

Digital Lending and SMEs Financial Performance: Evidence from Jos South LGA, Plateau State, Nigeria

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Abstract

The study investigated the effect of digital lending on SMEs financial performance: evidence from Jos South LGA, Plateau State, Nigeria. The objective of this study was to assess the effect of digital lending on SMEs financial performance in Jos South LGA, Plateau State. The study reviewed key concepts bordering on the independent (digital lending dimensions) and dependent variables (SMEs' financial performance). The study adopted a survey research design to elicit specific information from respondents through the use of questionnaires. Data were obtained from primary and secondary sources. The data collected were processed and analyzed using linear regression through Statistical Package for Social Sciences (SPSS v 26). The analysis of 318 administered questionnaires revealed the following results. Firstly, credit assessment has a positive and significant impact on SMEs' financial performance ($B=.291$, $t=-2.654$, $p\text{-value}=0.008$). Secondly, that loan approval has a positive and significant impact on SMEs' financial performance ($B=.269$, $t=-2.450$, $p\text{-value}=0.015$). Thirdly, associated customer service has a positive and significant impact on SMEs financial performance ($B=0.550$, $t=2.974$, $p\text{-value}=0.003$). Lastly, business process management also has a positive and significant impact on SMEs' financial performance ($B=1.281$, $t=49.723$, $p\text{-value}=0.000$). The study recommends business policy makers in Jos South LGA, Plateau State, to adopt a comprehensive policy for digital lending in order to help the SMEs perform better financially, especially those in the rural areas. Notwithstanding the importance of this research study mentioned earlier, the study has limitations. Notably, the study is limited to SMEs in Jos South LGA of the State. Future research studies may consider studying SMEs financial performance in the whole State to allow for result generalization.

Keywords: Digital Lending, SMEs, Financial Performance, Jos South, Nigeria.

Introduction

The importance of SMEs and the role they play in economies across the globe is one that cannot be overemphasized. SMEs are seen as a means for economic growth in many underdeveloped economies of the world. SMEs are known to improve economic growth based on the critical role they play in economies across the globe, as the sector accounts for the majority of businesses globally and is the growth engine of the economy, contributing to job creation and global economic development (PWC, 2020). This has been properly documented, and because of this, their performance is closely connected with the financial performance of these countries (Yeboah, 2015).

Small and medium enterprises are seen as a means for economic growth in most underdeveloped economies around the world. Data from the World Bank indicates that SMEs represent about 90% of businesses and more than 50% of employment globally. As noted by Baba and Thiong'o (2019), SMEs are known for their better likelihood of using labor-intensive technologies for reducing joblessness, which is witnessed in most economies of third-world countries. For instance, in advanced countries of the world, the SMEs in these developed economies have been known with encouraging job creation, and promoting innovation. In advanced economies, many governments internationally have come to the realization that they should establish SMEs so that they can impact or influence the growth and development of their respective economies (Baba & Thiong'o, 2019). In developing economies, formal SMEs contribute up to 40% of national income (GDP) (Kumdi et al., 2020).

In Nigeria, for instance, over 40 million SMEs dominate the enterprise landscape, employing more than 80% of the country's total workforce and contributing nearly 50% to GDP (World Bank, 2020). The SME sector in Nigeria is the most dominant form of business and has contributed immensely to the growth and development of the Nigerian economy, as evident in the small and medium enterprises (SMEs) providing employment for about 84.02% of the total labor force, representing 96% of the businesses in Nigeria, and contributing 48.47% to the nation's gross domestic product (GDP) (Aigboje, 2020). Other benefits include contribution to the economy in terms of output of goods and services, creation of jobs at relatively low costs, providing an avenue for reducing income disparities, and developing a pool of skilled, semi-skilled, and unskilled employees as a basis for future industrial expansion. Specifically, the benefits of small-scale enterprises are developing personal relationships with customers, employees, suppliers, inventiveness and innovation, which promote the growth of the firm (World Bank, 2020).

In realization of the centrality of SMEs as drivers of economic growth in Nigeria through ensuring a shift from crude oil exports as a major source of government revenue to an industrial and service-driven economy, concerted efforts in terms of policy guidelines and interventions have been initiated and implemented by successive governments at all levels to accelerate the growth and viability of the SMEs sector (Ibosiola & Dada, 2024). Agencies such as the Small and Micro Enterprise Development Agency (SMEDAN) and the Bank of Industry, for instance, were established to provide technical support and low-interest loans, while the Small and Medium Enterprise Industries Equity Investment Scheme (SMIEIS) mandates commercial banks to invest at least 10% of their pre-tax profit in SMEs. In 2014, the Central Bank of Nigeria (CBN) launched a ₦220 billion SMEs intervention fund (Effiom and Edet, 2018).

Digital lending is aimed at ensuring that SMEs across the country have easy access to a broad range of quality financial services, designed according to their needs and provided at affordable costs. These products include payments, savings, credit, insurance and pensions (Ibosiola & Dada, 2024). The principle of digital lending innovation has assumed a 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 the traditional banking financial services would provide the possibilities for the creation of a large depository of savings, investments, and investable funds, thereby generating wealth and driving growth.

Nigeria has witnessed growth in digital lending especially among the SMEs leading to expansion and growth of the productive capacity of the businesses. This is shown by the increasing contribution of SMEs to GDP of the country which accounted for 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 cannot 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 competition, 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 SMEs (OECD, 2016). 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 considers the impact of digital lending dimensions on the performance of small and medium enterprises in Jos South LGA, Plateau State. The research is based on the Financial-Growth Theory by Bagehot (1873).

Statement of the Problem

It is an assertion that SMEs promote growth and development in economies across the globe. Particularly, in countries like Malaysia, Thailand, India, China and a host of others, SMEs account for over 70 percent of exports, so this is the reason these economies, as noted by Duro (2013), have been growing in leaps and bounds. Coming back to Nigeria, SMEs are confronted with many problems and challenges which significantly affect their growth and development. Most pronounced of these problems is access to finance and adequate infrastructures to operate upon, especially electricity and other social amenities.

Objectives of the Study

The objective of this study is therefore to assess the effect of digital lending on SMEs' financial performance in Jos South LGA, Plateau State.

Literature Review

Theoretical Framework

Finance-Led 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 resources for financial institutions to create credit. As more entrepreneurs get access to a financial products, cost and risks involving transactions are reduced and exchange will be well handled. That is, access to a safe, easy and affordable source of financial services is acknowledged as a prerequisite for promoting SME's financial performance (Irimia-Diequez, et al, 2015).

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 et al, 2015) these would translate into an increase in the financial performance of SMEs.

The research questions that this study answers are as follows:

- i. Does credit assessment influence SMEs performance in Jos South LGA, Plateau State?
- ii. To what extent does loan approval impact on SMEs performance in Jos South LGA, Plateau State?
- iii. What is the impact of associated customer service on SMEs performance in Jos South LGA, Plateau State?
- iv. What is the relationship between business process management and SMEs performance in Jos South LGA, Plateau State?

Financial Performance

Yu, Huang, Kong and Zhu (2023) equated financial performance to a comprehensive outlook of a firm's profitability, liquidity, solvency, and efficiency. It is a critical assessment of how well a company manages its resources to achieve its goals and objectives. According to Ouma and Ndede (2020) financial performance explains the extent to which a company efficiently utilizes its assets to generate revenue and profits. It is a vital measure of an organization's capacity to generate positive cash flow and deliver value to its stakeholders. Chaundary and Kumar (2023) concluded that financial performance (FP) is an evaluation of an entity's ability to generate returns for its investors. It entails a thorough examination of a company's financial position, cash flow, and earnings growth potential. In a nutshell, financial performance is a reflection of a firm's proficiency to generate income from its operations and investments. It is an essential indicator of the company's capability to create value for its shareholders over time.

Researchers have operationalized financial performance by looking at different financial aspects. Operationalization typically involves identifying key financial metrics, such as

profit margins and revenue, which help quantify financial capability. Moreover, return on investment as well as cash flow can aid the determination of organizational health. They are critical for establishing benchmarks for success. For example, Otieno (2020) used net profit to describe financial performance. Moreover, Odongo (2022) utilized ROA to expound on the financial performance. Therefore, tools such as financial ratios, trend analysis, and forecasting models can be used to track and evaluate their progress over time. As a result, monitoring these metrics, firms can identify areas for improvement and adjust their strategies and operations accordingly.

Digital Lending

According to Masolo (2022), digital loans pinpoint the active process useful for seeking and providing access to the formal financial system while at the same time offering a wide-array of credit services to individuals. It utilizes technology-based platforms to allocate, borrow, disburse and collect the credit. Hence, it relies on the automated underwriting system to serve clients hence their analytical system and digital payment are advanced. Oromo (2015) postulated that digital lending is a pivotal part of financial innovation. It uses digital technology to revolutionize the lending process, accessibility, efficiency and effectiveness. It exemplifies the lending procedures which leverage the digital framework to enhance loan origination, underwriting and servicing to widen accessibility and improve financial performance. Therefore, several digital networks such as online platforms and mobile apps are useful (Ouma & Ndede, 2020).

Digital lending innovations have revolutionized almost every aspect of the lending process, fundamentally changing the traditional model that makes lending possible. Historically, banks would collect deposits from some customers and use those funds to provide loans to others. Under this model, banks typically charged borrowers higher interest rates than savers in order to generate profits (Chhaidar, 2022). Banks have long prided themselves on offering faster application, approval, and funding times than traditional lenders, regardless of the type of loan being offered (Johnson et al. 2023). However, their loan approval process may take several weeks, sometimes a month. Even credit card issuers, who typically approve applications electronically and quickly, often take a long time to print and issue physical cards (Gubbins and Totolo, 2018). It is worthwhile noting that digital lending can improve financial firms in expanding their loan portfolios and reducing operational costs, thereby increasing revenue. By digitizing origination and underwriting processes, digital lending can enhance efficiency, resulting in faster processing times for firms.

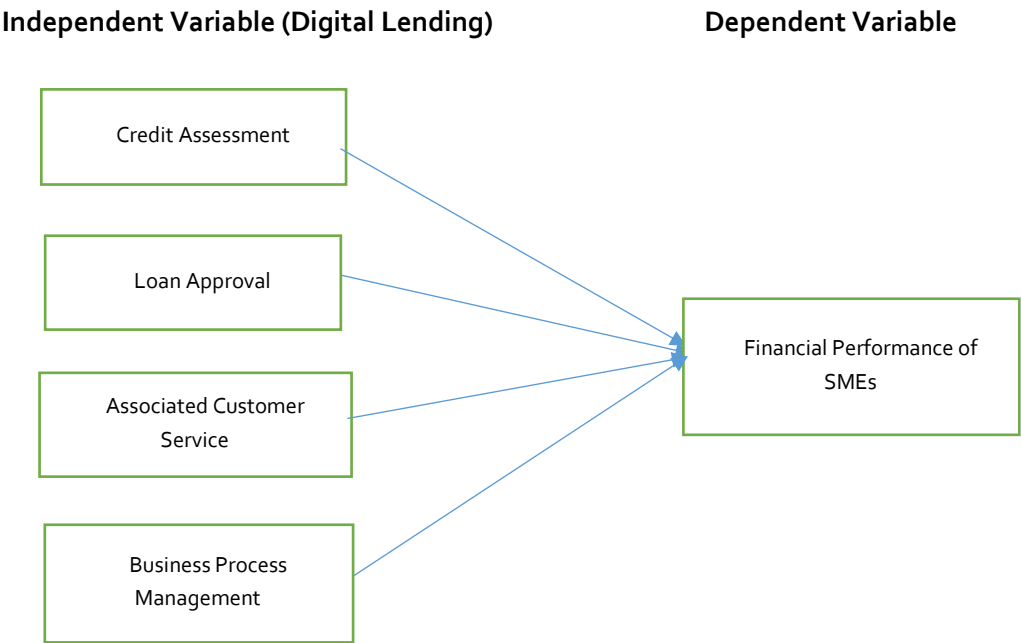
Conceptual Model

In this study, we developed a conceptual research model aimed at exploring the impact of the independent variable: digital lending (credit assessment, loan approval, associated customer service, and business process management) on the dependent variable, SMEs' performance. Credit assessment refers to the process of evaluating a person's or company's

financial reliability to determine their ability to repay borrowed money. Loan approval involves meeting specific eligibility criteria set by lenders, including credit score, income, and debt-to-income ratio.

Customer service means a quality product or service that satisfies the needs/wants of customers and keep them coming back. Business process management (BPM) is a structured approach to improving the processes organizations use to get work done, serve their customers and generate business value. Financial performance refers to the extent to which a company achieves its financial objectives, including profitability, growth, and shareholder value creation.

This model illustrates the effects of these lending dimensions on SMEs financial performance. By analyzing these relationships, we aim to gain deeper insights into the effect of digital lending on the financial performance of SMEs in the study.



Source: Researcher 2025

Empirical Review

Credit Assessment and SMEs Financial Performance

A study by NI (2023). The study aimed to identify the credit assessment practices of SMEs loan at KBZ Bank, analyze the effect of credit assessment practices on SMEs loan performance at KBZ Bank and analyze the moderating effect of loan tenure on the relationship between credit assessment practices and SMEs’ loan performance at KBZ Bank. Simple random sampling method was used to select 115 bank staff out of 135 staff working in SME credit function at KBZ Head Office. The descriptive statistics and multiple linear regression were used in the study. Secondary data were collected from various sources such as textbooks, previous research papers, journals, and relevant documents of

KBZ Bank official website. The study found that credit risk identification, and credit risk monitoring had significant and positive effect on SMEs' loan performance in the analysis of the effect of credit assessment practices on SMEs loan performance.

Zhouyi et al, (2024), their study reveals: firstly, the integration of the SMOTE algorithm with the XG Boost model exhibits certain performance advantages in handling imbalanced datasets; secondly, trustworthy financial information remains at the heart of crucial risk determinants; thirdly, the XG Boost scoring card model based on significant features effectively enhances the accuracy of credit risk assessment. Cuiqing, Chang, Qian & Zhao, (2023), specifically, the depth and dynamics metrics of the content-based information convey SME performance and mitigate the information asymmetry between SMEs and financial institutions. Thus, the study hypothesizes that:

H01: Credit assessment has no significant influence on SMEs financial performance.

Loan Approval and SMEs Financial Performance

Manyanga (2023). Their study aimed to establish the effect of debt financing (short-term debt, long-term debt, and trade credit) on the financial performance of SMEs in Zimbabwe. Financing SMEs has been a challenge for many SMEs worldwide. Notwithstanding that SMEs contribute immensely to the growth of an economy, SMEs remain underfunded especially in developing economies. Their contributions include poverty reduction, increased job opportunities, competitiveness, and productivity in the industrial sector. This study adopted a positivism philosophy and a cross-sectional survey design. Quantitative data were gathered from 210 SMEs using a structured questionnaire with Likert-type responses. The findings show that debt financing (short-term debt, long-term debt, and trade credit) positively influences the financial performance in emerging markets.

A study by Jian et al (2022). The study uses the total factor productivity (TFP) of SMEs as a proxy variable to investigate credit guarantees' impacts on the performance of guarantors and guaranteed SMEs. The results reveal that obtaining a credit guarantee can increase an SME's probability of obtaining bank loans, the loan amount received from banks, R&D expenditures, fixed asset investments, and TFP by 2%, 17.4%, 7.6%, 6.1%, and 5.2%, respectively. Credit guarantees robustly improve the guaranteed SME's TFP through its R&D expenditures and fixed asset investments. We also found that credit guarantees have a [spillover effect](#) among different SMEs. Another critical finding is that providing credit guarantees to other SMEs will not harm the guarantor's TFP, which is a second alternative to a mutually beneficial situation. Extant studies reveal that loan approval have significant relationship with SMEs performance (Ibosiola & Dada, 2024; Olawale 2021; Li et al, 2024). Thus, the study hypothesizes that:

H02: Loan approval has no significant influence on SMEs financial performance

Customer Associated Service and SMEs Financial Performance

Isaiah & Omolara, (2025). The performance of SMEs is determined by customer satisfaction

and to capture and retain customers towards sustaining businesses and the effective running of the enterprise, an enterprise needs to maintain a good relationship with customers to survive in the competitive business environment. This study seeks to examine the effect of customer satisfaction on the business performance of SMEs in Southwest Nigeria using a cross-sectional survey research design. The primary data were gathered through the use of a structured questionnaire and about one hundred and ninety-nine (199) questionnaires were administered to registered SMEs. The statistical analysis results showed a significantly strong positive relationship between customer satisfaction and the business performance of SMEs in Southwest Nigeria.

Kwabena, (2023). Investigated the impact of customer-focus on small and medium enterprise (SME) performance from the perspective of a resource-based view (RBV). The results show that customer-focus has a positive and significant relationship with financial performance, customer performance, internal business process performance and learning and growth performance, thus supporting the literature on the positive impact of customer-focus on SME performance. Thus, the study hypothesizes that:

Ho3: Customer associated service has no significant influence on SMEs financial performance

Business process management (BPM) and SMEs Financial Performance

Onah et al., (2023), examined the relationship between simplified operations and minimization of error and evaluate the relationship between product safety and increased profit of SMEs in Enugu State. The area of the study was the SMEs in Enugu State. The study used the descriptive survey design approach. The primary source of data was the administration of questionnaires. The study concluded that simplified operations and product safety had positive a significant and relationship with minimization of error and increased profit in small and medium enterprises (of SMEs) in Enugu State.

Arshad et al. (2021) examined how Business Process Management (BPM) positively impacts the financial arrangement of healthcare centers, demonstrating that process automation and information technology use can reduce costs and enhance service quality. Thus, the study hypothesizes that:

Ho4: Business process management has no significant influence on SMEs financial performance

Methodology

Research Design

In this study, a cross-sectional survey method was followed using simple random sampling to collect data from owners of small and medium enterprises in the Plateau State comprising trading organizations, service organizations, and manufacturing organizations. Data was generated with questionnaires administered to several respondents. This is adjudged to be appropriate because it helps in asking questions from which the study elicits responses to answer research questions.

Sampling Frame

This was made up of a list of the registered owners of 318 small and medium enterprises (SMEs) in Jos South LGA, Plateau State, Nigeria. The list was obtained from the Jos South LGA revenue department records. The SMEs were classified under the following categories comprising trading organizations, service organizations and manufacturing organizations.

Table 1

RESPONDENTS	POPULATION
Trading organizations	542
Service organizations	485
Manufacturing organizations	526
Total	1553

Source: Revenue Department, Jos South LGA

Eligibility

Must be an independent firm with less than 50 employees duly registered with Corporate Affairs Commission Plateau State, such firms are eligible to participate and participation is based on the convenience of such a firm.

Sample Size

This study employed the Yamane's (1967) sample size selection model to generate a sample size of 318 from the population of 1553 owners of SMEs. The survey was conducted between May and July 2025. Using Yamane (1967) formula, which is simplified for calculating sample sizes when the population is less than 10,000, assuming 95% accuracy. The sample size formula is shown below.

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

Where;

- n = Sample size,
- N = Total population,
- e = sampling error and the sampling error is 0.05.

Therefore, the sample size was calculated as shown below.

$$n = \frac{1553}{1 + 1553(0.05)^2}$$

$$n = \frac{1553}{1 + 1553(0.0025)}$$

$$n = \frac{1553}{4.8825}$$

$$n = 318$$

Therefore, the study's sample size is 318.

Data Collection

Primary data were collected using structured questionnaires randomly administered face-to-face to consenting owners of SMEs in Jos South LGA of Plateau State. Of the 318

distributed questionnaires, we obtained a 100% response rate by targeting this list. Thus, 318 respondents completed the survey. The questionnaire comprised of two major sections: Section A (demographic profile of the respondent) and Section B (Research construct items).

Data Analysis

Data were analyzed using linear regression with the aid of Statistical Package for Social Sciences (SPSS, Version 26). Cronbach's alpha coefficients and Composite Reliability (CR) were used to determine the reliability.

Reliability Analysis

Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Malhotra (2015) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Credit recovery gave a reliability co-efficient of 0.73 (Usman et al., 2024), Loan approval gave a reliability co-efficient of 0.871 (Oromo (2015), Business process management gave a reliability co-efficient of 0.760 (Onah et al., 2023), associate customer service gave a reliability co-efficient of 0.781 (Mohammad & Zhang, 2022) which were all good.

Findings and Discussion

Descriptive Statistics

This study sought to establish the impact of digital lending on financial performance of small and medium size enterprises in Jos South LGA, Plateau State. The study used descriptive analysis to observe the trends, mean, and dispersion of responses with relation to the objectives of the study. The study sought to establish the impact of credit assessment, loan approval, associated customer service and business process management on financial performance of small and medium size enterprises in Jos South LGA, Plateau State.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Credit Assessment	318	17.00	33.00	27.2233	5.48906	-.758	.137	-.829	.273
Loan Approval	318	10.00	24.00	17.6226	3.83110	-1.059	.137	-.006	.273
Asso Cust Service	318	15.00	29.00	24.1824	4.78873	-.832	.137	-.576	.273
Business Pro Mgt	318	11.00	21.00	17.1509	3.73523	-.536	.137	-1.305	.273
Fin Performance	318	13.00	28.00	21.7296	5.08872	-.512	.137	-.922	.273
Valid N (listwise)	318								

The minimum value of 17.00 and the maximum value of 33.00 for credit assessment represent the range of responses among SMEs Jos South LGA, Plateau State. The minimum value suggests that there are SMEs with relatively lower adoption levels. The maximum value indicates that some SMEs have a relatively higher level of adoption. The mean score for credit assessment is 27.2233. The results indicate that SMEs in Jos South LGA, Plateau State moderately adopt credit assessment. The low standard deviation of 5.48906 suggests that the responses are relatively close to the mean. Therefore, it shows there was limited variability in credit assessment among the SMEs. The negative skewness of -.758 suggests that the distribution of responses is slightly skewed to the left. Therefore, it shows that SMEs tend to go through credit assessment. The kurtosis of -.829 indicates that the distribution is platykurtic. The statistics show that it has thinner tails and is less peaked than a normal distribution. These findings also agree with the views of NI (2023), the study found that credit risk identification and credit risk monitoring had significantly and positively effect on SMEs loan performance.

Loan Approval

The minimum value of 10.00 and the maximum value of 24.00 for loan approval indicate a lesser range of adoption levels than credit assessment. The minimum value suggests that some SMEs have relatively lower adoption levels. The maximum value suggests that there are SMEs with significantly higher levels of loan approval. The mean score for loan approval is 17.6226. Therefore, it suggests that SMEs in Jos South LGA have a moderate level of adoption of loan approval. The standard deviation of 3.83110 indicates a moderate amount of variability in the adoption of loan approval among SMEs. Moreover, the negative skewness of -1.059 suggests that the distribution of responses is slightly skewed to the left. The results show a slightly higher presence of SMEs with lower adoption of loan approval. The kurtosis of -.006 indicates a platykurtic distribution. The negative kurtosis indicates a platykurtic distribution. Therefore, the distribution is relatively flat and less peaked than a normal distribution. In conclusion, the findings conform to the observation made by Manyanga et al (2023), the findings show that debt financing (short-term debt, long-term debt, and trade credit) positively influences the financial performance in emerging markets.

Associated Customer Service

The minimum value of 15.00 indicates that SMEs have relatively higher levels of engagement in digital lending. The maximum value of 29.00 for associated customer service shows that most SMEs had a higher engagement. The mean score for associated customer service is 24.1824. The statistics indicate that SMEs in Jos South LGA have a moderate level of engagement in associated customer service. The standard deviation of 4.78873 shows moderate variability in the adoption of associated customer service among SMEs. The negative skewness of -.832 suggests a slightly skewed to the left skew. The kurtosis of -.576 indicates a platykurtic distribution. The results imply that the distribution

is less peaked and has thinner tails compared to a normal distribution. This is in compliance with Isaiah and Omolara, (2025), the statistical analysis results showed a significantly strong positive relationship between customer satisfaction and the business performance of SMEs in Southwest Nigeria.

Business Process Management

Business process management responses showed a narrow range. It had a minimum value of 11.00 and a maximum value of 21.00. The results suggest that most SMEs have moderate utilization of Business process management with a mean score 17.1509 and a standard deviation of 3.73523, an indication of closeness to the mean. The statistics indicate that SMEs in Jos South LGA, Plateau State have a moderate level of utilization of Business process management. This conforms to findings of. Furthermore, the findings showed a favorable and significant correlation between. The low standard deviation of 3.73523 suggests relatively little variability in adopting Business process management among SMEs. The negative skewness of -.536 indicates a very slight leftward skew. The results show that there may be a slightly higher presence of SMEs with higher utilization of Business process management than those with lower utilization. The kurtosis of -1.305 suggests that the distribution is slightly platykurtic but closer to a normal distribution. This is in line with the views of Isaiah and Omolara (2025), the statistical analysis results showed a significantly strong positive relationship between customer satisfaction and the business performance of SMEs in Southwest Nigeria.

Financial Performance

The minimum value of 13.00 and the maximum value of 28.00 for financial performance represent SMEs' financial performance range. The minimum value indicates that some SMEs have very poor financial performance. The maximum value suggests that there are SMEs with relatively better financial performance. The mean score for financial performance is 21.7296. Therefore, the financial performance of SMEs in Jos South LGA is at a relatively low level. The standard deviation of 5.08872 is relatively low. Therefore, there was limited variability in financial performance among the SMEs. The negative skewness of -.512 indicates a slight leftward skew. The kurtosis of -.922 suggests that the distribution is closer to normal (Charles & Benson, 2023).

Correlation Analysis

The researcher used correlation analysis to measure the strength of the linear relationship between the variables of the study and computation of their relationship. For this study, Pearson correlation coefficient was used to measure the strength of the relationship between the independent variables; credit assessment, loan approval, associated customer service and business process management and the dependent variable, financial performance.

The Pearson correlation coefficient (r) was used to establish the degree of relationship between the variables. Pearson correlation coefficient (r) is a statistical measure of strength of linear relationship between paired data. It is denoted by letter (r) and is by design constrained as $-1 < r < +1$. Positive values indicate positive linear correlation; negative values indicate negative linear correlation; 0 indicates no linear correlation; the closer the value is to 1 or -1 , the stronger the linear connection. If the coefficient of correlation between two variables is more than 0.5, they are considered to be correlated. If any two predictor (independent) variables have a correlation, one of them must be eliminated from the analysis (Visaria, 2016). As can be seen in table 4.7, none of the predictor variables have a coefficient of correlation greater than 0.5, hence they were all included in the model.

Table 3: Correlation Results

		Credit Assessment	Loan Approval	Associated Customer Service	Business Process Management	Financial Performance
Credit Assessment	Pearson Correlation	1	.922**	.983**	.238**	.231**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	318	318	318	318	318
Loan Approval	Pearson Correlation	.922**	1	.965**	.221**	.215**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	318	318	318	318	318
Associate Customer Service	Pearson Correlation	.983**	.965**	1	.238**	.237**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	318	318	318	318	318
Business Process Management	Pearson Correlation	.238**	.221**	.238**	1	.944**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	318	318	318	318	318
Financial Performance	Pearson Correlation	.231**	.215**	.237**	.944**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	318	318	318	318	318

** . Correlation is significant at the 0.01 level (2-tailed).

The correlation coefficient 0.231 suggests a weak positive linear relationship between credit assessment and SMEs' performance in Jos South LGA, Plateau State. The positive correlation indicates that as the utilization of digital lending increases, there is a tendency for financial performance to improve significantly. The correlation coefficient of 0.215 also indicates a weak positive linear relationship between financial performance and SMEs' adoption of loan approval. The positive correlation suggests that as the use of loan approval rises, there is a tendency for financial performance to improve moderately. The correlation

coefficient of 0.237 suggests a weak, but still moderate, positive linear relationship between financial performance and engagement in digital lending by SMEs. This positive correlation implies that as SMEs engage more in digital lending, there is a tendency for their financial performance to improve, but the effect is moderate. The correlation coefficient of 0.944 shows a very strong positive linear relationship between business process management and financial performance of SMEs. This positive correlation suggests that as SMEs utilize agent banking services more, there is a high tendency for their financial performance to improve, but the relationship is very not strong.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.946 ^a	.894	.893	1.66348	2.112

a. Predictors: (Constant), Business Process Management, Loan Approval, Credit Assessment, Associate Customer Service

From the above Table 4, the R Square measures the proportion of variance in financial performance explained by the model's independent variables. R Square value is 0.894. Therefore, approximately 89.4% of the variance in financial performance is explained by credit assessment, loan approval, associated customer service and business process management. The high R-squared value of 89.4% suggests that the independent variables sufficiently predict the financial performance of SMEs in Jos South LGA, Plateau State. The results imply that the independent variables explain the majority of the variability in financial performance. Moreover, the researcher observed that the remaining 10.6% relates to other variables not covered by this study.

Values between 1.5 and 2.5 are considered acceptable and indicate no strong autocorrelation. A score near 2 indicates that there is no positive or negative autocorrelation in the residuals. The Durbin-Watson statistic is 2.112 and it falls within this acceptable range ($1.5 < DW < 2.5$). Therefore, it indicates no strong autocorrelation in the residuals of the regression model.

Analysis of Variance

The analysis of variance (ANOVA) test was used to determine the significance of the model in this study. This was done expressly to see if the variation in the independent variables could account for the observed variance in the outcome (Illowsky & Dean, 2013). The outcomes were presented in Table below:

Table 5: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7342.615	4	1835.654	663.366	.000 ^b
	Residual	866.127	313	2.767		
	Total	8208.742	317			
a. Dependent Variable: Financial Performance						
b. Predictors: (Constant), Business Process Management, Loan Approval, Credit Assessment, Associate Customer Service						

The F-statistic is the ratio of the mean square for regression to the mean square for residuals. The F-statistic tests whether the predictors collectively have a statistically significant impact on financial performance. An F statistic greater than 1 indicates that there is some degree of variability among the group means being compared in the regression model. The F statistic is used to assess whether the differences among the group means are statistically significant. The significance level (Sig.) related with the F-statistic is 0.000. The ANOVA results indicate that F-statistic is 663.366 which is significant at p-value of 0.000, hence an indication that the regression relationship was significant in predicting how the independent variables.

Table 6: Result Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	.873	.591		1.477	.141	-2.035	.290
	Credit Assessment	.291	.110	-.314	2.654	.008	-.507	-.075
	Loan Approval	.269	.110	-.203	2.450	.015	-.485	-.053
	Associate Customer Service	.550	.185	.518	2.974	.003	.186	.914
	Business Process Management	1.281	.026	.940	49.723	.000	1.231	1.332
Dependent Variable: Financial Performance								

There will be a change in financial performance by 55.0%, when associate customer service increases by one unit, there will be change in financial performance by 28.1%. More so, when credit assessment increases by one unit, there will be an increase in financial performance by 29.1%, also when loan approval increases by one unit, financial performance increases by 26.9%. In general, the regression coefficient shows that the average amount of change in financial performance was affected by a unit of change in

digital lending by the stated beta value for each dimension. In conclusion, the study objective was achieved, as supported by the findings.

The result also indicates that all the four independent variables; credit assessment, loan approval, associate customer service and business process management had a p- value of less than 0.05, hence an indication that all the independent variables predicted the dependent variable significantly. Using the values of the coefficients Beta from the regression coefficient.

Table 7: Regression Model Coefficients

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	CA	LP	ACS	BM
1	1	4.925	1.000	.00	.00	.00	.00	.00
	2	.052	9.730	.04	.00	.01	.00	.45
	3	.020	15.815	.89	.00	.00	.00	.55
	4	.003	38.350	.02	.12	.36	.00	.00
	5	.000	133.179	.04	.88	.63	1.00	.00
a. Dependent Variable: Financial Performance								

The B coefficients is the size of the coefficient for each independent variable that gives the size of the effect that variable is having on the dependent variable. The sign on the coefficient (positive or negative) gives the direction of the effect. In regression with a single independent variable, the coefficient reveals how much the dependent variable is expected to increase (if the coefficient is positive) or decrease (if the coefficient is negative) when that independent variable increases by one. The results of the coefficients are shown in the table above.

Summary, Conclusions and Recommendations

Summary of the Findings

The primary objective of the research is to assess the impact of digital lending dimensions on the financial performance of SMEs in Jos South LGA, Plateau State. The summary of the findings examines the relationships between various digital lending dimensions and the financial performance of Small and Medium Enterprises (SMEs) in Jos South LGA, Plateau State. The study focused on credit assessment, loan approval, associated customer service and business process management. The study aimed to ascertain whether these digital lending dimensions impact the financial performance of SMEs in Jos South LGA, Plateau State.

Credit Assessment and Financial Performance

The research examined the impacts of credit assessment on the financial performance of SMEs in Jos South LGA, Plateau State. The analysis revealed a positive and significant linear relationship between credit assessment and financial performance. Moreover, this

relationship was statistically significant, with a p-value of 0.008 which is less than the typical significance level of 0.05. Therefore, there is evidence to draw the conclusion that credit assessment significantly affects the financial performance of SMEs in Jos South LGA, Plateau State. Therefore, credit assessment significantly influences financial performance among SMEs in Jos South LGA, Plateau State

Loan Approval and Financial Performance

The research examined the impacts of digital payment systems on the financial performance of in Jos South LGA, Plateau State. The analysis revealed a positive and significant linear relationship between adopting loan approval and financial performance. Moreover, this relationship was statistically significant, with a p-value of 0.015 which is less than the typical significance level of 0.05. Therefore, there is evidence to draw the conclusion that loan approval significantly affects the financial performance of SMEs in Jos South LGA, Plateau State.

Associated Customer Service and Financial Performance

The study also aimed to evaluate the influence of associated customer service on the financial performance of SMEs in Jos South LGA, Plateau State. The findings indicated a positive and significant linear relationship between associated customer service adoption and financial performance. The relationship was statistically significant (p-value $0.003 < 0.05$). Thus, there was sufficient evidence that suggests that associated customer service significantly affects the financial performance of SMEs in Jos South LGA, Plateau State.

Business Process Management and Financial Performance

The research found a positive and significant linear relationship between business process management and financial performance. The association was statistically significant because the p-value was less than 0.05. Therefore, it suggests that business process management had a significant and positive effect on the financial performance of SMEs in Jos South LGA, Plateau State. Increased business process management is associated with a significant increase in financial performance. The results imply that their financial performance tends to improve as SMEs engage more in business process management. The study's findings also align with Kipsang (2020), who found that internet banking and online lending significantly and positively affects financial performance.

Conclusion

This study on the assessment of digital lending dimensions and financial performance of SMEs in Jos South LGA, Plateau State concludes the digital lending of SMEs has led to increased financial performance of SMEs in the Local Government Area. The regression analysis estimates indicate that digital lending is determined by credit assessment, loan approval, associated customer service and business process management. Specifically, this

study focused four measurements of digital lending. Hence the conclusion is presented accordingly. Firstly, this study concludes that despite the positive effect of the overall digital lending, credit assessment by the SMEs has resulted in increased financial performance of SMEs. This is due to the fact that their credit assessment contributes directly to their financial performance. Also, loan approval, associated customer service and business process management have positive and significant increase SMEs financial performance.

Recommendations

In order to further take advantage of the opportunities and potentials of digital lending among the SMEs in Jos South LGA, Plateau State, the following recommendations were provided by this study:

- i. That the business policymakers in Jos South LGA, should adopt a comprehensive policy for digital lending in order to help the SMEs to develop and grow faster especially those in the rural areas.
- ii. The local government of 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 digital financial literacy programmes that SMEs can enroll in with the view to equipping them on how to take advantage of the full digital lending.
- 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.

Suggestions for Further Study

Academics should conduct further research to explore the factors that influence the impact of digital lending on SME financial performance. Future studies should focus on examining industry-specific effects. They should also consider the role of financial literacy and the long-term sustainability of digital lending. The studies should also consider using longitudinal data to track the financial performance of SMEs over extended periods. The studies will provide valuable insights into the lasting effects of digital financial service adoption. Future studies should complement quantitative data with qualitative research methods. They should consider using interviews and focus groups. These methods will help uncover the qualitative aspects of SMEs' experience of digital financial services adoption. Future studies should also consider conducting similar studies in different geographical areas within Nigeria. The studies will help identify regional disparities and their underlying causes.

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