Financial inclusion and performance of Small and Medium Enterprises (SMES) In Osun State, Nigeria

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Abstract

This research investigates the impact of financial inclusion on small and medium-sized enterprises (SMEs) in Osun State, Nigeria, with a focus on financial access, usage, and quality. A self-administered questionnaire was used to collect primary data from a sample of 150 SMEs that were either owned or managed. This study used a descriptive approach. Using both descriptive and inferential statistics was part of the data analysis. Regression analysis reveals that SMEs' performance is significantly predicted by their financial availability, with a standardised beta coefficient ($\beta = 0.694$, $p = 0.05$) accounting for more than 69.4% of the variance in performance. Analogous to this, financial usage shows a substantial positive correlation with performance since a 1% increase in usage leads to a 63% gain in performance ($\beta = 0.626$, $p = 0.05$). Moreover, financial quality turns out to be the most important determinant; a 1% increase in quality results in a similar performance increase and a standardised beta coefficient ($\beta = 0.700$, $p = 0.05$) explains 70% of performance variance. The study comes to the quite clear conclusion that financial inclusion greatly improves the performance of SMEs in Osun State. The results imply that by bettering financial infrastructure, providing tailored financial products, and implementing more inclusive lending policies to raise SMEs' access to financial resources, financial institutions and legislators can help SMEs.

Keywords: Financial Inclusion, Financial Access, Financial Quality, Performance, Small and Medium Enterprises.

Introduction

The Nigerian government, along with other developing nations, prioritise financial inclusion because it supports economic growth, poverty reduction, and inequality reduction while enhancing financial stability through digital innovation and allowing citizens to create bigger social effects. Financial inclusion provides acceptable rates along with moral standards and environmentally conscious products and services to individuals and businesses, thereby encouraging progress in society and economic expansion (Amsden, 2021). The three core determinants of financial performance and influence include the quality of provided items along with their appropriateness and the actual usage of financial services and their accessibility (Ovedje, 2021). Financial inclusion operates to build an all-encompassing financial system that allows people to gain power while encouraging innovation to develop the economy. The World Bank (2018) and Klapper et al. (2016) state that financial access coupled with efficient service usage of deposit accounts, credit and insurance forms an essential part of financial inclusion. Achieving perfect potential for Micro, Small, and Medium-Sized Enterprises (MSMEs) together with general economic growth targets relies on this. Financial Literacy programs, as a main component of financial inclusion, help controlled financial institutions' clients learn to optimise their use of all financial services available through these institutions. According to Terzi (2015), financial exclusion impacts these critical economic elements together with the public standard of living, and these become the central metrics of financial inclusion.

Achieving the United Nations Sustainable Development Goals (SDGs), which seek to lower poverty, boost equitable economic growth, improve employment opportunities, and advance sustainable industrialisation, Small and Medium Enterprises (SMEs) are absolutely vital (United Nations, 2019). Driving innovation, increasing living conditions, and producing local wealth (SMEDAN, 2013), SMEs are crucial in developing nations and foster competitiveness. Being major players in the private sector, SMEs boost household incomes and employment while also driving the economic growth required to lower poverty (Haddadi, 2024). However, SMEs' capacity to play this role is intimately related to their availability of financial resources that allow them to expand, create new ideas, and maintain activities.

The instrument of financial inclusion functions as a vital tool for SMEs to gain financial management control while making planned investments that drive economic growth (Beck, 2020). The significance of financial inclusion remains a problem in developing countries like Nigeria due to obstacles which prevent SMEs from using financial services. The constrained advancement and business performance of Nigerian SMEs, particularly in Osun State, is primarily caused by their restricted financial access. The risk perceptions, coupled with limited collateral options and stringent requirements for performance evidence, led financial institutions to refuse to lend money to SMEs (Smits, 2023). A financial disbalance created by this scenario inhibits SMEs from supporting economic growth effectively while decreasing innovation levels and restricting their business expansion.

Research must explore the relationship between financial inclusion and SMEs, particularly through the Nigerian Southwest framework, because existing evidence mostly pertains to developed countries. Few studies exist to demonstrate how Nigerian SMEs perform when affected by various financial inclusion features such as loan access together with active financial service usage and financial product quality. Research on SMEs in underdeveloped regions such as Osun State and local and regional issues remains under investigation alongside national trends in most existing studies. Scientific research mostly omitted participation from underprivileged groups, such as women and rural company owners, together with young people who face numerous financial barriers (Stephen, 2016; Pakharenko, 2024).

This study aims to close this gap by investigating how SMEs in Osun State perform in relation to financial inclusion. It seeks to evaluate the obstacles SMEs have in obtaining official financial services and explore the degree to which financial inclusion supports company success, environmental sustainability, and expansion. By filling in these gaps, the study will provide insightful analysis of the dynamics of financial inclusion and SMEs' development in Southwest Nigeria, therefore providing policy suggestions to support a more inclusive financial ecosystem for SMEs. Based on the previous, this study investigates SMEs' performance in Osun State and the impact of financial access, financial use and financial quality. The study will address the following enquiries: How does financial access relates to SMEs' performance in Osun State? How does financial usage affect Osun State's SMEs' performance? Furthermore, to what extent does financial quality affect SMEs' performance?

Literature Review

Conceptual Review

Financial Inclusion

All experts recognise financial inclusion as an important process that helps achieve balanced economic advancement and poverty reduction. The World Bank (2018), Kumar & Ahuja (2024) and Bhanot et al. (2012) state that financial inclusion represents the systematic approach to providing financial products and services to everyone, including businesses, regardless of their earnings (savings, insurance, payments, and remittances). The concept focuses on delivering timely and fair-priced sufficient credit to low-income households as well as weaker segments and vulnerable groups at once (Bhanot et al., 2012; Kumar & Ahuja, 2024).

Financial inclusion is the system that ensures every economic participant can access and effectively use formal financial services (Sarma, 2008; Park & Mercado, 2015; Sarma & Pais, 2011). Formal financial institutions provide cost-effective access to payment and savings facilities, loans, and insurance policies to people lacking previous access (Serge, 2024).

Financial inclusion focuses on raising usage rates among people and businesses for financial services as its central mission is to provide funding access to disadvantaged populations (Pesqué-Cela et al., 2020). Financial inclusion builds better societal prosperity through its support of business entrepreneurship, its provision of equal access to financial services, and its development of resilience through investments, credits, and savings (Khan et al., 2022). According to investigations by Chen et al. (2023) and Khan and Sahu (2024), financial inclusion enables different benefits that drive economic expansion through improved financial management and revenue generation, as well as enhanced product positioning. A substantial number of Nigerians lack access to official financial services; thus, financial exclusion poses a considerable challenge throughout the country (Amaka et al., 2024). By launching the National Financial Inclusion Strategy (NFIS) in 2012, the Central Bank of Nigeria determined to reduce the exclusion rate to 20% by 2020 (Amaka et al., 2024).

Financial Access

The fundamental aspect of financial inclusion, known as financial access, demonstrates the ease at which persons, along with organisations, can obtain vital financial products that include credit and insurance and savings accounts and payment systems. The focus rests on service availability along with their accessible usage because it enables all members of society, with an emphasis on vulnerable populations, to benefit from them at reasonable costs (Ledgerwood, 2015; Serge, 2024; Ahmad, 2025). Financial inclusion requires official services to be accessible to the public, which serves as its fundamental measurement. Greater accessibility produced by removing obstacles such as high banking costs, distant locations, and document requirements for account opening will enhance financial inclusion (Nandru et al., 2021; Pesqué-Cela et al., 2020). Financial access demonstrates what prevents people from opening bank accounts and utilising them. Financial accessibility faces limitations in three major aspects: financial expenses, institutional distance, and documentation prerequisites. Financial accessibility evaluation takes into account physical reach, accessibility of information, and reduced expenses (Ledgerwood, 2015; Ahmad, 2025).

Financial access in this research means entrepreneurs in underserved communities of Osun State, Nigeria, have both available financial services and sufficient ability to utilise them. The study focuses on removing obstacles involving poor infrastructure and uses digital financial solutions to extend participation in economic development processes. Entrepreneurs gain the power to improve their financial performance while handling risks well through fair access to financial systems that drive economic development across the board. The current research maintains that financial access represents an essential requirement for achieving financial inclusion while serving as a vital factor for entrepreneurial achievement. Businesses which have better financial access receive vital instruments enabling stability and resilience in addition to sustainable development achievements.

Financial usage

Financial usage is the concept that reflects how people and organisations really utilise financial services and products, according to Haini (2021) and Pesqué-Cela et al. (2020). This covers the type, quantity, and timing of financial services utilised to satisfy personal and financial demands. Financial usage is a critical component of financial inclusion, as access to financial services without actual use yields no socioeconomic benefits (Demirgüç-Kunt et al., 2017). Three characteristics of financial

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consumption are regularity, depth, and longevity. According to the Alliance for Financial Inclusion (2010) and Nandru et al. (2021), "usage" refers to the regularity of utilising financial services, such as making deposits or withdrawals over time. Among other traits, depth characterises the extent to which an individual uses one or more financial services products or services (Serge, 2024). Duration is concerned with the length of time and the consistency of usage of financial services over an extended period (Alliance for Financial Inclusion, 2010; Nandru et al., 2021). Financial usage is essential to financial inclusion because it closes the gap in access to benefits (Bruton et al., 2021). It accelerates the economic empowerment of the marginalised by enabling them to raise capital, promote entrepreneurship, fund health and education expenditures, and reduce the income gap.

Financial inclusion is essential to attaining economic growth and participation. To successfully reduce the barriers to financial usage, a multifaceted approach that integrates legislative reforms, technology innovation, and education to maximise its potential for promoting economic development is needed.

Financial Quality

Financial quality is the subject of appropriateness, efficiency and dependability of financial services in fulfilling the needs of consumers. On the one hand, it discusses whether goods and services in the financial sector are designed to meet the needs of certain types of customers, and in particular, the needs of people with low incomes, usually excluded customers.; Access to financial services extends to this dimension beyond mere accessibility. The history also emphasises the general relationship, the cost, appropriateness and transparency of the services (Pesqué-Cela et al., 2020) to boost customer confidence in the financial system. Great customer service is defined by great financial services, terms and conditions that are reasonably priced, and language we can understand. It guarantees to clients that they are informed and, in a good measure, covered, hence confidence in the financial environment.

Abraham et al. (2022) studied financial quality as crucial in financial inclusion for ensuring that the less privileged and more vulnerable segments of society attend to the needs of the service provided by financial institutions and promote the credibility of the financial institutions. This article is concerned with financial quality as the number of financial services rendered to small and medium-sized enterprises (SMEs) in Osun State, Nigeria, meets the operational and strategic needs of the SMEs. All this shows how close these products are to being clear financial solutions, solid savings systems, and fairly priced loans to the needs of SMEs. Further, this talks of the need for good customer service and confidence that an adequate financial environment exists for SMEs' performance. It enables SMEs to maximise their operations with suitable, easily available, and high-quality financial services that help them control risks and achieve sustainable development.

Conceptual Model

This paper suggests three elements of Financial Inclusion: access, usage, and the quality of the financial service. It uses these as a conceptual model to explain the performance of Small and Medium-Sized Enterprises (SMEs) in Osun State.

Independent Variable **Dependent Variable**
Financial Inclusion **Performance of SMEs**

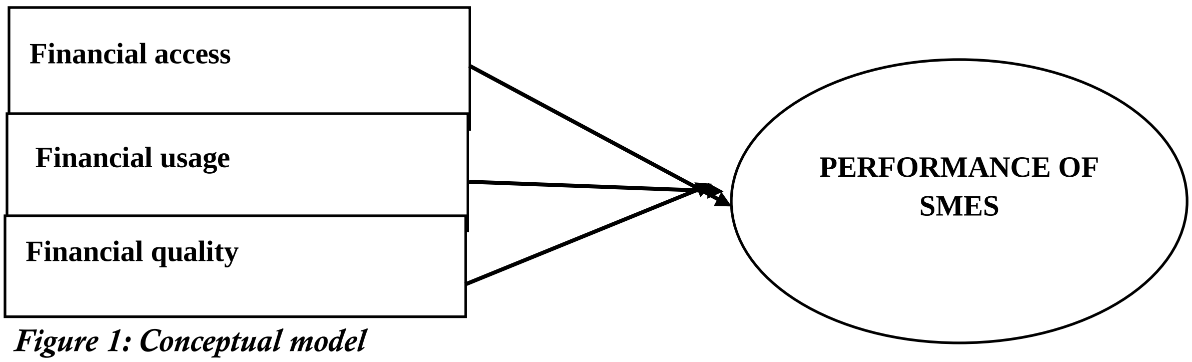

Figure 1: Conceptual model

Source: Author's Conceptualization (2024).

Small and Medium Enterprises (SMEs) Performance

The global economy depends heavily on small and medium-sized businesses (SMEs), which propel innovation, employment, and economic growth (Mulolli, 2024; Mahohoma, 2024). Understanding their competitiveness, long-term viability, and wider economic influence requires knowledge of their performance. Theoretically, performance is the sum of quantifiable accomplishments in a certain field (Yucesoy & Barabasi, 2016). According to Islam et al. (2011), it also addresses how successfully a company produces acceptable results, including survival, profitability, sales growth, employee satisfaction, and reputation. Performance evaluation helps determine whether an organisation is meeting its goals since it is crucial for tracking, forecasting, and managing important factors (Abdullahi et al., 2021). This procedure is essential for evaluating and enhancing company performance.

Understanding the viability, competitiveness, and wider economic impact of SMEs requires performance evaluation (Mulolli, 2024). There is still debate over what SME success is and how to measure it, despite the fact that it has been a hot issue of academic discourse for the past thirty years. This causes variations across different nations and circumstances (Mahohoma, 2024). The success of SMEs is commonly assessed using both non-financial and financial factors (Javed et al., 2020; Amirrudin et al., 2024). Non-financial indicators provide information about areas that demonstrate long-term success and strategic alignment, while financial measures concentrate on quantitative results.

An organisation's efficacy, effectiveness, and financial health can be analysed using a range of financial elements and indicators to assess financial performance (Mulolli, 2024). Common financial metrics include return on investment, turnover, client numbers, and claims (Wood 2006; Mahmudova & Katonane-Kovacs, 2018). However, non-monetary performance measures provide information about non-monetary factors such as staff turnover, market share, customer satisfaction, innovation, and the development of new products (Alves & Lourenço, 2022; Mulolli, 2024). These measures are essential for evaluating a company's long-term performance and are often paired with financial data (Attiea et al., 2014; Abdullahi et al., 2021). According to research, financial and non-financial measures are complementary rather than mutually incompatible (Zuriekat et al., 2011; Abdullahi et al., 2021). There are a lot of diverse sectors that these days have quite similar unified frameworks. The combo strategy allows SMEs to respond to challenging business situations with strategy and give a full picture of what the company has accomplished.

This study used sales growth as a proxy for SME performance. Using sales growth as a performance indicator, this article aims to clarify the link between financial inclusion and SMEs' capacity to foster corporate development and expansion and discusses how well-controlled they are for growth purposes.

Theoretical Review

The findings of this study can help explain how financial inclusion can ease the performance of Small and Medium Enterprises (SMEs) through the roles played by Financial Contagion Theory (FCT), Financial Development Theory (FDT), and financial inclusion in generally integrated financial systems, inclusive financial policies and institutional development in improving the resilience of SMEs and making them perform better.

Financial Contagion Theory

Although some elements of the Financial Contagion Theory (FCT) have been developed and polished over time by several scholars, they are not attributed to any one person. It became a fundamental foundation, allowing us to perceive how shocks and financial crises spread through nations or markets, especially during the moments of world economic events. Firstly, FCT emphasises the need for resilience mechanisms in financial systems so that disturbances in one market can contaminate linked markets and economies (Manta et al., 2020). The SMEs of Osun state, like most others across the world, are faced with financial uncertainty even in times of crisis due to limited resources and their reliance on local financial institutions.

Financial inclusion through the provision of a range of financial services, such as credit, insurance, and savings, nevertheless acts as a barrier against such contagion effects. Financial inclusion reduces the isolation of small firms by exposing SMEs to networks of financial transactions to the extent made possible by financial inclusion. An example is that SMEs are better placed to control risks and keep their doors open when they can borrow cross-border or insure their risks during recessionary times. Therefore, it emphasises the importance of an inclusive financial system to minimise the spread of financial crises as well as improve SMEs' resilience.

Financial Development Theory

The thesis of the work is basically related to the works of Joseph Schumpeter in his amazing book The Theory of Economic Development (1911). Schumpeter emphasised that the functioning of the financial system, and especially of banks, is an important factor in economic growth and the creation of new businesses in the economy if financial institutions, like banks, [are] properly allocated of means to viable companies. FDT stresses that strong financial institutions are needed for economic growth and innovation. On the retail side, financial inclusion, or the continuation of financial development which works to ensure the access of SMEs to safe savings platforms, fairly priced lending, and highly effective risk management tools, is exactly what is being demanded. Financial inclusion can be used as a method by which financial intermediaries in Osun State can aggregate savings and provide funds to the most profitable SMEs. This access facilitates SMEs' growth of activities and out-of-the-box thinking and development of employment opportunities. One such financial service that has been proven vital for business expansion across the globe is mobile banking and microfinance organisations in Osun state, as they empower SMEs with flexible and easily available financial services. Empirical research confirms this relationship. Financial inclusion is useful in reducing barriers for underprivileged firms, such as SMEs, and performs to distribute financial resources more equally, as Demirgüç-Kunt et al. (2017) argued just as Levine et al. (2000) support the idea that financial development and productivity are favourably linked, this adds to the need for inclusive financial systems.

Financial inclusion can thus create a more enabling climate, which policymakers and financial institutions in Osun State have the opportunity to establish. This climate can improve SMEs' performance, minimise the impact of financial contagion and promote sustainable economic development. This link also illustrates how FCT and FDT are valuable in handling the opportunities and problems that SMEs in the state undertake.

Empirical Review

In an effort to examine the mediation roles of capital access and financial intermediation, Ratnawati (2020) studied the effect of financial inclusion on the performance of MSMEs in Malang, Indonesia. It was analysed using Partial Least Squares (PLS) modelling of data acquired through a Likert scale survey and simple random sample method. This shows that financial inclusion has positive direct and indirect effects on MSME performance, and capital access and financial intermediation enable these effects. Finally, financial intermediation has the positive effect of improving MSME's performance more than access to capital. An increase in financial inclusion, especially by means of financial intermediation, will increase MSME market share, employment, sales and profitability, according to research.

Serge (2024) examined the effects of banking service availability, accessibility, and usage on the performance of Cameroon's financial institutions by looking at financial inclusion. In a cross-sectional research study, it was convenient and purposeful sampling, which chose 210 respondents from 75 financial institutions. Descriptive and inferential analysis (ordered logit regression and Pearson correlation) was conducted to analyse the relationships between financial performance dependent variables and independent variables. The research results indicate that banking services have significantly favourable effects on the achievement of financial success as measured by the return on assets. The paper advises Cameroonian legislators to attribute financial inclusion priority by creating appropriate laws endorsing the finances that provide operation for financial institutions. Bank management, which wishes to achieve better financial performance, should prioritise expanding the use and access of banking products.

In the study of how financial inclusion has impacted Southwest Nigerian MSME performance, Oke et al. (2023) used a cross-section of 409 MSMEs with the help of 5 questions to reach there. The data was examined through descriptive statistics, content analysis and multivariate regression analysis. The results show that financial inclusion positively and highly influences MSME performance. Mainly, MSMEs face challenges in accessing official financial services, being low income, lacking required collateral and unaffordable commercial bank loan interest rates. To overcome these challenges, the research advises that loan interest rates shall be improved and efforts to recast collateral advanced such that mobile assets are used as promised.

Eton et al. (2021) researched how the growth capacity of SMEs was impacted in Uganda based on its level of financial inclusion. The study was carried out using descriptive and inferential statistics coupled with regression and correlation analysis in a cross-sectional way. Results suggest that financial inclusion has improved the growth of SMEs. However, it is limited by high fees that can be found with financial service acquisition and banking, as well as poor usability and customer service from some financial companies. It recommends raising public knowledge about financial services outside of credit, promoting digital financial services as safe and reasonably priced substitutes for borrowing, and reducing capital costs to stimulate borrowing. Additionally, they are also advised that SMEs apply ideas to increase the competitiveness of their products in both their home and international markets.

Methodology

The appropriate research design adopted for this study was descriptive, as it was used to investigate and clarify the relationship that exists between financial inclusion and performance in SMEs in Osun State (Creswell, 2014). This study took place in three local government areas (LGAs) of Osun State, Nigeria, under investigation; Osogbo, Irepodun and Olorunda were selected due to the fact that they are very commercialised. It targets 2,383 registered SME owners and managers in the state, according to SMEDAN. With a margin of error of about 8.0%, the number of SME owners/managers was computed based on the Raosoft formula (2004), and 150 SME owners/managers from the target group were selected using a basic random sample method. This according to Creswell (2014) was because it can provide all the registered SMEs an equal chance at selection and sufficient sample representation. A self-administered structured questionnaire was the main tool for data collection. It was designed so well that it fitted the aims of the study. Financial inclusion was taken as the independent variable, while the performance of SMEs was treated as the dependent variable.

The survey used a five-point Likert scale, with 1 strongly disagreeing and 5 strongly agreeing. After pre-testing of the measure was done on ten randomly selected SMEs in the study area, this measure was validated by entrepreneurship experts for their clarity without any doubt. We described the concept of financial inclusion as a composite construct of three dimensions (accessibility, use, and quality) based on frameworks of the World Bank (2016) and Oke et al. (2023). The metrics obtained from the current literature were used for SME performance. In creating the data, among the descriptive statistics utilised were the mean, the standard deviation, etc. In a regression analysis, it showed how financial inclusion contributes to the performance of SMEs.

Results and Discussion

Table 1: Socio-Demographic Information of Respondents

Demographic variables	Group	Frequencies	Percentage (%)
Gender	Male	78	52.0
	Female	72	48.0
Age group (in years)	Below 20years	20	13.3
	21- 40	65	43.3
	41- 60	45	30.0
	61 above	20	13.3
Marital status	Single	60	40.0
	Married	70	46.7
	Widow/Widower	10	6.7
	Divorced/separated	10	6.7
Educational qualifications	No formal education	15	10.0
	Primary education	30	20.0
	Secondary education	55	36.7
	Tertiary education	50	33.3
Total		150	100.0

Source: Field Survey, (2024).

The demographic distribution of respondents is presented in Table 1. Gender analysis reveals that 52.0% are males while 48.0% are females, indicating a slight predominance of male participants. In terms of age, the majority of respondents (43.3%) fell within the 21-40 age bracket, followed by 30.0% between 41-60 years, 13.3% under 20 years, and 13.3% aged 61 and above. The marital status distribution revealed that 46.7% of respondents were married, 40.0% single, 6.7% widowed, and 6.7% divorced or separated. Regarding educational background, 36.7% of respondents held tertiary qualifications, 33.3% completed secondary school, 20.0% finished primary school, and 10.0% had no formal education, indicating a relatively high level of educational achievement among participants.

Test of Hypotheses

***H_{01}*:** Financial access has no significant effect on the performance of SMEs in Osun State.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.694[a]	.481	.479	.806
a. Predictors: (Constant), Financial Access				
b. Dependent Variable: Performance of SMEs				

Source: Author's Computation (2024)

In Table 2, the model description of regression analysis, which will study the relationship between financial availability and performance of SMEs, is given. The multiple correlation coefficient (R) from the results shows the variables have a high positive relationship with 0.694. To say that SMEs' performance tends to increase in line with the increase in finance availability implies that. In addition, the coefficient of determination (R square) value of 0.481 shows that about 48.1% of variations in SMEs' performance have to do with financial access. However, other factors not included in this model explain the remaining 51.9% of the variation.

Table 3: Regression Analysis Showing Significance of Predictors on Performance of SMEs (ANOVA[a])

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.766	1	10.766	20.049	.000[b]
	Residual	79.474	148	.537		
	Total	90.240	149			
a. Dependent Variable: Performance of SMEs						
b. Predictors: (Constant), Financial Access						

Source: Author's Computation (2024).

The results of the F-statistic test, which assesses the overall importance of the independent variable (financial availability) in explaining the variation in SMEs' performance, are shown in Table 3. The findings show that the F-statistic value can statistically predict SMEs' financial access performance. A high degree of statistical significance is demonstrated by the regression model's F (1,148) statistic value of 20.049 and related p-value of 0.000 (Sig. 0.000). This suggests that a large portion of the diversity in SMEs' performance can be explained by financial access.

Table 4: Contribution of Predictor Variable to Performance of SMEs.

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.094	.152		7.188	.000
	Financial access	.626	.079	.694	4.478	.000

Source: Author's computation (2024).

Table 4 presents the regression coefficients, which look into the relationship between access to finance and the performance of Small and Medium Businesses (SMEs). Based on the standardised beta coefficient (β = 0.694), financial availability is a significant ($p < 0.05$) predictor of SMEs' success in catering for the gullible students' demand. Moreover, this association is statistically significant at a 5% significance level due to the smaller p value (0.00) not exceeding the critical value of

0.05. Thus, the null hypothesis, pertaining to the fact that there was no significant correlation between financial access and SME performance, was disproved. It claims that availability in terms of finance positively enhances the performance of the Osun State SMEs.

H_{O2}: Financial usage has no significant relationship with the performance of SMEs in Osun State.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.626[a]	.391	.389	.873

a. Predictors: (Constant), Financial usage
b. Dependent Variable: performance of SMEs
Source: Author's Computation (2024)

Table 5 shows the results of the regression analysis between financial usage and performance of the SMEs. The multiple correlation coefficient (R) of 0.626 of the R indicates that there is a moderate to strong positive correlation between the performance of SMEs and financial usage. Financial usage explains 39.1% of the variation in SMEs' performance in terms of an R2 value of 0.391. The remaining 60.9% of the explanation is attributable to comparatively additional factors that are not included in the model. This confirms that financial consumption is one of the major (though not the only) factors influencing SMEs' performance.

Table 6: Regression Analysis Showing Significance of Predictors on Performance of SMEs

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.495	1	5.495	9.597	.002[b]
	Residual	84.745	148	.573		
	Total	90.240	149			

a. Dependent Variable: Performance of SMEs
b. Predictors: (Constant), Financial usage

Source: Author's Computation (2024).

Table 6 shows the F statistic of the regression that tests the significance of financial usage (as a whole) in explaining SMEs' performance. As controlling for the financial consumption $F(1, 148) = 9.597$, $p < 0.05$, the performance of SMEs is significantly predicted. The value of Fcal (9.597) > F tab (1, 148) implies that the regression model as a whole is statistically significant, and the goodness of fit is very good.

Table 7: Contribution of Predictor Variable to Performance of SMEs.

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.258	.161		7.793	.000
	Financial usage	.244	.079	.626	3.098	.002

Source: Author's computation (2024)

These results measure a positive financial correlation between the consumption of financial assets and the performance of SMEs (Table 7). An important function of fostering business success is the fact that a 1% improvement in financial usage leads to a 63% increase in performance, in particular, represented by a standardised beta value of 0.626. In the case of (financial usage), the highly significant p-value (0.00) confirms the presence of statistical significance of this link since the null hypothesis that financial usage has no appreciable effect on SME performance is rejected.

H_{O3}: Financial quality has no significant influence on the performance of SMEs in Osun State.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.700[a]	.490	.488	.873

- Predictors: (Constant), Financial quality
b. Dependent Variable: performance of SMEs
Source: Author's Computation (2024).

The financial soundness and performance of SMEs showed a significant relationship (model summary in Table 8), which is demonstrated by the multiple correlation coefficient (R) of 0.700 between both variables. The coefficient of determination (R2) shows that financial quality affects 49% of SMEs' performance, and other factors not included in the model account for the remaining 51 %.

Table 9. Regression Analysis Showing Significance of Predictors on Performance of SMEs

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.261	1	11.261	21.102	.000[b]
	Residual	78.979	148	.534		
	Total	90.240	149			
a. Dependent Variable: Performance of SMEs						
b. Predictors: (Constant), Financial quality						

Source: Author's Computation (2024).

The F-statistic in Table 9 evaluates how important the independent variable (financial quality) as a whole is in explaining SMEs' performance. The results indicate that one statistically important SME performance indicator is the SMEs' financial health. The corresponding p-value of the calculated F stat value, F (1,148) = 21.102, is significantly significant (Sig. 0.000). This indicates that the financial quality explains a large part of the variance of SMEs' success and that the regression model is appropriate.

Table 10: Contribution of Predictor Variable to performance of SMEs.

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.062	.155		6.844	.000
	Financial quality	.443	.096	.700	4.594	.000

Source: Author's computation (2024)

The regression coefficients in Table 10 show a strong positive correlation between financial quality and SMEs' performance. The standardised beta coefficient (β = 0.700, p < 0.05) indicates that financial quality is a major predictor of SME performance, with almost 70% of the variation accounted for. All else, SMEs can expect a rather 70% improvement in performance when their financial quality increases by 1%. The extremely significant p-value (0.00) yields a reversal of the null hypothesis with a statistically relevant (5%) association with this. This study found that the quality of finance is greatly favourable to the performance of SMEs in Osun State.

Discussion of Findings

The research results offer strong proof of the need for financial inclusion (including financial access, usage, and quality) to boost the performance of small and medium-sized enterprises (SMEs) in Osun state. The results highlight how such financial inclusion is different and can be the harbinger of small business transformation. It is found that financial availability greatly predicts the success of SMEs. These findings are similar to earlier research, including Serge (2024), Fitriana (2023), and Mdasha et al. (2018), pointing out financial availability as a critical factor on which business performance relies. Yet, the findings go against those of Eton et al. (2021), who assert that poor customer handling, high expenses and usability challenges stop financial inclusion from driving the development of SMEs. We should be able to explain this disparity using contextual variables and changes in the financial market dynamics.

The study also shows that financial consumption is really high and correlated in a very high positive way with SMEs' performance. So, underscoring further, it is a major indicator of financial use in promoting company success. These findings match with the work of Serge (2024), Audu et al. (2021), Abbas and Abu (2019) that demand the perfect application of strategic tools, including wise financial policies, for the most effective performance and expansion. These tools are actively used by SMEs through loans, digital payment systems, and savings mechanisms, among other similar services, to prepare the SMEs with the required instruments for efficient operational effectiveness and resource allocation.

Financial quality exhibits itself as a very important predictor for SMEs' success since, with a beta coefficient of 70% explaining the variance of performance, financial quality is the element of financial inclusion studied. This result, however, underscores the relevance of viable and relatively valued financial services in fostering SMEs. The findings are consistent with research by Oke et al. (2023) and Lumenta and Worang (2019), which serve as an endorsement that financial service quality needs to do with improving corporate outcomes. Therefore, the results support the case that enhancing the access, use, and quality of financial services can have a broad influence on sustainability and SME development.

Conclusion

The contribution of this study is that it shows the vital role that financial inclusion plays in the increased performance of small and medium-sized businesses in Osun State. Quality, utilisation, and the availability of finances are interrelated factors that have a major impact on SMEs' performance. Increasing financial inclusion will indispensably enhance the quality of financial services and remove obstacles to access, which in turn will enable SMEs to realise their full potential and facilitate regional economic growth and sustainability.

Recommendations

Based on the study's results, the following recommendations are made on supporting financial inclusion and the growth of SMEs in the state: Financial access should be placed first on inclusive and reasonably priced lending methods for policymakers and financial institutions. SMEs should use existing financial services to optimise efficiency and make use of available capabilities. This can be assisted by customised goods or financial institutions' instructional seminars.

Financial institutions are responsible for investing in digital payment systems and providing outstanding service; thus, they should improve service quality, which will guarantee affordability, dependability and efficiency. A cooperative approach involving legislators, financial institutions, and representatives of SMEs is required in developing plans to lower obstacles to financial inclusion and landbank SMEs' expansion.

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