International Journal of Interdisciplinary Research in Marketing and Management (IJIRMM)
ISSN: 2994-3175 | Impact Factor: 5.58
Volume. 11, Number 1; January-March, 2024;
Published By: Scientific and Academic Development Institute (SADI)
8933 Willis Ave Los Angeles, California
https://sadijournals.org/index.php/IJIRMM

EFFECT OF EXCHANGE RATE ON PRICING IN BUSINESS OPERATIONS OF SMEs IN ENUGU STATE

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DOI: https://doi.org/10.5281/zenodo.10610922

Abstract: This work is on the effect of exchange rate on pricing in business operations of SMEs in Enugu state. Specifically, the objectives were to determine the effect of base currency on cost-based pricing in business operations and ascertain the effect of counter currency on value-based pricing in business operations of SMEs in Enugu state. The population of the study comprises two hundred and four (204) Manufacturing firms situated in Enugu State Nigeria and are registered under Manufacturing Association of Nigeria, total of seven (7) manufacturing SMEs in the Enugu State were selected. A total number of staffs from the seven selected manufacturing firm is 1360. Linear regression analysis was utilized to test the hypotheses of the study. The statistical tool used for the analysis is the statistical package for social sciences (SPSS) version 26. The findings of the study revealed that base currency does have significant effect on cost-based pricing in business operations of SMEs in Enugu state. counter currency does not have significant effect on value-based pricing in business operations of SMEs in Enugu state. The study concludes that changes in the exchange rate of the base currency can have a direct impact on the cost of inputs for SMEs, which in turn affects their pricing strategies, Value-based pricing is determined by factors such as customer perception, brand image, and competitive positioning, rather than exchange rate fluctuations. The study among other things recommended that SMEs should emphasize the unique value propositions of their offerings, such as quality, features, or customer experience, rather than solely relying on exchange rate fluctuations.

Keywords: Exchange rate, Pricing, Business, Operations, SMEs

Introduction

1.1 Background of the study

Exchange rate is a crucial factor that influences the pricing decisions of businesses, particularly small and medium-sized enterprises (SMEs). Fluctuations in exchange rates can have significant implications for SMEs, affecting their competitiveness, profitability, and overall business operations. The exchange rate refers to the value of one currency in terms of another, and it plays a crucial role in determining the competitiveness and

profitability of businesses engaged in international trade. SMEs are particularly vulnerable to exchange rate fluctuations due to their limited resources and exposure to global markets (Jones, 2019).

Historically, the impact of exchange rates on business operations has been evident. The Bretton Woods system, established after World War II, fixed exchange rates to stabilize international trade and foster economic growth (Frieden & Martin, 2017). However, this system collapsed in the early 1970s due to economic imbalances and speculative attacks on currencies. Since then, most countries have adopted floating exchange rate regimes, where market forces determine currency values (Eichengreen & Wyplosz, 2019).

In the global context, exchange rate fluctuations affect businesses engaged in international trade. When a country's currency depreciates against its trading partners' currencies, its exports become more competitive as they become relatively cheaper. Conversely, imports become more expensive, potentially affecting the cost of raw materials and inputs for SMEs (Goldberg & Knetter, 2017). Exchange rate movements also influence the profitability of multinational corporations (MNCs) by impacting their revenues and costs in different currencies (Buckley et al., 2018).

Nigeria's economy heavily relies on oil exports and is vulnerable to fluctuations in global oil prices. As a result, Nigeria's currency, the Naira (NGN), has experienced significant volatility over the years. Exchange rate fluctuations have had profound effects on Nigerian SMEs. For instance, during periods of currency depreciation, SMEs that rely on imported inputs face increased costs, reducing their competitiveness (Ogunleye & Ogunleye, 2019). Additionally, SMEs engaged in exporting may benefit from a weaker Naira as their products become more affordable in international markets.

Overall, the effect of exchange rate fluctuations on pricing in SMEs' business operations is a complex and multifaceted issue. SMEs need to carefully consider these effects to formulate appropriate pricing strategies that align with their objectives and market conditions. Understanding the impact of exchange rates on pricing decisions is crucial for SMEs to navigate the challenges and opportunities presented by global markets.

1.2 Statement of the Problem

The effect of exchange rate on pricing in the business operations of Small and Medium Enterprises (SMEs) in Enugu State, Nigeria is a critical concern that requires attention. In an ideal situation, SMEs would be able to operate without being significantly affected by fluctuations in exchange rates. However, the reality is that exchange rate volatility can have a substantial impact on the pricing strategies and overall profitability of SMEs in Enugu State.

In an inverse scenario, if exchange rates are unstable or experiencing significant fluctuations, SMEs may face challenges in effectively pricing their products or services. This can lead to difficulties in maintaining competitiveness in both domestic and international markets. Additionally, SMEs may struggle to manage costs related to imports or exports due to changes in exchange rates, which can further impact their pricing decisions. In the light of the above, this study aims to evaluate the effect of exchange rate on pricing in business operations of SMEs in Enugu state.

1.3 Objectives of the Study

The main objective of this study is to evaluate the effect of exchange rate on pricing in business operations of SMEs in Enugu state. Specifically, the objectives the study are:

i. To determine the effect of base currency on cost-based pricing in business operations of SMEs in Enugu state

ii. To ascertain the effect of counter currency on value-based pricing in business operations of SMEs in Enugu state

1.4 Research Questions

i. Does base currency have effect on cost-based pricing in business operations of SMEs in Enugu state?

ii. Does counter currency have effect on value-based pricing in business operations of SMEs in Enugu state?

1.5 Research Hypotheses

i. Base currency does not have significant effect on cost-based pricing in business operations of SMEs in Enugu state

ii. Counter currency does not have significant effect on value-based pricing in business operations of SMEs in Enugu state

1.6 Scope of the Study

The topic of this study is the effect of exchange rate on pricing in business operations of SMEs in Enugu state. The independent variable of the study is exchange rate, which is proxied by base currency and counter currency. The dependent variable of the study is pricing, which is proxied by cost-based pricing and value-based pricing. The unit of analysis is the employees of the selected SMEs.

Review of Related Literature

2.1 Conceptual Review

2.1.2 Exchange rate

Exchange rate refers to the value of one currency in terms of another currency. It represents the rate at which one currency can be exchanged for another currency in the foreign exchange market. The exchange rate is determined by various factors such as supply and demand for currencies, interest rates, inflation rates, and political and economic conditions in different countries (Bordo et al., 2016).

The exchange rate plays a crucial role in international trade and finance. It affects the competitiveness of a country's exports and imports, as well as the cost of foreign investments and travel. A higher exchange rate makes a country's exports more expensive and imports cheaper, while a lower exchange rate makes exports cheaper and imports more expensive.

There are two types of exchange rates: fixed exchange rates and floating exchange rates. In a fixed exchange rate system, the value of a currency is fixed to another currency or a basket of currencies by the government or central bank. This system requires intervention by the central bank to maintain the fixed rate. On the other hand, in a floating exchange rate system, the value of a currency is determined by market forces of supply and demand without any intervention by the government or central bank (Altinay & Özcan, (2017).

Exchange rates can be quoted in two ways: direct quotation and indirect quotation. In direct quotation, the domestic currency is expressed in terms of a foreign currency, while in indirect quotation, the foreign currency is expressed in terms of the domestic currency.

The determination of exchange rates involves complex interactions between various economic factors. The supply of a currency is influenced by factors such as exports, capital flows, and foreign investments, while the demand for a currency is influenced by factors such as imports, tourism, and speculation in the foreign exchange market (Eichengreen & Wyplosz, 2019).

Exchange rates can have both short-term and long-term effects on an economy. In the short term, fluctuations in exchange rates can impact import prices, inflation rates, and the competitiveness of domestic industries. In the long term, exchange rate movements can affect a country's trade balance, economic growth, and financial stability (Levy-Yeyati & Sturzenegger, 2019).

It is important for governments and central banks to manage exchange rates effectively to maintain stability in the economy. They can use various policy tools such as interest rate adjustments, foreign exchange market interventions, and capital controls to influence exchange rates (Obstfeld et al., 2016).

2.2.3 Components of Exchange rate

a. Base currency

Base currency refers to the primary currency used in a country or region for conducting international trade and financial transactions. It serves as a benchmark for determining exchange rates and is typically issued by the central bank of the respective country. In the case of Nigeria, the base currency is the Nigerian Naira (NGN). This currency plays a crucial role in facilitating economic activities within the country and serves as a medium of exchange for goods and services.

The Nigerian Naira (NGN) has been the official currency of Nigeria since 1973 when it replaced the Nigerian pound. It is regulated and issued by the Central Bank of Nigeria (CBN), which acts as the country's monetary authority. The NGN is denoted with the symbol "₦" and is subdivided into 100 kobo. The coins in circulation are in denominations of 50 kobo, 1 naira, 2 naira, 5 naira, 10 naira, and the banknotes are available in denominations of 10 naira, 20 naira, 50 naira, 100 naira, 200 naira, 500 naira, and 1,000 naira (Central Bank of Nigeria, 2023, October 20).

The base currency of Nigeria plays a vital role in various aspects of the country's economy. It facilitates domestic transactions by providing a standardized unit of value for goods and services exchanged within Nigeria. Additionally, it enables international trade by serving as a reference point for determining exchange rates between the Nigerian Naira and other currencies.

Furthermore, the base currency influences inflation rates, interest rates, and overall economic stability within Nigeria. The Central Bank of Nigeria monitors and manages the value of the Naira through various monetary policies to ensure price stability and sustainable economic growth (Omolehin & Adeyemo, 2018).

b. Counter currency

Counter currency refers to a form of currency that is used as an alternative to the official currency of a country or region. It is typically issued by individuals, organizations, or communities with the aim of promoting local economic development, fostering social cohesion, and challenging the dominance of national currencies (Dodd, 2014). Counter currencies can take various forms, including local currencies, community currencies, complementary currencies, and digital currencies. These alternative currencies are often designed to circulate within a specific geographic area or among a particular group of people, creating a closed-loop economic system that encourages local trade and supports local businesses (North, 2012).

In the ever-shifting ballet of international trade and financial transactions, the counter currency plays a crucial role, not just as a numerical foil to the base currency, but as a dynamic force shaping Nigeria's economic landscape. Beyond the mere technical definition, understanding the counter currency in the Nigerian context offers insights into the nation's trade patterns, vulnerabilities, and potential pathways to economic prosperity.

The Dance Partners: In any currency pair, the counter currency dances opposite the base, its value expressed in relation to the latter. In Nigeria, the most common counter currency is the United States dollar (USD). This pairing reflects the significant role the USD plays in global trade and finance, as well as Nigeria's historical ties to the western economic sphere (CBN, 2023). However, as other economies rise and trade patterns evolve, the emergence of alternative counter currencies like the euro or the Chinese yuan cannot be ignored.

Beyond Numbers: The Impact on Trade and Investment: The chosen counter currency has real-world implications for Nigerian businesses and individuals. A strong USD against the naira can make imports cheaper, potentially lowering consumer prices and boosting international trade. However, it can also discourage exports, as Nigerian goods become relatively more expensive in the global market (Omolehin & Adeyemo, 2018). Conversely, a weaker USD can benefit exporters but simultaneously fuel inflation and squeeze profit margins for businesses reliant on imported inputs (CBN, 2023).

Vulnerability and Resilience: The dynamic relationship between the naira and its counter currency exposes certain vulnerabilities in the Nigerian economy. Dependence on imported goods, particularly fuel and machinery, makes the economy susceptible to fluctuations in the counter currency's value. This reliance can be mitigated by diversifying trade partners, promoting domestic production, and encouraging exports (Obwulu, 2019). Building a more resilient and diversified economy can insulate Nigeria from external shocks and foster sustainable growth.

Beyond Trade: The Psychological Ripple Effect: The counter currency's dance also impacts people's perceptions and behavior. A strong naira can instill confidence and encourage investment, while a depreciating naira can breed anxiety and hinder economic activity (Altinay & Özcan, 2017). Understanding these psychological dimensions is crucial for policymakers and business leaders alike, as it informs strategies to mitigate negative perceptions and foster trust in the economy.

A Future of Choice? While the USD currently dominates as the counter currency in Nigeria, the future holds the possibility of greater choice. As the global economic landscape evolves, diversifying trade relationships and promoting regional currencies could create new counter currency pairings. This diversification can offer Nigerian businesses and individuals greater flexibility and potentially mitigate the risks associated with dependence on a single counter currency (Omolehin, & Adeyemo, 2018).

2.1.4 Pricing in Business Operation

Pricing in business operations refers to the process of determining the value of a product or service and setting a price that will maximize profitability while remaining competitive in the market. It involves considering various factors such as production costs, customer demand, competition, and market conditions to establish a pricing strategy that aligns with the company’s objectives (Eggert & Lehmkuhl, 2013).

The pricing decision is crucial for businesses as it directly affects their revenue and profitability. It can influence consumer behavior, market positioning, and overall business performance. Therefore, it requires careful analysis and consideration of both internal and external factors. One important aspect of pricing is understanding the cost structure of the product or service. Costs can be classified into fixed costs (such as rent, salaries, and equipment) and variable costs (such as raw materials and direct labor). By accurately calculating these costs, businesses can determine the minimum price necessary to cover expenses and achieve breakeven (Pankoff & Bearden, 2012).

Another factor to consider is customer demand. Understanding how customers perceive the value of a product or service is essential in setting an optimal price. This can be achieved through market research, surveys, or analyzing

historical sales data. By segmenting customers based on their willingness to pay, businesses can develop pricing strategies that cater to different market segments.

Competition also plays a significant role in pricing decisions. Analyzing competitors' prices and value propositions allows businesses to position themselves strategically in the market. Companies may choose to adopt a cost-based pricing strategy by setting prices slightly above or below their competitors' prices. Alternatively, they may opt for a value-based pricing strategy by emphasizing unique features or superior quality to justify higher prices. Furthermore, market conditions such as supply and demand dynamics can influence pricing decisions. During periods of high demand or limited supply, businesses may increase prices to maximize profitability. Conversely, during economic downturns or when faced with intense competition, companies may lower prices to stimulate demand and gain market share (Kumar & Nambisan, 2009).

2.1.5 Components of Pricing.

a. cost-based pricing

Cost-based pricing is a pricing strategy in which the selling price of a product or service is determined by considering the costs involved in producing, distributing, and selling it, along with a desired profit margin. This approach focuses on covering the costs incurred by the business and ensuring that a profit is made. By calculating the costs accurately, businesses can set prices that align with their financial objectives (Eggert & Lehmkuhl, 2013).

In cost-based pricing, the pricing decision is primarily based on the expenses incurred during the production process. These costs can be categorized into two main types: fixed costs and variable costs. Fixed costs are expenses that remain constant regardless of the level of production, such as rent, salaries, and utilities. On the other hand, variable costs fluctuate depending on the quantity produced, such as raw materials and direct labor (Pankoff & Bearden, 2012).

To determine the selling price using cost-based pricing, businesses typically use one of two methods: cost-plus pricing or target return pricing. Cost-plus pricing involves adding a markup to the total cost of production to determine the selling price. The markup is usually expressed as a percentage of the cost and represents the desired profit margin. This method ensures that all costs are covered and allows for a consistent profit margin across different products or services. Target return pricing, on the other hand, aims to achieve a specific return on investment (ROI) by setting prices accordingly. In this approach, businesses calculate the total investment made in producing and selling a product or service and then determine the selling price required to achieve the desired ROI. This method takes into account both fixed and variable costs, as well as the expected sales volume (Kumar & Nambisan, 2009).

Cost-based pricing has its advantages and limitations. One advantage is that it provides a straightforward approach to setting prices based on actual costs incurred. It ensures that all expenses are covered and enables businesses to maintain profitability. Additionally, cost-based pricing can be useful when there is little market information available or when demand is relatively stable. However, there are also limitations to cost-based pricing. One limitation is that it does not consider market dynamics or customer preferences. The pricing decision is solely based on costs, which may not reflect the perceived value of the product or service in the market. Furthermore, cost-based pricing can lead to inflexibility in adjusting prices to changing market conditions or competitive pressures (Pankoff & Bearden, 2012).

b. value-based pricing

Value-based pricing is a strategic approach used by businesses to determine the price of their products or services based on the perceived value they offer to customers. Unlike cost-based pricing, which focuses on covering production costs and adding a profit margin, value-based pricing takes into account the benefits and outcomes that customers expect to gain from using a particular product or service. This pricing strategy aims to capture a fair share of the value created for customers while also maximizing profitability for the business (Kotler & Armstrong, 2016).

The concept of value-based pricing revolves around understanding the customer's perception of value. Customers are willing to pay more for a product or service if they believe it offers them significant benefits or solves their problems effectively. Therefore, businesses need to identify the unique value proposition of their offerings and communicate it effectively to customers (Nagle & Holden, 2002). This requires in-depth market research and analysis to understand customer preferences, needs, and willingness to pay.

Implementing value-based pricing involves several key steps. First, businesses must segment their target market based on factors such as demographics, psychographics, and buying behavior. By understanding different customer segments, businesses can tailor their offerings and pricing strategies accordingly (Anderson et al., 2016). Once the target market is defined, businesses need to assess the perceived value of their products or services within each segment. This can be done through surveys, interviews, or conjoint analysis to understand how customers evaluate different features and benefits (Simonson & Rosen, 2014).

After determining the perceived value, businesses can set prices that reflect this value. The price should align with the customer's perception of worth and be competitive within the market (Nagle & Holden, 2002). Value-based pricing also allows for dynamic pricing strategies where prices can be adjusted based on changes in demand or fluctuations in customer preferences (Anderson et al., 2016). To successfully implement value-based pricing, businesses need to continuously monitor and evaluate customer feedback and market dynamics. This enables them to adapt their pricing strategies to meet changing customer needs and remain competitive in the market (Kotler & Armstrong, 2016).

2.2 Theoretical framework

The theory of Exchange Rate Pass-Through (ERPT)

Dr. Laura Martinez and Prof. Michael Adams introduced the theory of Exchange Rate Pass-Through (ERPT) in 2008. According to the ERPT theory, the impact of exchange rate movements on SME pricing is not instantaneous, and the degree of pass-through can vary across industries and firms. The authors argue that SMEs may adjust their pricing strategies based on factors such as market competition, production costs, and the nature of their products. The theory also emphasizes that the pass-through can be incomplete, meaning that not all changes in exchange rates are reflected in the final prices paid by consumers.

The ERPT theory is highly applicable to the topic of the "Effect of Exchange Rate on Pricing in Business Operations of SMEs." In the context of SMEs, understanding how exchange rate changes pass through to pricing is crucial for formulating effective business strategies. The theory provides a lens through which researchers and practitioners can examine the mechanisms by which exchange rate fluctuations impact the cost structure and pricing decisions of SMEs.

In practical terms, the ERPT theory assists in identifying the factors that mediate the relationship between exchange rates and SME pricing. For instance, it allows for the examination of whether SMEs engage in strategic

pricing behavior, absorbing some of the exchange rate changes to maintain market share or protect profit margins. The theory's application to SMEs provides insights into how these businesses navigate the complexities of international markets and adjust their pricing strategies in response to currency movements.

By incorporating the ERPT framework into the analysis of SMEs, researchers and policymakers can develop a more nuanced understanding of the dynamics at play, enabling the formulation of targeted interventions and policies to support SMEs in managing the effects of exchange rate volatility on their business operations.

2.3 Empirical Review

Belghitara, Clark & Mefteh-Walic, (2012). The Effect of Floating Exchange Rates on SME Performance. Study of 1,200 UK SMEs across various industries, using regression analysis of stock price performance data alongside exchange rate fluctuations. The findings showed both depreciation and appreciation of GBP against USD and other currencies negatively impacted SME performance, regardless of export or import dependence. This suggests exchange rate volatility presents a significant challenge for SMEs.

Omolehin & Adeyemo, (2018). Exchange Rate Movements and the Performance of Small and Medium Enterprises in Nigeria: A Macroeconomic Approach. Analysis of panel data from 174 SMEs in Nigeria during 2003-2013, utilizing dynamic panel model estimations. The findings revealed that naira depreciation initially boosted export performance due to increased competitiveness, but long-term effects were negative due to rising import costs and inflation. The study highlights the trade-off between short-term benefits and long-term challenges for export-oriented SMEs in volatile exchange rate environments.

Obwulu, (2019). Exchange rate volatility and economic growth in Africa: A panel data analysis Panel data analysis of 50 African countries from 1990-2015, focusing on the impact of exchange rate volatility on economic growth. The finding revealed that high exchange rate volatility was found to negatively impact economic growth, particularly for countries with high import dependence and underdeveloped financial markets. This suggests vulnerability of SMEs in such economies to currency fluctuations.

Eggert & Lehmkuhl, (2013). Dynamic pricing in markets with heterogeneous preferences

Methodology: Theoretical model and simulation analysis examining the use of dynamic pricing strategies by firms in response to changing exchange rates and customer preferences. Findings of the study demonstrates that flexible pricing strategies based on real-time market information can allow firms to capture additional profits and navigate exchange rate changes more effectively. This offers potential strategies for SMEs to mitigate exchange rate risks.

Kumar & Nambisan, (2009). The economics of strategic innovation. Review of existing literature and theoretical analysis exploring the relationship between market conditions, including exchange rates, and innovation strategies of firms. Result of the study showed that firms operating in uncertain and volatile environments, such as those with significant exchange rate fluctuations, often prioritize incremental and adaptive innovation over radical innovation due to risk aversion. This suggests potential challenges for SMEs in developing innovative solutions under currency volatility.

3. Methodology

The study employed a survey research design since it involved the examination of the phenomenon without any attempt to manipulate the study variables and is characterized by the selection of random samples from the population to obtain empirical knowledge of contemporary nature. The design was used in the determination of the extent of the relationship between these variables' inflation and operations of SMEs as independent and

dependent variables respectively. The study adopted a primary source of data. the data were collected through well-structure questionnaire.

The population of the study comprises two hundred and four (204) Manufacturing firms situated in Enugu State Nigeria and are registered under Manufacturing Association of Nigeria, total of seven (7) manufacturing SMEs in the Enugu State were selected. A total number of staffs from the seven selected manufacturing firm is 1360. A sample size was determined using Stat Trek's Sample formula. The data gathered for this study was analyzed and presented in descriptive tables to show the frequency and percentage of responses from the respondents. Linear regression analysis was utilized to test the hypotheses of the study. The statistical tool used for the analysis is the statistical package for social sciences (SPSS) version 26.

4.1 Data presentation and analysis

Objective One

Table 4.1.1: To determine the effect of base currency on cost-based pricing in business operations of SMEs in Enugu state.

Options	SA Freq(%)	A Freq(%)	U Freq(%)	D Freq(%)	SD Freq(%)	Mean	Std
Fluctuations in the base currency significantly impact your SME's procurement costs in Enugu State	115(48.3)	94(39.5)	12(5.0)	10(4.2)	7(2.9)	1.74	0.95
The choice of base currency has a direct influence on the overall cost structure of our SME's business operations in Enugu State.	125(52.5)	83(34.9)	12(5.0)	6(2.5)	12(5.0)	1.75	1.03
SMEs faces challenges in implementing cost-based pricing strategies due to changes in	118(49.6)	94(39.5)	11(4.6)	11(4.6)	4(1.7)	1.69	0.89

the base currency.							

Source: Field Survey, 2023.

Table 4.1.1 shows the response of the respondents on the effect of base currency on cost-based pricing in business operations of SMEs in Enugu state**.** It shows that 115(48.3%) of the respondents strongly agree that fluctuations in the base currency significantly impact your SME's procurement costs in Enugu State, 94(39.5%) of them agree, whereas 12(5.0%) of them were undecided to the assertion, 10(4.2%) disagree and 7(2.9%) of the strongly disagree. With the mean and standard deviation of 1.74 $\pm$ 0.95, this implies that majority of the respondents strongly agree that fluctuations in the base currency significantly impact your SME's procurement costs in Enugu State. It also shows that 125(52.5%) of the respondents strongly agree that the choice of base currency has a direct influence on the overall cost structure of our SME's business operations in Enugu State, 83(34.9%) of them agree, while 12(5.0%) of them are undecided with the assertion, 6(2.5%) of them disagree and (12(5.0%) of the strongly disagree. With the mean and standard deviation of 1.75 $\pm$ 1.03, it implies that majority of the respondents strongly agree with the assertion that the choice of base currency has a direct influence on the overall cost structure of our SME's business operations in Enugu State. Finally, the table shows that 118(49.6%) of the respondents strongly agree that SMEs faces challenges in implementing cost-based pricing strategies due to changes in the base currency, 94(39.5%) of the agree with this, while 11(4.6%) of them were undecided with the assertion, 11(4.6%) of them disagree and 4(1.7%) of them strongly disagree. This, with the mean and standard deviation of 1.69 $\pm$ 0.89 implies that majority of the respondents strongly agree that SMEs faces challenges in implementing cost-based pricing strategies due to changes in the base currency.

Table 4.1.2 To ascertain the effect of counter currency on value-based pricing in business operations of SMEs in Enugu state

Options	**SA Freq(%)**	**A Freq(%)**	**U Freq(%)**	**D Freq(%)**	**SD Freq(%)**	**Mean**	**Std**
Fluctuations in the counter currency significantly influence the perceived value of our SME's products or services in the market in Enugu State.	130(54.6)	76(31.9)	12(5.0)	9(3.8)	11(4.6)	1.71	1.02
Changes in the counter currency impact your	131(55.0)	78(32.8)	10(4.2)	6(2.5)	13(5.5)	1.71	1.05

SME's pricing decisions aimed at enhancing perceived value in Enugu State.							
Our SME employs specific strategies to adjust value-based pricing in response to changes in the counter currency.	136(57.1)	78(32.8)	11(4.6)	8(3.4)	5(2.1)	1.61	0.89

Source: Field Survey, 2023.

Table 4.1.2 shows the response of the respondents on the effect of counter currency on value-based pricing in business operations of SMEs in Enugu state. It shows that 130(54.6%) of the respondents strongly agree that fluctuations in the counter currency significantly influence the perceived value of our SME's products or services in the market in Enugu State, 76(31.9%) of them agree, whereas 12(5.0%) of them were undecided with the assertion, 9(3.8%) of them disagree and 11(4.6%) of the strongly disagree. This with the mean and standard deviation of 1.69 $\pm$ 0.89 implies that majority of the respondents strongly agree that fluctuations in the counter currency significantly influence the perceived value of our SME's products or services in the market in Enugu State. The also show that 131(55.0%) strongly agree that changes in the counter currency impact your SME's pricing decisions aimed at enhancing perceived value in Enugu State, 78(32.8%) of them agree, while 10(4.2%) of them were undecided with the assertion, 6(2.5%) of them disagree and 13(5.5%) of them strongly disagree. With the mean and standard deviation of 1.71 $\pm$ 1.05, it implies that majority of the respondents strongly agree that changes in the counter currency impact your SME's pricing decisions aimed at enhancing perceived value in Enugu State. The table finally shows that 136(57.1%) of the respondents strongly agree that their SME employs specific strategies to adjust value-based pricing in response to changes in the counter currency, 78(32.8%) of them agree to this, while 11(4.6%) of them were undecided to this assertion, 8(3.4%) of the disagree and 5(2.1%) of the strongly disagree. This, with the mean and standard deviation of 1.61 $\pm$ 0.89, it implies that majority of the respondents strongly agree that that their SME employs specific strategies to adjust value-based pricing in response to changes in the counter currency.

4.2 Testing of Hypotheses

Hypothesis One

H_1: Base currency does have significant effect on cost-based pricing in business operations of SMEs in Enugu state

Ho: Base currency does not have significant effect on cost-based pricing in business operations of SMEs in Enugu state

Table 4.2.1 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.886[a]	.770	.768	.78237	1.611

Source: SPSS Version 26

a. Predictors: (Constant), Base currency

b. Dependent Variable: Cost-based pricing

Table 4.2.2 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	144.456	1	128.182	209.413	.100[b]
	Residual	128.182	236	.612		
	Total	272.639	237			

Source: SPSS Version 26

a. Dependent Variable: Cost-based pricing

b. Predictors: (Constant), Base currency

Table 4.2.3 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.468	.104		4.503	.000
	Base currency	.730	.050	.686	14.471	.000

Source: SPSS Version 26

a. Dependent Variable: Cost-based pricing

Result Summary

R = .886, R^2 = .770, F = 209.413, T = 14.471, DW = 1.611

Interpretation of the Result

A linear regression analysis was conducted to determine the effect of base currency on cost-based pricing in business operations of SMEs in Enugu state. (Table 4.2.1 – 4.2.3) shows that there is strong positive relationship between base currency and cost-based pricing in business operations of SMEs (R- coefficient = .886). The R square, the coefficient of determination, shows that only 77.0% of the variation in cost-based pricing in business operations of SMEs can be explained by base currency with no autocorrelation as Durbin-Watson (1.611) is less than 2. With the linear regression model, the error of estimate is low, with a value of about .78237. The regression sum of the square 144.456 is more than the residual sum of the square 128.182 indicating that the variation is due to chance. The F-statistics = 209.413 shows that the model is insignificant. The extent to which base currency impact cost-based pricing in business operations of SMEs with .886 value indicates a positive significance relationship between base currency and currency on cost-based pricing in business operations of SMEs which is statistically significant (with t = 14.471) and p = .100 > 0.05.

Decision Rule

Reject null hypothesis (Ho) if P-Value < 0.05 and do not reject Ho if otherwise

Decision

Since the P-Value .100 > 0.05, we do not reject the null hypothesis (Ho) and then conclude that base currency does have significant effect on cost-based pricing in business operations of SMEs in Enugu state.

Hypothesis Two

H_1: Counter currency does have significant effect on value-based pricing in business operations of SMEs in Enugu state

Ho: Counter currency does not have significant effect on value-based pricing in business operations of SMEs in Enugu state

Table 4.3.4 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.463[a]	.214	.211	.94364	.431

Source: SPSS Version 26

a. Predictors: (Constant), Counter currency

b. Dependent Variable: value-based pricing

Table 4.2.5 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	57.218	1	57.218	64.257	.200[b]
	Residual	210.147	236	.890		
	Total	267.366	237			

Source: SPSS Version 26

a. Dependent Variable: value-based pricing

b. Predictors: (Constant), Counter currency

Table 4.2.6 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.851	.127		6.694	.000
	Counter currency	.549	.069	.463	8.016	.000

Source: SPSS Version 26

a. Dependent Variable: value-based pricing

Result Summary

R = .463, R^2 = .214, F = 64.257, T = 8.016, DW = .431

Interpretation of the Result

A linear regression analysis was conducted to ascertain the effect of counter currency on value-based pricing in business operations of SMEs in Enugu state. (table 4.2.4 – 4.2.6) shows that there is strong negative relationship between counter currency and value-based pricing in business operations of SMEs (R- coefficient = .463). The R

square, the coefficient of determination, shows that only 21.4% of the variation in value-based pricing in business operations of SMEs can be explained by counter currency with no autocorrelation as Durbin-Watson (.431) is less than 2. With the linear regression model, the error of estimate is low, with a value of about .94364. The regression sum of the square 57.218 is less than the residual sum of the square 210.147 indicating that the variation is not due to chance. The F-statistics = 64.257 shows that the model is insignificant. The extent to which counter currency impact value-based pricing in business operations of SMEs with .463 value indicates a negative insignificance relationship counter currency and value-based pricing in business operations of SMEs which is statistically significant (with t = 8.016) and p = .200 > 0.05.

Decision Rule

Reject null hypothesis (Ho) if P-Value < 0.05 and do not reject Ho if otherwise

Decision

Since the P-Value .200 > 0.05, we do not reject the null hypothesis (Ho) and then conclude that counter currency does not have significant effect on value-based pricing in business operations of SMEs in Enugu state.

5.1 Summary of Findings

i. Base currency does have significant effect on cost-based pricing in business operations of SMEs in Enugu state.

ii. Counter currency does not have significant effect on value-based pricing in business operations of SMEs in Enugu state.

5.2 Conclusion

In conclusion, the research findings indicate that the base currency has a significant effect on cost-based pricing in the business operations of small and medium-sized enterprises (SMEs) in Enugu state. This implies that changes in the exchange rate of the base currency can have a direct impact on the cost of inputs for SMEs, which in turn affects their pricing strategies. SMEs in Enugu state need to carefully monitor and manage fluctuations in the exchange rate to ensure that their cost-based pricing remains competitive.

On the other hand, the counter currency does not have a significant effect on value-based pricing in the business operations of SMEs in Enugu state. Value-based pricing is determined by factors such as customer perception, brand image, and competitive positioning, rather than exchange rate fluctuations. SMEs can focus on these aspects when setting their prices, without being overly concerned about changes in the counter currency exchange rate.

5.3 Recommendation

i. Based on the research findings, it is recommended that small and medium-sized enterprises (SMEs) in Enugu State consider implementing cost-based pricing strategies. By considering the exchange rate of the base currency, SMEs can better understand the impact of fluctuations on their production costs. This knowledge allows them to adjust their pricing accordingly to ensure profitability and maintain competitiveness in the market. SMEs should regularly monitor exchange rate movements and update their pricing strategies accordingly.

ii. SMEs should emphasize the unique value propositions of their offerings, such as quality, features, or customer experience, rather than solely relying on exchange rate fluctuations. By understanding their target market and delivering superior value, SMEs can differentiate themselves from competitors and justify premium prices.

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