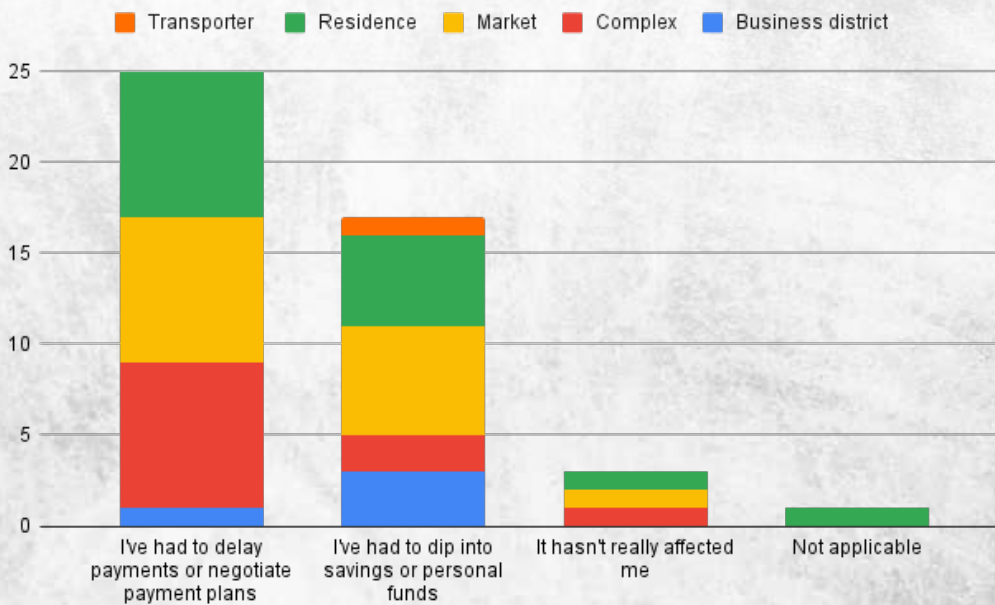


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### 3.2 Ability to Meet Payment Obligations

In February and March, Stanbic Bank’s monthly Manufacturing Purchasers Managers’ Index reached historic lows of 44.7% and 42.3%, respectively. The reductions were down to the inability of businesses to meet new orders and a drop in demand for fresh purchases. This reality was reflected in the experience of business owners SBM spoke with. While 8.70% of enterprises said they were not affected, 91.30% said they had to either renegotiate payments or deep into their savings. About 54.35% said they had to delay or restructure payment plans, while 36.96% said they had to dip into personal funds or egg nests.

**How has the cash shortage affected your ability to pay bills and expenses? (Business environments)**





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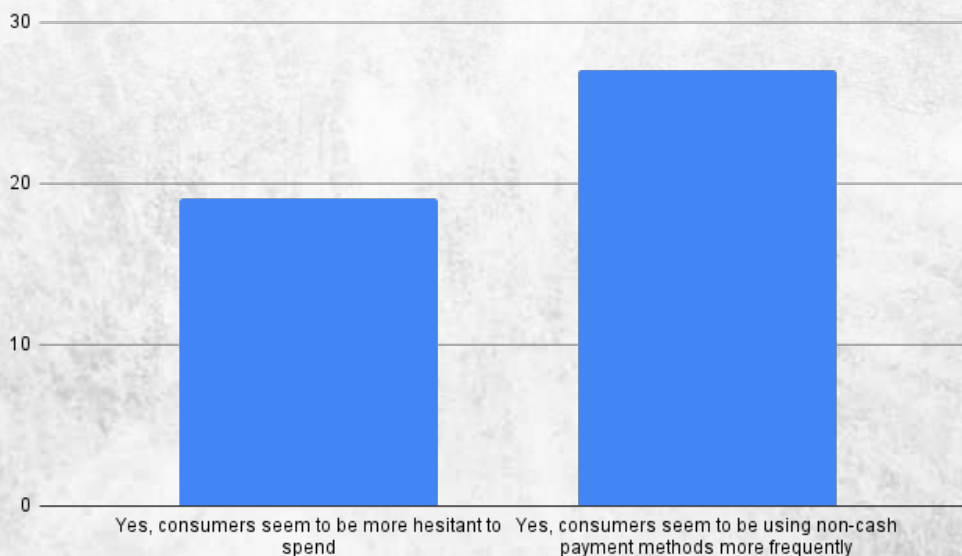
### 3.3 Operational Changes Caused by the Cash Shortage

A forced outcome of the cash shortage was an increased interest in accepting digital forms of payment. An approximated 86.96% of businesses said they had to accept digital payments or other forms of payment due to the naira scarcity. The other 13.04% said they stuck with their existing practice. The businesses were also asked if they have had to reduce prices, to which 39.13% said “yes.”

### 3.4 Changes in the Behaviour of Customers

All the business ventures polled said customers had adapted their purchasing patterns in response to the cash squeeze. Roughly 41.30%

**Have you noticed any changes in consumer behaviour since the cash shortage began?**





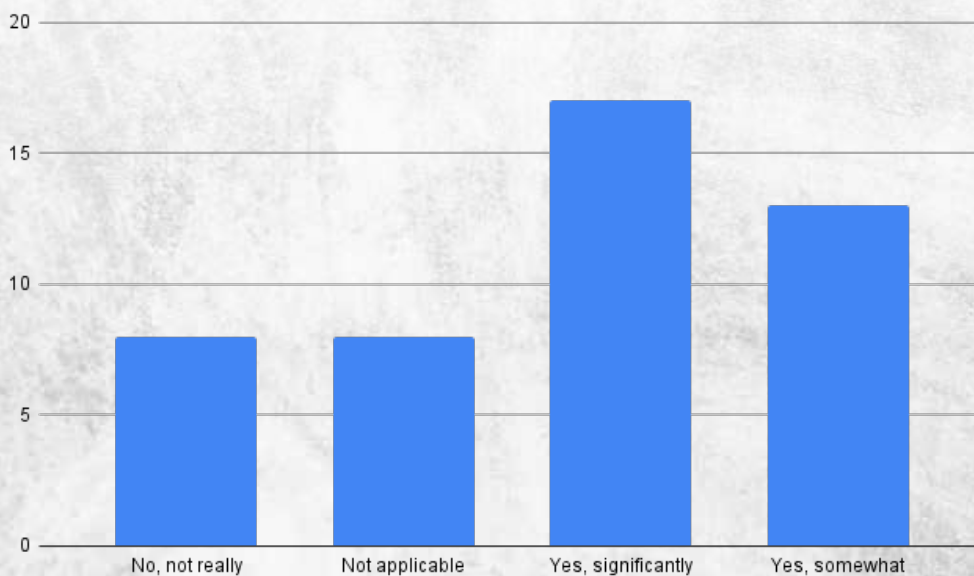
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saw a reduced willingness in buyers to spend, while 58.70% said buyers wanted to use alternative modes of payment other than cash.

### 3.5 Effect on Access to Credit

Between February and Mid-March, most of the businesses interviewed said they experienced increased difficulty in accessing finances. Approximately 17.39% said access to loans and financing was not a problem, but 65.22% said it was. With sales stagnant and the climate unsure, it would have been hard for any business to stake collateral for credit.

**Have you experienced any difficulties accessing loans or financing since the cash shortage began?**



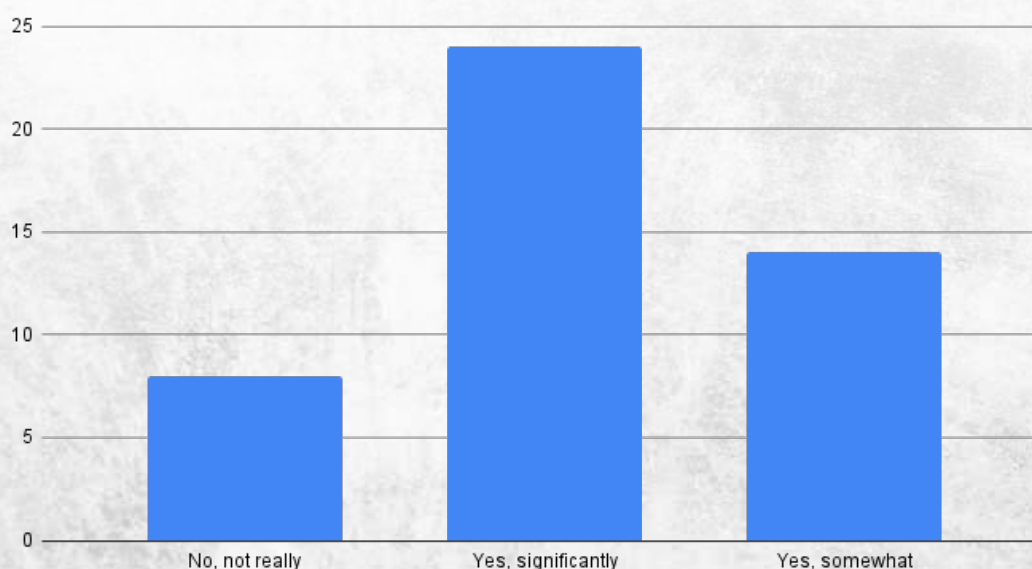


## STRAPPED: IMPACT OF THE CASH SCARCITY ON INDIVIDUALS AND BUSINESSES

### 3.6 Disruption to Supply

Nigeria's informal economy is estimated at 57.7%<sup>17</sup>; just around 45% of the country's adult population is banked<sup>18</sup>. A squeeze on cash availability means disruption to supplies for businesses, especially micro and small ones. It was unsurprising then that 82.61% of the business owners SBM spoke with said they faced disruptions to their supply chain. About 52.17% of them said the impact was significant, while 30.43% said the disruption to their supplies was not so significant.

#### Have you experienced any disruptions to your supply chain due to the cash shortage?



<sup>17</sup>Nigeria's Informal Economy Size - World Economics

<sup>18</sup>Facts behind financial inclusion figures: Nigeria's 2021 indices - Business Day

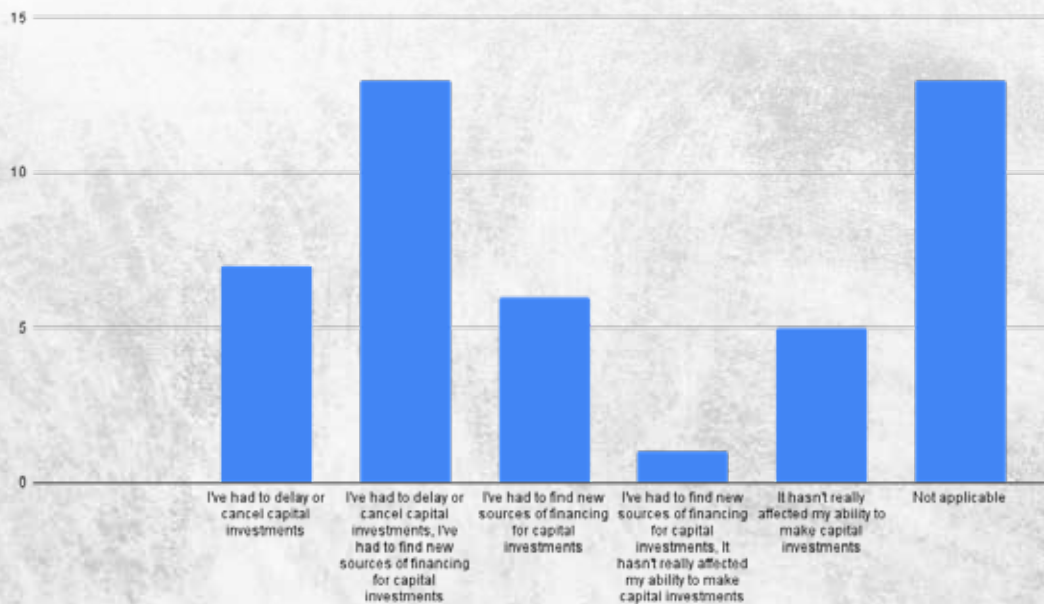


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### 3.7 Capital Investments

Stanbic’s Manufacturing PMI for April, at 53.8%, indicates a return to normalcy for Nigerian businesses. The losses incurred during the cash shortage might never be recovered for small businesses. At least 60% of the businesses SBM interviewed said they lost or had to delay making capital investments for their enterprise. Only 11.11% said they had no problem securing non-operational funds for their ventures.

**How has the cash shortage affected your ability to make capital investment?**

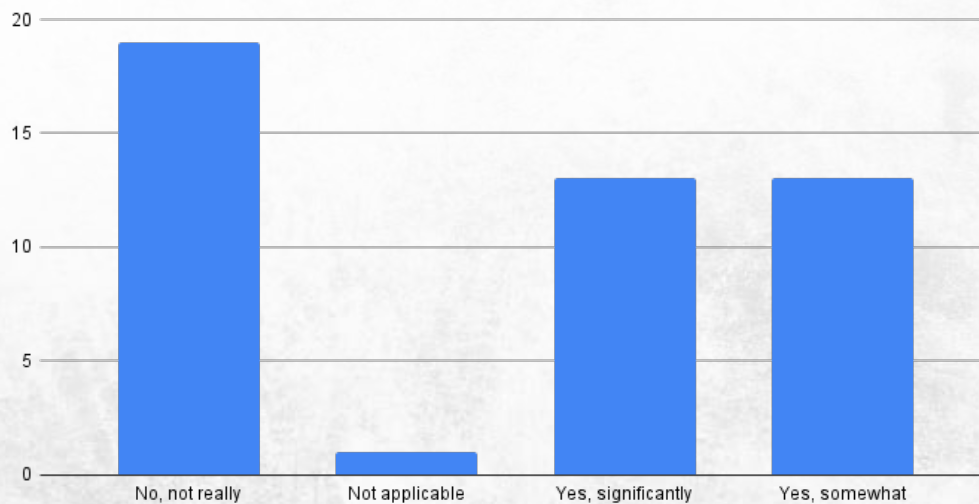




### 3.8 Fraud or Theft Due to the Cash Shortage

It was not only financial institutions that experienced arson and looting during the window of cash scarcity. Roughly 56.52% of businesses interviewed said they experienced fraud or theft due to scarcity. A further 41.30% reported escaping these negative outcomes.

**Have you experienced any increase in fraud or theft since the cash shortage began?**



### 3.9 Will there be a Long-term Impact?

A few of the businesses interviewed (39.13%) feel they are nimble enough to pull themselves out of the mire brought by the cash swap policy. A sizable percentage at 26.09% say they are unsure, while 34.78% say they are certain the impact will linger.





## Conclusion

The CBN's ambitious attempt to introduce new banknotes within a short time devastated businesses and individuals, yet the policy failed to achieve its stated goals of curbing money politics, accelerating electronic payments adoption and putting a floor on inflation. This was reflective not only of the institutional shortcomings of the regulator and the government printing company but also of the fundamental flaw in the design and implementation of the policy.

Struggling to understand the urgency of the policy, many observers gave up on interpreting the CBN's six-week naira redesign scheme as an economic move. They saw it as an effort to curb vote buying. While the success of that ploy is debatable, people projected that politicians hoarded the new cash, and it would be available once the presidential poll was over. This did not happen immediately, even after the Supreme Court ruled against the short-term roll-out of the policy. Two months after the end of the presidential elections, the new currency is barely a speck in the overall currency mix in circulation.

The CBN adopted measures to curtail the impact, including threatening those who sell the naira at absurdly expensive rates with arrest.



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Still, the practice of selling the naira for a minimum of 10% per value of the transaction persisted. In Nigeria, where what goes up never comes down, point-of-sale (PoS) operators now sell ₦5,000 for a minimum of ₦200 (in some states, it was much higher), as opposed to about ₦100 before the induced scarcity.

It has become clear to Nigerians that the CBN mopped up more banknotes than they could cover for. If internet services were reliable, many would have used those more regularly—alongside cash—and the policy would not have hurt those in the formal sector so hard. For the 69.7% of adults living in rural areas, the possibility of using mobile phones to access Unstructured Supplementary Service Data (USSD) channels smoothly could have incentivised them to accept the policy. That still leaves a large demographic gap; according to the development organisation, Enhancing Financial Innovation & Access (EFInA), there are 20 million Nigerians or 19% of adults who did not have a mobile phone as of 2020.

Rather than force-feed Nigerians with a policy, the CBN should have pushed for a reduction in transaction failures and beefed up financial infrastructural integrity whilst taking the lead in engaging with regulators and private sector stakeholders to ramp up broadband penetration.



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The policy the CBN sought to implement was simply too expensive for the economy to bear. According to BusinessDay, Nigerians spend ₦4 billion daily, but the CBN authorised ₦1 billion in new currency disbursements to the banks during the height of the currency scarcity. Between 2016 and 2020, the cost of minting the naira rose 75%, from ₦33.3 billion in 2016 to ₦58.6 billion in 2020. The business daily reported that it will cost ₦77.6 billion to mint the new naira notes and another ₦6 billion to distribute them. Put another way, the bank is unintentionally asphyxiating the economy in order to meet narrowly defined, short-term outcomes. There are more sustainable and less costly approaches that are worth exploring.

A final note should be made about the CBN's cashless policy. A useful shorthand is that its targets should be paired with internet penetration and incentives should be private sector-led rather than forced through regulatory mandates. When transactions can be seamlessly done in rural and peri-urban areas, and mobile money operators can conveniently access enough cash to meet demand, rural residents will more readily take up digital channels. Whether the consuming public continues to grow and maintain their bank deposits at levels seen pre-scarcity will represent the ultimate indication of how much institutional credibility the CBN retains.



## ABOUT SBM

SBM Intelligence is an Africa-focused geopolitical research and strategic communications consulting firm that addresses the critical need for political, social, economic and market data, and big data analytics. We employ various methods of data collection. Our Data Collection Methodology team advises on data collection methods for all ONS social and business surveys. With clients both within the business and the wider government community, we aim to provide expert advice on data collection procedures and carry out research leading to improvements in survey quality.

Since 2013, we have provided data analytics and strategic communication solutions to clients across various sectors in Nigeria, Ghana, the Ivory Coast, Kenya, South Africa, the UK, France and the United States.