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Enhancing Small and Medium Enterprises' Performance Through Digital Payments: Roles of Digital Payment Solutions in Ilorin-South Metropolis.

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Abstract

This study examines how digital payment adoption impacts Small and Medium sized Enterprises (SMEs) in Ilorin-South, Nigeria, addressing challenges like cash-related risks and payment delays. Using a quantitative survey of 234 SME owners (sampled via Taro Yamane's formula), the research analyzed mobile banking, Smartcards, and Internet banking effects on SME performance, measured by revenue, customer base, and operational efficiency. Discriminant validity (KMO > 0.7) and reliability (Cronbach's Alpha > 0.7) were confirmed. Regression analysis revealed Smartcards drove 69.4% performance, mobile banking 67%, and Internet banking 38.3%, with ANOVA confirming Smartcards' superior impact ($p < 0.05$). Mobile banking's efficiency and accessibility made it the most influential. The study recommends SME owners prioritize mobile banking and Smartcards, while financial institutions and government collaborate on tailored solutions (e.g., rural-focused subsidies) and financial literacy programs via mobile platforms. Findings underscore digital payments' role in enhancing SME scalability and financial inclusion

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1. Introduction

Digital payment refers to an electronic payment system that includes providing clients with both old and innovative goods or services from banks. It is a system that enables online inventory management and payment transactions for both individuals and businesses (Rifat, 2023). Digital payments, Widespread use of digital payments is required to propel the rapidly evolving digital economy, reshaping and challenging traditional ideas to support the expansion of SMEs in Nigeria (Łasak & Gancarczyk, 2021).

Digital payments are significant not just because they allow conventional financial institutions to operate more efficiently but also because they may be used to establish new services and alter existing ones. Nigeria needs to experience a digital revolution that will take numerous shapes and expand its reach to new economic sectors due to the country's increasing number of SMEs. The financial markets, where electronic payments are becoming more significant, should be impacted by the transformation (Chen et al., 2023). In addition to many other sectors, digital payments are becoming more and more crucial for smooth business transactions and for making payments simple when funding SMEs in Nigeria.

SMEs in Nigeria also use electronic payments to enhance customer satisfaction. In July 2018, First Bank, one of Nigeria's largest banks, opened the First Digital Lab in the "Yabacon Valley," Lagos. The bank uses the lab as a platform to work together and progress with the quickly evolving digital payments industry (Adewolo, 2019).However, over the last several decades, the global economy has seen extensive modernisation and digitisation across almost all sectors, resulting in the emergence of whole new industries. This illustrates how the concentration of several creative firms in a single locale promotes the exchange and pollution of ideas across various sectors, resulting in a thriving economic sector and transformative digital payments (Achor et al., 2023).

The aim of the study is to explore the influence of digital payments on the performance of SMEs in Ilorin-South Kwara State. The specific objectives include:

i. Examine the impact of adopting digital payment solutions on the performance of SMEs in Ilorin-South Kwara State
ii. Examine the extent of the relationship between SmartCards and Internet banking adoption on the performance of SMEs in Ilorin-South Kwara State.

1.2 Statement of the Problem

SMEs encounter several challenges in spite of the crucial role they serve. The statistics have shown that only three (3) out of five (5) SMEs survive for five months to a year after being formed, and of those that do, 80% fail by the fifth year (World Bank, 2020). The adoption of electronic payments gives SMEs a way to perform better, which lowers the failure rate. McEvily et al. (2014) made the case that innovation was essential to boosting productivity, competitiveness, and profitability in order to unleash the potential of many SMEs. Therefore, in order to remain viable and continue to operate, SMEs must use electronic payments.

In Kwara State, particularly in the Ilorin South, SMEs often complain about delays in the payment of cheques and a high rate of crime reports due to the mobilisation of cash, which led to the introduction of new digital payments to many business owners in the area. Also, very few studies were conducted on the nexus between digital payment solutions and SMEs in Nigeria. Most previous research was on deposit money banks and not Kwara State in particular. It is imperative to conduct a research on the role of digital payment solutions on the performance of SMEs in Ilorin South metropolis.

2.0 Literature Review

2.1 Concept of Digital Payment

Digital payment is the electronic payment solution for transferring money from one account to another using digital devices or online modes. It refers to an arrangement between a bank and its customer to enable encrypted transactions over the Internet (Rifat, 2023). It is a general word for an electronic banking system that allows a consumer to conduct financial transactions without physically visiting a financial institution (Ombati et al., 2021). Fintech businesses provide business and personal bank accounts built on a comprehensive digital infrastructure. Crucially, businesses like Paystack, Kuda, and Flutterwave are introducing straightforward digital electronic payments with superior client experiences and stylish designs to the Nigerian market. Additional digital payments include bill payments, cash transfers, balance inquiries, and more. Three (3) fundamental categories may be used to group digital payment options. These include mobile, SmartCards, and internet banking (Okeka et al., 2021).

2.2 Growth of SMEs in Nigeria

Small and Medium Enterprises (SMEs) are defined by size in terms of employees and annual turnover. In Nigeria, SMEs are categorized as businesses with fewer than 500 employees, with microenterprises typically employing less than 10, small enterprises fewer than 50, and medium enterprises fewer than 200 (SMEDAN, 2020). Service-based SMEs must have fewer than 49 employees. These businesses are recognized as critical to economic development due to their potential to innovate, create jobs, and stimulate local economies (NBS, 2023).

SMEs form the foundation of Nigeria economy, which accounting for 96% of all businesses, 84% of employment, and contributing approximately 48–52% to the Gross Domestic Product (PwC, 2020; NBS, 2023). Despite their significant role, SMEs face several growth constraints including limited access to finance, high operating costs, inadequate infrastructure, and a shortage of skilled labor. The so-called "missing middle" businesses that are too large for microfinance but too small for commercial lending often struggle to secure the funding they need (PwC, 2020).

To monitor growth and performance, SMEs use a blend of financial and non financial indicators such as Return on Assets (ROA), profit margins, customer satisfaction, and market share (Al-Omoush et al., 2023; Osman et al., 2023). As suggested by Adnani et al. (2023), integrating both dimensions is vital for accurate performance evaluation. performance can also be assessed by changes in internal processes, business size, and customer relationships (Dominguez-Escrig & Mallen-Broch, 2023), especially in a dynamic digital economy where innovation is key to survival and competitiveness.

2.2.1 Digital Economy in Nigeria

The digital economy has brought about waves of upheaval. There are now new businesses and new means of communicating. Many businesses and sectors that failed to use the technology to transform their operations have seen a decline in revenue, a loss of market share, or even a total collapse, Deloitte (2020). Utilising emerging technologies like predictive analytics and Internet of things information technology will allow them to enhance their engagement with existing and potential customers, respond faster, and be more productive and efficient.

2.3 Theoretical Framework

2.3.1 Diffusion of Innovation Theory

The Diffusion of Innovation (DOI) Theory, developed by Everett Rogers in 1962, explains how new ideas, technologies, or practices spread within a social system over time. Adoption occurs when individuals perceive an innovation as new and beneficial. This process is gradual, and not everyone adopts innovations at the same pace. Some people are more willing to try new ideas, while others are more resistant. The theory helps explain what drives the acceptance and spread of innovations in society, including in business environments such as SMEs. In the context of digital payments, businesses that adopt financial technologies early often gain better market access, improved customer experiences, and enhanced competitiveness.

The theory also identifies five categories of adopters: innovators, early adopters, early majority, late majority, and laggards. Innovators are risk-takers and the first to try new ideas. Early adopters are open to change and often lead others in embracing innovations. The early and late majority adopt only after seeing proven benefits, while laggards are the most resistant and prefer traditional methods. Understanding these groups is essential when introducing digital payment solutions to SMEs, as it helps tailor strategies for wider adoption based on the readiness and characteristics of the target audience.

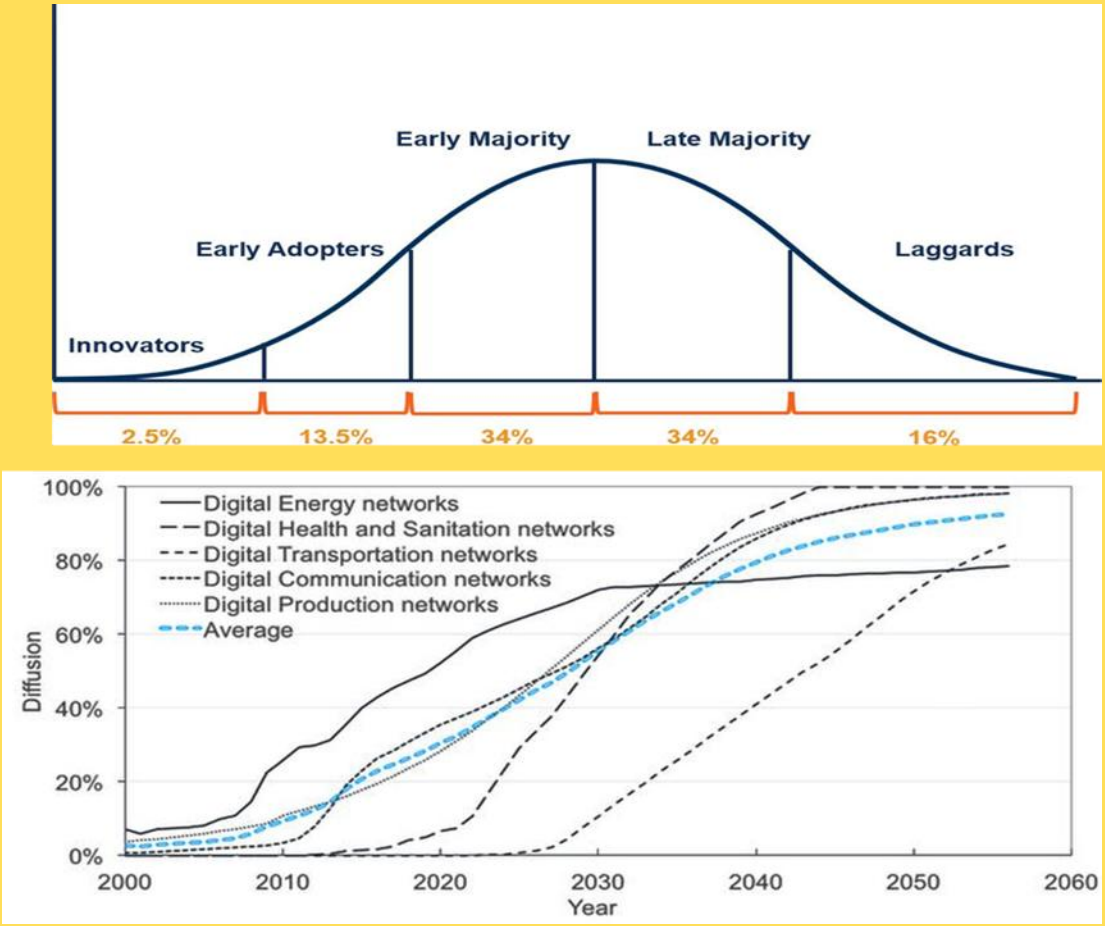

Figure 1: Diffusion of innovation theory and enabling digital technologies.

Source: Ombati et al., 2021

Figure. 1 highlights the dissemination of breakthroughs of DOI theory within the context of enabling digital technologies, with early adopters often driving awareness and adoption. Accelerating their proliferation across sectors and populations, these technologies improve adoption efficiency and scalability by offering venues for experimentation, real-time feedback, and seamless integration into current systems (Ombati et al., 2021).

2.4 Empirical Review

The profitability performance of Nigerian banks after the complete implementation of electronic banking systems was examined by Abaenewe et al. (2019). Increased use of electronic banking, which has revolutionised banking operations in Nigeria and elsewhere, made the research essential.

Adebayo and Yusuf (2022). On journal titled The role of Digital Payment Systems in SME growth According to recent studies, using digital payments can help SMEs develop by increasing transactional efficiency and cutting operating expenses. SMEs who implemented digital payment solutions saw a 20% boost in revenues as a result of quicker transaction processing and lower hazards associated with handling cash.

According to Ahmed and Ali's (2021) study outlined the main obstacles that SMEs face while using digital payment systems. Lack access to technology, ignorance, reluctance to adapt, and worries about transaction security are a few of them. In order to overcome these obstacles and encourage broader adoption, the report suggests specific actions.

Chatterjee A. (2020). Regarding the research Economic growth, the spread of information and communication technology, and financial inclusion Information and communication technology (ICT) is widely used, which makes it possible for ICT-enabled services to spread throughout a variety of industries. Reputable institutions like the United Nations and the World Bank have recommended ICT-enabled services as an economic accelerator for poor countries. Innovative ICT-enabled solutions are necessary for businesses to streamline processes, boost productivity, cut expenses, and shorten development times.

Chen et al. (2023), research on Mobile payments and small business expansion: A study of emerging economies. SMEs can grow their clientele by integrating mobile payments, especially in developing nations where electronic transactions are becoming more common.

According to a study by Jaiswal and Bhatnagar (2023), the financial performance of SMEs in India is impacted by the use of digital payments. According to the study, using digital payment methods enhanced cash flow management, decreased transaction costs, and raised sales because it was more convenient for customers. But issues like the necessity for technological infrastructure and cybersecurity worries were also brought to light.

According to a study by Mensah and Boateng (2021). Barriers to digital payment adoption among SMEs. The study observed that SMEs in rural locations suffer with internet connectivity, limiting their ability to completely integrate digital solutions. Adoption Notwithstanding the benefits, SMEs face a number of obstacles when implementing digital payments, such as resistance to change, technical complexity, and cybersecurity threats.

An extended technology acceptance model by Nambiar and Bolar (2023) on the factors influencing customers' preference for cardless technology over the card for cash withdrawals has highlighted that people wary of electronic payment methods still believe that using cash is safer. This is true even if consumers are aware of how user-friendly and reliable electronic payment systems are. Numerous research have found a number of factors that can affect banking sector customers' decisions to adopt electronic banking services. These elements are accessibility, transaction accleration, banks contributions to improving their clients' electronic literacy, the cost of using electronic services, and the bank's reputation for reliability and simplicity in handling electronic transactions.

Using a case study of Nigerian commercial banks, Taiwo and Agwu (2020) examined the effects of e-banking adoption on organisational performance. Staff members of four banks, Ecobank, UBA, GTB, and First Bank, were given questionnaires to collect primary data. An SPSS was used to analyse the findings using Pearson correlation. It was found that the operational efficiency of Nigerian banks has increased after the introduction of electronic banking as opposed to the days of conventional banking.

3.0 Methodology

The quantitative research follows the objectives of this study, "the digital payment and the performance of SMEs in Ilorin Kwara State," which was guided by the descriptive survey design. This study's research design is best to quantify the cause-effect. The population of 564 is obtained from MBIT as the total number of SMEs operating in Ilorin South as of the third quarter of 2024. This study considers the use of probability and non-probability sampling techniques (i.e. simple stratified random sampling and Purposeful). Thus, probability sampling was embraced to ensure that every target participants had an equal chance of being included in the sample. Sample size determination according to Taro Yamane's formula (1967), obtained n=234 as shown.

Taro Yanane's formula (1967) is presented as below:

$n = N/(1+Ne^2)$ where,

n = sample size

N = population =564

e = level of significance 0.05

1 = constant

Substituting the values

$n =564/(1+564(0.05)^2)$

$= 564/2.41$

$n = 234.02$

The sample size for this study is 234 SMEs, whereby one top manager, the owner or one active representative that can explain the business operations inside out was chosen for the sake of this work. The primary source of information for this study is primary data.A well-structured questionnaire is used to establish the nexus between digital payment solutions and the performance of SMEs. It is adapted from the work of Taiwo & Awgu (2020).

However, the instrument ratings were based on a five points Likert scale and (15) items in total adapted from Taiwo & Agwu (2020). Descriptive statistics with the use of frequencies means ranking and relative important index (RII) was employed, while inferential statistics used multiple regression and independent t-test using SPSS software.

3.1 Operationalisation of Variables

By determining the definitions of the independent and dependent variables, the researcher may pinpoint the precise idea that influences the study's main variable. An overview of the operationalisation process is provided in Table 1 below. By determining the definitions of the independent and dependent variables, the researcher may pinpoint the precise idea that influences the study's main variable. An outline of the operationalisation procedure is provided in the table below.

Table 1. Operationalisation of variables

S/N	Types of variable	Variables	Indicators	Measurement Scale
1	Independent	Mobile Banking	SMS banking, e-wallets, basic cash transfer	Ordinal &Nomina
2	Independent	SmartCard	POS, ATM, Payment Receipt	Ordinal &Nomina
3	Independent	Internet Banking	Balance Inquiry, Online Purchases, Bulk-cash transfer	Ordinal &Nomina
4	Dependent	Performance of SMEs	Sale volume, Business expansion, increase GDP, Customer Base overtime, rise in income level	Ordinal & Nominal

Source: Author's Computation, (2025).

3.2 Model Specification

The Model of multiple regressions below was used to specify the quantitative relationship between the variables of the study;

Y = B0+ B1X1+ B2X2+ B3X3 **+ e**

Where

Y = dependent Variable= SMEG

$\mathbf{B_0}$ **=** constant

$\mathbf{B_n}$ **=** Coefficient, for n=1, 2, 3,4

X1= mobile banking

X2= SmartCard

X3= Internet banking

e= represents the error term

Table 2. Apriori Expectation

Variables	Expected Sign-on Impact	Apriori
• ***Digital Payments***	+	$\alpha_1>0$
• ***Performnace of SMEs***	+	$\alpha_2>0$

Source: Researcher's Compilation.

3.2 Validity Test

An indication of the validity of the scales was established with a measure of construct validity (i.e., convergent and discriminant validity). Before conducting exploratory factor analysis, Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO-MSA) and Barlett's Test of Sphericity (BTS) was used to test the appropriateness of conducting factor analysis and the correlation matrix of the scales were first examined (Tabachnik and Fidell, 2023). KMO-MSA ranged from 0.763 (Digital Payments) to 0.841 (Performance of SMEs), which were above the recommended 0.60. The table shows the results of the KMO and Bartlett Test.

Table 3. KMO and Bartlett's Test

Construct	No. of Items	KMO	Bartlett's Test	Sig.
Digital Payments	15	0.617	1897.003	0.000
SMEs Performance	15	0.705	1678.234	0.000

Source: SPSS Computation, (2025).

3.3 Reliability Test

The reliability test was equally conducted with item-total correlation and Cronbach's Alpha of the individual scales. Items were resolute to be internally consistent and reliable if they reported a minimum item-total correlation coefficient of 0.40. Howit and Cramer (1997) asserted that reliability coefficients ranging from -0.26 to +0.26 are usually significant at 0.01 level if the sample size is 100 and above and that such scales will provide consistent and reliable scores. Table 4 shows the results of the item-total correlation coefficients and Cronbach's Alpha for the whole scale. Item-total correlation coefficients for all items are above 0.40 and Cronbach's Alpha for the scales is above 0.70 of the recommended threshold in the literature (Hair et al., 2018; Nunnally & Berstein, 2014; Pallant, 2017).Thus, the internal consistency of the measures is not in doubt.

Table 4. Validation exercise showing results of reliability tests

SN	Constructs	Minimum Item-Total coefficients	Cronbach Alpha for Scale	No of the factors identified	No. of items retained
1.	Mobile banking	.625	.793	4	4
2.	SmartCard digital payments	.522	.851	3	3
3.	Internet banking	.614	.775	3	3
6.	Performance of SMEs	.716	.951	5	3

Source:SPS Computation, (2024).

4. Result and Discussion

Table 5 shows the responses of owners and top managers in SMEs in the selected area to the effect of digital payment solutions on the performance of SMEs. The responses of the managers and business owners show that the adoption of digital payment solutions in promoting SMEsis greater than the weighted average mean score of 2.5 on a five-pointLikert scale rating out of an agreed score of 5. Therefore, it is expected that the majority of respondents concede on the use of digital payments to influence business activities in this perception.

Table 5. Perceived responses of business owners on digital payments

Digital Payments	Mean	SD
Mobile banking		
I am able to use mobile payment for bill settlement in my business	4.1500	0.45628
I am able to save business income into e-wallets	3.6600	0.58784
Using mobile banking relieves me the stress of carrying cash	4.5600	0.85372
Mobile banking is convenient and user-friendly	4.9700	0.92301
SmartCards digital payment		
The use of SmartCards enables me to gain enough finance for business expansion	4.3400	0.58784
Access to POS terminal enables my quick response to customers	4.3000	0.45902
I was able to generate Payment Receipt through terminal for customers	4.4300	0.60524
Internet banking		
Access to Internet relieves me of bulk transfer	4.2700	0.67722
I was able to carry online purchases and inventory management	4.6600	0.58784
I was able to to obtain credit saving through online mode	4.1500	0.45628

Mean cut- off point=2.5

Source: Survey 2024

Table 6 displays the relative importance index (RII) and mean ranking of the perceived Prospects for performance in SMEs as a result of the adoption of digital payment solutions in their various business dealings. This is part of the intended strategies to assess how activities of digital payments improved SMEs in the selected case study. The perceived prospects for adopting digital payments are significant, as indicated in the threshold of RIIs>0.5, and ranked on the weighted average mean>2.5 on a decision scale of five-pointLikert ratings. Therefore, it is conceded that the performance prospects of SMEs are likely to be affected by adopting digital payments.

Table 6. Relative Important Index (RII) of the Perceived Prospects for Performance in SMEs for the adoption of digital payments

Adoption (+)	Frequency of Response					RII	Mean
	5	4	3	2	1		
Needed for increase customer base overtime	97	60	39	21	17	0.77	3.86
Needed for lower operational costs	99	40	33	38	24	0.73	3.66
Needed for business expansion	99	43	26	43	23	0.73	3.65
Needed for an increase in GDP	86	44	36	38	30	0.70	3.50
Needed for increase in sale volume	90	27	37	53	27	0.69	3.44

Source: Field Work Analysis, 2025

4.1 Hypotheses Testing

H_{01}: there is no significant impact of digital payment solutions on the performance of SMEs in Ilorin Kwara State

The R-squared value is displayed in the model summary result, called the Coefficient of determination, is 76.1% (0.761). This implies that 76.1% of the performance of SMEs were explained jointly by the metrics of digital payments (i.e., mobile banking,SmartCard, and internet banking). In comparison, Other variables not included in the model explain the remaining 23.9%. Furthermore, the adjusted R-Square (0.758), When viewed more conservatively, the coefficient of determination is more than 50%. solely in this instance, only 24.2% of the variant of other factors are not captured by the model. This indicates that the other unexplained factors deserve further empirical investigation beyond the scope of the sampled case study. Future studies should be carried out to account for 24.2% of the variation for adjustment. The Durbin Watson (1.858) a statistic with a value ranging from 1 and 2 indicated positive autocorrelation, this indicates that the parameters of digital payments could cause a positive change in the performance of SMEs in this model.

Table 7. Model Summary[b] of Digital Payments and Performance of SMEs

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Durbin-Watson
1	.871[a]	.761	.758	3.65870	1.858

a. Predictors: (Constant), Mobile Banking, SmartCard, Internet Banking

b. DV: SMEs

Table 8 displays the results of the ANOVA with the F-statistic = 242.395 at a Significance level of p<0.05 with df (3, 231), which implies that mobile banking, SmartCard and internet banking jointly predicts the performance of SMEs at a 5% level of significant. Thus, the relationship between digital payment solutions and the performance of SMEs SMEs' is at 5%. This is indicated by the p-value<0.05, which is within the Fisher-test rejection range (F0.05(2,465)=731.352>3.84), and by implication, there is a significant relationship between the digital payments and the performance of SMEs at 95% confidence level.

Table 8.

ANOVA[a] test of significance of the relationship between digital payment solutions and the performance of SMEs

Model		Sum Squares	ofDf	Mean Square	F	Sig.
1	Regression	19594.705	3	6531.568	242.395	.000[b]
	Residual	6224.526	231	26.946		
	Total	25819.231	234			

a. Dependent Variable: SMEs

b. Predictors: (Constant), Mobile Banking, SmartCard, Internet Banking

Multiple regression in Table 9, revealed how the metric of digital payments generally regressed over the performance of SMEs. Considering the variables' respective statistical significance as shown by the p-values, all metrics of digital payments passed their test of significance with respect to the performance of SMEs at 5% levels *(p-values<0.05).* Thus, the performance of SMEs is more modest when using mobile banking followed by using SmartCards than when using internet banking in the model. About a 69.4% increase in the performance of SMEs for a unit change in the use of SmartCardsamong the selected cases *(β=0.694, $t_{0.05}$>1.645).* Also, 67% increase in the SMEs' performance for a unit increase in mobile used for the business owners in the area *(β=0.670, $t_{0.05}$>1.645).*

Internet banking propelled a significant increase in the enterprise's performance by 38.3 %*(β=0.383, $t_{0.05}$>1.645).*This result implies that the metrics of digital payments have a significant impact on the performance of SMEs. Meanwhile, it was observed that mobile banking, with a larger threshold of t-value, contributed most to the performance of enterprises among the selected cases.

H_{02}: there is no statistically significant difference between SmartCards and internet banking adoption on the performance of SMEs in Ilorin Kwara State

Table 9. Regression Estimates of the impact of digital payments on the performance of SMEs

Model	Unstandardised Coefficients		Standardised Coefficients	T	Sig.
	B	Std. Error	B		
(Constant)	-.305	.077		-3.961	.000
Mobile banking	.670	.042	.763	15.958	.003
SmartCard	.694	.112	.703	6.192	.000
Internet banking	.383	.135	.362	2.841	.000

a. Dependent Variable: SMEG

Source: IBM SPSS Computation, 2025

Levene's test for equality of variance result in Table 10 and t-test for equality of means indicates there is a significant difference between the metrics of SmartCards adoption and internet banking adoption for improving the performance of SMEs. Levene's f-test reveals the statistical significanceofanalysing the equality of variance. For testing the null hypothesis, the two groups have unequal variance. The significance value associated with Levene's test indicates that the two groups have unequal variance and the null hypothesis is rejected (p-values<0.05), meaning that all the independent variables (POS, ATM, Payment Receipt, Online purchases, Bulk-cash transfer, and Online credit) were adopted for different purposes among business owners. This indicates that the performance of SMEs is statistically difference between users of SmartCards and Internet banking. Therefore, null hypothesis two is rejected, and the alternative is accepted by positing that there is a statistically significant difference between SmartCards and Internet banking adoption among owners of SMEs in selected areas.

Table 10: Independent t-test of SmartCards and online/internet banking adoption among SMEs in Ilorin South

	Levene's test for		t-test for equality of means	
Test factors	equality of variance			
	F	Sig.	Mean difference	
			Small Enterprises	Medium Enterprises
POS	40.716	.000	-6.050	-1.9924
ATM	50.561	.000	-6.111	-1.9925
Payment Receipt	34.273	**.**001	-5.233	-1.6906
Online Purchases	63.664	**.**000	-5.253	-1.5563
Bulk-cash transfer	53.819	**.**000	-5.288	-1.5563
Online Credit	8.595	**.**000	-4.351	-1.52171

Source: 2024

DF = degree of freedom, sig=significance

Predictor (constant): POS, ATM, Receipt Payment, Online Purchases, Bulk-cash transfer, Online Credit. DV: Performance of SMEs

4.2 Discussion of Findings

The analysis revealed that moile banking as a positive impact on the performance of SMEs, with a better value of 0.670 and signifance level of < 0.05. this findings aligned with work of Taiwo & Agwu (2020), highlighting the ease of transferring funds and managing accounts as key factors in the increased adoption of mobile banking.

The study also found that the use of SmartCards has a statistically significant impact on the performance of SMEs with a Beta value of 0.694 and a significance level of $p < 0.001$. This result support the preference for SmartCards systems over traditional banking methods, as entrepreneur rely on SmartCards financial transactions, contributing to SMEs development in the area.

1.0 Conclusion

The study has demonstrated that the use of SmartCards and online banking solutions markedly improves the operational efficiency, customer outreach, and financial performance of SMEs. These digital solutions will enhance transaction speed, mitigate cash handling risks, and provide access to wider markets.

The study concluded that the performance of SMEs is statistically difference between SmartCards and Internet banking adoption in Ilorin, particularly with the rise in business development from a single firmsucceeded to more employees and increased sales volume with customer base overtime and income rises demonstration of the performance of SMEs, which further highlights the need for continuousinvesting in digital infrastructure and financial literacy initiatives. This implies that government agencies, financial institutions, and other stakeholders must work to improve access to digital payment technology and provide essential assistance for SMEs to incorporate these tools into their operations.

2. Recommendations

Based on the findings of this study, SMEs in Ilorin-South should prioritize the adoption of digital payment solutions, particularly mobile banking and SmartCards, to enhance their performance. The research demonstrates that mobile banking significantly contributes to business expansion by improving transaction efficiency and reducing security risks associated with cash handling. Therefore, financial institutions and telecommunication providers should collaborate to improve mobile banking services, ensuring wider accessibility, seamless transactions, and better network stability. Additionally, targeted financial literacy programs should be introduced to educate SME owners on the benefits and security measures of digital payments, promoting their confidence and widespread adoption.

Furthermore, the use of SmartCards has been found to be a key driver of SME performance, particularly through improved access to point-of-sale (POS) services and receipt generation for business transparency. Given the high adoption rate of SmartCards among SMEs, financial service providers should expand the availability of POS terminals and other SmartCard-based solutions, especially for small businesses in underserved areas. Policymakers should also explore incentives such as reduced transaction fees and subsidies for digital payment infrastructure to encourage adoption. The government, in partnership with private stakeholders, should create policies that facilitate affordable access.

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