Financial Inclusion as a Veritable Tool for the Performance of Small and Medium Enterprises: Empirical Evidences from Osun State, Nigeria

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Abstract
Policymakers, researchers, and other stakeholders globally have been discussing the success and failure of small and medium enterprises (SMEs). Financial inclusion has been considered a fresh way to expand the distribution of cheap financing to low-income and disadvantaged groups in society, thereby facilitating the operation of commercial activities. Therefore, the aim of this study is to investigate how financial inclusion affects the performance of SMEs in Osun State, Nigeria. The study made use of primary data. Data from the respondents were gathered using a structured questionnaire. 8,923 Osun State-registered SMEs are the study's population. Through the use of a simple random sampling technique, 450 respondents made up the study's sample size. The performance of SMEs (sales growth) and the independent variable, financial inclusion dimensions (proximity, payment infrastructure, store of value, and information storage), were examined using multiple regression analysis on the data. The results showed that financial inclusion as a whole had a 71.4% significant impact on SMEs' performance. The findings also revealed that proximity (0.987), payment infrastructure (0.871), stores of value (0.784), and information storage (0.691) all significantly impacted the performance of SMEs. The study came to the conclusion that the growth of these financial inclusion dimensions has an impact on SME performance in Osun State, Nigeria. Accordingly, the study recommended that the government, financial institutions, and other stakeholders continue to enhance their delivery of financial inclusion dimensions and educate the general public about the range of financial services that are accessible beyond credit services, which are well-known and widely used.

Keywords: Financial inclusion, proximity, store of value, payment infrastructure, SMEs.


Introduction
Both industrialized and emerging nations have consistently had the arduous goal of achieving complete economic independence and self-reliance through entrepreneurship. The aforementioned explains why Small and Medium Enterprises (SMEs) are considered one of the key drivers behind modern economies, mostly because of their contributions to innovation and employment creation in both developed and developing nations. The International Trade Center (2017) reports that SMEs make up more than 95% of all businesses, generate roughly 50% of the GDP, and provide 60% to 70% of all jobs. The Small Business Administration (SBA) (2014) also states that SMEs are essential to the American economy, accounting for 99.7% of all employer enterprises there and employing 50% of all American workers, whereas SMEs in Europe account for 67% of all employment. In addition, UNIDO (2017) reiterates that...
SMEs have been recognized as strategically significant to the nation's economic development. 90% of job possibilities in Nigeria come from small, growing businesses, according to the National Development Plan, which maps the country's economic trajectory through 2030. Small and medium-sized businesses are also seen as sources of innovation. Additionally, they are regarded as essential means of achieving economic change and empowerment (UNIDO, 2017).

SMEDAN (2017) revealed that successive governments in Nigeria established a variety of schemes and specialized financial institutions to provide appropriate financing to the subsector through funding and the establishment of industrial estates to lower overhead costs. This was done in recognition of the crucial role that SMEs play in an economy. The Small Scale Industry Credit Scheme (SSICS), the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI), which offers long-term credit, as well as the facilitation and guaranteeing of external financing by the World Bank, the African Development Bank, and other international financial institutions, as well as the facilitation of the establishment of the National Directorate of Employment (NDE), are all part of this effort. Additionally, it entails the creation of the National Economic Reconstruction Fund (NERFUND), which will offer medium- to long-term domestic and international loans to small- and medium-sized businesses, particularly those situated in rural areas, as well as technical training and advisory services via Industrial Development Centers (Agbim, 2020). The federal government has recently launched a campaign to fund small and medium-sized businesses in Nigeria through entrepreneurial programs like the "Market Moni Scheme" by providing interest-free loans to business owners nationwide and the Youth Entrepreneurship Support Program (YES-P) of the Bank of Industry, and there have also been discussions about revitalizing the Youth Enterprises with Innovation (YOUWIN) Program (Agbim, 2020).

Despite all of Nigeria's admirable and noteworthy programs to help SMEs flourish, the majority of them close their doors at an early stage. According to Aremu and Adeyemi (2011), the majority of SMEs in Nigeria fail within the first five years of operation; a smaller percentage disappear between the sixth and tenth years; and just 5 to 10% survive, prosper, and reach maturity. Numerous variables have been found to be responsible for the SMEs' untimely demise. Financial exclusion is a significant one among them (Sajuyigbe, 2017; Akingunola, 2011).

Scholars, practitioners, and researchers around the world have acknowledged the well-documented role that financial inclusion plays in SMEs' success. Financial inclusion, according to Aduda and Kalunda (2012), is a process that makes sure that everyone in an economy can easily access, use, and be a part of the official financial system. It is a situation where everyone has access to the financial services and products they need to manage their money well. The authors claim that the policy recognizes the value of an inclusive financial system due to its many benefits.

**Statement of the Problem**

Accessing and using financial services is advantageous for SMEs in many ways. For instance, Mdasha, Iru ngu, and Wachira (2018) and Ngasongwa (2006) discovered that most SMEs' access to finance allowed them to increase their capacity for production, compete, generate jobs, and aid in the reduction of poverty in developing nations. Furthermore, according to Carven (2006), SMEs that have access to funding are better equipped to invest in new technologies, grow their businesses so they can compete in new markets, and establish business relationships with larger corporations.

Nevertheless, despite all these benefits, it has been found by numerous research studies that financial exclusion is one of the main reasons why SMEs fail, particularly in developing nations like Nigeria (Oke, Soetan, & Ayedun, 2023; Agbim, 2020; Mdasha et al., 2018). For instance, the International Finance Corporation (IFC) (2010) found that between 65% and 72% of SMEs in developing countries lack access to traditional financial institutions’ loans. Only about 32% of SMEs had gotten a loan from a financial institution, compared to 56% of large businesses, according to the Consultative Group to Assist the Poor (CGAP) of the World Bank (Financial Access 2010). Despite numerous programs and specialized financial institutions established to provide appropriate financing to the subsector, Olowe, Moradeyo,
and Babalola (2013), Olatunji (2013), and Onaolapo and Odetayo (2012) all confirmed that lack of access to finance is a major factor that plagues the performance of SMEs in Nigeria. Both industrialized and developing countries have focused a lot of research on financial inclusion, which has been assessed and conceived in a variety of ways. Despite the existence of studies on financial inclusion, empirical research on how financial inclusion affects the performance of SMEs is scarce and poorly established in the literature, particularly in relation to Osun State in Nigeria. This study therefore intended to fill the identified gap in knowledge by investigating the influence of financial inclusion on the performance of SMEs in Osun State, Nigeria.

**Objectives of the Study**

The main objective of this study is to examine the influence of financial inclusion on the performance of SMEs in Osun State, Nigeria. The specific objectives are to:

i. Identify the proximity level of banks’ products and services among the SMEs in Osun State.
ii. Examine the extent of payment infrastructure provided by banks to SMEs in Osun State.
iii. Investigate the extent of electronic platforms provided by banks secure store of value to SMEs in Osun State.
iv. Examine the level of information storage infrastructure available to SMEs in Osun State.

**Literature Review**

**Financial Inclusion**

Financial inclusion (FI) is the process through which all people and businesses, regardless of income level, have access to and are able to use the relevant financial services they require in order to enhance their lives, according to the World Bank (2018). Financial inclusion, according to CFI (2018), is a condition in which people have access to a comprehensive range of financial services at reasonable costs, conveniently, and with respect and dignity. Such services must be made available to consumers responsibly, safely, and sustainably in a setting that is suitably regulated (Demirguc-Kunt, Klapper, Singer, & Oudheusden, 2015). Financial inclusion has gained the attention of national and international policymakers as a crucial development agenda item. At the Pittsburg Summit in 2009, for instance, the G20 made financial inclusion its central tenet (Cull, Ehrbeck, & Holle, 2014).

Financial inclusion has four components, which include access, quality, utilization, and welfare (Aguera, 2015). At the macro level, financial inclusion can lead to a diversified base of deposits that build a robust financial system and promote stability (Garcia, 2016). According to the IMF, limits resulting from a variety of macroeconomic outcomes, such as stability, equality, and economic growth, have an impact on financial inclusion at the national level (Sahay et al., 2015). Digital financing has significantly improved because of information and communication technology. Governments, development partners, and service providers themselves have placed an increased emphasis on the delivery of financial services via digital means of service provision as a positive step towards financial inclusivity (Gabor & Brooks, 2017).

The availability of services like mobile banking has made it simple for those who are financially excluded to send money electronically. This strategy can help lower the risk of loss and prevent theft and financial crimes associated with cash transactions. For individuals who are economically and socially disadvantaged, digital funding seems to be a superior option (GSMA, 2017). The issues of access to credit, which may likely impede the expansion of SMEs, will be addressed in the effort to foster financial inclusivity. According to the Financial Inclusion Alliance (FIA) (2018), smart phone and broadband Internet use is increasingly crucial for facilitating access to safe and reasonably priced financial services like money transfers, credit and savings, and domestic and international payments.

According to Alaxandre and Eisenhart (2013), mobile technologies have caused a real flaw in the financial system. Financial services would be delivered more quickly if digital innovations were created and used
through collaborative efforts for financial inclusion. The promotion of savings, simple access to payments, and use of smartphones and ATMs are all fueled by and made possible by improved financial inclusion (Dorfleitner & Roble, 2018). According to Umar (2013), economic progress can only be sustained if a significant portion of the population has access to formal financial services. The high increase in financial inclusion is linked to higher investment levels, employment opportunities, higher income levels, and lower poverty levels.

Financial service providers need to reduce operating account charges, especially for people living in rural regions, in order to enhance financial inclusion for the majority of the population (Eton, Mwosi, Ogwel, et al., 2018). For formal financial institutions with a business model to sustainably provide adequate and efficient financial services to rural populations, these factors—high transaction costs in sparsely populated areas coupled with rigid and complex methods of assessing the risk profile of clients in rural areas—have been a challenge. Taking on issues with ICT, particularly with regard to cash transfer, cost of capital, utilization, and access to finance, will undoubtedly be crucial to the development of SME.

Dimensions of Financial Inclusion

Physical Proximity

The first step in boosting the use of financial services is physical proximity. In Nigeria, sites where people may cash in and cash out are known as financial access points. As of right now, these include mobile money agents, branches of microfinance institutions, bank branches, ATMs, and point-of-sale systems (Agbim, 2020). It speaks about the actual separation that exists between customers and the providers of financial services. It is the availability and accessibility of financial services to people, particularly those who live in underserved or distant areas. To put it another way, people may access and use financial services more readily when they are physically close by, which can lead to increased financial inclusion. In addition to the examples mentioned above, this can also refer to additional financial service providers that are accessible to customers (Andrade, 2003).

Payment Infrastructure

When discussing payment infrastructure in terms of financial inclusion, it's important to note that this term refers to the networks and systems that let people send and receive payments. This consists of many elements like payment gateways, point-of-sale devices, mobile banking applications, and digital wallets. It is possible for people to access and use financial services even in rural or underserved locations because of these infrastructures, which are created to make transactions convenient and secure (Andrade, 2003). They are essential to increasing financial inclusion because they give people the tools to send, receive, and store money digitally, decreasing the need for cash and conventional banking services. It is an essential component of an effective financial system and a safer, less expensive kind of payment infrastructure. It is a reliable electronic payment system that is required at the very least to enable individuals to assist one another and their enterprises and at the very most to provide all other financial services (Mdasha et al., 2018).

Value Storage

When talking about financial inclusion, value storage refers to a person's capacity to safely keep and access their financial assets. This can include conventional ways like hard currency or bank accounts as well as contemporary ones like mobile wallets or virtual currencies. Regardless of their location or socioeconomic position, value storage in financial inclusion aims to give people safe and practical options for saving and retrieving their money (Mdasha et al., 2018). Electronic systems that enable secure value storage are thus a crucial component of the financial system. In the end, being able to keep value effectively and readily allows one to use the money to access additional formal financial services like credit, savings, insurance, and stocks. Millions of Nigerians now have access to an electronic store of value thanks to mobile money (Agbim, 2020).
Store of Information

In the context of financial inclusion, the term "store of information" refers to the gathering, storage, and management of data and information pertaining to financial services and transactions. This contains data on people’s spending patterns, credit histories, and transaction histories. For financial institutions and service providers to analyze risks, make wise decisions, and offer suitable financial products and services to those who are typically excluded from the official financial system (Agbim, 2020), they need a store of information. Collateral, credit histories, and personal and business profiles are essential elements of gaining access to financial services. Access to and delivery of financial services are impacted by information asymmetries. Financial service providers will be able to deliver the right services more effectively if they have access to centralized databases on the profiles, credit histories, and collateral of potential clients (Berger, Klapper, & Udell, 2011).

Small and Medium Scale Enterprises

According to the World Bank (2012), a small-scale enterprise does not have a universally accepted operational or numerical definition. According to Beck et al. (2007), there was no widely accepted definition of a small size enterprise in Nigeria. Depending on who was defining them and what they were trying to accomplish, the overall definition of SMEs frequently changed. SMEs are organizations with a maximum of 300 employees, $15 million in annual sales, and $15 million in assets, according to the World Bank. Small-scale industries in Great Britain are defined as those with a yearly revenue of two million pounds or less and fewer than 200 salaried employees. Capital investment is not mentioned in this definition.

In Kenya, a business is considered small if it employs fewer than five employees and a medium-sized business if it has between fifty and two hundred employees. Vietnam defines SMEs as having between 10 and 300 people, while Egypt classifies SMEs as having more than 5 but fewer than 50 employees. While the Japanese and Americans refer to businesses with between 300 and 500 employees, Indonesians refer to companies with fewer than 10 full-time employees. In order to represent industry distinctions and support policies aimed at SMEs, the Small Business Administration (SBA) Size Standard Office in the USA is tasked with determining the size of SMEs. Small businesses are defined as organizations with fewer than 500 employees (SBA, 2009). The Central Bank of Nigeria (CBN) defined SMEs as small-scale industries in Nigeria with annual business turnovers of N500,000 or less (the cap set for the Agricultural Credit Guarantee Scheme [ACGS]) and N1,000,000 (one million Naira). The National Council of Industry classified a small-scale business in 2015 as one with between 11 and 100 employees and a total cost of less than 50 million naira (including working capital but excluding the cost of land).

SME Performance

Despite the fact that extensive research has been done on the subject, the definition of performance assessment is still a contentious issue (Wu, 2009). The aforementioned source asserts that it is challenging and hard to assess the performance of small firms. The problems are often different from those faced by large companies because there aren't many instruments accessible to small businesses, and the majority of performance measurement systems currently in use were developed for big organizations. However, both financial and non-financial measures are used to assess SMEs performance. Profit and growth are among the financial indicators (Panigyrakis et al., 2007, cited in Esuh, 2012).

Return on assets, return on investment, and earnings per share are the metrics for profitability (Monday et al., 2014). Sales, employment, and business revenue are the key indicators of growth (Altinay & Altinay, 2006; Kelley & Nakasteen, 2005; Monday et al., 2014). Customer satisfaction and customer referral rates, delivery times, waiting times, and personnel turnover are non-financial measures (Monday et al., 2014). The employment creation indicator was chosen as the study's performance measurement indicator based on the aforementioned submissions.
Empirical Review

The creation of jobs and household wealth in the economy is sparked by SMEs. Therefore, understanding how financial inclusion affects SMEs' performance is crucial from a policy standpoint, especially for developing economies where SMEs account for a sizable portion of operating businesses. However, despite their potential benefits to regional economic growth and the reduction of poverty in Osun State, Nigeria, empirical research on the financial inclusion of SMEs performance has not gotten much attention. Despite this, scholarly interest in the social and economic impact of SMEs has grown, and the body of literature is expanding (Chan & Lin, 2013). For instance, a study on financial inclusion and the effectiveness of micro, small, and medium-sized firms in Southwestern Nigeria was carried out by Oke, Soetan, and Ayedun in 2023. To analyze and achieve the stated objectives, descriptive statistics, content analysis, and multivariate regression were used. Results on how financial inclusion affects MSMEs' performance showed that, in Southwest Nigeria, MSMEs' performance as evaluated by profitability and sales growth is favorably and significantly influenced by financial inclusion.

Fomum and Opperman (2023) conducted a study on the financial inclusion and performance of MSMEs in Eswatini, South Africa. The generalized ordered logit model was used to evaluate the data, and the re-centered influence function regression framework was used to estimate unconditional quantile regressions. According to the research, MSMEs with access to bank loans who use these loans to save for business expansion and who also insure their companies against risk have a higher likelihood of falling into the developing and most developed business categories. Another study on financial inclusion and the expansion of small and medium-sized businesses in Uganda using empirical data from chosen districts in the Lango sub-region was carried out by Eton et al. (2021). A cross-sectional research design was employed in the study. Inferential statistics were utilized in conjunction with the descriptive design. Regression analysis and correlation were used. The study's findings demonstrated the importance of financial inclusion in fostering the expansion of SMEs.

Mdasha et al. (2018) also conducted research on the performance of selected SMEs in Dar es Salaam, Tanzania, to determine the impact of the financial inclusion strategy. Utilizing the Statistical Package for the Social Sciences (SPSS), a questionnaire was given out, and data was gathered and evaluated. The results revealed that the respondents agreed that financial access points were moved closer to where people lived, that access to and use of financial services increased competition as a result of the adoption of new skills and technology, and that access to and use of financial services increased profitability and business growth. According to research by Fanta et al. (2017), the main obstacle to the establishment and expansion of microenterprises in Lesotho, Malawi, Mozambique, Zambia, and Zimbabwe is a lack of access to financing. They discovered that a significant barrier to startup and expansion for the majority of small enterprises in these five nations is a lack of access to financing.

Beck et al. (2015) examined survey data on rural Chinese families and discovered a correlation between increased access to credit and starting microenterprises. The use of informal finance is linked to greater expansion of rural microenterprises with employees but has no impact on those microenterprises without employees, according to their further research. Butler and Cornaggia (2011) used a systematic analytical approach in the USA to isolate the impact of the unobservable and discovered that counties with high levels of bank deposits produced more corn than counties with low levels of bank deposits over the sample period of the study. In reaction to exogenous changes in corn demand, corn farmers raised their productivity in counties with better access to financing.

Theoretical Review

Credit Access Theory

This study is based on Stiglitz and Weiss's (1981) Credit Access Theory, which was postulated to address information asymmetry. The primary reason for financial market dysfunction in emerging nations is information asymmetry. The interest rate accrued on loans made to economic agents and the risk involved in making such loans are of interest to financial institutions. According to the efficient financial market hypothesis, if a borrower is ready to pay a high interest rate on a loan, on average, that borrower...
is unlikely to repay the loan in full, discouraging banks from engaging in such transactions (Diagne & Zeller, 2011).

Stiglitz and Weiss (1981) went on to say that if banks require collateral for loans, the issue of adverse selection and credit rationing may recur. They contend that low-risk borrowers are typically less wealthy than high-risk borrowers over time and may even be unable to provide more collateral for additional loans (as they may not have the necessary collateral), since they face a lower rate of return if a project achieves its highest outcome and expect a lower rate of return if the rate of inflation is high. Accordingly, Stiglitz and Weiss (1981) claimed that information asymmetry is the root cause of market inefficiency in developing nations and that moral hazard and adverse selection are the results. As a result, low-risk borrowers like SMEs are marginalized or even removed from the pool of possible borrowers.

**Financial Inclusion and SMEs Performance**

Financial inclusion (FI), which is enabled by the current infrastructure, refers to a shift in one's perspective on how to view money and profit as economic agents. It strives to remove any barriers to accessing and using financial services. It has been reported that more than half of the world's economically disadvantaged adults do not have bank accounts, leaving them open to exploitation and theft, which causes significant losses (World Bank, 2012). The promotion of financial inclusion (FI) from a global viewpoint would increase economic inclusion, which would enhance the financial health of the populace and raise the standard of living for those underprivileged SMEs that are financially excluded (Khan, 2011). The most likely way to increase the effectiveness of SMEs and enable a better financial system is through the intermediary role that financial inclusion plays between savings and investments (Aduda & Kalunda, 2012). It has been noted that one of the factors limiting SMEs' ability to grow is underutilization of capital. Aldaba (2011) notes that this factor is crucial to investment strategy and the growth of small and medium-sized businesses among rural populations as it increases the financial inclusion of the population as a whole.

According to Ayyagari, Demirguc-Kunt, and Maksimovic (2016), SMEs are financially constrained. If credit restrictions or access to financing were to be loosened for SMEs relative to larger businesses, this would likely result in increased employment and increases in labor productivity. As a result, the economy would grow and develop. It has been noted that the creation and expansion of SMEs would increase employment and labor productivity throughout the nation, which would open up access to formal finance. The World Bank (2018) highlights the benefits of implementing policy changes aimed at fostering the expansion of SMEs by establishing credit bureaus across the nation, which would increase the country's residents' access to financial services. Financial inclusion, according to Beck and Cull (2014), is important for the expansion of SMEs in Sub-Saharan Africa. The standard of formal financial institutions, the accessibility of pertinent information, per capita income, governance, and regulatory framework are some of the variables that influence a nation's level of financial inclusion and development (Park & Mercado, 2015).

Due to the difficulties of complex collateral requirements, high interest rates, and lengthy documentation, the majority of SMEs in Sub-Saharan Africa never even bother to apply for a bank loan. According to UNIDO (2015), the cost of a capital transaction is almost always excessively high, which negatively impacts SMEs' performance. According to the World Bank (2016), some of the major obstacles to financing SMEs are, in particular, excessive concentration, insufficient competition, and the predominance of state ownership in financial institutions. The notion of financial stability, which offers effective risk management and financial amenities, is supported by financial inclusivity. Additionally, it would eliminate the financial inclusion gap among SMEs, which has the potential to significantly boost national growth. A very low level of financial inclusion in the area, however, points to significant unrealized potential for the expansion of SMEs' access to financing. According to Popov and Rocholl (2016), small and medium businesses may experience greater employment pressure during a recession than larger corporations. Governments and other stakeholders should therefore make use of financial facilities and access to financing at a reasonable interest rate and utilize modern information and
communication technology in business and marketing, which can be accomplished through an improved network and training, according to Kazimoto (2014).

Materials and Methods

The study area was Osun State, Nigeria. Out of the 30 local government areas in the state, the study was conducted in three local governments in the Osogbo urban districts. The bulk of SMEs are centered in and easily accessible from Osogbo, the State's commercial capital, which is why this study area was chosen. All small and medium businesses in the State with names on their organization's registration made up the study's population. From 450 respondents out of the 8,923 SMEs that were registered in Osun State, primary data were gathered using an operational research technique, a structured questionnaire.

The Likert scale with five possible responses—strongly agree, agree, uncertain, disagree, and disagree strongly—was used to develop the structured questionnaire. Out of the 460 questionnaires issued to respondents, 454 were ultimately retrieved, yielding a recovery percentage of 98.7%. Four (04) of the 454 copies that were returned were not included in the study because they were not completely filled out. As a result, 450 responses in total were available for study. The validation instrument for the study was also presented to a panel of professionals. The test-retest approach, which involves giving the same questionnaire to fifty (50) SME owners in the city of Osogbo twice over the course of two weeks, was used to further assess the instrument's dependability. The input from the pilot test-retest was also taken into consideration. The Cronbach's alphas for proximity (.74), payment infrastructure (.77), store of value (71), and information storage (.70) were reported in order to assess the validity and reliability of the study's findings. The Statistical Package for Social Sciences (SPSS) version 23 was used to analyze the data by running multiple regression analyses on it.

Model Specification

A mathematical model was created for this study and is expressed as follows:

$$Y_i = \beta_0 + \beta_1X_{1i} + \beta_2X_{2i} + \beta_3X_{3i} + \beta_4X_{4i} + \epsilon$$  \hspace{1cm} (1)

Where:

$Y_i$ = (dependent variable) SMEs performance (sales growth)

$X_{1i}$ = (independent variable) proximity;

$X_{2i}$ = (independent variable) payment infrastructure;

$X_{3i}$ = (independent variable) store of value;

$X_{4i}$ = (independent variable) information storage;

$\beta_0$ = Intercept, $\epsilon$ = Error Terms.
Results and Discussion

Table 1. Results of the Multiple Regression Analysis Showing the Effect of Financial Inclusion on the Performance of SMEs in Osun State by Disaggregation

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std error of the estimate</th>
<th>F-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.835</td>
<td>0.714</td>
<td>0.617</td>
<td>2.159</td>
<td>43.292</td>
</tr>
</tbody>
</table>

Explanatory variables

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Std error</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>15.273</td>
<td>1.461</td>
<td>15.273</td>
<td>0.000</td>
</tr>
<tr>
<td>Proximity</td>
<td>0.987</td>
<td>0.764</td>
<td>2.187**</td>
<td>0.000</td>
</tr>
<tr>
<td>Payment infrastructure</td>
<td>0.871</td>
<td>0.691</td>
<td>1.673**</td>
<td>0.000</td>
</tr>
<tr>
<td>Store of value</td>
<td>0.784</td>
<td>0.632</td>
<td>1.396**</td>
<td>0.000</td>
</tr>
<tr>
<td>Information storage</td>
<td>0.691</td>
<td>0.582</td>
<td>0.892**</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Note: S= Sig S= Significant, **= Significant at 1% level
Source: Field Survey, 2024

Discussion of Findings

Table 1 demonstrates that during the course of the study, the identified dimensions of financial inclusion as a construct explained 71.4% (R² = 0.714) of the sales growth experienced by SME owners in Osogbo, Osun State, Nigeria. An F-value of 43.292, significant at the 1% level, indicated that the model was validated and could indeed represent the contribution. This suggests that financial inclusion as a whole has an impact on SME owners' ability to increase their sales by 1%. The study's results also demonstrated that all of the evaluated dimensions of financial inclusion were trustworthy, independent predictors of how well SMEs performed.

While keeping other variables constant, it was shown that physical closeness had a favorable impact on small and medium-sized businesses' performance. The t-value is 2.187 and is significant at the 1% level. Physical closeness explained a variance of 0.764, β = 0.987. This suggests that physical proximity, such as accessibility and availability of financial services close to people, especially those in underserved or remote areas, may help improve SME owners' access to finance, which will lead to an increase in sales and support the performance of small and medium enterprises in the study area. The results of this study are in line with those of a study by Oke et al. (2023), which discovered that financial inclusion significantly and positively influences MSMEs' performance in Southwest Nigeria as assessed by profitability and sales growth.

Keeping other variables constant, it was also shown that the impact of payment infrastructure on the performance of small and medium-sized businesses was favorable. Payment infrastructure was responsible for a variation of 0.691, β = 0.871, and the model was confirmed by the t-value of 1.673, which is significant at the 1% level. By enabling people to transfer, receive, and keep money digitally, payment infrastructure was shown to be extremely important in reducing people's dependency on cash and conventional banking services. This finding supports a study by Fomum and Opperman (2023), which found that MSMEs with access to bank loans are more likely to use those loans to save for business expansion and have their companies insured against risk, which increases their chances of falling into the most developed and emerging business categories.

In a similar vein, while controlling for other variables, store of value showed a favorable and significant impact on the performance of small and medium-sized businesses. Making an electronic platform to secure stores of value was responsible for a variance of 0.632, β = 0.784, while the t-value is 1.396, which justifies its significance at the 1% level. This suggests that, regardless of their location or socioeconomic status, people could benefit from safe and convenient options for storing and accessing their money if an electronic platform is well developed. This would help improve the performance of SMEs in the study area by helping to sustain sales growth. The results of this study are in line with those of a study done by Eton et al. (2021), which showed that financial inclusion is important for promoting SME growth.
While maintaining the status quo for all other variables, it was found that information storage had a beneficial impact on SME performance. Information storage explained a variance of 0.582, $\beta = 0.691$, with a t-value of 0.892 and a 1% level of significance. This suggests that if information and data pertaining to financial services and transactions are properly maintained, it could aid in enhancing SME owner access to financing, resulting in an increase in sales, and sustaining the performance of small and medium companies in the research area. The results of this study are in line with those of a study by Oke et al. (2023) and Agbim (2020), which discovered that financial inclusion considerably and favorably influences how well SMEs operate when measured by their profitability and sales growth.

**Conclusion**

The main objective of the study was to determine the relationship between SME performance and financial inclusion in Osun State, Nigeria. Since they increase household income and create jobs, SMEs are crucial to economic growth on a macro level. The findings, both quantitative and qualitative, demonstrated that SME performance was improved by having access to and using financial inclusion factors such as proximity, payment infrastructure, store of value, and information storage. According to the study’s findings, it was concluded that financial inclusion plays a vital role in fostering the expansion of SMEs. However, one of the obstacles to obtaining formal financial services was the requirement of collateral to receive a loan, coupled with high interest rates.

**Recommendations**

In order to gather information on financial inclusion and SME performance in Osun State, Nigeria, the study used structured questionnaires. In this study area, there is a need for a study on financial inclusion that focuses on financial providers and how they affect SME success. From the above conclusion, it is therefore recommended that the government, policymakers, financial institutions, and other stakeholders continue to enhance the provision of financial inclusion dimensions and educate the general public about the range of financial services available, beyond the well-known and widespread credit services. Financial service providers should encourage their customers to use digitalized financial services since they are affordable, safe, and risk-averse as the world becomes more digital.

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