

IMPACT OF FINTECH ON THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA

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Olaniyi Stephen Ajayi

Abstract

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Title of the thesis IMPACT OF FINTECH ON THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA		
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Abstract <p>The popularity of Fintech in recent years has helped SMEs in so many ways. SMEs use this Fintech to process payments and access loans. Some of this fintech give SMEs some tools to grow their business. SMEs are the source of employment generation in an economy especially in Nigeria. Nigeria's government generate taxes from SMEs. SMEs have been facing different challenges, some of which are the inability to access loans from traditional banks.</p> <p>The thesis checks the impact of Fintech on the growth of small and medium-scale enterprises. The objective of the thesis is to highlight the impact of FinTech on the financial accessibility of Small and Medium Scale Enterprises in Nigeria, to examine the role of FinTech on international trade and earning of foreign exchange by SMEs in Nigeria and to identify the challenges confronting Small and Medium Scale Enterprises in Nigeria in adopting FinTech solutions. This is to know if the impact is a positive or negative one. Both primary and secondary data are used in the thesis. The thesis analyses the data received from respondents.</p> <p>The findings in the thesis show that Fintech has a positive impact on the growth of SMEs and most SMEs in Nigeria increases their sales and revenue by using Fintech solution. It also shows Nigerian government need to create a policy to encourage SMEs to adopt Fintech and gives SMEs the training needed to use this Fintech solution.</p>		
Keywords Small and medium scale, Fintech, Nigeria		

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Appendix 1. Research Questionnaire

1 Introduction

1.1 Background

Nigeria has been struggling with a variety of issues since the 1980s, including low-capacity utilization, high graduate unemployment, poverty, insecurity, crumbling infrastructure, and weak macroeconomic policy management. Without a question, Nigeria is endowed with a wealth of natural and human resources that could have been utilised for its expansion and development. Unfortunately, the nation lost out on the untapped potential for growth and sustainable development due to enduring corruption, the economy's monoculture, and the dominance of the public sector. The government has put in place several policies and programs to aid in the expansion of SMEs. However, government action alone can only go so far in promoting sustainable economic growth. Small and Medium Scale Enterprises (SMEs) have better potential for domestic economic development and producing the goods and services needed to drive the economy towards development, so the government was compelled to implement economic reform programs to move away from high-cost business and big industrial projects based on the theory of import substitution strategies. The aim and objective of the Structural Adjustment Programme (SAP) and Nigerian Economic Empowerment Development Strategy (NEEDS), established in the 1980s and 2000s, respectively, was to create business-minded people and prepare individuals for wealth creation through small businesses (Fasau, 2006).

Small and medium-sized businesses are crucial in developing and transitional nations (OECD 2002). These businesses provide significant domestic and international revenue, employ a sizable number of people, and account for over 90% of all businesses outside of the white-collar jobs sector. Small and medium-sized enterprises (SMEs) unquestionably contribute to economic, social, and poverty reduction development, as was emphasised by the OECD (2005). According to a World Bank Group study on small company operations, the World Bank Group's dedication to the growth of the SME sector is a key component of its strategy to promote economic growth, employment, and poverty alleviation (World Bank, 2012). This is because SMEs play a crucial role in propelling industrial growth and development by ensuring the diversification and expansion of industrial production and realising development's fundamental goals. Given the vast potential of SMEs to foster social and economic development, it is not unusual that the government of several nations around the world is very concerned about the efficiency and financing of SMEs (Okpara, 2000). The creation of jobs, the creation of revenue, and the advancement in development in countryside and cities areas are all greatly aided by the efforts of small and medium-sized enterprises (SMEs), which play pivotal roles in the industrialisation and economic progress of

both developing and developed countries. In Africa and Asia, where the bulk of the population lives in rural areas, small and medium-sized enterprises (SMEs) account for between 20 and 45 percent of all full-time jobs and 30 and 50 percent of all rural household income (Haggblade & Liedholm 1991, according to Humphery & Freeman 2018, 30). Financing small and medium-sized businesses (or SMEs) is a major driving force and a key to the success of any economy's development, growth, and maintenance. It is generally agreed upon in both government and business that fostering the growth of small and medium-sized enterprises (SMEs) is an essential component of any prosperous economy (OECD, 2014). Among the many issues that threaten SMEs' growth and survival in both developed and developing nations, financing has been deemed one of the most crucial aspects (OECD, 2009, 2).

However, there is a significant difficulty for SMEs internationally regarding financing and transactional access to financial services. SMEs can compete effectively with a big business if they can source capital easily which in turn allows them to remodel their business to use the latest and advanced manufacturing technology.

Recent developments in financial technology (FinTech) are reshaping the business landscape, modernising operational models, redefining client rules, and influencing other investment activities. Fintech has risen in popularity in recent times, and most SMEs take advantage of this fintech to process payments and access loans. Some of this fintech give SMEs some tools to grow their business. At the same time, these developments ensure a positive customer experience across mobile, Internet, and cloud channels and protect sensitive customer data across the divide. One of the emerging financial breakthroughs and solutions, known as fintech, is enhancing financial accessibility, particularly for firms in developing nations. Most customers have been drawn to FinTech by its use and benefits for obtaining financial services, which has increased its acceptance globally (Ntwiga, 2019).

Nigerian SMEs have embraced the digital revolution and witnessed extensive adoption of digital solutions in various industries, including banking, transportation, communication, and commerce (Central Bank of Nigeria, 2018). With several complimentary advancements, emerging financial technologies and novel business models can benefit from Nigeria's quickly digitising economy to increase SMEs' access to services (World Bank, 2018). SME development is crucial to the nation's socioeconomic growth. Its significance has been recognised in its contribution to economic expansion, job creation, eradication of poverty, and building an industrial base.

Innovative financial goods or services delivered through technology are referred to as FinTech. Consumer expectations are evolving due to technical advancements such as mobile and Internet and their widespread use. Financial technology products are a common focus for small, creative enterprises that are creating financial technologies and associated goods. Numerous small businesses, start-ups, and medium businesses work on financial technology products.

1.2 Thesis Objectives, Research Questions, and Limitations

Stakeholders continue to be curious about the purpose of financial technology considering its recent and rapid emergence in Nigeria's financial system and small and medium-sized businesses. The study's main goal is to examine the effect of fintech on the expansion of small and medium-sized businesses in Nigeria. The specific objective of the study is to.

- Highlight the impact of FinTech on the financial accessibility of Small and Medium Scale Enterprises in Nigeria
- Examine the role of FinTech on international trade and earning of foreign exchange by SMEs in Nigeria
- Identify the challenges confronting Small and Medium Scale Enterprises in Nigeria in adopting FinTech solutions.

The research questions for the study are.

1. What is the impact of FinTech on the financial accessibility of Small and Medium Scale Enterprises in Nigeria?
2. What is the role of FinTech on international trade and earning of foreign exchange by SMEs in Nigeria?
3. What challenges confronting Small and Medium Scale Enterprises in Nigeria in adopting FinTech solutions?

The expansion of SMEs and the advent of fintech are significant issues for the African continent since they impact regional development and economic prosperity. The study, however, is concentrated on the effect of FinTech on the expansion of SMEs in Nigeria. The research will be limited to a few SMEs and Fintech companies in Nigeria; this cannot thoroughly show the extent of the impact of all fintech solutions on SMEs in Nigeria.

1.3 Research Methodology

Research methodology describes the techniques, steps, or approaches the researcher uses to achieve the study's goals. Secondary sources are used to get the data for this investigation. The desk research tool will be used specifically. Information will be gathered from journals, books, periodicals, daily newspapers, magazines, the internet, etc. The Internet and libraries will be extensively used for desk research. A database search will be conducted for literature and articles published. Instead of using statistical methods, the investigation will analyse the writings of numerous authors. The quantitative method will be used to gather data through questionnaires and surveys. Data will be collected through both primary and secondary data.

1.4 Structure

This thesis is divided into four sections or chapters: the introduction, literature review and theoretical framework, research methodology and data analysis, and summary, conclusion, and recommendation. The introduction discusses the thesis background and motivation and introduces the reader to the research objective, question, and limitation of the research. The second chapter deals with the literature review, which evaluates the literature in the previous study on the subject matter and discusses the theoretical framework. The third chapter is about research methodology and shows how data has been collected and analysed. While the last chapter summarises the thesis, the conclusion shows if the objective has been achieved and all the research question has been answered.

2 Literature Review

2.1 FinTech

Fintech, a term coined from the combination of financial and technology, is providing financial services or product through the aid of technology (Sironi & Chermaz, 2016). The combination of the word's finances, and technology gave birth to FinTech (Goldstein et al. 2019). Provision of financial services to business and individual using modern technology is FinTech (Imerman & Fabozzi, 2020). Recently fintech has increase in popularity as it disrupts the traditional banking and financial industry (Reinemann & Shalek, 2015). According to the World Economic Forum, fintech is a modern financial industry, improving financial activities through the use of technology (World Economic Forum, 2015).

Digital technology application to financial services is the core of fintech. EY (Ernst & Young) defines fintech as the use of digital technology to provide financial services, products, and infrastructure (EY, 2017). It involves combining traditional finance, digital technology, and new consumer preferences to create new financial products and services (Sironi & Chermaz, 2016). Fintech make use of three abstraction which are data capture to store individual information, data analysis to make inform decision about business and intelligence and implementation (Gupta & Tham 2018, 5).

Traditional banking industry was disrupted by Fintech which created new opportunities for financial services innovation (Reinemann & Shalek, 2015). The rise of fintech has provided consumers with new and innovative ways to manage their money, invest, and access credit (EY, 2017). It has also created a new breed of financial services companies that challenge traditional banks and financial institutions (Reinemann & Shalek, 2015).

Fintech brought innovation to financial service and product using digital technology. It has disrupted the traditional banking and financial industry, creating new opportunities for financial services innovation. With the rapid advancements in technology, the fintech industry is expected to grow further, providing consumers with more efficient and accessible financial services.

Financial services and products of all kinds are included in fintech its uses technology to enhance and transform traditional banking and financial services. Examples are:

Payments and money transfers: This category of fintech includes digital payment systems, such as peer-to-peer (P2P) payments, mobile payments, and remittance services. These services enable consumers and businesses to transfer money easily and securely without the need for cash or traditional banking systems.

Online lending and crowdfunding: Online lending platforms use technology to match borrowers with lenders, enabling individuals and small businesses to access credit without the need for traditional bank loans. Crowdfunding platforms also use technology to connect entrepreneurs with investors, allowing them to raise funds for their projects.

Personal finance and wealth management: Fintech has also transformed the way individuals manage their finances and invest their money. Personal finance apps provide consumers with tools to budget, save, and invest their money, whereas platforms for wealth management employ AI and algorithms to offer services like portfolio management and investment advice.

Insurtech: This category of fintech includes digital insurance services that use technology to enhance the customer experience and improve the efficiency of the insurance industry. Insurtech companies offer products such as usage-based insurance, digital claims processing, and insurance comparison platforms.

Regtech: Regtech, often known as regulatory technology, is the use of technology to assist financial institutions in adhering to regulatory standards. Regtech companies provide services such as anti-money laundering (AML) and know-your-customer (KYC) compliance solutions, risk management tools, and reporting and analytics services.

2.1.1 FinTech in Nigeria

The Nigerian financial services sector has undergone significant transformation over the past decade, primarily due to the advent of financial technology, or fintech. Fintech is an emerging industry that applies technology to financial services to make them more efficient, accessible, and cost-effective. It encompasses a broad range of technologies, including mobile payments, peer-to-peer lending, crowdfunding, blockchain, and artificial intelligence.

Fintech has been turning point for the Nigerian financial services sector, which has historically been characterized by limited access to banking services and low levels of financial inclusion. According to a report by Enhancing Financial Innovation and Access (EFInA), only 39.7% of Nigerian adults have access to formal financial services, and just 2.9% have access to credit from formal financial institutions (EFInA, 2018). Fintech has helped to bridge this gap by providing innovative solutions that enable individuals and businesses to access financial services more easily and at lower cost.

The fintech industry in Nigeria has expanded over the past decade, driven by a combination of factors, including the rapid expansion of mobile phone and internet penetration, increasing demand for financial services, and the emergence of a new generation of tech-savvy

entrepreneurs. In the case of payment platforms, fintech startups assist businesses and other start-ups, ranging from store owners and shops to importers, exporters, and forex traders in improving their bottom line with accessible capabilities that enable them to reach new markets and new customers. These platforms enable secure, multi-currency, and crypto-currency payments across global markets (Steeves, D. 2016. 78-80)

The first fintech company in Nigeria was Interswitch, which was founded in 2002 and is now one of the leading payment processors in Africa. Interswitch pioneered the development of the Verve card, a local debit card that has gained wide acceptance in Nigeria and other African countries. The company also launched Quickteller, a platform that allows customers to make payments, buy airtime, and perform other financial transactions using their mobile phones. Since the launch of Interswitch, several other fintech companies have emerged in Nigeria, offering a wide range of financial services. Some of the most notable players in the Nigerian fintech ecosystem include Paystack, Flutterwave, Paga, and Carbon (formerly known as Paylater).

2.1.2 Regulatory Environment for Fintech

The regulatory environment for fintech in Nigeria is still evolving, with several regulatory bodies involved in the oversight of the industry. The Central Bank of Nigeria (CBN) is the primary regulatory body responsible for overseeing financial services in Nigeria, while the Securities and Exchange Commission (SEC) is responsible for regulating securities and investment activities.

In 2018, the CBN issued a regulatory framework for fintech companies, which sets out the guidelines for the licensing and operation of payment service providers (PSPs) and other fintech companies in Nigeria. The framework requires all PSPs to obtain a license from the CBN before they can operate in Nigeria. The license requirements include minimum capital requirements, fit and proper criteria for directors and management, and compliance with anti-money laundering and anti-terrorist financing regulations.

The CBN has also established a fintech and innovation office to provide guidance and support to fintech companies operating in Nigeria. The office serves as a one-stop shop for fintech companies seeking regulatory approval or guidance on regulatory compliance.

2.1.3 Key Players in the Nigerian Fintech Ecosystem

The Nigerian fintech ecosystem is home to a growing number of players, including established banks, start-ups, and international players. Some of the key players in the Nigerian fintech ecosystem include:

Banks: The Nigerian banking sector has been quick to embrace fintech, with many of the leading banks investing in or partnering with fintech companies. Some of the largest banks in Nigeria, such as Access Bank, GTBank, and First Bank, have launched their own fintech products, such as mobile banking apps and online payment platforms.

Start-ups: Nigeria has a vibrant start-up ecosystem, and fintech economic sector is growing fast. Some of the most successful fintech start-ups in Nigeria include Paystack, which was recently acquired by Stripe for \$200 million, Flutterwave, a payment processing company that has raised over \$230 million in funding, and Carbon, a digital lending platform that has disbursed over \$20 million in loans to date.

International Players: Many international fintech companies have also entered the Nigerian market, attracted by the country's large population and rapidly growing economy. Some of the international players in the Nigerian fintech ecosystem include Visa, Mastercard, and PayPal, as well as Chinese fintech giants such as Ant Financial and WeChat Pay.

2.1.4 Fintech Sub-sectors in Nigeria

The Nigerian fintech industry is divided into several sub-sectors, each with its own unique characteristics and opportunities. Some of the key fintech sub-sectors in Nigeria include:

Mobile Payments: Mobile payments are one of the most popular fintech services in Nigeria, with mobile money services such as MTN Mobile Money, Airtel Money, and Glo Xchange gaining wide acceptance. According to a report by the Nigerian Communications Commission, there were over 190 million mobile phone subscribers in Nigeria as of December 2020, representing a mobile penetration rate of over 97%. This presents a huge opportunity for mobile payment providers to offer convenient and affordable payment solutions to the large unbanked population.

Peer-to-Peer Lending: Peer-to-peer (P2P) lending is another fast-growing fintech sub-sector in Nigeria, with platforms such as Renmoney, KiaKia, and FairMoney providing loans to individuals and small businesses. P2P lending platforms use technology to connect borrowers with lenders, cutting out the traditional intermediaries such as banks. This has made it easier for individuals and small businesses to access credit, particularly those who are underserved by traditional financial institutions.

Crowdfunding: Crowdfunding is a relatively new concept in Nigeria, but it has gained popularity in recent years as a means of raising funds for social causes, creative projects, and business ventures. Platforms such as Donate-ng, Gofundme, and NaijaFund are enabling

individuals and organizations to raise funds from a large pool of donors, thereby democratizing access to finance.

2.1.5 Challenges Facing the Nigerian Fintech Industry

Despite the rapid growth of the fintech industry in Nigeria, there are still several challenges that need to be tackled so it can be sustainable at the long run. Some of the key challenges facing the Nigerian fintech industry include:

Regulatory Uncertainty: The regulatory environment for fintech in Nigeria is still evolving, which has created some uncertainty for fintech companies. There is a need for clear and consistent regulations that support innovation while protecting consumers and maintaining financial stability.

Infrastructure: The infrastructure challenges facing Nigeria are in the areas of power supply, internet connectivity, and transportation. These infrastructure challenges can hamper the growth of fintech companies, which rely heavily on technology and digital infrastructure.

Cybersecurity: Cybersecurity threats are a major concern for fintech companies, particularly as the industry becomes more reliant on digital platforms and transactions. There is a need for robust cybersecurity measures.

2.2 Small and Medium Scale Enterprises

It can be challenging to categorise small and medium scale enterprises using size and scale of operation in an international context but, it is possible to do this within the predetermined national territory lines (Yahaya et al. 2016, 2). Over 90% of businesses are Small medium size enterprises (SMEs) and 50% of all jobs globally, are essential to the global economy (International Finance Corporation, 2020). SMEs are essential drivers of economic growth, innovation, and job creation, particularly in developing countries. Through encouraging extensive employment, investment, the development of local talent and technology, the promotion of entrepreneurship and inventiveness, increasing exports, and developing an industrial base at various scales, they significantly improve the economic and social sectors of a nation (Adamu & Aminu 2011). SMEs are ventures with fewer than 250 workers and a yearly revenue of under €50 million. (European Commission, 2021). In some countries, the definition of an SME also includes the criteria of having a balance sheet total of less than €43 million. SMEs can be further classified into micro, small, and medium-sized enterprises based on the number of employees and turnover. Micro-enterprises have fewer than 10 employees and an annual revenue less than €2 million. Between 10 and 50 workers work

for small businesses, while between 50 and 250 work for medium-sized businesses. (European Commission, 2021).

SMEs are essential drivers of economic growth and job creation. According to the World Bank, SMEs account for 60-70% of employment in low-income countries and 50-60% of employment in middle-income countries (World Bank, 2019). SMEs also contribute to economic development by fostering innovation and competition. They are more likely to introduce new products and services and adopt new technologies than large firms (European Commission, 2021).

Moreover, SMEs are crucial for the diversification of the economy. They provide a range of goods and services, including local products, niche markets, and specialized services that large firms cannot offer. SMEs also contribute to regional development by providing employment opportunities in rural areas, promoting the use of local resources, and supporting local supply chains (European Commission, 2021).

2.2.1 SMEs in Nigeria

Small and Medium Enterprises (SMEs) have been acknowledged as the pillar of the Nigerian economy, contributing significantly to employment, economic growth, and poverty alleviation. According to the National Bureau of Statistics (NBS), SMEs account for over 84% of the Nigerian workforce and contribute about 48% to the country's Gross Domestic Product (GDP).

The Nigerian government defines SMEs as firms with fewer than 300 employees and assets less than N500 million (\$1.3 million) (SMEDAN, 2019). The SME sector in Nigeria is dominated by micro-enterprises, which account for about 99% of all businesses in the country (SMEDAN, 2020). In spite of the fact that SMEs account for more than 90% of all companies in Nigeria, they have sadly fell short, contributing less than 10% of the country's GDP (Gbandi & Amisah 2014). SMEs in Nigeria operate in various sectors, including agriculture, manufacturing, construction, and services. However, most SMEs operate in the informal sector, with limited access to formal finance, training, and business support services.

SMEs play a critical role in employment generation in Nigeria, accounting for over 80% of all jobs (SMEDAN, 2020). They are also a vital source of innovation, driving economic growth and diversification. According to the International Finance Corporation (IFC), the SME sector in Nigeria has the potential to create up to 20 million jobs and contribute up to \$1.7 trillion to the country's GDP by 2030 if adequately supported (IFC, 2020).

SMEs in Nigeria are characterized by their small size, limited financial resources, and limited access to modern technology. They are usually family-owned businesses, operated by the owner or a few employees. According to the Central Bank of Nigeria (CBN), SMEs in Nigeria are classified into three categories based on their workforce and asset base: micro-enterprises (with less than 10 employees and asset base of less than N5 million), small enterprises (with 10 to 49 employees and asset base of N5 million to N50 million), and medium enterprises (with 50 to 199 employees and asset base of N50 million to N500 million). The majority of SMEs in Nigeria fall under the micro-enterprises category, accounting for over 95% of all SMEs in the country.

SMEs in Nigeria contribute significantly to the country's economy, providing employment opportunities, promoting innovation, and enhancing the nation's competitiveness. According to the Nigerian Bureau of Statistics (NBS), SMEs in Nigeria employ over 80% of the country's workforce and contribute less than 50% of the country's GDP. SMEs also play a critical role in developing the agricultural sector, which is the largest employer of labour in the country. Its contributing to food security and reducing poverty in rural areas.

2.2.2 Challenges of SMEs in Nigeria

Small and medium-sized businesses (SMEs) are essential to Nigeria's economic growth. The numerous obstacles that SMEs in Nigeria must overcome prevent them from expanding and remaining viable.

Limited access to finance: One of the significant challenges facing SMEs in Nigeria is access to finance. SMEs struggle to access formal finance due to the high cost of borrowing, stringent collateral requirements, and lack of credit history. One quarter of success is achieved in SMEs if they have access to finance, empirical evidence shows (Ogujiuba et al 2004). Most SMEs in Nigeria operate in the informal sector, making it difficult for financial institutions to assess their creditworthiness. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), only about 5% of SMEs in Nigeria have access to formal finance, while the rest rely on personal savings, family and friends, and informal lenders (SMEDAN, 2019). A crucial success factor for the growth, development, and maintenance of any economy is the financing of SMEs (Taiwo et al. 2016).

Poor infrastructure: Poor infrastructure is another significant challenge facing SMEs in Nigeria. Infrastructure such as electricity, transportation, and telecommunications are inadequate and unreliable, making it difficult for SMEs to operate efficiently (Adetiloye et al. 2014). For instance, the lack of reliable electricity increases production costs, making it difficult for SMEs to compete with larger firms.

Institutional Support: Weak institutional support is another significant challenge facing SMEs in Nigeria. Most SMEs lack access to training, mentorship, and business support services, limiting their capacity to innovate and grow. The government has established various agencies to support SMEs, such as the SMEDAN, Bank of Industry (BOI), and Nigerian Export-Import Bank (NEXIM), among others. However, these agencies face numerous challenges, including inadequate funding, limited outreach, and ineffective implementation of policies and programs.

Lack of skilled manpower: SMEs in Nigeria also face a shortage of skilled manpower, which limits their ability to innovate and compete globally. Many SMEs in Nigeria are run by entrepreneurs who lack formal training and expertise in business management (Osemeke et al. 2020). The shortage of skilled manpower also makes it difficult for SMEs to attract investors, who are often interested in businesses with a skilled and competent workforce.

Inadequate access to markets: SMEs in Nigeria face challenges in accessing local and international markets, which limits their growth potential. Many SMEs in Nigeria operate in niche markets, which limits their customer base (Ibrahim & Bala, 2019). Inadequate access to markets also limits their ability to attract investors and secure funding for expansion.

Regulatory challenges: SMEs in Nigeria face numerous regulatory challenges, which make it difficult for them to operate efficiently. The regulatory environment in Nigeria is complex and often inconsistent, with many SMEs facing multiple taxes and levies (Ibrahim & Bala, 2019). The high cost of compliance with regulations often limits the growth potential of SMEs.

2.2.3 Prospects for SMEs in Nigeria

Small and Medium Enterprises (SMEs) have long been considered the backbone of many economies worldwide, including Nigeria's. In Nigeria, SMEs account for over 80% of the country's employment, and their contribution to the country's GDP has been increasing steadily over the years. However, despite their significant contributions, SMEs in Nigeria face numerous challenges, including limited access to funding, poor infrastructure, inadequate training and development, and inadequate regulatory and policy frameworks. Fortunately, there is significant prospects for SMEs:

Economic Growth Prospects: Nigeria's economy is expected to grow in the coming years, thanks to the government's efforts to diversify the economy and promote non-oil sectors. The agriculture, manufacturing, and services sectors are expected to be the main drivers of growth. This presents a significant opportunity for SMEs to grow and expand, particularly in the non-oil sectors. With the right support and enabling environment, SMEs can tap into the

opportunities presented by Nigeria's growing economy and contribute significantly to the country's economic growth.

Access to Funding: Access to funding remains a significant challenge for SMEs in Nigeria. Many SMEs struggle to access funding from traditional financial institutions due to stringent requirements and collateral demands. However, the Nigerian government and various development partners have introduced several funding schemes to support SMEs. For instance, the Central Bank of Nigeria (CBN) introduced the N220 billion Micro, Small and Medium Enterprises Development Fund (MSMEDF) to provide low-interest loans to SMEs. The Bank of Industry (BOI) and the Nigerian Export-Import Bank (NEXIM) also provide funding support to SMEs. Furthermore, many private sector organizations, such as venture capital firms, angel investors, and impact investors, are investing in SMEs. With such funding opportunities available, SMEs in Nigeria can access the funds they need to grow and expand.

Infrastructure Development: Nigeria's infrastructure is still underdeveloped, which poses a significant challenge to SMEs. Poor transportation, unreliable power supply, and inadequate water supply are some of the infrastructure challenges that SMEs face. However, the government has made significant efforts to address these challenges. For instance, the government has launched the Presidential Infrastructure Development Fund (PIDF) to finance critical infrastructure projects such as roads, rail, and power projects. Furthermore, the government has launched the Rural Electrification Agency (REA) to provide electricity to rural areas, which will benefit SMEs operating in these areas. The government's efforts to address the infrastructure deficit in Nigeria will create an enabling environment for SMEs to thrive.

Technological Advancements: Technological advancements have disrupted many industries worldwide, and SMEs in Nigeria are not exempted. Technology has created new opportunities for SMEs to grow and expand their businesses. For instance, e-commerce and FinTech platforms have made it easier for SMEs to reach a wider market and sell their products and services online. The proliferation of mobile technology has also made it easier for SMEs to access customers and transact business. With the right technological infrastructure and skills, SMEs in Nigeria can leverage technology to grow and expand their businesses.

Policy and Regulatory Frameworks: Policy and regulatory frameworks can significantly impact SMEs in Nigeria. Unfortunately, many SMEs in Nigeria face challenges related to the country's regulatory environment. Issues such as multiple taxations, high regulatory fees, and bureaucracy make it difficult for SMEs to operate in Nigeria. However, the government

has introduced several policies and initiatives to address these challenges. For instance, the government launched the Ease of Doing Business Reforms, which aims to create a more business-friendly environment for SMEs. The reforms include initiatives such as the elimination of manual processes and the creation of a one-stop-shop for business registration. Furthermore, the Nigerian Investment Promotion Commission (NIPC) provides support and guidance to investors and SMEs, helping them navigate the country's regulatory environment. With these policy and regulatory frameworks in place, SMEs in Nigeria can operate in a more conducive environment and thrive.

Access to Markets: Access to markets is critical for SMEs in Nigeria to grow and expand. Many SMEs struggle to access markets due to limited resources and marketing skills. However, with the right support, SMEs can access new markets and increase their customer base. The government has launched several initiatives to support SMEs in accessing markets, such as the Made-in-Nigeria campaign, which aims to promote locally produced goods and services. The government has also launched the Nigerian Diaspora Export Program (NDEX), which aims to leverage the diaspora community to promote Nigerian goods and services globally. With these initiatives in place, SMEs in Nigeria can access new markets and grow their businesses.

Human Resource Development: Human resource development is critical for the growth and success of SMEs in Nigeria. SMEs require skilled and trained employees to operate effectively and compete in the market. However, many SMEs in Nigeria struggle to attract and retain skilled employees due to limited resources and competition from larger organizations. To address this challenge, the government has launched several initiatives to support human resource development in SMEs. For instance, the Industrial Training Fund (ITF) provides training and development programs for employees of SMEs. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) also provides training and development programs for SMEs. With these initiatives in place, SMEs in Nigeria can develop the skills and knowledge they need to operate effectively and compete in the market.

2.3 FinTech and SMEs in Nigeria

The Nigerian government has recognized the importance of SMEs to the economy, and various policies have been implemented to support their growth. One area that has received increasing attention in recent years is the role of financial technology (FinTech) in supporting SMEs. FinTech has the potential to provide SMEs with access to much-needed financing, increase their efficiency, and reduce costs.

FinTech has been growing rapidly in Nigeria in recent years, driven by factors such as the growing number of smartphone users, increasing internet penetration, and a growing middle class. The Central Bank of Nigeria (CBN) has also been supportive of FinTech, recognizing its potential to drive financial inclusion and promote economic growth. As of 2020, there were over 200 FinTech startups in Nigeria, with a total funding of over \$1 billion (CBN, 2020). These startups are operating in various areas, including payments, lending, insurance, and investment.

One of the main areas where FinTech has made significant progress is in the payments space. Nigeria has a large unbanked population, and many people still rely on cash for transactions. However, with the rise of FinTech, digital payments have become increasingly popular. Mobile money services, such as Paga and Flutterwave, have made it easier for people to send and receive money using their mobile phones. These services have been particularly beneficial for SMEs, which previously faced challenges in receiving payments from customers due to the lack of a formal payment infrastructure.

Another area where FinTech has made progress is in lending. SMEs in Nigeria have traditionally faced challenges in accessing financing from traditional financial institutions due to factors such as lack of collateral and credit history. However, FinTech startups such as Paylater and Carbon have developed alternative lending models that use alternative data sources such as social media and mobile phone usage to assess creditworthiness. These startups have been successful in providing SMEs with access to financing, with Paylater disbursing over \$17 million in loans to SMEs as of 2018 (Paylater, 2018).

2.3.1 Impact of Fintech on SMEs in Nigeria

Fintech, or financial technology, has had a significant impact on Small and Medium-sized Enterprises (SMEs) in Nigeria. The country has a vibrant entrepreneurial culture, and SMEs are a vital part of its economy, contributing to over 40% of the country's GDP. However, SMEs in Nigeria face significant challenges, including limited access to credit and financial services, which have historically hindered their growth and development. Fintech has emerged as a solution to these challenges, with innovative technologies and services transforming the financial landscape and enabling SMEs to access financial services that were previously inaccessible. This thesis explores the impact of fintech on SMEs in Nigeria and how it has transformed their operations, growth, and competitiveness.

Access to finance has been a significant challenge for SMEs in Nigeria, as traditional banks have been reluctant to lend to them due to their perceived risk. However, fintech has

emerged as a solution to this challenge, with innovative digital platforms providing alternative funding sources for SMEs. These platforms include peer-to-peer lending, crowdfunding, and digital banking, which have disrupted the traditional banking model and made it easier for SMEs to access financing.

One example of a fintech platform that has transformed access to finance for SMEs in Nigeria is Cowrywise, a digital investment platform that allows users to save and invest money. Cowrywise has partnered with several microfinance banks and financial institutions in Nigeria to offer investment opportunities and loans to SMEs. This platform has made it easier for SMEs to access financing and investment opportunities, providing them with a critical lifeline to grow and expand their businesses.

Another example is Paylater, a digital lending platform that offers instant loans to individuals and SMEs in Nigeria. Paylater has a user-friendly interface that allows users to apply for loans quickly and easily, with the funds being disbursed to their accounts within minutes. This platform has been a game-changer for SMEs in Nigeria, as it provides them with quick and easy access to funding, enabling them to take advantage of business opportunities and grow their businesses.

Operational Efficiency Fintech has also transformed the operational efficiency of SMEs in Nigeria, with innovative technologies and services that have streamlined their operations, reduced costs, and improved their competitiveness. One example is mobile banking, which has made it easier for SMEs to carry out financial transactions and manage their finances on the go. Mobile banking has eliminated the need for SMEs to physically visit banks to carry out financial transactions, reducing the time and costs associated with these activities.

Another example is online invoicing and payment platforms, which have made it easier for SMEs to manage their finances and receive payments from their customers. These platforms provide SMEs with a simple and secure way to create and send invoices, receive payments, and track their finances in real-time. This has reduced the administrative burden on SMEs, enabling them to focus on their core business activities and improve their overall efficiency.

Fintech has also increased competition in the financial sector, with innovative startups and digital platforms disrupting traditional banking models and offering new and innovative services to SMEs. This has led to increased competition in the financial sector, with traditional banks being forced to innovate and provide more customer-centric services to remain competitive.

One example of a fintech startup that has disrupted the financial sector in Nigeria is Flutterwave, a digital payment platform that allows businesses to accept payments from customers across Africa. Flutterwave has made it easier for SMEs to accept payments from customers, enabling them to expand their customer base and grow their businesses. This platform has also increased competition in the financial sector, forcing traditional banks to innovate and provide more customer-centric services to remain competitive.

2.3.2 The role of FinTech in SMEs

Financial technology (FinTech) is a rapidly growing industry that is transforming the financial sector globally. FinTech has the potential to create new opportunities for small and medium-sized enterprises (SMEs) in Nigeria, who are the backbone of the Nigerian economy.

The role of FinTech in addressing the financing gap for Nigerian SMEs

Access to finance remains a significant challenge for Nigerian SMEs, with limited access to bank loans, high-interest rates, and insufficient collateral requirements. According to a report by the International Finance Corporation (IFC), SMEs in Nigeria face a financing gap of over \$158 billion (IFC, 2020). Traditional financial institutions have been reluctant to lend to SMEs due to their high-risk profile, leading to a lack of access to finance for these businesses.

FinTech has the potential to address the financing gap for Nigerian SMEs by providing alternative financing options. The use of digital platforms has enabled FinTech companies to offer innovative financing solutions that are faster, cheaper, and more accessible than traditional financial institutions. For instance, peer-to-peer (P2P) lending platforms such as Carbon and Renmoney have emerged as popular FinTech solutions in Nigeria, offering unsecured loans to individuals and SMEs (Akinleye, 2021). P2P lending platforms offer SMEs an alternative source of financing by connecting borrowers and investors who are willing to lend money.

In addition, digital banks such as Kuda and Alat have also emerged as FinTech solutions in Nigeria, offering savings and lending products to individuals and SMEs. These digital banks have lower operating costs than traditional banks, enabling them to offer customers more competitive interest rates and fees. Furthermore, FinTech solutions such as crowdfunding and invoice financing have also emerged as viable financing options for SMEs in Nigeria (Akinleye, 2021). Crowdfunding platforms such as Cowrywise and ThriveAgric have enabled SMEs to raise funds from a large pool of investors. In contrast, invoice financing platforms such as PayConnect have provided SMEs with access to working capital by financing their unpaid invoices.

The role of FinTech in addressing the technology gap for Nigerian SMEs

Limited access to technology is another challenge facing Nigerian SMEs. Many SMEs lack the technological infrastructure necessary to adopt digital solutions, including internet connectivity, digital devices, and software applications. According to a report by the International Telecommunication Union (ITU), only 47.1% of the Nigerian population has access to the internet (ITU, 2021). This limited internet penetration has affected the adoption of FinTech solutions by Nigerian SMEs.

FinTech has the potential to address the technology gap for Nigerian SMEs by providing digital solutions that are accessible and affordable. FinTech solutions such as mobile banking, digital wallets, and online marketplaces have emerged as popular digital solutions for Nigerian SMEs (Akinleye, 2021). Mobile banking solutions such as Paga and OPay have enabled SMEs to access financial services through their mobile devices, including account opening, money transfers, and bill payments. Digital wallets such as Wallets Africa and Paystack have also emerged as popular FinTech solutions in Nigeria, providing SMEs with a convenient and secure way to make and receive payments. Online marketplaces such as Jumia and Konga have also enabled SMEs to access a wider market and sell their products online, increasing their reach and revenue.

2.3.3 The Opportunities and Benefits of FinTech for Nigerian SMEs

The emergence of FinTech in Nigeria presents several opportunities and benefits for SMEs, including increased access to finance, improved efficiency, and access to a wider market.

Increased access to finance: FinTech solutions provide SMEs with alternative financing options, enabling them to access finance that may not be available through traditional financial institutions. The use of digital platforms has made it easier for SMEs to apply for and receive loans, with faster turnaround times and lower interest rates than traditional bank loans.

Improved efficiency: FinTech solutions have enabled SMEs to streamline their operations and improve their efficiency. Digital solutions such as mobile banking, digital wallets, and online marketplaces have made it easier for SMEs to manage their finances, make and receive payments, and sell their products online. This has enabled SMEs to reduce their operating costs and improve their bottom line.

Access to a wider market: FinTech solutions have enabled SMEs to access a wider market and reach customers beyond their local communities. Online marketplaces such as Jumia and Konga have enabled SMEs to sell their products to customers across Nigeria, while

mobile banking solutions have enabled SMEs to receive payments from customers in remote areas.

FinTech has the potential to transform the Nigerian SME sector by providing alternative financing options, improving efficiency, and increasing access to a wider market.

2.4 Theoretical Framework

2.4.1 Technology Acceptance Model (TAM)

One theoretical framework that can be used to understand the impact of fintech on small and medium scale enterprises (SMEs) in Nigeria is the Technology Acceptance Model (TAM). TAM is a widely used theoretical framework in the field of information systems that explains how users adopt and use technology. The most important and widely used theory for describing a person's acceptance of information systems is called the Technology Acceptance Model (TAM) (Lee et al. 2003).

TAM highlight two factor that influence someone to embrace technology, which are perceived usefulness and perceived usability. A technology's perceived usefulness measures how much a person thinks it will boost their performance or productivity. The degree to which a user thinks technology can be easily learned to operate and pick up refers to perceived ease of use. In the context of fintech and SMEs in Nigeria, perceived usefulness could refer to the potential for fintech to improve financial access, reduce transaction costs, increase efficiency, and improve overall business performance. Perceived ease of use could refer to factors such as the simplicity and user-friendliness of fintech platforms and the availability of training and support.

Another relevant theoretical framework is the Institutional Theory, which suggests that the adoption and use of fintech by SMEs is influenced by broader social norms and institutional pressures. For example, if there is a strong cultural norm favouring the use of traditional banking services, SMEs may be hesitant to adopt fintech. Conversely, if there is a supportive regulatory environment and a culture of innovation, SMEs may be more likely to adopt and benefit from fintech.

Ultimately, a combination of these two theoretical frameworks could be used to understand the impact of fintech on SMEs in Nigeria. By examining the perceived usefulness and ease of use of fintech, as well as the broader institutional context in which it is being adopted, researchers and practitioners can better understand the factors that drive adoption and the potential impact of fintech on SMEs.

2.4.2 Institutional Theory

The Institutional Theory can be applied to understand the impact of fintech on SMEs (Small and Medium Enterprises) in Nigeria by examining how fintech innovations are changing the institutional environment in which SMEs operate. Institutional theory emphasizes the importance of social norms, values, and beliefs in shaping organizational behaviour and the strategies they pursue. Therefore, in analysing the impact of fintech on SMEs in Nigeria, researchers must look at how fintech innovations are changing the institutional context within which SMEs operate.

Firstly, fintech is changing the institutional environment for SMEs in Nigeria by providing new financial services and products that were previously unavailable. With the rise of fintech, SMEs in Nigeria can access a wider range of financial services, including mobile payments, digital lending, and online banking. This increased access to financial services can enable SMEs to expand their operations, make investments, and increase their competitiveness.

Secondly, the institutional theory suggests that organizations conform to institutional norms to gain legitimacy and social acceptance. In the context of fintech and SMEs in Nigeria, this means that SMEs may adopt fintech innovations to signal to their stakeholders that they are keeping up with the latest technological developments and are therefore a legitimate and reliable business partner. This may lead to SMEs embracing fintech innovations to enhance their credibility and reputation, even if they do not necessarily need these innovations to succeed.

Thirdly, the institutional theory suggests that organizations may resist institutional change if it threatens their existing norms and practices. In the context of fintech and SMEs in Nigeria, this means that traditional financial institutions may resist the rise of fintech as it challenges their established practices and market dominance. This resistance may take the form of regulatory barriers or attempts to discredit fintech startups.

Suffice to say that the institutional theory provides a useful framework for understanding the impact of fintech on SMEs in Nigeria. By examining how fintech innovations are changing the institutional environment for SMEs, we can better understand these businesses' opportunities and challenges as they navigate a rapidly changing financial landscape.

3 RESEARCH IMPLEMENTATION

3.1 Description of the Implementation

The implementation of the thesis topic, "Impact of FinTech on the Growth of Small and Medium Scale Enterprises in Nigeria," involve a thorough exploration of the impact of financial technology on small and medium scale enterprises (SMEs) in Nigeria. The primary objectives of the thesis, highlight the impact of FinTech on the financial accessibility of SMEs in Nigeria, examine the role of FinTech on international trade and earning of foreign exchange by SMEs in Nigeria, and identify the challenges confronting SMEs in Nigeria in the adoption of FinTech solutions.

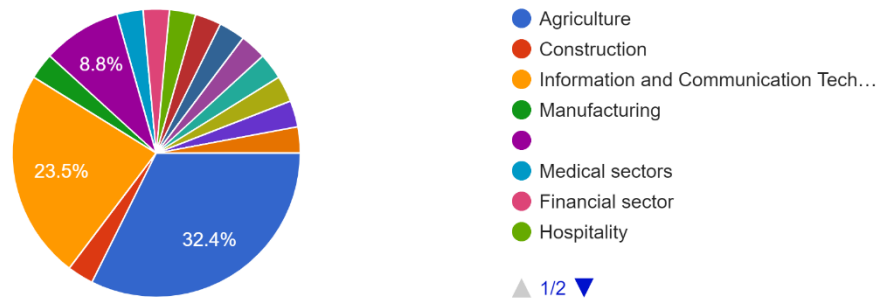
To achieve these objectives, the research methodology for the thesis will primarily involve survey methods as well as desk research method. This research approach involves obtaining primary data via the administration of questionnaires to specific group of respondents. The primary data was obtained through the use google form, there are 18 questions which include age, gender and question bordering on FinTech solution. The age and the gender were not use in the thesis because it might widen the scope of the research. Data was collected from March 29 to April 12. There are 34 respondents to the questionnaires some of the respondent leave some question unanswered that is why some has less than 34 responses.

3.2 Analysis of the Research Material

In what industry does your SME operate?

Based on the sample size of 34 respondents, it appears that Agriculture industry is the most represented among the respondents, with 11 out of 34 respondents or 32.4% of the total sample. This may indicate that the agriculture industry is currently popular among small and medium-sized enterprises (SMEs), or because Nigeria is traditionally an agricultural country and Nigeria have good land and weather for agriculture. The Information and Communication Technology (ICT) industry also appears to have a significant presence among the respondents, with 8 out of 34 respondents or 23.5% of the total sample. In the third place with 8.8% of the respondent are who doesn't identity their industry. This suggests that the ICT continues to be an important part of SMEs in Nigeria. The Construction and Manufacturing industries, and other industry such as fashion, food and the rest have 1 respondent each.

In what industry does your SME operate?
34 responses

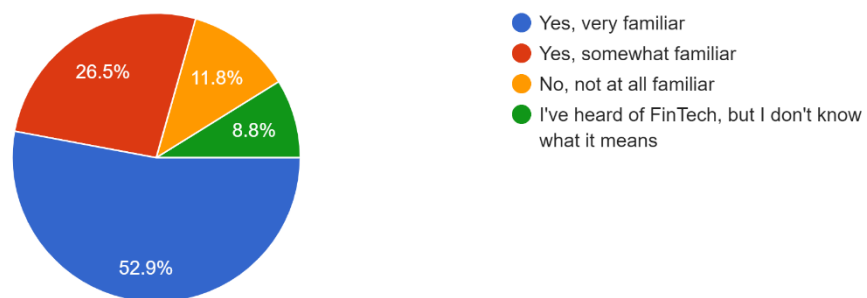


Question 1

Are you familiar with FinTech Solutions?

As we can see from the pie chart in Question 2, the majority of respondents (52.9%) are very familiar with FinTech solutions, with 9 respondents (26.5%) somewhat familiar with it. This suggests that there is a significant level of awareness of FinTech among the respondents. On the other hand, 4 respondents (11%) are not at all familiar with FinTech solutions, while only 3 respondents (8.8%) have heard of FinTech but do not know what it means. This may indicate a need for more education and awareness efforts among SMEs regarding FinTech solutions.

Are you familiar with FinTech solutions ?
34 responses



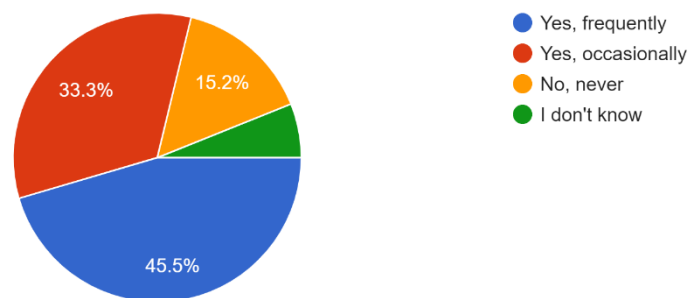
Question 2

Have you used any FinTech solutions in your business operations?

45.5% of the respondents replied that they use FinTech solutions frequently in their business operations, 33.3% of the respondents replied that they use FinTech solutions occasionally, 15.2% of the respondents replied that they have never used FinTech solutions in their business operations and 6.1% of the respondents replied that they do not know if they have used FinTech solutions or not.

From Question 3, it can be inferred that a significant proportion of respondents have used FinTech solutions in their business operations, with 45.5% using them frequently and 33.3% using them occasionally. However, it is also noteworthy that some proportion of respondents (15.2%) have never used FinTech solutions in their business operations, suggesting that there is still room for the adoption of FinTech solutions among businesses. The finding that 6.1% of the respondents do not know if they have used FinTech solutions or not also highlights the need for better awareness and education about the benefits and potential applications of FinTech solutions in business operations.

Have you used any FinTech solutions in your business operations?
33 responses



Question 3

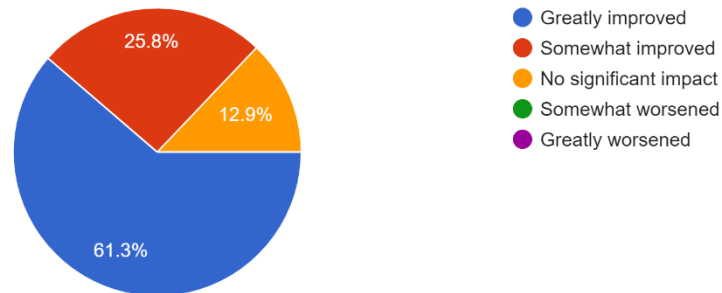
How has the adoption of FinTech solutions impacted the financial accessibility of your SME?

According to the survey, it was revealed that the adoption of FinTech solutions has had a positive impact on the financial accessibility of these businesses. Most respondents, 61.3%, reported that the adoption of FinTech solutions has greatly improved their financial accessibility, while 25.8% of respondents reported that it has somewhat improved. Only 12.9% of respondents reported no significant impact, and none of the respondents reported that their financial accessibility has worsened because of adopting FinTech solutions. The findings indicate that FinTech solutions are making a significant difference in the financial accessi-

bility of SMEs. The fact that most respondents reported a great improvement in their financial accessibility suggests that FinTech solutions are helping these businesses overcome traditional financial barriers such as access to loans, credit, and other financial services.

How has the adoption of FinTech solutions impacted the financial accessibility of your SME?

31 responses



Question 4

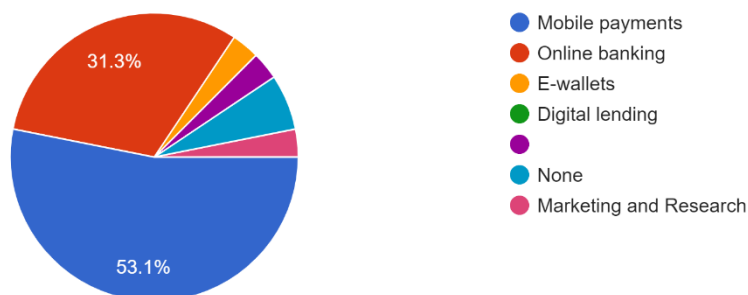
What specific FinTech solutions have you adopted in your SME?

Based on the responses of the SMEs surveyed, the specific FinTech solutions that they have adopted are as follows: 53.1% of the respondents have adopted mobile payments, 31.3% have adopted online banking, and 30% have adopted e-wallets. Additionally, 3.1% of the respondents have adopted digital lending, while 3.1% have adopted other FinTech solutions such as blockchain-based payment systems, crowdfunding platforms, and market & research. 6.3% did not adopt any fintech solution.

These findings suggest that the most adopted FinTech solutions among SMEs are mobile payments and online banking, which enable businesses to carry out transactions and manage their finances more efficiently. E-wallets are also gaining popularity to store and manage digital currencies and make payments. Digital lending is another important FinTech solution that can help SMEs access financing more easily and quickly, which is critical for their growth and success. The findings of this survey suggest that SMEs are adopting a variety of FinTech solutions to improve their financial accessibility and efficiency. While mobile payments and online banking are the most adopted solutions, other solutions such as e-wallets and digital lending are also gaining traction. The adoption of these FinTech solutions can help SMEs overcome traditional financial barriers and accelerate their growth and success.

What specific FinTech solutions have you adopted in your SME?

32 responses



Question 5

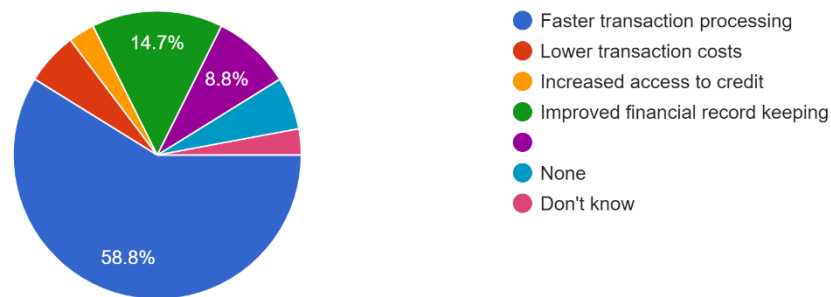
In what ways have FinTech solutions helped to enhance the financial accessibility of your SME?

According to the SMEs surveyed, FinTech solutions have helped to enhance the financial accessibility of their businesses in several ways. The most commonly cited benefits are: Faster transaction processing: 58.8% of the respondents reported that FinTech solutions have helped to speed up their transaction processing, allowing them to carry out business operations more efficiently and effectively; Improved financial record keeping: 14.7% of the respondents reported that FinTech solutions have helped them to improve their financial record keeping, making it easier to track their expenses, revenues, and profits. Lower transaction costs: 5.9% of the respondents reported that FinTech solutions have helped to lower their transaction costs, allowing them to save money and reinvest it in other areas of their business; Increased access to credit: Only 2.9% of the respondents reported that FinTech solutions have helped them to access credit more easily, allowing them to expand their operations and invest in new projects, it can be deduced that it is difficult to access credit for majority of SME through fintech solution. Other benefits cited by the respondents include improved security and fraud prevention, easier access to financial information and analytics, and the ability to make more informed financial decisions.

These findings suggest that FinTech solutions are helping SMEs overcome traditional financial barriers and improve their financial accessibility. By enabling faster transaction processing, lower transaction costs, increased access to credit, and improved financial record keeping, FinTech solutions are providing SMEs with the tools they need to succeed in today's fast-paced and competitive business environment.

In what ways have FinTech solutions helped to enhance the financial accessibility of your SME?

34 responses



Question 6

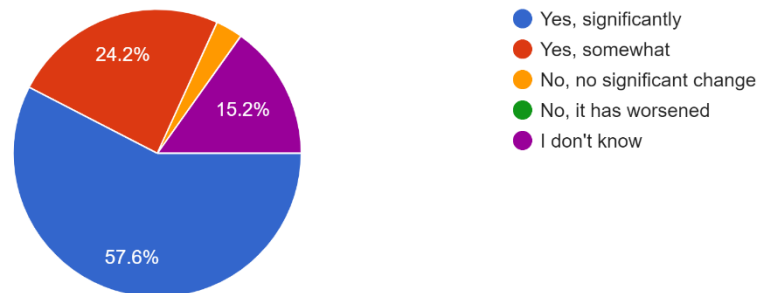
Have you noticed any increase in the efficiency of your financial transactions since adopting FinTech solutions?

According to the Survey, 81.8% of the respondents reported that they have noticed an increase in the efficiency of their financial transactions since adopting FinTech solutions. Of all the respondents, 57.6% reported that the increase in efficiency was significant, while 24.2% reported that it was somewhat noticeable. Only 3.1% of the respondents reported no significant change in the efficiency of their financial transactions since adopting FinTech solutions, while 15.2% were unsure whether there had been an increase in efficiency or not.

These findings suggest that FinTech solutions are having a positive impact on the efficiency of financial transactions for SMEs. By streamlining processes and automating tasks, FinTech solutions are helping SMEs to carry out transactions more quickly, accurately, and reliably, which can improve their cash flow and overall financial health.

Have you noticed any increase in the efficiency of your financial transactions since adopting FinTech solutions?

33 responses



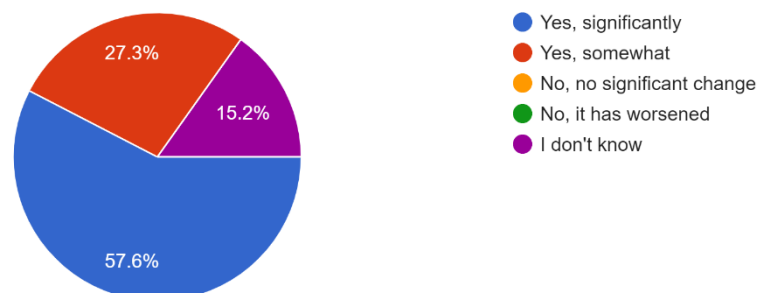
Question 7

Do you believe that the adoption of FinTech solutions has improved your SME's financial management practices?

Based on the responses of the 34 SMEs surveyed 1 of which do not respond to this question, most of the respondents (84.9%) reported that they believe the adoption of FinTech solutions has improved their SME's financial management practices. Of total respondents, 57.6% reported that the improvement was significant, while 27.3% reported that it was somewhat noticeable. Only 15.2% of the respondents reported they don't know if there is improvement or not. These findings suggest that FinTech solutions are playing a positive role in improving financial management practices for SMEs. By providing better tools for tracking and managing financial data, FinTech solutions are helping SMEs to make more informed financial decisions and improve their overall financial health.

Do you believe adopting FinTech solutions has improved your SME's financial management practices?

33 responses

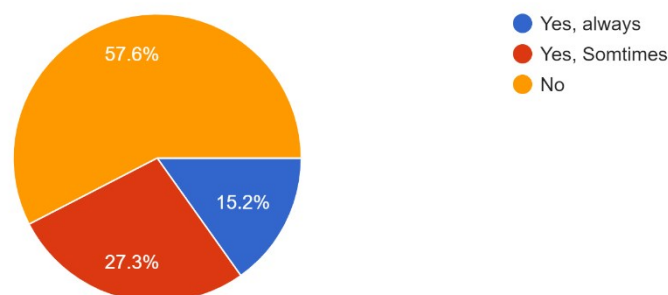


Question 8

Does your business engage in international trade?

International trade has become an essential aspect of business operations, enabling companies to expand their markets, reach new customers, and increase their revenue. In a survey of 34 respondents regarding whether their businesses engage in international trade, the findings suggest that a significant proportion of the respondents does not involvement in international trade. The survey results indicate that only 42.5% of the respondents have some level of involvement in international trade, with 27.3% of them sometimes engaging in international trade and 15.2% significant engaging in it. This shows that some SMEs are trying to explore new market especially international trade, this can bring growth to their business and earn them foreign exchange.. However, the survey also revealed that a considerable proportion of the respondents (57.6%) do not engage in international trade. This indicates that there may be challenges or limitations preventing them from doing so. These challenges could include high costs, regulatory barriers, or lack of knowledge and resources.

Does your business engage in international trade?
33 responses



Question 9

How has adopting FinTech solutions impacted your SME's participation in international trade?

Among the respondents, 34.5% indicated that the adoption of FinTech solutions has increased their access to new markets. This suggests that SMEs are using FinTech solutions to reach new customers and expand their business globally. This can be attributed to the fact that FinTech solutions have made it easier for SMEs to reach international customers through various platforms such as e-commerce websites and social media. Furthermore, 20.7% of the respondents reported that the adoption of FinTech solutions has lowered transaction costs for international transactions. This is significant because high transaction

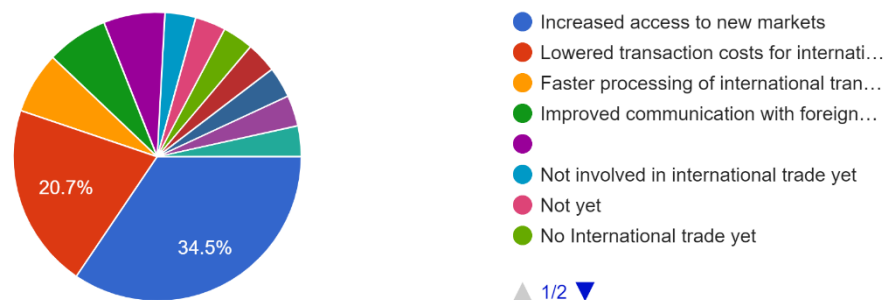
costs can be a major barrier for SMEs to participate in international trade. By lowering transaction costs, FinTech solutions have made it easier and more affordable for SMEs to conduct international transactions.

In addition, 6.9% of the respondents reported that FinTech solutions have enabled faster processing of international transactions. This is a significant advantage for SMEs because faster processing means that they can respond to international customers' demands more quickly and efficiently. Regarding communication with foreign partners, 6.9% of the respondents reported that the adoption of FinTech solutions has improved their communication with foreign partners. This is important because effective communication is crucial for conducting successful international trade transactions. The rest of respondent do not engage in international trade or indicated that they have not experienced any benefits from the adoption of FinTech solutions.

The survey results show that FinTech solutions have increased access to new markets, lowered transaction costs, enabled faster processing of international transactions, and improved communication with foreign partners. These benefits have made it easier and more affordable for SMEs to participate in international trade, and as such, FinTech solutions should be encouraged among SMEs looking to expand their businesses globally.

How has adopting FinTech solutions impacted your SME's participation in international trade?

29 responses



Question 10

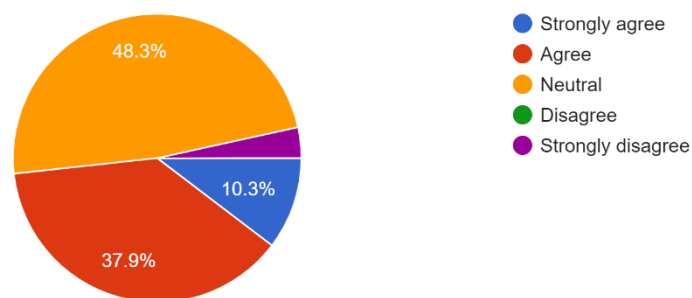
Have FinTech solutions helped to reduce the cost of international transactions for your SME?

The respondents were asked if FinTech solutions have helped to reduce the cost of international transactions for their SMEs, Of the respondents, 48.3% stay neutral it might be because they didn't engage in international business. On the flip side 48.2% agree that FinTech solutions have helped to reduce the cost of international transactions for their

SMEs. This suggests that FinTech solutions have had a positive impact on the cost of international transactions for SMEs, enabling them to conduct transactions more efficiently and at a lower cost. On the other hand, only 3.4% of the respondents strongly disagree that Fintech solution has reduce cost of international transactions. This suggests that while FinTech solutions have had some benefits for SMEs, they have not necessarily translated into reduced transaction costs. The Survey results suggest that FinTech solutions have positively impacted the cost of international transactions for SMEs. Significant number of respondents reported a reduction in the cost of international transactions since adopting FinTech solutions. This finding highlights the potential benefits of FinTech solutions for SMEs looking to expand their businesses globally, as it enables them to conduct transactions more efficiently and at a lower cost.

Have FinTech solutions helped to reduce the cost of international transactions for your SME?

29 responses



Question 11

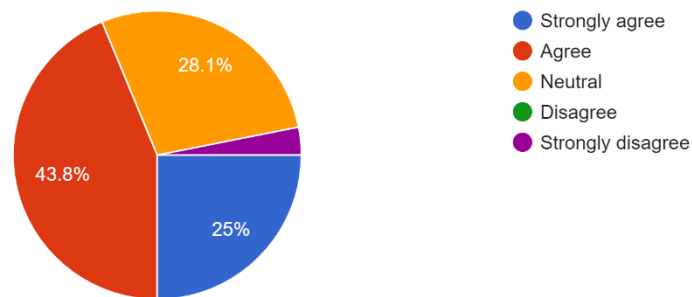
Do you believe adopting FinTech solutions has improved your SME's ability to compete globally?

Of the 32 respondents, 14 (43.8%) agree that the adoption of FinTech solutions had improved their SME's ability to compete globally, while 9 (28.1%) stay neutral. 25% of the respondent strong agree to the question. Only 1 (3.1%) respondent believed that the adoption of FinTech solutions strongly disagree that adopting FinTech solutions has improved your SME's ability to compete globally.

The results suggest that most SMEs that have adopted FinTech solutions have experienced some level of improvement in their ability to compete globally. More specifically, 68.8% of respondents believed that FinTech solutions had improved their ability to compete globally. This is consistent with the idea that FinTech solutions have the potential to level the playing field for SMEs by reducing barriers to entry and increasing access to global markets.

Do you believe adopting FinTech solutions has improved your SME's ability to compete globally?

32 responses



Question 12

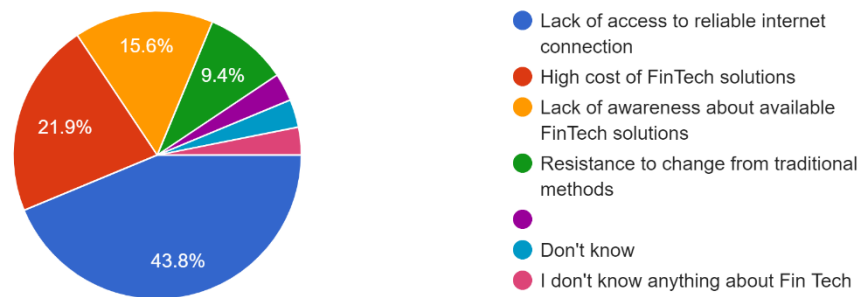
What challenges have you encountered in the adoption of FinTech solutions for your SME?

Findings reveal that the most commonly cited challenge for SMEs owners in the adoption of FinTech solutions is the lack of access to reliable internet connection, with 43.8% of respondents reporting this as a significant obstacle. This result is not surprising given that FinTech solutions rely heavily on internet connectivity for their operation. The second most common challenge identified was the high cost of FinTech solutions, with 21.9% of respondents reporting that they found the solutions too expensive. This finding highlights the need for FinTech companies to provide affordable solutions that meet the budget constraints of SMEs.

Lack of awareness about available FinTech solutions was identified as a challenge by 15.6% of respondents. This suggests that FinTech companies need to invest more in marketing and education to create awareness among SMEs about the potential benefits of their solutions. Resistance to change from traditional methods was reported as a challenge by 9.4% of respondents. This indicates that some SME owners may be hesitant to adopt FinTech solutions because of their reliance on traditional methods. FinTech companies can address this challenge by providing solutions that are easy to use and integrate with existing systems. The remaining respondent is either they do not face any challenges or they do not know anything about fintech.

What challenges have you encountered in adopting FinTech solutions in your SME?

32 responses



Question 13

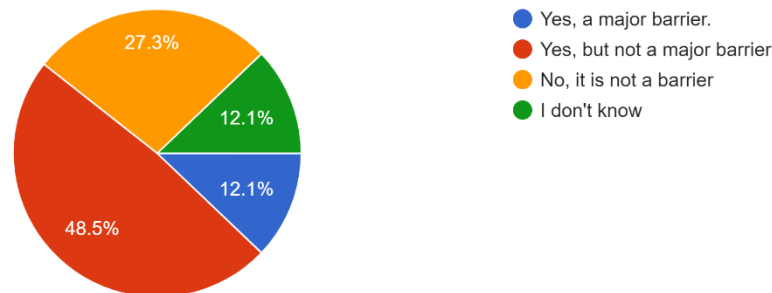
Do you believe that the cost of FinTech solutions is a major barrier to their adoption by SMEs in Nigeria?

According to the survey, 48.5% of respondents believe that the cost of FinTech solutions is a barrier but not a major one to their adoption by SMEs in Nigeria. This suggests that while cost may be a consideration, it may not be the most significant obstacle to adoption. On the other hand, 12.1% of respondents believe that the cost of FinTech solutions is a major barrier to their adoption by SMEs in Nigeria. All together 60.6% identify cost of FinTech solution as barrier to its adoption. This result highlights the importance of cost considerations in the adoption of FinTech solutions, as SMEs may have limited budgets and resources to invest in expensive technology solutions. This suggests that some individuals may perceive other factors such as lack of awareness or inadequate infrastructure as more significant barriers. 12.1% of respondents reported that they do not know whether the cost of FinTech solutions is a barrier or not, indicating a need for more information and education on the subject. Finally, 27.3% of respondents believe that the cost of FinTech solutions is not a barrier.

The survey highlights the varying perceptions regarding the cost of FinTech solutions as a barrier to their adoption by SMEs in Nigeria. While 12.1% of respondents believe it is a major barrier, others may perceive other factors as more significant. Nevertheless, FinTech companies need to provide affordable solutions to address the budget constraints of SMEs and increase awareness about the potential benefits of their solutions.

Do you believe that the cost of FinTech solutions is a major barrier to their adoption by SMEs in Nigeria?

33 responses



Question 14

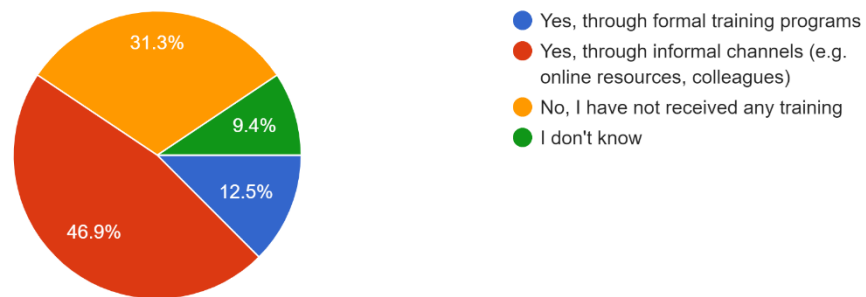
Have you received any training or education on the use of FinTech solutions?

Findings from the survey conducted revealed that 46.9% of respondents reported that they have received training through informal channels such as online resources or colleagues. This suggests that individuals are proactively seeking information and resources to learn about FinTech solutions, but more formal training programs may be needed to provide comprehensive education. On the other hand, 31.3% of respondents have not received any training on the use of FinTech solutions. This result highlights the need for increased education and training programs to improve the adoption and usage of FinTech solutions. Only 12.5% of respondents reported that they have received training through formal training programs. This indicates that some individuals have access to structured education and training opportunities, which may improve their understanding and usage of FinTech solutions. Finally, 9.4% of the respondents chose the option "I don't know," this may suggest they do not know anything about FinTech solution.

The survey highlights the need for increased education and training programs to improve the adoption and usage of FinTech solutions. While some individuals have received training through informal or formal channels, a significant proportion have not, which may hinder the potential benefits of FinTech solutions. Providing accessible and comprehensive training programs can help SME owners and individuals in Nigeria to better understand and utilize FinTech solutions to improve their businesses and personal finances.

Have you received any training or education on using FinTech solutions?

32 responses



Question 15

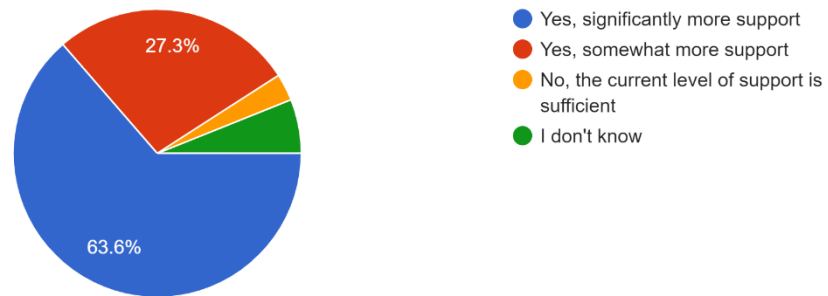
Do you believe the government should provide more support for SMEs in adopting FinTech solutions?

According to the survey, findings reveal that 63.6% of respondents believe that the government should provide significantly more support for SMEs in the adoption of FinTech solutions. This result highlights the potential benefits of government intervention in facilitating the adoption of FinTech solutions, particularly for SMEs who may face barriers such as lack of resources, expertise, or infrastructure. On the other hand, 27.3% of respondents believe that the government should provide somewhat more support, suggesting that while some support is already available, there is still room for improvement. Only 3% of respondents believe that the current level of government support is sufficient, indicating that the majority of individuals feel that more support is needed while 6.1% of respondents reported that they do not know if the government should provide more support, highlighting the need for more information and education on the subject.

The survey suggests that a majority of individual in Nigeria believe that the government should provide more support for SMEs in the adoption of FinTech solutions. This support may include funding, education and training programs, and infrastructure improvements, among other initiatives. Increasing government support for FinTech adoption can help SMEs to overcome barriers and unlock the potential benefits of technology solutions.

Do you believe the government should provide more support for SMEs in adopting FinTech solutions?

33 responses



Question 16

4 Conclusion, Summary, and Discussion

4.1 Conclusion

The results of the survey show that the agriculture industry is the most represented among the 34 respondents, with 11 out of 34 respondents or 32.4% of the total sample. The Information and Communication Technology (ICT) industry also appears to have a significant presence among the respondents, with 8 out of 34 respondents or 23.5% of the total sample. The majority of respondents (52.9%) are very familiar with FinTech solutions, with 9 respondents (26.5%) somewhat familiar with it. A significant proportion of respondents have used FinTech solutions in their business operations, with 45.5% using them frequently and 33.3% using them occasionally. The adoption of FinTech solutions has had a positive impact on the financial accessibility of these businesses, with 61.3% of respondents reporting that the adoption of FinTech solutions has greatly improved their financial accessibility, and 25.8% reporting that it has somewhat improved. The most commonly adopted FinTech solutions among SMEs are mobile payments and online banking, which enable businesses to carry out transactions and manage their finances more efficiently.

Based on the survey results, the adoption of FinTech solutions has had a positive impact on SMEs' financial management practices, with 84.9% of respondents reporting an improvement. FinTech solutions have also increased SMEs' access to new markets (34.5%) and lowered transaction costs for international transactions (20.7%). In addition, FinTech solutions have enabled faster processing of international transactions and improved communication with foreign partners. Respondents also reported an increase in their SMEs' earning of foreign exchange since adopting FinTech solutions. Moreover, FinTech solutions have helped to reduce the cost of international transactions for 48.1% of the respondents. These findings suggest that FinTech solutions are playing an important role in improving SMEs' financial management practices and facilitating their participation in international trade.

In conclusion, the survey conducted on the adoption of FinTech solutions for SMEs in Nigeria has revealed some key challenges and insights. The lack of reliable internet connectivity is the most commonly cited challenge for SME owners in the adoption of FinTech solutions, followed by the high cost of these solutions. Lack of awareness about available FinTech solutions, resistance to change from traditional methods, and other obstacles were also reported by some respondents. The cost of FinTech solutions is perceived as a barrier by 60.6% of respondents, while others consider other factors as more significant. The sur-

vey highlights the need for increased education and training programs to improve the adoption and usage of FinTech solutions. Finally, the majority of individuals in Nigeria believe that the government should provide more support for SMEs in the adoption of FinTech solutions, indicating the potential benefits of government intervention in facilitating the adoption of technology solutions for SMEs. Overall, the findings suggest that there is significant potential for FinTech solutions to improve the operations and finances of SMEs in Nigeria, but there are still several barriers that need to be addressed.

4.2 Objectives and Results

S/N	Research Question	RESULT
1	What is the impact of FinTech on the financial accessibility of Small and Medium Scale Enterprises in Nigeria?	<p>According to the survey conducted with 34 SMEs in Nigeria, FINTECH solutions have had a positive impact on their financial accessibility. 58.8% of the respondents reported that FINTECH solutions have helped to speed up their transaction processing, while 5.9% reported that they have helped to lower their transaction costs. Additionally, 2.9% of the respondents reported that FINTECH solutions have helped them to access credit more easily, while 14.7% reported that they have helped to improve their financial record keeping. These findings suggest that FINTECH solutions are helping SMEs to overcome traditional financial barriers and improve their overall financial accessibility.</p> <p>Furthermore, the survey results indicate that FINTECH solutions have improved the efficiency of financial transactions for SMEs. 81.8% of the respondents reported that they have noticed an increase in the efficiency of their financial transactions since adopting FINTECH solutions. Of all respondents, 57.6% reported that the increase in efficiency was significant. These results highlight the ability of FINTECH solutions to streamline processes and automate tasks, thus enabling</p>

		<p>SMEs to carry out transactions more quickly, accurately, and reliably.</p> <p>Finally, the survey results also indicate that the adoption of FINTECH solutions has improved the financial management practices of SMEs. 84.9% of the respondents reported that they believe the adoption of FINTECH solutions has improved their SME's financial management practices, with 57.6% reporting a significant improvement. These findings suggest that FINTECH solutions provide SMEs with better tools for tracking and managing financial data, enabling them to make more informed financial decisions and improve their overall financial health.</p>
2	<p>What is the role of FinTech on international trade and earning of foreign exchange by SMEs in Nigeria?</p>	<p>A survey was conducted among SMEs in Nigeria to determine the impact of FinTech solutions on their participation in international trade. The survey results indicate that the adoption of FinTech solutions has increased access to new markets for SMEs, with 34.5% of respondents indicating this. Additionally, 20.7% of respondents reported that FinTech solutions have lowered transaction costs for international transactions, making it easier and more affordable for SMEs to conduct business globally. Furthermore, 6.9% of respondents reported that FinTech solutions have enabled faster processing of international transactions, and 6.9% reported improved communication with foreign partners. Finally, 48.2% of respondents reported that FinTech solutions have helped to reduce the cost of international transactions for their SMEs.</p> <p>The survey results suggest that FinTech solutions have had a positive impact on the participation of SMEs in international trade in Nigeria. By</p>

		increasing access to new markets, lowering transaction costs, enabling faster processing of international transactions, and improving communication with foreign partners, FinTech solutions have made it easier and more affordable for SMEs to expand their businesses globally. Additionally, the increase in earning of foreign exchange by SMEs since adopting FinTech solutions shows that they have the potential to generate more revenue from international trade. Furthermore, the reduction in the cost of international transactions can help SMEs to save money and invest in other areas of their businesses.
3	What challenges confronting Small and Medium Scale Enterprises in Nigeria in adopting FinTech solutions?	There are several challenges confronting small and medium scale Enterprises in Nigeria in adopting FinTech solution. From the survey asking the respondent the question directly out of 32 that answer the question 43.8% said access to reliable internet is their biggest challenges. Why 21.9% said high cost of Fintech solution is there challenges. 75.8% of respondent agree cost of FinTech is major barrier to it adoption.

4.3 Assessment of the Research

The research topic is significantly relevant, given the growing importance of FinTech in the financial sector worldwide, and particularly in Nigeria. The objectives of the study are clear, specific, and measurable, and the research methodology are appropriate to achieve the objectives. The use of questionnaires and surveys to collect data from relevant stakeholders are appropriate methods for gathering information about the impact of FinTech on SMEs in Nigeria.

The conclusion drawn from the survey results is informative and provides valuable insights into the adoption of FinTech solutions by SMEs in Nigeria. The findings indicate that FinTech solutions have a positive impact on the financial management practices of SMEs,

their access to new markets, and their participation in international trade. However, the survey also highlights some significant challenges to the adoption of FinTech solutions, such as the lack of reliable internet connectivity and the high cost of these solutions. Overall, the research provides useful information on the impact of FinTech on SMEs in Nigeria and identifies some of the challenges and opportunities associated with the adoption of these solutions.

4.4 Suggestions for Further Research

Based on the results and conclusions of the study, here are some suggestions for further research on the topic:

Impact of specific FinTech solutions: The study focused on the impact of FinTech solutions in general on SMEs in Nigeria. Future research could focus on the impact of specific FinTech solutions such as mobile payments, online lending, and blockchain on the growth of SMEs in Nigeria.

Factors influencing the adoption of FinTech solutions: The study identified challenges faced by SMEs in adopting FinTech solutions, such as lack of awareness and high cost. Further research could investigate the factors that influence SMEs' decisions to adopt FinTech solutions, including their financial literacy, risk tolerance, and access to capital.

Role of government in promoting FinTech adoption: The study found that government support is seen as critical for promoting the adoption of FinTech solutions by SMEs in Nigeria. Future research could explore the specific ways in which government policies and initiatives can encourage the adoption of FinTech solutions by SMEs, and their impact on the growth of these businesses.

Comparison with other countries: While the study focused on SMEs in Nigeria, it would be interesting to compare the impact of FinTech solutions on SMEs in Nigeria with other countries in Africa or beyond. Such a comparison could provide insights into the unique challenges and opportunities facing SMEs in different regions and the role of FinTech in addressing them.

Long-term impact of FinTech adoption: The study focused on the short-term impact of FinTech solutions on SMEs in Nigeria. Future research could investigate the long-term impact of FinTech adoption on SMEs' financial performance, growth prospects, and competitiveness.

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APPENDICES

Appendix 1. Research Questionnaire

Dear Respondent,

I am conducting a research study on the impact of FinTech on the growth of Small and Medium Scale Enterprises (SMEs) in Nigeria. The purpose of this questionnaire is to gather information on the impact of FinTech on SMEs in Nigeria, as well as the challenges faced by SMEs in the adoption of FinTech solutions. Your participation in this study is greatly appreciated.

1 What is your age?

- a) 18-24 b) 25-34 c) 35-44 d) 45-54 e) 55+

2 What is your gender?

- a) Male b) Female

3 In what industry does your SME operate?

- a) Agriculture
b) Construction
c) Information and Communication Technology (ICT)
d) Manufacturing
e) Retail and wholesale trade

4 Are you familiar with FinTech solutions?

- a) Yes, very familiar
b) Yes, somewhat familiar
c) No, not at all familiar
d) I've heard of FinTech, but I don't know what it means

5 Have you used any FinTech solutions in your business operations?

- a) Yes, frequently

- b) Yes, occasionally
- c) No, never
- d) I don't know

Impact of FinTech on the financial accessibility of SMEs in Nigeria

6 How has the adoption of FinTech solutions impacted the financial accessibility of your SME?

- a) Greatly improved
- b) Somewhat improved
- c) No significant impact
- d) Somewhat worsened
- e) Greatly worsened

7 What specific FinTech solutions have you adopted in your SME?

- a) Mobile payments
- b) Online banking
- c) E-wallets
- d) Digital lending e)

Other (please specify) _____

8 In what ways have FinTech solutions helped to enhance the financial accessibility of your SME?

- a) Faster transaction processing
- b) Lower transaction costs
- c) Increased access to credit
- d) Improved financial record keeping
- e) Other (please specify) _____

9 Have you noticed any increase in the efficiency of your financial transactions since adopting FinTech solutions?

- a) Yes, significantly

- b) Yes, somewhat
- c) No, no significant change
- d) No, it has worsened
- e) I don't know

10 Do you believe adopting FinTech solutions has improved your SME's financial management practices?

- a) Yes, significantly
- b) Yes, somewhat
- c) No, no significant change
- d) No, it has worsened
- e) I don't know

Role of FinTech on international trade and earning of foreign exchange by SMEs in Nigeria

11 Does your business engage in international trade?

Yes, always.

Yes, Sometimes

No

12 How has adopting FinTech solutions impacted your SME's participation in international trade? a) Increased access to new markets?

- b) Lowered transaction costs for international transactions
- c) Faster processing of international transactions
- d) Improved communication with foreign partners
- e) Other (please specify) _____

13 Have FinTech solutions helped to reduce the cost of international transactions for your SME?

- a) Yes, significantly
- b) Yes, somewhat

- c) No, no significant change
- d) No, it has worsened
- e) I don't know

14 Do you believe adopting FinTech solutions has improved your SME's ability to compete globally?

- a) Strongly agree
- b) Agree
- c) Neutral
- d) Disagree
- e) Strongly disagree

Challenges confronting SMEs in the adoption of FinTech solutions

15 What challenges have you encountered in adopting FinTech solutions in your SME?

- a) Lack of access to reliable internet connection
- b) High cost of FinTech solutions
- c) Lack of awareness about available FinTech solutions
- d) Resistance to change from traditional methods
- e) Other (please specify) _____

16 Do you believe that the cost of FinTech solutions is a major barrier to their adoption by SMEs in Nigeria?

- a) Yes, a major barrier.
- b) Yes, but not a major barrier
- c) No, it is not a barrier
- d) I don't know

17 Have you received any training or education on the use of FinTech solutions?

- a) Yes, significantly more support
- b) Yes, somewhat more support

c) No, the current level of support is sufficient

d) I don't know

18 Do you believe that the government should provide more support for SMEs in the adoption of FinTech solutions?

a) Yes, significantly more support

b) Yes, somewhat more support

c) No, the current level of support is sufficient

d) I don't know

Thank you for taking the time to complete this questionnaire. Your responses will be kept confidential and will only be used for the purpose of this research study.