Digital Financial Inclusion and Small and Medium Enterprises (SMEs) Growth in Akure Metropolis, Ondo State

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Abstract*: Ondo State has witnessed growth in digital financial inclusivity especially among the Small and Medium scale Enterprises (SMEs), therefore the need to determine whether the introduction of digital financial inclusion in the State has affected the growth of SMEs. The central objective of this study is therefore to assess the impact of digital financial inclusion on the growth of SMEs in Ondo State. In order to achieve this objective, the impact of digital financial accessibility, digital financial usage and digital financial service quality on sales growth, profit margin and customers' growth were explored. In this study, a total of four hundred questionnaires were administered to the respondents who were SMEs owners/managers in Ondo State, the analysis was therefore conducted using 385 responses representing a response rate of 96.25%. The data collected were processed and analyzed using multiple linear regression through Statistical Package for Social Sciences (SPSS v 26). The findings indicate that firstly: both digital financial usage and digital finance service quality have positive and significant impact on sales growth but digital financial accessibility showed otherwise. Secondly, that both digital financial accessibility and digital financial service quality have positive and significant impact on profit margin while digital financial usage indicate otherwise. Lastly, while digital financial usage showed negative and insignificant impact on customers' growth both digital financial accessibility and digital financial service quality have positive and significant impact on customers' growth. This study concludes that the digital financial inclusion of SMEs has led to the growth of the SMEs in Ondo State. This study therefore recommends business policymakers in Ondo State to adopt a comprehensive policy for digital financial inclusion in order to help the SMEs to develop and grow faster especially those in the rural areas.*

Keywords*: digital, financial inclusion, growth, SMEs.*

INTRODUCTION

Small and Medium Enterprises (SMEs) have played major role in generating wealth and growth especially in areas of employment and advanced economic development globally. SMEs are a fundamental part of the economic fabric and progress in developing countries, and they play a crucial role in furthering prosperity, advancement, growth and innovation. Historically, SMEs have been. the main drivers of domestic economic activities, especially as providers of basic household items, inputs for large scale enterprises on one hand, and also create employment opportunities on the other hand (Ibitomi *et al.*, 2022). Hence, SMEs is described as the generators of primary or secondary sources of income for not just households but also serve as catalyst for economic growth and development. Consequent of this role of SMEs in the economy, their growth becomes a source of concern for institutions and nations that want to embark and maintain rapid socio-economic growth. Growth of SMEs is seen as the ability of the SMEs to be able to contribute to socio-economic development through their products and services provisions.

Consequently, it is therefore not a doubt that SMEs are a potent driving forces for commercial and industrial growth and indeed overall economic development globally. SMEs account for about 75% of the global businesses and create employment for about 60% of those that are gainfully employed thereby contributing to about 15% of global gross domestic product (Statista, 2024). In the United States, SMEs account for 39% of high-tech jobs, and account for 53% of all retail sales (Wiklund, 1998). Gilbert (2007) noted that in China, SMEs alone represent 51% of total exports which serves as a huge source of foreign direct investment for the country. According to Muriithi (2017), SMEs contribute about 50% to Gross National Product (GDP) thus account for more than 90% of businesses in Africa.

In Nigeria, SMEs comprise of 95.5% of all the operating firms, have made important contributions to employment, generating 59.6 million jobs and contributing about 76.5% to the total workforce and make up 54.8% of the total GDP in the last five years (Small and Medium Enterprises Development Agency of Nigeria, (SMEDAN, 2023).

Digital financial inclusion is aimed at ensuring that SMEs across the country have easy access to a broad range of financial services quality, designed according to their needs and provided at affordable costs. These products include payments, savings, credit, insurance and pensions. The principle of digital financial inclusion has assumed greater level of importance in recent times due to its perceived importance as a driver of economic growth. Giving access to the hundreds of thousands who are presently excluded from financial services would provide the possibilities for the creation of a large depository of savings, investment, investable funds, generate wealth and drive growth.

Nigeria has witnessed growth in digital financial inclusivity especially among the SMEs leading to expansion and growth of the productive capacity of the businesses. This is showing by the increasing contribution of SMEs to GDP of the currently which currently stood at 54.8% of the Nigerian GDP. (NBS, 2023). However, this is not significant when placed side-by-side with the potentials of SMEs if they have sufficient access to digital financing. The current situation reveals that many SMEs in Nigeria could not reach the growth stage of their life cycle due to unfriendly business environment, poor funding, low managerial skills, lack of access to modern technology, stiff competitions, lack of markets, unfair treatment exhibited by local authorities and lack of government support, and inadequate information and communication technology and training, which have greatly affected most of our SMEs. All these can be attributed to lack of proper financial coverage from high administrative costs, high collateral requirements and lack of experience within financial intermediaries. It is against this backdrop that this study consider the impact of digital financial inclusion on the growth of small and medium enterprises in Ondo State by focusing on digital financial accessibility, usage and quality on the growth.

The research questions that this study answers are as follows:

i. What is the impact of digital financial accessibility on the growth of SMEs in Ondo State?
ii. To what extent does digital financial usage impact on the growth of SMEs in Ondo State?
iii. What is the impact of digital financial service quality on the growth of SMEs in Ondo State?

This is study on the assessment of digital financial inclusion on the growth of SMEs in Ondo State focuses on the components of digital financial inclusion and growth of SMEs. In terms of variables, the study focuses on digital financial accessibility, usage and service quality as measure of digital financial inclusion, however in terms of growth of SMEs, it focuses on sales growth, profit margin and customers' growth. The choice of these variables is because they are the most visible components of digital financial inclusion on the growth of SMEs in Ondo State that the SMEs operators and/owners can easily identify.

LITERATURE REVIEW

Small Medium Enterprises (SMEs) Growth

A Small and Medium Enterprise (SME) is an enterprise that has asset base (excluding land) of between N5million and N500million and labour force of between 10 and 300 people (CBN 2022). The national policy on small and medium enterprises also defined SMEs based on employment and asset base. A micro enterprise is defined as a business with less than 10 employees and asset base of less than N5million. A small enterprise is a business with between 10 and 49 employees and asset base of between N5million and less than N50million. While a medium enterprise is a

business with between 50 and 300 employees and asset base of between N50million and N500milliom (SMEDAN, 2023).

Growth over a period of time is taken as an indicator of a firm's economic fitness. There are various ways to measure the growth of a firm which arrests a slightly dissimilar aspect of presentation such as cash inflows and expected returns. Productivity of the firms is also measured in terms of transactions and the market jurisdiction (Fatoki, 2014). These different measures rate the Growth of SMEs by use of profitability (return on investment, return on equity), liquidity (quick ratio, current ratio), and solvency (gearing). Such growth measures are indicators of commercial success (growth, market share) while others are indicators of financial success (profitability) (Miller, 2013 ; Okphiabhele *etal*., 2022). SMEs growth is measured by both internal and external factors as indicated by some studies. They cited sales proceeds, quality of administration and capability to attend to daily commitments of the firm (Pisa, 2013). Nevertheless, there are only few studies based on growth measurement of the SMEs in developing countries (Muthoni, 2015). SMEs are the catalysts of the economic growth which are the engines to most economies. Researcher suggests that, businesses and SMEs account for 95% of firms in most countries (Ibitomi & Adeleke, 2020). They satisfy industrial growth, support jobs creation, embraces innovation which contributes to GDP.

Profit margin is the greatest indicator of growth of SMEs that struggle for survival, on top of proving their creditworthiness and solvability to their financiers. In this study, income and expenses are used to measure profit margin. Profit margin is the excess of revenue over expenses, which is seen by the ratios like gross profit margin and pre-tax margin (Odongo, 2014). Though profit margin ratios are essential in measuring growth, their measurements are rather in most SMEs. This is because most SMEs in developing countries lack proper documentation (Turyahebwa *et al.*, 2013). SMEs which survive on loaned capital struggle to cover their debt costs. The more firms cover debt costs using operating capital, the more they experience decreasing levels of profit margin. The same study observed that high debt costs reduce the profits earned by shareholders. Profit margin measures help in assessing the growth of a business undertaking. An undertaking that is not generating profits/revenue cannot survive (Eton et al., 2017). A profitable undertaking has the capacity to pay back the owners in form of return on investment made.

Sales growth on the other hand Sales growth implies an increase of a company's sales when compared to a previous period's revenue performance (Scott, et al., 20 12). The current period's sales figure can be compared on a trend basis or sequentially. This helps to give analysts, investors and participants and idea of how much an SME's sales are increasing over time. When looking at an SME's quarterly or annual financials, it is not enough to just look at the revenue for the current period. When investing in an SMEs, an investor wants to see it grow or improve over time. Looking at the financials in comparison to a previous period will give participants a better idea of how well an SME is doing (Soldofsky, 2014; Ibitomi *etal.*, 2024). Sales Growth is used to measure how fast

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a company's business is expanding. The figures give analysts, investors and participants and idea of how much a company's sales are increasing over time. While sales growth tends to fluctuate from period to another, investors look for trends in revenue growth as a means of gauging the company's growth over prescribed periods of time. All other things being equal, a company that is able to continually grow its revenue should see equivalent increases in net income (Soldofsky, 2014).

Digital Financial Inclusion
The World Bank (2018) defines financial inclusion (FI) as the process by which all households and businesses regardless of income level have access to and can effectively use the appropriate financial services they need in order to improve their lives. Corporate financial institute (CFI, 2018) also defines financial inclusion as a state at which individuals access a full suite of financial services at affordable prices, in a convenient manner and with respect and dignity. Such services have to be availed in a responsible and safer manner to consumers and sustainably provided in an appropriately regulated environment. The Financial Inclusion Alliance (FIA, 2018) states that the usage of smartphones.

Broadband internet is now important for supporting access to secure and affordable financial services such as money transfers, credit and saving, and payments both domestic and international. Thus, financial inclusion is the ability of individuals to access and use basic financial services like savings, loans and insurance designed in a manner that is reasonably convenient, reliable and flexible. Ene and Inemesit (2015) see the essence of financial inclusion to be in trying to ensure that a range of appropriate financial services is available to every individual, and enabling them to understand and access those services. Kama and Adigun (2013) argue that giving access to the hundreds of millions of men and women (all over the world) who are presently excluded from financial services would provide the possibilities for the creation of a large depository of savings, investable funds, investment and therefore global wealth generation. The definitions make it evident that it is possible for financial products to be available yet inaccessible by individuals or businesses because of high cost, or the products might not meet their needs as expected. Financial products or services here include having a bank account and being able to carry out transactions (deposits, withdrawals, transfers) through the bank account, having access to loans from banks and other non-bank financial institutions.

A study of Park and Mercado, (2015) focused on financial inclusion assessment specifically in Asian economies, for 37 Asian countries they have produced the financial inclusion indicator for each and highlighted the factors which impact financial inclusion. Study revealed that population size, per capita income and rule of law increased while age dependency and associated demographic factors lowered financial inclusion. Similarly, Thomas and Hedrick –Wong, (2019) identified that mobile access and saving priorities are important factors and emphasized more on mobile access because of modern and easy driver of financial transactions. World Bank's Global

Findex database mentioned around 100 factors such as household income, gender and age. Summarily, financial inclusion is a situation where individuals and businesses have access to useful, effective, and affordable financial products and services that meet their needs, store value, and call for any time, including access to a bank, payments, savings, credit, and insurance delivered responsibility and sustainability. Finance adoption can overcome the issues that persist for individuals, businesses, governments and economies.

Theoretical Review

Finance- Growth Theory

The finance-led growth theory was conceived by Bagehot (1873), which stressed that financial mediators establish a productive atmosphere for economic growth and sustainability through the supply and demand leading effect. The theory assumed that effective financial systems simply react and affect the development of SMEs through value creation of small businesses and the mobilization of local savings, which tend to increase productive investments in local businesses. This is so because more savings means more wealth for financial institutions to create credit; and as more entrepreneurs get access to a financial product such as access to financial institutions, access to credit and effective trusted payment system, financial adviser, and insurance, cost and risks involving transactions are reduced and exchange will be well handled. The paradigm further stated that lack of access to financial products is a responsible factor for raising income inequality which slows down economic wellbeing and growth. That is, access to a safe, easy and affordable source of financial services is acknowledged as a prerequisite for promoting SME's growth (Babajide, Adegboye & Omankhanlen, 2015).

Finance growth nexus maintain that financial intermediaries create a productive environment for growth and economic sustainability through supply - leading or demand – following effect. The demand-following effect based the argument that the financial system does not stimulate economic growth rather the financial systems simply react and affect development in the real sectors while the supply leading effect contrasts the demand following argument that financial system in an economy does not determine economic growth. Theoretical tussles do exist about the position of financial intermediary systems. The theory also observes that poor access or lack of access to financial services as a critical factor causing persistent income inequality and slower down the economic activities and growth. This indicate that access to safe, easy and affordable source of financial services is acknowledge as a prerequisite for accelerating economic activities, growth, reducing income disparities, reduce poverty level, enhances economically and socially incorporate excluded segment into the economy and protect the financially excluded segment from economic shock (Babajide, Adegboye & Omankhanlen, 2015)

Empirical Review

Peter, Charles and Peter (2024) explores the relationship between financial inclusion and SMEs and how it impacts employment generation in the Federal Capital Territory (FCT). The study examines the impact of financial inclusion on the growth and sustainability of SMEs and how this translates to employment generation. The study employs a mixed-methods approach, combining survey and documentary data collection methods. Through a structured questionnaire, relevant data is gathered from a diverse sample of SMEs, including information on their finances, access to credit facilities, and challenges. The findings of the study highlight the significant effect of financial inclusion on SMEs hence securing loans, investments, and credit lines have been instrumental in supporting various aspects of SME operations, including business expansion, working capital, and investment in technology. This access to funds due to digital financial inclusion has played a crucial role in the growth of SMEs, contributing to job creation and economic development. The study recommends that policymakers and stakeholders should prioritize digital financial inclusion initiatives to support SMEs and promote employment generation.

Kuldip (2024) review the interrelationships between financial inclusion, digital finance, and Small and Medium Enterprises (SMEs) performance in emerging economies, with a specific focus on Zambia. The finding of the study reveals a dynamic interplay between digital finance, financial inclusion, and the inherent performance of SMEs has a profound impact on the broader economic landscape. Remarkably, SMEs' contribution to the nation's economic growth is significant. Within Africa, about 40% of economic contributions are attributable to SMEs. SME performance dramatically increased from 18% in 2010 to 40% in 2020.

Oke, Soetan and Ayedun (2023) to examine the effects of financial inclusion on MSMEs' performance and identify the challenges faced by MSMEs in accessing formal financial services. The study adopted a cross-sectional design with a sample of 409 MSMEs. Descriptive statistic, content analysis and multivariate regression were employed to analyse and achieve the stated objectives. The results provide policy implications for advancing financial inclusion. Results on the effects of financial inclusion on MSMEs' performance revealed that financial inclusion positively and significantly drives the performance of MSMEs measured in terms of profit margin and sales growth in Southwest Nigeria. On the other hand, the main challenge confronting MSMEs in accessing formal financial services as indicated by the respondents irrespective of their business types was the lack of required collateral to secure a loan. Low level of income was the second major reason indicated by the respondents why banks refused to give them credit. The interest rate on commercial bank loans is perceived as high and discourages most MSMEs operators from seeking debt finance from commercial banks. The study, therefore recommends that lending interest rate should be made attractive to encourage continuous access to loanable funds that would encourage economic agents such as the MSMEs to save and borrow to spur economic activities.

Amar, *et al* (2023) identify the determinants of digital financial inclusion (DFI) and its role in micro enterprises' ease of doing business. The study was based on the World Bank's Enterprises Survey on micro firms which comprises 2022 data of a total of 998 microenterprises and access and use of digital finance data were extracted from the data. The study used Analysis of variance (ANOVA) to analyze the difference in perceived business obstacles across the micro-enterprises with and without access and use of digital finance. In addition, the study used logistic regression model to analyze the determinants of DFI. The findings reveal that digital financial inclusion has helped to reduce obstacles in business regulation and handle market externalities. The study also suggests that access to the education, internet, and owners' experience are also instrumental in adaptation of digital financial inclusion among microenterprises.

Gu, *et al* (2023) harness dataset between the years 2011 to 2021, which include digital inclusive finance and SMEs listed on the SME board. The study employ fixed effects models, and also performs a regression analysis to verify the effect of digital inclusive finance on SMEs' innovation activities. The findings affirm the importance of inclusive finance in ameliorating the long-standing financing challenges that historically, have affected SMEs growth trajectory. The findings unveil a discernible pattern wherein the digital inclusive finance exerts a significantly stronger promotional effect on non-state enterprises and high-tech SMEs' endeavours in technological advancement and innovation. The recommendation of the study indicates governmental authorities need to formulate and advance digital inclusive finance strategies, thereby providing strategic direction for the cultivation of creativity, innovation and overall development of the SME sector. Xue and Ren (2023) innovatively constructs a financialization index based on the text information of enterprise business scope. Then, the impact of digital finance on small and medium-sized enterprise (SME) financialization was examined. Specifically, the study screens out SMEs involved in financial transactions by counting the keyword information in their business scope. The level of SME financialization was measured at the provincial level, based on a large number of registration samples. From the work, Empirical results based on panel fixed effects showed that digital finance significantly inhibits SME financialization. On average, for each standard deviation increase in digital finance, SME financialization decreases. This conclusion remains valid after a series of robustness analyses. A mechanism analysis showed that digital finance inhibits SME financialization by alleviating financing constraints, especially by providing liquidity to SMEs with relatively high financing constraints. In addition, the risk consequences of SME financialization were further examined, and SME financialization was found to significantly increase bankruptcy risk, while digital finance alleviates financing constraints and thus reduces bankruptcy risk. The study provided a new perspective for the governance of SME financialization and the optimization of the survival environment for SMEs in the context of the digital economy. Aroline et al., (2022) investigated how financial accessibility influenced the growth of micro and small enterprises (SMEs) in Kenya. The authors collected data from a sample of 300 SMEs using a structured questionnaire. The results suggested that financial accessibility plays a significant role

in the growth of SMEs, underscoring the importance of gaining access to financial resources such as loans, grants, and venture capital for the prosperity and growth of SMEs.

According to Abbott (2021) study investigated how small and medium enterprises (SMEs) in Kenya utilize financial technology (fintech) and credit. To gather and analyze data, a mixed-methods approach was employed, which involved conducting in-depth interviews with 10 SMEs owners for qualitative data and surveying 200 SMEs owners for quantitative data. The study findings indicated that informal credit sources were the primary means of accessing credit for most SMEs in Kenya, with only a few accessing formal credit from financial institutions. Nevertheless, the use of fintech, such as mobile money transfer services, was linked to higher access to credit. The study also highlighted several challenges to fintech adoption, including insufficient financial literacy, inadequate infrastructure, and high transaction fees. Consequently, policymakers were urged to promote the adoption of fintech by SMEs to improve their access to credit and promote their growth.

METHODOLOGY

This study adopted and explored quantitative research survey design. This study focus on all the SMEs in Akure metropolis, Ondo State to assess how digital financial inclusion of the financial institutions have affected the growth of their business. This is because all forms of SMEs involve themselves in one form of financial transaction or the other either in the payment or receipt of finance. This study's population therefore consists of registered SMEs operate within Akure metropolis, Ondo State. The choice of the registered SMEs is because, they are involved in the electronic process/registration of their businesses which also indicate their acceptance of the digital financial transactions. The total number of registered SMEs in Ondo State is placed at one hundred and fifty eight thousand three hundred and fifty (158,350) SMEs (SMEDAN, 2023). Hence the population of this study is 158,350. This population consists of the SMEs across all the sectors of the economy, that is, manufacturing, services provision, artisans and lots more. For the purpose of the study, the Yamani's (1967) sampling method is adopted in determining the sample size. The formula is presented as:

$$n = \frac{N}{[1+N(e)^2]}$$

(Where: n = sample size; N = population; and e = margin of error/confidence level. Using a margin of error of 5%, with a population of 158350)

$$n = \frac{158,350}{[1+158,350(0.05)^2]}$$

$$n = \frac{158,350}{[1+158,350(0.0025)]}$$

$$n = \frac{158,350}{[1+395.875]}$$

$$n = \frac{158{,}350}{396.875}$$

$$n = 399.992$$

The sample size for this study is therefore 400.

In this study, simple random sampling techniques were used in selection of the sample size.
The researcher obtained the data from mainly primary data sources, obtained directly from the field using "questionnaires". The questionnaire content validity was determined by experts in the study area. The body validity of the instrument was measured using the content validity to ensure that it is within the acceptable limit of from 0.60 to 1.00 (Taherdoost, 2016). The reliability of the instrument was tested using the Cronbach's coefficient alpha (α), computed using SPSS. Scores were correlated and a correlation coefficient of 0.91 which was greater than 0.7 was obtained, then it was considered high enough to judge the instruments as reliable for the study. The data collected underwent preliminary analysis. The data from the questionnaire was sorted, codified and tested for missing values. Frequency counts were used to analyze data on profile characteristics of respondents. Frequency and percentage were used to determine the extent of financial inclusion and growth of small and medium enterprises in Ondo State. Further analysis was conducted using multiple linear regression to test the hypotheses of this study.

In this study, the dependent variable is growth of SMEs while the independent variable is digital financial inclusion.

Therefore the model specification of study is as shown in equation 1.
$$GSMEs = \beta_{01} + \beta_1(DFI) + \varepsilon_1 \ \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \ 1$$
However, the econometric functions of this study are presented in equations 2, 3 and 4
$$SG = \beta_{01a} + \beta_{1a}(DFA) + \beta_{2a}(DFU) + \beta_{3a}(DFSQ) + \varepsilon_{1a} \qquad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \ 2$$
$$PR = \beta_{01b} + \beta_{1b}(DFA) + \beta_{2b}(DFU) + \beta_{3b}(DFSQ) + \varepsilon_{1b} \qquad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \ 3$$
$$CG = \beta_{01c} + \beta_{1c}(DFA) + \beta_{2c}(DFU) + \beta_{3c}(DFSQ) + \varepsilon_{1c} \qquad \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \ 4$$
Where:
GSMEs = Growth of small and medium enterprises
DFI = Digital financial inclusion   SG = Sales growth
PR = Profit margin   CG =Customers' growth
DFA = Digital financial accessibility   DFU = Digital financial usage
DFSQ = Digital financial service quality β_0 = Interception of the line
$\beta_1, \beta_2, \beta_3$ = Slope of the DFA, DFU and DFSQ respectively
ε = Error terms

DATA ANALYSIS AND DISCUSSION

In this study, a total of four hundred questionnaire were administered to the respondents which represented the sample size of this study. However, a response rate of 98% was achieved representing a return of 392 questionnaires because the research used on the spot response and retrieval. Also, after sorting and cleanliness of the retrieved questionnaires, 7 were considered invalid as there were errors in the filling process. The analysis was therefore conducted using 385 responses representing a response rate of 96.25%. This response rate is high enough for the analysis to determine the objectives of this study. The factor responsible for this high response rate is because the study used research assistant who guided the respondents using both English Language and their local dialect.

Test of Hypotheses
This study developed three hypotheses and each of the hypotheses was tested using three models as provided in the model specification of this study.
The model 1a used sales growth as the measurement for growth of SMEs while digital financial accessibility (H_1), digital financial usage (H_2) and digital financial service quality (H_3) as the measurement for digital financial inclusion

Table 2:   Model 1 Analysis for Hypotheses

Items	Values	t-value	p-value
Constant		5.386	0.000
f-stat	26.859		
Df	384		
R	0.718		
R square	0.675		
Adjusted R square	0.668		
Std. Error of the Estimate	1.340		
Durbin-Watson	2.725		
Digital financial accessibility		-0.289	0.772
Digital financial usage		4.321	0.000
Digital financial service quality		5.555	0.000

Source: SPSS Output

Table 2 provides the model 1 summary for the regression analysis conducted to assess the relationship between the predictors (digital financial accessibility, digital financial usage and digital financial service quality) and the dependent variable (sales growth). The R value of 0.718 indicates an approximately 71.8% relationship between sales growth of SMEs and the predicators considered. This value showed a considerable weak relationship between sales growth and the predicators. The R^2 value of 0.675 indicates that approximately 67.5% of the variability observed

in sales growth among SMEs on Akure metropolis, Ondo State can be accounted for by the predictor variables incorporated into the regression model. The interpretation of R^2 suggests that the model provides a reasonably good fit to the observed data, capturing a substantial proportion of the underlying variability in project performance. However, it's essential to recognize that approximately 32.5% of the variability in sales growth remains unexplained by the predictor variables included in the model but by other variables.

This adjusted R-squared value of 0.668 indicates that approximately 66.8% of the variability observed in sales growth among SMEs in Ondo State is explained by the predictor variables included in the model, after adjusting for the number of predictors. In other words, the adjusted R-squared provides a more accurate estimate of the proportion of variance explained by the model, considering the potential impact of adding more predictors. The interpretation of the adjusted R-squared suggests that, even after accounting for the complexity of the model due to the inclusion of multiple predictors, a substantial portion of the variability in sales growth is still captured by the model. However, it's important to note that approximately 33.2% of the variability in sales growth remains unexplained by the predictors included in the model, even after adjustment.

In this instance, the calculated F-statistic of 26.859 indicates that the regression model has some degree of explanatory power over the variability observed in sales growth. However, the interpretation of the F-statistic is contingent upon its associated p-value.

The testing the hypotheses according to model 1a indicates the following:

H_{01}:   Digital financial accessibility has no significant positive impact on the growth of small and medium enterprises on Akure metropolis, Ondo state

Firstly, for the digital financial accessibility, the t-statistic and p-value indicates a negative and insignificant effect (t = -0.289; p = 0.772). Consequently the null hypothesis one based model 1a is accepted (p > 0.05), that is, digital financial accessibility has no significant positive effect on the sales growth of small and medium enterprises on Akure metropolis, Ondo state. Based on the t-statistic for every 1% increase in digital financial accessibility there is a decrease of 0.289% in sales growth of the SMEs in Ondo State.

H_{02}:   Digital financial usage has no significant positive effect on the growth of small and medium enterprises on Ondo state

Secondly, for the digital financial usage, the t-statistic and p-value indicates a positive and significant effect (t = 4.321; p = 0.000). Consequently the null hypothesis one based model 1a is rejected (p < 0.05), that is, digital financial usage has significant positive effect on the sales growth

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of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial usage there is an increase of 4.321% in sales growth of the SMEs in Ondo State.

H$_{03}$:   Digital financial service quality has no significant positive effect on the growth of small and medium enterprises on Ondo state

Thirdly, for the digital financial service quality, the t-statistic and p-value indicates a positive and significant effect (t = 5.555; p = 0.000). Consequently the null hypothesis one based model 1a is rejected (p < 0.05), that is, digital financial service quality has significant positive effect on the sales growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial service quality there is an increase of 5.555% in sales growth of the SMEs in Ondo State.

Summarily, the t-statistic and p-value of the constant which shows (t = 5.786; p = 0.000) in Table 2 indicates that digital financial inclusion has significant positive impact on the sales growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial inclusion there is an increase of 5.786% in sales growth of the SMEs in Ondo State.

Table 3:   Model 1b Analysis for Hypotheses

Items	Values	t-value	p-value
Constant		5.765	0.000
f-stat	88.626		
Df	384		
R	0.641		
R square	0.411		
Adjusted R square	0.406		
Std. Error of the Estimate	1.024		
Durbin-Watson	2.451		
Digital financial accessibility		2.947	0.003
Digital financial usage		0.700	0.484
Digital financial service quality		10.550	0.000

Source: SPSS Output

Table 3 provides the model 1b summary for the regression analysis conducted to assess the relationship between the predictors (digital financial accessibility, digital financial usage and digital financial service quality) and the dependent variable (profit margin). The R² value of 0.411 indicates that approximately 41.1% of the variability observed in profit margin among SMEs on Ondo State can be accounted for by the predictor variables incorporated into the regression model. The interpretation of R² suggests that the model provides a reasonably good fit to the observed

data, capturing a substantial proportion of the underlying variability in project performance. However, it's essential to recognize that approximately 58.9% of the variability in profit margin remains unexplained by the predictor variables included in the model but by other variables.

This adjusted R-squared value of 0.406 indicates that approximately 40.6% of the variability observed in profit margin among SMEs in Ondo State is explained by the predictor variables included in the model, after adjusting for the number of predictors. In other words, the adjusted R-squared provides a more accurate estimate of the proportion of variance explained by the model, considering the potential impact of adding more predictors. The interpretation of the adjusted R-squared suggests that, even after accounting for the complexity of the model due to the inclusion of multiple predictors, a substantial portion of the variability in profit margin is still captured by the model. However, it's important to note that approximately 59.4% of the variability in profit margin remains unexplained by the predictors included in the model, even after adjustment.

In this instance, the calculated F-statistic of 88.626 indicates that the regression model has some degree of explanatory power over the variability observed in profit margin. However, the interpretation of the F-statistic is contingent upon its associated p-value.
The testing the hypotheses according to model 1 indicates the following:

H_{01}:   Digital financial accessibility has no significant positive effect on the growth of small and medium enterprises on Ondo state

Firstly, for the digital financial accessibility, the t-statistic and p-value indicates a negative and significant effect (t = 2.947; p = 0.003). Consequently the null hypothesis one based model 1b is rejected (p < 0.05), that is, digital financial accessibility has significant positive effect on the profit margin of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial accessibility there is an increase of 2.947% in profit margin of the SMEs in Ondo State.

H_{02}:   Digital financial usage has no significant positive effect on the growth of small and medium enterprises on Ondo state

Secondly, for the digital financial usage, the t-statistic and p-value indicates a positive and insignificant effect (t = 0.700; p = 0.484). Consequently the null hypothesis one based model 1b is rejected (p > 0.05), that is, digital financial usage has insignificant positive effect on the profit margin of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial usage there is an increase of 0.700% in profit margin of the SMEs in Ondo State.

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H_{03}:   Digital financial service quality has no significant positive effect on the growth of small and medium enterprises on Ondo state

Thirdly, for the digital financial service quality, the t-statistic and p-value indicates a positive and significant effect (t = 10.550; p = 0.000). Consequently, the null hypothesis one based model 1b is rejected (p < 0.05), that is, digital financial service quality has significant positive effect on the profit margin of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial service quality there is an increase of 10.55% in profit margin of the SMEs in Ondo State.

Summarily, the t-statistic and p-value of the constant which shows (t = 5.765; p = 0.000) in Table 3 indicates that digital financial inclusion has significant positive effect on the sales growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial inclusion there is an increase of 5.765% in profit margin of the SMEs in Ondo State.

Table 4:   Model 3 Analysis for Hypotheses

Items	Values	t-value	p-value
Constant		5.573	0.000
f-stat	128.483		
Df	384		
R	0.709		
R square	0.503		
Adjusted R square	0.499		
Std. Error of the Estimate	0.967		
Durbin-Watson	2.190		
Digital financial accessibility		2.542	0.011
Digital financial usage		-0.442	0.659
Digital financial service quality		13.774	0.000

Source: SPSS Output

Table 4 provides the model 3 summary for the regression analysis conducted to assess the relationship between the predictors (digital financial accessibility, digital financial usage and digital financial service quality) and the dependent variable (customers' growth). The R^2 value of 0.503 indicates that approximately 50.3% of the variability observed in customers' growth among SMEs on Ondo State can be accounted for by the predictor variables incorporated into the regression model. The interpretation of R^2 suggests that the model provides a reasonably good fit to the observed data, capturing a substantial proportion of the underlying variability in project performance. However, it's essential to recognize that approximately 49.7% of the variability in

customers' growth remains unexplained by the predictor variables included in the model but by other variables.

This adjusted R-squared value of 0.499 indicates that approximately 49.9% of the variability observed in customers' growth among SMEs in Ondo State is explained by the predictor variables included in the model, after adjusting for the number of predictors. In other words, the adjusted R-squared provides a more accurate estimate of the proportion of variance explained by the model, considering the potential impact of adding more predictors. The interpretation of the adjusted R-squared suggests that, even after accounting for the complexity of the model due to the inclusion of multiple predictors, a substantial portion of the variability in customers' growth is still captured by the model. However, it's important to note that approximately 50.1% of the variability in customers' growth remains unexplained by the predictors included in the model, even after adjustment.

In this instance, the calculated F-statistic of 128.483 indicates that the regression model has some degree of explanatory power over the variability observed in customers' growth. However, the interpretation of the F-statistic is contingent upon its associated p-value.
The testing the hypotheses according to model 1a indicates the following:

H_{01}: Digital financial accessibility has no significant positive effect on the growth of small and medium enterprises on Ondo state

Firstly, for the digital financial accessibility, the t-statistic and p-value indicates a negative and significant effect ($t = 2.542$; $p = 0.011$). Consequently, the null hypothesis one based model 1a is rejected ($p < 0.05$), that is, digital financial accessibility has significant positive effect on the customers' growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial accessibility there is an increase of 2.542% in customers' growth of the SMEs in Ondo State.

H_{02}: Digital financial usage has no significant positive effect on the growth of small and medium enterprises on Ondo state

Secondly, for the digital financial usage, the t-statistic and p-value indicates a positive and insignificant effect ($t = -0.442$; $p = 0.659$). Consequently, the null hypothesis one based model 1c is rejected ($p > 0.05$), that is, digital financial usage has insignificant positive effect on the customers' growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial usage there is a decrease of 0.442% in customers' growth of the SMEs in Ondo State.

H_{03}:   Digital financial service quality has no significant positive effect on the growth of small and medium enterprises on Ondo state

Thirdly, for the digital financial service quality, the t-statistic and p-value indicates a positive and significant effect (t = 13.774; p = 0.000). Consequently, the null hypothesis one based model 1c is rejected (p < 0.05), that is, digital financial service quality has significant positive effect on the customers' growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial service quality there is an increase of 13.744% in customers' growth of the SMEs in Ondo State.

Summarily, the t-statistic and p-value of the constant which shows (t = 5.765; p = 0.000) in Table 4.8 indicates that digital financial inclusion has significant positive effect on the sales growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial inclusion there is an increase of 5.765% in customers' growth of the SMEs in Ondo State.

DISCUSSION OF FINDINGS

This study investigated the assessment of digital financial inclusion and growth of SMEs. The findings of this study reveals generally that digital financial inclusion has influenced the growth of SMEs in Ondo State. However, the specific findings of this study are discussed as below:

This study establishes the effect of digital financial inclusion variables of accessibility, usage and service quality on sales growth of SMEs. The result of the t-statistic and p-value of the constant which shows (t = 5.786; p = 0.000) in Table 4.6 indicates that digital financial inclusion has significant positive effect on the sales growth of small and medium enterprises on Ondo state. Based on the t-statistic for every 1% increase in digital financial inclusion there is an increase of 5.786% in sales growth of the SMEs in Ondo State. This implies that SMEs can enhance their sales growth by introducing digital financing options such as digital financial inclusion variables of accessibility and usage. These findings align with research by Edwin-Akakpo, Alfred & Said (2024); Kuldip (2024); Ogidi & Pam, (2021); Nanziri & Wamalwa (2021); Tuffour, Amoako, & Amartey (2020), and Salia & Karim (2019). These studies underscore the impact of digital financial inclusion on SMEs growth, promoting better financial decision-making that ultimately influences business sales' growth.

Furthermore, this study establishes the effect of digital financial inclusion variables of accessibility, usage and service quality on sales growth of SMEs. The result of the t-statistic and p-value of the constant which shows (t = 5.765; p = 0.000) in Table 3 indicates that digital financial inclusion has significant positive effect on the sales growth of small and medium enterprises in Ondo state. Based on the t-statistic for every 1% increase in digital financial inclusion there is an

increase of 5.765% in profit margin of the SMEs in Ondo State. This implies that SMEs can enhance their profit margin by introducing quality digital financing options such as digital financial inclusion variables of accessibility and usage. These findings align with research by Rennie, Musiita & Nabachwa (2024); Kuldip (2024); Zhiqiang *et al.*, (2022); Nanziri & Wamalwa (2021); Tuffour, Amoako, & Amartey (2020), Rasheed et al., (2019); and Agyapong & Attram (2019). These studies underscore the substantial impact of digital financial inclusion on a firm's success, promoting better financial decision-making that ultimately influences business profit margin.

Lastly, this study establish the effect of digital financial inclusion variables of accessibility, usage and service quality on sales growth of SMEs. The result of the t-statistic and p-value of the constant which shows (t = 5.765; p = 0.000) in Table 4 indicates that digital financial inclusion has significant positive effect on the sales growth of small and medium enterprises in Ondo state. Based on the t-statistic for every 1% increase in digital financial inclusion there is an increase of 5.765% in customers' growth of the SMEs in Ondo State. This implies that SMEs can enhance their customers' growth by introducing digital financing options such as digital financial inclusion variables of accessibility and usage. These findings align with research by Kuldip (2024); Zhiqiang *et al.*, (2022); Ogidi & Pam, (2021); Wang (2022); Nanziri & Wamalwa (2021); Tuffour, Amoako, & Amartey (2020); and Rasheed et al., (2019). These studies underscore the importance digital financial inclusion on a firm's success, promoting better financial decision-making that ultimately influences business customers' growth.

CONCLUSION AND RECOMMENDATIONS

This study on the assessment of digital financial inclusion and growth of small and medium scale enterprises in Akure Metropolis, Ondo State concludes the digital financial inclusion of SMEs has led to the growth of the SMEs in the State. The regression analysis estimates indicate that usage of digital finance is determined by access to the internet, education, and the manager's experience. This indicated that microenterprises with access to the internet, educated owners, and experienced managers use the digital financial channel in the firm's business operations. From both models, it is evident that access to the internet, education, and owner experience are instrumental in digital financial inclusion among micro enterprises. Specifically, this study focused three measurement of digital financial inclusion and three measurement of growth of SMEs. Hence the conclusion are presented accordingly.

Firstly, this study concludes that despite the positive effect of the overall digital financial inclusion, digital financial accessibility by the SMEs has not resulted in increased sales growth of their products and/or services. This is due to the fact that their accessibility of digital finance does not contribute to directly to their sales promotion. However, digital financial usage and service quality of the digital finance platforms have positive and significant increase sales growth. This is so

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because, customers and clients can easily pay conveniently for their products and services which leads to re-patronage and loyalty.

Secondly, this study concludes that despite the positive effect of the overall digital financial inclusion, the usage of digital finance by the SMEs has not increased their profit margin. This is due to the fact that usage of digital finance does not increase in price of the goods/services but instead increase the cost of services provision. However, digital financial accessibility and service quality of the digital finance platforms have positive and significant effect on profit margin. This is so because, the business can sell their product without having to use cash as means of exchange. Thirdly, this study concludes that despite the overall positive effect of digital financial inclusion, the usage of digital finance by the SMEs has not increased their customers' growth. This is due to the fact that usage of digital finance does not decrease the price of the goods/services but instead increase the cost of services provision which tend to reduce customer size. However, digital financial accessibility and service quality of the digital finance platforms have increased customer size as it has become easy for the customers to make several purchases with having to pay extra charges or costs.

In order to further take advantage of the opportunities and potentials of digital financing among the SMEs in Akure Metropolis, Ondo State, the following recommendations were provided by this study:

i. That the business policymakers in Ondo State should adopt a comprehensive policy for digital financial inclusion in order to help the SMEs to develop and grow faster especially those in the rural areas.

ii. The government of Ondo State in collaboration with SMEDAN office in the State should provide digital resources, training and support at a subsidized rate so that they can avail it to the start-up SMEs in the State.

iii. In order to completely benefit from digital financial services, SMEs need education and training on how to use these tools effectively hence, there is need for financial literacy programmes that SMEs can enroll in with the view to equipping them on how to take advantage of the full digital financing available.

iv. Digital financial services of the financial institutions such as financial platforms and applications especially those of the online or digital banks should be designed and made affordable and accessible for SMEs.

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