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ROLE OF ELECTRONIC PAYMENT SYSTEMS ON THE FINACIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES (SMEs). A CONCEPTUAL REVIEW

Victor Kajuwe Kanu, Dr. Sadiq A. Usman PhD, Dr. Bala Abubakr PhD

Email.vkajuwe@gmail.com +234-8065220752

Department of Business Administration, Gombe State University

Abstract

The adoption of electronic payment systems has become increasingly vital for enhancing the operational efficiency and financial performance of Small and Medium Enterprises (SMEs) in Nigeria. This conceptual study examines the role of electronic payment systems on the financial performance of SMEs. Drawing on the Technology Acceptance Model (TAM), the paper explores how perceived usefulness and perceived ease of use influence the adoption of key electronic payment channels such as Point of Sale (POS) terminals, Automated Teller Machines (ATMs), and mobile banking. The study reviewed existing literature on the benefits of e-payment systems, including improved transaction speed, reduced operational costs, enhanced transparency, better record-keeping, customer satisfaction, and increased sales, while also highlighting persistent challenges such as infrastructure deficits, financial illiteracy, high internet costs, and security concerns. Findings from the reviewed empirical studies indicate that the adoption of electronic payment proxies (POS, ATM, and mobile banking) has a positive and statistically significant effect on SME financial performance. These systems facilitate smoother cash flow management, minimize risks associated with cash handling, and support business growth in an evolving cashless economy. The paper concludes that effective utilization of electronic payment systems serves as a critical enabler for SME competitiveness, productivity, and long-term sustainability. It is recommended that, the government intensify effort towards infrastructure development, financial literacy programmes, and awareness campaigns to boost adoption among SMEs.

Keywords: *Automated Teller Machine (ATM), Electronic Payment Systems, SMEs, Financial Performance, Point of Sale (POS).*

1.0 Introduction

It is no longer news that effective and efficient payment systems are closely monitored and promoted by monetary authorities all over the world. The fact remains that the development of a nation and its economy depends on encouraging a payment system that is secure, convenient and affordable. Many nations encountered challenges in order to ensure security, convenience and affordability of the payment system. Therefore, nations have developed effective and efficient payment systems that guarantee transactions required for sustainable economic development (Funmilola & Oluwatobi, 2015).

Small and Medium Scale Enterprises (SMEs) are an essential part of the Nigerian economy. They account for about 84% of employment and contribute about 48% to the country's Gross Domestic Product (GDP). However, SMEs have been faced with numerous challenges that impede their

growth and sustainability, including lack of access to finance, inadequate infrastructure, and low levels of financial literacy (Raza et. al 2023)

SMEs are key drivers of economic growth and development in many countries worldwide, contributing significantly to employment, innovation, and local productivity. In Nigeria, SMEs contributing to economic growth and advancement is relatively poor when compared to other advanced countries (Pulka, 2021). According to UN reports, Micro, Small and Medium sized Enterprises (MSMEs) continue to be the backbone of the economy in the majority of civilisations, making up 90% of enterprises, over 70% of jobs, and 50% of global GDP (United Nations, 2024). In Africa, SMEs constitute approximately 80% of businesses and employ over 50% of the workforce, according to the African Development Bank (AfDB,2021).

Electronic payment systems commonly referred to as e-payment systems enable consumers to make transactions electronically, without the need for physical cash. An electronic payment system is a way of making transactions or paying for goods and services through an electronic medium without the use of a check or cash. It is also called an electronic payment system or online payment system. The electronic payment system has grown increasingly over the last few decades due to the widespread use of internet-based banking and shopping. As the world advances more on technology development, a lot of electronic payment systems and payment processing devices have been developed to increase, improve and provide secure e-payment transactions while decreasing the percentage of cheque and cash transactions. An e-payment economy does not mean an outright elimination of cash transactions in the economic setting, but one in which the amount of cash-based transactions is kept to the barest minimum (Afaha, 2019). In recent years, the introduction of e-payment systems has provided a medium through which money circulates conveniently.

The use of e-payments by SMEs is a supporting strategy tool that incorporates elements of marketing, sales, and customer service (Apasrawirote & Yawised 2021). The use of e-payments can provide many benefits for SMEs, ranging from reducing costs, improving financial performance and operational efficiency, increase in market shares, return on investment (Rahman & Islam 2022; Sakanko & David 2019), increasing customer satisfaction, increasing the ability of

SMEs to compete globally, strengthening relationships with suppliers, increasing sales, transparency and security (Kwabena et. al. 2019)

The Federal Government of Nigeria introduced a policy based on cashless transactions in January 2012. One of the main reasons this policy was introduced was to develop and modernize payment systems in Nigeria. This was in line with the National Payment Systems Vision 2020 (PSV 2020), with the primary objective of the policy being to create a safe, efficient and effective mechanism for conveniently making and receiving all types of payments from any location at any time through various electronic channels. The policy, through the advanced use of information technology, facilitates fund transfer, thereby reducing time wasting in Banks. E-payment systems have provided the platform to which Nigeria transitions to a modern market economy. Electronic Payment Systems (EPS), apart from their convenience and safety, it also has a significant number of economic benefits which include mobilizing savings, and ensuring most of the cash available in the country is domicile in the banks. This will make funds available to borrowers both businesses and individuals, reduce heavy cash usage, enhance transparency in financial transactions, and curb corruption. Although Nigerian e-payment systems have continued to develop and advance, there has been a limited impact on the SMEs and economic growth due to various inefficiencies on the side of the federal government.

1.1 Statement of Problem

Small and Medium Enterprises (SMEs) play a significant role in the economic development of Nigeria through employment generation, income creation, poverty reduction, and contribution to Gross Domestic Product (GDP). Despite their importance, many SMEs in Nigeria continue to face numerous operational and financial challenges, including inadequate access to finance, poor record-keeping, inefficient transaction systems, and difficulties in managing cash flows effectively.

In Nigeria, the implementation of e-payment systems is not without its challenges, including infrastructure deficiencies, a high level of financial illiteracy, expensive internet access, and the risk of fraudsters cloning ATM cards and hacking into bank accounts (Nwakoby et. al. 2020).

These challenges instil fear and concern among users and discouraging adoption and contributing to increased fraudulent activities that negatively impact SMEs.

According to (Ozili 2022) digital payment enhances financial security by reducing the vulnerabilities associated with cash handling. Digital transactions also create audit trails that improve accountability and transparency, reducing fraud risks

To address some of these challenges and promote a cashless economy, the Central Bank of Nigeria (CBN) introduced various electronic payment systems such as Point of Sale (POS) terminals, Automated Teller Machines (ATM),and Mobile Banking, Electronic Funds Transfer (EFT). These electronic payment channels are expected to enhance transaction efficiency, improve financial management, reduce operational costs, increase transparency, and ultimately improve the financial performance of SMEs.

However, despite the growing availability of electronic payment technologies, their adoption and utilization among SMEs in Nigeria remain relatively low due to several factors, including inadequate digital infrastructure, unstable internet services, low financial literacy, security concerns, cyber fraud, and limited awareness of the benefits associated with electronic payment systems. These challenges have continued to hinder the effective utilization of e-payment systems and may negatively affect the financial performance of SMEs.

Furthermore, existing studies on electronic payment systems have largely focused on customer satisfaction, banking sector performance, service quality, and consumer acceptance of digital payment platforms. While some studies have examined the relationship between electronic payment systems and business performance, there is limited empirical evidence specifically addressing how electronic payment channels influence the financial performance of SMEs in Nigeria. This geographical and contextual gap makes it difficult for policymakers, financial institutions, and business owners to formulate strategies that can enhance the effective use of electronic payment systems among SMEs.

Therefore, there is a need to investigate the effect of electronic payment systems on the financial performance of SMEs in Nigeria, with particular emphasis on Point of Sale (POS), Automated Teller Machine (ATM),and Mobile Banking, This study seeks to fill this gap by providing

empirical evidence on the extent to which the adoption of electronic payment systems contributes to improving the financial performance of SMEs in Nigeria.

1.2 LITRATURE REVIEW

Concept of Electronic Payment System

Electronic payment systems refers to the automated processes of exchanging monetary value among parties in business transactions and transmitting this value over the ICT networks (Amin et al., 2018). In Nigeria, the e-payment system formed the fundamental starting point of her modern market economy. A well-functioning e-payment system has been recognized to have much relevance on financial stability, monetary policy and overall economic activity (Aduda & Kingoo, 2018). It is the ability to pay the suppliers, vendors and staff salaries electronically at the touch of a computer button (Udeghi & Hanzace, 2018).

Historically, the Central Bank of Nigeria (CBN) introduced a payment system which facilitated e-payment in 2002. During this period, Nigeria's Automated Clearing System (NACS) was introduced as a veritable platform for the development of electronic payment and to reduce the clearing of cheques period. Shortly after was the introduction of the Automated Teller Machine (ATM), web pay channels, Point of Sales and mobile payment channels, just to mention a few.

Nigeria e-payment adoption has grown steadily since the 2012 cashless policy, using channels like ATM, POS, and EFT (CBN, 2017).

Usually, the payment activities on these channels are backed by deposit money banks in Nigeria with support from Fin-Tech organizations such as Inter-switch Company, MasterCard Incorporation and Visa International (Mustapha, 2018).

The value of electronic payment goes beyond the immediate ease and safety of cards to being an essential contributing factor to general economic development.

Akujor & Eyisi (2020) view e-payment as an electronic transfer of money through online transactions for business-to-business, business-to-consumer, person-to-person and most lately administration of consumer purposes. Administration of consumer payments is concerned with the

payment of taxes to the government. Characteristically, it includes the use of computer networks such as the internet and the digital stored value system. This system permits bills to be paid without delay from a financial institution, barring the use of writing and mailing cheques. Again, Akujor & Eyisi (2020) viewed e-payment as credit card details, or some other electronic means, as opposed to payment by means of cheque and cash. It is also described as a payer's transfer of financial claim on a party acceptable to the beneficiary Electronic payment is a convenient, safe and secure method for payment of bills and other transactions by using electronic means such as card, telephone, internet, or EFT. It gives consumers an alternative to paying bills and debts through cash, cheque, money order etc.

An electronic payment system guarantees faster transactions, due to the reduction of queues at points of sales; improve hygiene (eliminating the bacterial spread through handling notes and coins); increased sales; ease in cash collection (elimination of time spent on collecting, counting and sorting cash); and managing of staff entitlements (Ugwueze & Nwezeaku, 2016).

According to Yang, Ma & Chen, (2018) The benefits of the adoption of electronic based payment systems also includes the facilitation of secured and faster access to capital resources, faster pay-outs, better tracking, transparent transactions, reduced time use, cost and time savings, increased number of clients, more service for customers, greater efficiency, enhancement of bank's reputation, larger customer coverage, international products and services, promotion and branding, increase in customer satisfaction and personalized relationship with customers, and easier documentation and transaction tracking, increased trust between sellers and buyers ease-up of difficulties and securities associated with the conventional cash-based and cheque payment systems, and the added advantage of pliability in usage which placed the electronic-based payment system options on a celebrated stride than the paper-based payment options.

However, though it has been empirically proven that the adoption of electronic-based payment system in the delivery of financial services has a significant positive effect on the financial performance of conventional banks and financial institutions (Yang, Ma & Chen, 2018)

Nigeria, the recent Naira redesign policy implemented by the Central Bank of Nigeria (CBN) has contributed to a shortage of cash in the country, leading many Nigerians to increasingly rely on mobile transactions through e-payment channels. Analysis of e-payment data from the Nigerian Interbank Settlement System (NIBSS, 2023) during a period of currency shortage revealed significant growth in electronic payment metrics. Specifically, the value of e-payment transactions witnessed a substantial increase of 298 percent, soaring from N34.04 trillion in the first quarter of 2022 to N135.52 trillion in the same period of 2023. Furthermore, the volume of Point of Sale (POS) transactions rose by approximately 56.69 percent from 113.53 million in February 2023 to 177.93 million in March 2023. In terms of transaction value, POS transactions experienced a 30.41 percent increase, climbing from N883.4 billion in February to N1.152 trillion in March. Additionally, mobile transactions also saw significant growth; the volume increased by 106.88 percent from 183,687.1 transactions in February to 380,110.94 transactions in March, while the value of these transactions jumped by 61.72 percent, from N2.56 trillion to N4.14 trillion over the same period (NIBSS, 2023). It is evident that in Nigeria, the usage of e-payment systems is on the rise while non-electronic payment methods continue to decline.

Electronic Payment System Tools/Channels

According to Edet (2019) the tools/channels used in executing e–banking include plastic cards (debit cards, credit cards, prepaid cards), personal computers, telephone, mobile phones, internet, automatic teller machines (ATM's), point of sale or point of interaction machines. The description of the above-mentioned tools/channels are as follows.

Point of Sale (POS)

This is a form of e-payment electronic device that handles balance inquiry, payment for goods and service, electronic fund transfers at a specific point of sale. A Point-of-Sale machine allows credit/debit cardholders make payments at sales/purchase outlets. It allowed customers to perform the following services: retail payments, cashless payments, cash back balance enquiry, airtime vending, printing mini-statement, etc. (Ikpefan et.al, 2018). Point of Sales terminals (POS) are deployed to merchant locations where users swipe their electronic cards through them in order to make payment for purchases or services instead of using raw cash. As the POS terminals are online

real-time, the customers bank account is debited immediately for value of purchases made or services enjoyed. As at April 2022 there were over 1.1 million active POS devices in Nigeria compare to 155,000 in 2012, according to NIBSS report 2022.

Automated Teller Machine (ATM)

Automated Teller Machine is referred to by the acronym ATM is a a computerized communications equipment that allows customers to do financial transactions in a public area without the assistance of a human clerk or bank teller. According to Awoniyi (2022), ATM is a cash point where you may make transfers and withdraw money using a debit or credit card. by inputting a Personal Identification Number (PIN) by a user.. Bill payments and cash deposits are accepted at certain ATMs. ATMs are practical because they enable speedy self-service tasks like cash withdrawals, deposits, account transfers, and bill payment**.** ATM has succeeded in making more cash available in the economy since depositors can withdraw cash with ease. To turn Nigeria into a cashless economy, Nigerians need more than just ATM cards; they need credit/debit cards.

Mobile Banking

This involves the use of mobile phone for settlement of financial transactions. Mobile banking (m-banking) can therefore be defined as the provision and processing of banking and financial services through the help of mobile telecommunication devices. This is more or less fund transfer process between customers with funds available immediately for the beneficiary. Card infrastructure is used for movement of payment instructions equally as secure SMS messaging to beneficiaries intended for confirmation of receipts. Services covered by this product include account enquiry; funds transfer; recharge phones; changing passwords, bill paymentsMobile banking as any transaction, involving the transfer of ownership or rights to use goods and services, which is initiated and/or completed using a mobile phone (Adu, 2016)

Adhitya, &Sembel, (2020) Highlighted the mobile banking's role in a cashless policy by enabling transactions through mobile devices, reducing reliance on physical cash. Loaba, (2022), described mobile banking as a channel through which banking services are provided using mobile devices, allowing customers to check balances, transfer funds, and make payments. Chaimaa, Najib&Rachid, (2021), noted that mobile banking enables financial transactions over mobile

networks, providing a convenient and accessible way to perform banking tasks without the need for cash. This emphasizes the role of mobile banking in promoting cashless economies, especially in areas with limited access to traditional banking. Mobile banking service allows bank's customers to access banking service via dedicated telephone lines from the comfort of homes, offices etc. The available Telecoms and financial institutions offer mobile money services, with over 2.1 million mobile money agents operating in Nigeria as at 2020. (CBN report 2020)(Kennedy & Jacky, 2013.

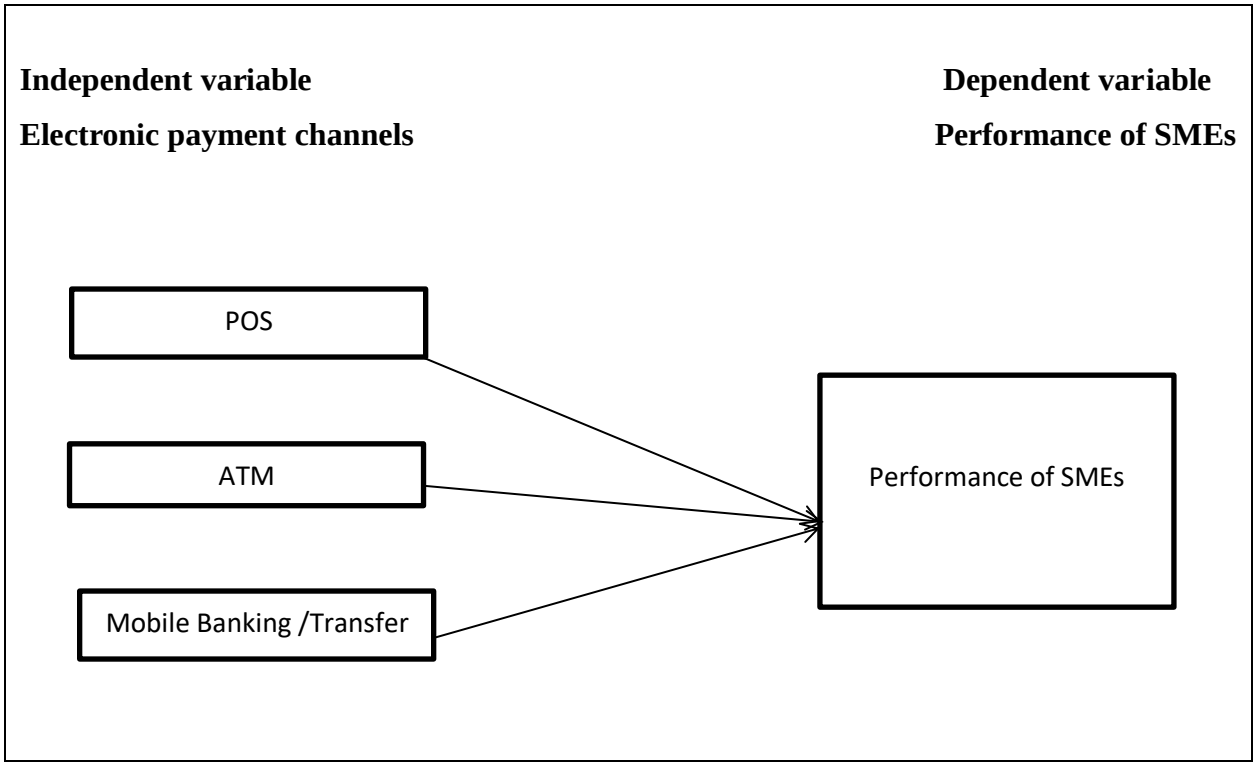
Financial Performance

The term "financial performance" is used to describe a relative evaluation of a company's efficiency in generating profits from its core operations. Quantifying efficacy and efficiency are what performance measurement is all about. The effectiveness of a business is measured by its ability to meet the needs of its consumers, while the efficiency with which it does so is measured by the return on investment of its resources. Choosing, implementing, and monitoring performance measurements are essential for quantifying efficiency and effectiveness. Sales, business transactional activities that represent sales (such as purchases made via mobile money services) and the availability of financial services (such as savings and micro-credits) are all part of what make up a small business's financial performance.

Performance is the competency of an organization to transform the resources within the organizational in an efficient and effective manner to achieve organizational goals (Atmaja, Zaroni& Yusuf, 2023). A variety of financial metrics, including sales, the value of net assets, and profit, as well as non-financial ones, such employee count, market share, and general customer satisfaction, can be used to assess an organization's performance. Additionally, factors like overall happiness and non-financial goals of the companies are also weighed when determining success (Zajkowski, Safin &Stańczyk, (2022). The most important concern for every organization, whether for profit or nonprofit, has been business success (Zafar, Wenyuan, Bait Ali Sulaiman, Siddiqui &Qalati, 2022). However, determining, conceptualizing, and measuring performance have not been straightforward debates (Kosti, 2023). Abdelraheem and Hussien, (2022) describe

performance as a group of financial and non-financial measurements that show the degree of objective and end achievement. The phrase "organizational performance" refers to three distinct dimensions of organizational outcomes: (1) financial performance (profits, return on assets, return on investment); (2) market performance (sales, market share); and (3) shareholder return.Cycle time, productivity, waste reduction, and regulatory compliance are a few examples of standardized or regulated measures that are used to assess a company's effectiveness, efficiency, and environmental responsibilities

Conceptual Frame Work



THEORETICAL REVIEW

This study anchored on the Technology Acceptance Model (TAM)

Technology Acceptance Model

Technology Acceptance Model (TAM): The Technology Acceptance Model (TAM) is a widely used theoretical framework that explains how users come to accept and use technology. It was

developed by Fred Davis in the 1980s and has since been applied to various technologies and contexts. TAM posits that perceived usefulness and perceived ease of use are key determinants of an individual's intention to use a particular technology, which in turn influences actual usage behavior. The theory is based on the assumption that the acceptability of an information system is determined by two main factors, being Perceived Usefulness (PU) and Perceived Ease of Use (PEOU). Perceived Usefulness is the degree to which a person believes that using a particular system would enhance his or her job performance. Perceived Ease of Use (PEOU) is the degree to which a person believes that using a particular system would be free from effort. This theory is relevant to this study in the sense that the Technology Acceptance Model provides the bases for the adoption and implementation of the electronic payment system based on the assumption of its perceived usefulness on SMEs owners.

In the context of electronic payment systems in SMEs in Gombe State, TAM can be highly relevant. Small and medium enterprises often face challenges in adopting new technologies due to limited resources and expertise. By applying TAM, researchers can assess the perceived usefulness and ease of use of electronic payment systems among SME owners and employees in gombe. Understanding these factors can help policymakers and businesses develop strategies to promote the adoption of electronic payment systems, which can improve efficiency, reduce costs, and enhance overall performance

Empirical Review

Ahmed and Elali (2021) investigate the relationship between electronic banking services and the performance of banking services in Kenya. The study revealed a positive relationship between electronic banking services and the performance of SMEs. It also showed that business transactions have become easier by using the electronic banking services and by bringing services closer to their customers, thus improving the performance of the banking industry.

Torki, Rezaei and Razmi (2020) examine the impact of electronic payment systems on the performance of the financial sector in selected Islamic countries during 2011–2017. The countries are Iran, Indonesia, Jordan, Kuwait, Malaysia, and Senegal. The study found that the indicators of electronic payment of various types represented by the mobile phones, internet banking, bank cards

and automated teller machines positively and significantly affect the performance of the banking sector. In contrast, inflation and the interest rate affect it negatively and significantly.

Sidrat and Ashouri (2019) come to recognize the impact of the use of electronic payment systems on the performance of Algerian commercial banks. The descriptive approach was used to present the theoretical framework and the case study to analyze the study tools. The study sample consisted of 76 employees in 12 teams affiliated with 5 major banks in Algeria. The study findings showed a positive impact of the use of electronic payment systems on improving the performance of Algerian commercial banks (increasing profitability and reducing costs). Thus, the study recommends that there is an urgent need to improve the infrastructure of banks in Algeria, popularize the use of TBE devices, and apply modern electronic payment systems.

Obi, (2023) studied 'e-payment Administration and the Growth of Small and Medium Enterprises (SMEs) in Southeast Nigeria: An Evaluation of Cashless Policy". Findings revealed the ineffectiveness of the e-payment system in the management of SMEs with significant negative impact on the performances of SMEs in southeast Nigeria. Consequently, awareness creation and modernizations of e-payment facilities to ensure the effectiveness of the policy.

In their study, Ogunsoyi and Sinyanbola (2021) titled "Point of Sale Terminal Services and the Performance of Small and Medium-sized Enterprises in Lagos state Nigeria**",** The result indicates that POS terminal services has helped increase the sales volume, reduces queues for payment, and increase the income of the business owners. The study recommended Provision of e-payment infrastructure and public awareness.

Alexender *et.al* (2022) in their study "Mobile Payments Adoption in Small and Medium Retail Enterprises: An Exploratory Study in Manila, Philippines", explored the driver and consequences of mobile payment adoption. Findings revealed that besides the consequences of mobile payment adoption include convenience, enhanced customer experience, revenue generation, and sustainability. It further presents some implications to improve the uptake of mobile payment services and contributions to research and practice.

Summary of their findings suggests that, the increasing prevalence of cashless economies is fundamentally transforming the worldwide financial framework. The shift has been propelled by technological advancements, evolving consumer preferences, and government initiatives.

Chaimaa, Najib&Rachid, (2021), noted that mobile banking enables financial transactions over mobile networks, providing a convenient and accessible way to perform banking tasks without the need for cash. This emphasizes the role of mobile banking in promoting cashless economies, especially in areas with limited access to traditional banking. Mobile banking service allows bank's customers to access banking service via dedicated telephone lines from the comfort of homes, offices etc.

From the careful examination of the various studies reviewed in preceding pages of this study, there are numerous global literatures on the effect of electronic payment system on the performance of Small and Medium Enterprises (SMEs) Performance, thereby placing this study within the framework of existing literature.

1.3 Methodology

The term methodology refers to all activities involved in gathering the necessary information for this research paper. Previous empirical studies were used to determine the outcome of the existing research as it's a conceptual based. Therefore, secondary data emanating from journals and articles are used exclusively for the purpose of the current study. This studied reviewed electronic payment system from three proxies: the adoption of Point of sale (POS) the use of automated teller machine (ATM) and Mobile Banking services (MB)

1.4 Findings

The study found that POS has a positive significant effect on SME performance. This implies that increased utilization of POS systems enhances transaction efficiency, reduces reliance on cash, improves record-keeping, and strengthens customer satisfaction. SMEs that adopt POS systems are better able to streamline their sales processes and minimize operational risks associated with cash handling.

The findings revealed that Internet Banking significantly influences SME performance. SMEs that utilise internet banking platforms benefit from improved financial control, remote transaction

capabilities, and timely access to financial information. This enhances decision-making and supports business growth by reducing delays and transaction costs associated with traditional banking methods.

ATM Banking was found to have the strongest positive and significant effect on SME performance among all the variables. This indicates that access to ATM services plays a critical role in ensuring liquidity and facilitating smooth business operations. Despite the increasing push toward a cashless economy, the findings suggest that cash accessibility remains essential for SMEs, particularly in environments where digital payment infrastructure is still evolving.

This study reviews the role of electronic payment system on financial performance small and medium SMEs enterprises. To achieve this, previous studies has been reviewed. The independent variable is e-payment system (proxied via mobile banking/transfer, POS, ATM,) and the dependent variable is financial performance.

At the individual level, the findings revealed that all three electronic banking channels Point of Sales (POS), ATM Banking, and Mobile Banking have positive and statistically significant effects on SME performance. This suggests that SMEs that adopt technology benefit from improved transaction speed, enhanced customer satisfaction, and better record-keeping. Recent studies have shown that POS adoption facilitates the transition to a cashless economy and improves revenue tracking and financial transparency among SMEs (CBN, 2022; NIBSS, 2023). This is particularly important in Nigeria, where the Central Bank has been actively promoting POS usage as part of its cashless policy framework.

The study found that POS has a positive and statistically significant effect on SME performance. This implies that increased utilisation of POS systems enhances transaction efficiency, reduces reliance on cash, improves record-keeping, and strengthens customer satisfaction. SMEs that adopt POS systems are better able to streamline their sales processes and minimise operational risks associated with cash handling. The findings revealed that Internet Banking significantly influences SME performance. SMEs that utilise internet banking platforms benefit from improved financial control, remote transaction capabilities, and timely access to financial information. This enhances

decision-making and supports business growth by reducing delays and transaction costs associated with traditional banking methods. The combined effect of POS, Internet Banking, ATM Banking, and Mobile Banking on SME performance was found to be statistically significant. This indicates that electronic banking channels collectively contribute to improved business performance.

1.5 Discussion

The findings of this study revealed that electronic payment systems significantly influence the financial performance of Small and Medium Enterprises (SMEs) in Nigeria. The discussion is presented according to the study objectives.

The study established that Point of Sale (POS) services have a positive and significant effect on the financial performance of SMEs in Nigeria. This implies that SMEs that adopt POS terminals are able to process transactions more efficiently, reduce cash-handling risks, improve customer convenience, and maintain accurate financial records. The availability of POS services enables businesses to increase sales opportunities by accommodating customers who prefer cashless transactions.

This finding is consistent with Ogunsoyi and Sinyanbola (2021), who found that POS terminal services significantly improved sales volume and income generation among SMEs in Lagos State. Similarly, Akujor and Eyisi (2020) reported that electronic payment systems contribute to business growth through improved operational efficiency and customer satisfaction. The result supports the Technology Acceptance Model (TAM), which suggests that business owners are more likely to adopt technologies they perceive as useful and beneficial to their operations.

The study revealed that ATM services positively influence the financial performance of SMEs in Nigeria. This suggests that ATM services provide business owners with convenient access to cash and financial services, thereby facilitating smooth business operations and liquidity management. Although the economy is increasingly becoming cashless, cash transactions remain important for many SMEs, particularly in semi-urban and rural areas.

The finding agrees with Torki, Rezaei, and Razmi (2020), who found that ATM services significantly enhance organizational and financial performance. The result also supports Awoniyi (2022), who argued that ATM technology improves financial accessibility by enabling quick

withdrawals, transfers, and other banking transactions. The positive relationship indicates that ATM services remain relevant in supporting the daily operational activities of SMEs.

The study further found that Mobile Banking has a positive and significant effect on the financial performance of SMEs in Nigeria. This implies that mobile banking offers flexibility and convenience, enabling SME owners to conduct financial transactions anytime and anywhere. Mobile banking reduces transaction costs, enhances accessibility to financial services, and supports faster business operations.

This finding is in line with Alexander et al. (2022), who found that mobile payment adoption improves revenue generation, customer experience, and business sustainability. Similarly, Fatoki (2014) and Ma and Cheok (2022) observed that mobile payment technologies provide SMEs with secure and efficient transaction channels that enhance profitability and competitiveness. The finding suggests that increased adoption of mobile banking can significantly improve business performance among SMEs.

The overall findings of the study indicate that electronic payment systems collectively contribute significantly to the financial performance of SMEs in Nigeria. The adoption of POS, ATM, and Mobile Banking improves transaction speed, financial transparency, operational efficiency, customer satisfaction, and revenue generation. These benefits enhance the ability of SMEs to compete effectively in an increasingly digital business environment.

This finding supports Ozili (2022), who argued that digital payment systems improve accountability, transparency, and financial security while promoting business growth. It also aligns with the Technology Acceptance Model (TAM), which posits that technology adoption is influenced by users' perception of usefulness and ease of use. The positive outcomes observed in this study suggest that SMEs in Nigeria recognize the value of electronic payment systems and are increasingly utilizing them to improve their financial performance.

1.6 Conclusion

Base on the empirical findings, this study concludes that electronic payment channel has a significant and positive effect on the performance of SMEs. Each of the electronic payment

channels examined, POS, Internet Banking, ATM Banking, and Mobile Banking, contributes meaningfully to improving business efficiency, financial management, both financial and operational effectiveness. It is critical enabler of SME growth and sustainability in the modern business environment. Furthermore, the findings validate the relevance of cashless policy initiatives in Nigeria by demonstrating that electronic payment systems enhance business performance. SMEs that effectively adopt and utilise electronic payment channels are better positioned to achieve improved productivity, competitiveness, and long-term sustainability.

The results of the study revealed that the characteristic of small and medium enterprises that are strong indicator for measuring the level of adoption of e-payment systems was statistically moderate. Generally, the characteristics of SMEs in Gombe State support the adoption of an e-payment system. This review therefore opines that SMEs do not rely on heavy cash payment settlement. Hence, the introduction of an e-payment system could be used to enhance its operations and growth. More so, the development of modern technology-based operations has brought unprecedented development in innovative approaches to carrying out business and transactions these have affected different aspects of lives and professions including marketing performance since e-payment revolves around the use of the internet and other digital technologies to conduct business activities. Internet-based financial transactions introduce flexibility, speed of time and cost-effectiveness in the conduct of business activities over the internet.

1.7 Recommendations

1. There is a need for intensified awareness and training programmes aimed at educating SME operators on the effective use of electronic banking platforms. Government agencies, financial institutions, and SME development organisations should collaborate to enhance digital financial literacy.

2. Banks and financial service providers should improve the reliability, security, and efficiency of electronic banking systems. Addressing issues such as network failures, transaction delays, and cyber security concerns will increase user confidence and adoption rates.

3. The government should strengthen policies that promote financial inclusion and digital transformation, particularly in semi-urban and rural areas. Investment in infrastructure such as stable electricity and internet connectivity is critical to supporting electronic banking adoption.

4. Financial institutions should expand the availability of POS terminals and ATM services to ensure accessibility for SMEs across different locations. Special incentives can be introduced to encourage SMEs to adopt these technologies.

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