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Effect of Emerging Financial Trends on Business Performance in Benue State, Nigeria

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Abstract: This study investigated the effect of emerging financial trends on business performance in Benue State, Nigeria. More specifically, the study investigated the effect of digital payments and e-commerce, credit and financial inclusion and financial technology innovations on business performance in Benue State. Survey research design was adopted and researcher developed questionnaire was used as the major instrument of data collection. A sample size of 123 was selected using a purposive sampling strategy. Data for the study were analysed using correlation and regression analyses with the aid of the Statistical Package for Social Sciences (SPSS 23). The findings revealed that digital payments and e-commerce, credit and financial inclusion and financial technology innovations all have significant effect on business performance in Benue State. The study concluded that emerging financial trends play a vital role in the performance of businesses in Benue State, Nigeria. The study recommended a need for digital payment platforms to address the issue of uncertainty about the internet so as to improve the level of trust from stakeholders patronizing them. The study also recommended that users should also ensure that all online transactions are done with trusted organisations whose identities are not anonymous.

Keywords: Digital payments and e-commerce, Credit and financial inclusion, Financial technology innovation, Business performance

1. INTRODUCTION

1.1 Background to the Study

Benue State is situated in the North-Central region of Nigeria. Agriculture has been the backbone of State's economy for centuries. The region's vast expanse of arable land has supported the cultivation of staple crops like yam, rice, maize, sorghum, and cassava, making it a major contributor to Nigeria's food production. The state has also embraced modern agricultural techniques, including mechanization and irrigation, to enhance productivity. The cultural tapestry of Benue State is incredibly diverse, with over 40 ethnic groups residing within its borders. This diversity has given rise to a rich blend of traditions, languages, art forms, and festivals. The Tiv, Idoma, and Igede people are some of the prominent ethnic groups, each with distinct cultural practices and languages. Cultural festivals like the Tiv Kwagh-Hir and the Igede Agba festival showcase the State's vibrant heritage.

Financial trends can affect an ability of businesses in this region to access capital for expansion, R&D, and operational needs. Financial trends have a significant impact on a variety of business performance factors, including investment choices, revenue generation, cost management, and market competitiveness. The availability and cost of funds are impacted by changes in lending procedures, venture capital investment, and crowd funding platforms (EY, 2021). Financial trends, including digital payments and e-commerce, credit and financial inclusion and financial technology innovations are insinuated to directly impact businesses. Understanding these trends helps businesses tailor their products, services, and marketing strategies to meet corresponding evolving consumer demands. Financial trends refer to the patterns and changes observed in various aspects of the financial market and economy over a specific period. These trends can include shifts in digital payments and e-commerce, credit and financial inclusion and technological advancements that impact the financial industry. Analyzing financial trends is crucial for individuals, businesses, and policy makers to make informed decisions and develop effective strategies (Deloitte, 2021).

Financial trends often intersect with technological advancements, such as digital payments, blockchain, and artificial intelligence, which can transform business operations, improve efficiency, and enhance customer experiences. Staying abreast of such trends enables businesses to remain competitive and innovative (PwC, Global Fintech Report, 2021). Financial trends also influence regulatory changes and risk management practices. Businesses need to be aware of emerging regulations, such as data protection laws, environmental regulations, and accounting standards, to ensure compliance and mitigate potential risks (KPMG, 2021).

Financial trends can shape market dynamics and global economic conditions, presenting both opportunities and challenges. For instance, emerging markets, changing trade policies, and shifts in consumer demographics can impact a business's growth potential and expansion strategies (World Bank, 2021). Increasingly, financial trends emphasize environmental, social, and governance (ESG) factors. Businesses that incorporate sustainable practices and demonstrate ESG commitments may gain access to capital, attract investors, and enhance their brand reputation (McKinsey & Company, 2021).

1.2 Statement of the Problem

The effect of financial trends on business performance has become a critical area of concern for organizations in today's dynamic and rapidly evolving financial landscape. While various financial trends, such as digital payments, e-commerce, sustainable finance, and fintech innovation, have emerged, their impact on business performance remains unclear. This knowledge gap hinders businesses from effectively harnessing the potential benefits and addressing the challenges associated with these financial trends. Therefore, there is a need to investigate and understand the effect of financial trends on business performance to inform strategic decision-making and drive sustainable growth. By exploring the relationship between financial trends and business performance, organizations can proactively adapt their strategies, optimize financial processes, and seize market opportunities to enhance their overall performance in an increasingly competitive and digitized business environment.

1.3 Research Objectives

The main objective of the study is to examine the effect of emerging financial trends on business performance in Benue State, Nigeria. The specific objectives of the study include:

i. To examine the effect of digital payments and e-commerce on business performance in Benue State.
ii. To identify the specific of credit and financial inclusion on business performance in Benue State.
iii. To understand the effect of financial technology innovations on business performance in Benue State.

1.4 Hypotheses of the Study

$H0_1$. Digital payments and e-commerce have no significant effect on business performance in Benue State.

$H0_2$: Credit and financial inclusion have no significant effect on business performance in Benue State.

$H0_3$: Financial technology innovations have no significant effect on business performance in Benue State.

2. LITERATURE REVIEW

2.1 Theoretical Framework

The theoretical underpinning of this study is hinged on the theory of Creative Destruction, as propounded by Joseph Schumpeter. This theory deals with the innovative trend that digital financial trends presents. Creative destruction is an important tool that tackles the economic and sociological aspects of capitalism. According to Schumpeter, as captured by Ciborowski (2016), in the long-term, evolution produces economic development as a fallout from set of innovative solutions, giving rise to enhancements of living standards. This theory explained the industrial mutation process, which persistently transforms the structure of the economy from within, thereby extinguishing the previous economic order, and ushering in a new one. The creative destruction process, in both the original work by Schumpeter, and in his very recent treatises, is a process by which advanced technological innovations were recognized as the key source of growth in an economy, the corollary of which is improvements in business performance (Diamond, 2006). This theory is relevant to this study, as emerging financial trends are spontaneously overhauling the traditional model of business and are creating a new digital technological model that influences business performance.

2.2 Emerging Financial Trends in Nigeria.

2.2.1 Digital Payments and E-commerce

Digital payments and e-commerce are two interconnected trends that have transformed the way businesses operate and customers engage in commercial transactions. Digital payments refer to the electronic transfer of funds between parties, eliminating the need for physical cash or checks. This can include transactions made through mobile payment apps, online platforms, or contactless payment methods. Digital payments have several benefits to users and providers: Digital payments provide customers with the convenience of making transactions anytime, anywhere, using their preferred digital devices. It eliminates the need for carrying cash, reduces the time spent in queues, and allows for quick and secure transactions (World Bank, 2016). Digital payment systems often incorporate robust security measures such as encryption, tokenization, and two-factor authentication, providing customers with secure payment options and reducing the risks associated with cash transactions (World Economic Forum, 2019). Digital payments leave a digital trail, enabling customers to easily track their expenses and manage their finances. This can be particularly helpful for budgeting and financial planning (World Bank, 2016).

E-commerce refers to the buying and selling of goods and services over the internet. It involves online marketplaces, online retail stores, and electronic platforms that facilitate commercial transactions (Business Wire, 2021). E-commerce eliminates geographical barriers, allowing businesses to reach a wider customer base beyond their physical location. This opens up new market opportunities, especially for small and medium-sized enterprises (SMEs) that can now access customers globally. E-commerce provides businesses with additional revenue streams by enabling online sales alongside traditional brick-and-mortar operations. This can lead to increased sales and revenue growth. E-commerce platforms often offer personalized recommendations, easy product search and comparison, and convenient delivery options, enhancing the overall customer experience. This can lead to customer loyalty and repeat purchases.

2.2.2 Credit and Financial Inclusion

Credit and financial inclusion are important factors that contribute to economic growth and empower individuals and businesses to participate fully in the financial system. Credit refers to the provision of funds or resources by one party to another with the expectation of repayment over time, often with interest. Access to credit is crucial for businesses as it provides them with the necessary capital for various purposes, including expansion, inventory management, and investment in new technologies (World Bank, 2018). Credit enables businesses, especially small and medium-sized enterprises (SMEs), to access funds that they may not have readily available. It helps bridge the gap between financial needs and available resources, facilitating business growth and development (IFC, 2021). Financial inclusion on the other hand refers to the availability and accessibility of financial services to all individuals and businesses, regardless of their income level or geographic location. It aims to ensure that everyone has access to affordable and appropriate financial products and services (United Nations Capital Development Fund (UNCDF). (n.d.).

2.2.3 Financial Technology (Fintech) Innovations

Financial Technology (Fintech) innovation refers to the application of technological advancements to enhance financial services and processes. Fintech innovation involves the integration of technologies such as artificial intelligence, blockchain technology, mobile applications, data analytics, and cloud computing into traditional financial services. These technologies enable the development of new products, services, and delivery channels (PwC, 2021). Fintech innovations streamline financial processes, reducing manual intervention and improving efficiency. Fintech solutions enable fast, secure, and convenient digital payment methods, reducing the reliance on cash and traditional payment systems (World Economic Forum, 2017). Fintech platforms offer automated investment advisory services, known as robo-advisors, which use algorithms to provide personalized investment recommendations and portfolio management (KPMG, 2020).

2.2.4 Business Performance

Nur and Zulkiffli (2014) define business performance as "the operational ability to satisfy the desires of the company's major shareholders" and it must be assessed to measure an organization's accomplishment. From the definition, it can be deduced that business performance must be assessed to achieve organizational goals by measuring success or failure, and can be defined in several ways, such as subjective or objective, and financial or non-financial. Business performance refers to the measurement and evaluation of a company's ability to achieve its strategic objectives and deliver value to its stakeholders. It encompasses various quantitative and qualitative factors that assess the overall health, efficiency, profitability, and competitiveness of an organization. Business performance indicators such as financial performance, sales and marketing performance, operational performance, employee performance and customer service performance are used to gauge the success of a business in meeting its goals and targets.

2.2.5 Emerging Financial Trends and Business Performance

The adoption of digital payments, e-commerce, and other emerging financial trends can have significant effects on business performance. By embracing digital payments and e-commerce, individuals can reach customers from other parts of the state, other states within Nigeria, and even in international markets. This expanded reach provides access to a larger pool of potential customers, increasing the opportunities for sales and growth (McKinsey & Company, 2020). Businesses in

Benue State can expand their customer base beyond traditional geographical boundaries. Digital payments and e-commerce enable businesses to overcome geographical barriers and tap into new markets. They can showcase their products and services online, attracting customers from different locations who may not have been aware of their offerings previously (Nigeria Communications Commission, 2020). This allows businesses to diversify their customer base and explore new market segments, leading to increased sales and business growth (World Economic Forum. (2019). Leveraging on digital payments and e-commerce, businesses can attract more customers, facilitate seamless transactions, and capitalize on the growing trend of online shopping. This increased revenue potential can provide businesses with the resources to invest in further expansion, product diversification, and innovation (Nigeria Export Promotion Council, 2020). The combination of expanded customer base and access to new markets can lead to increased revenue and growth for businesses.

With access to credit, businesses can invest in new ventures, upgrade equipment, hire skilled staff, and expand their operations. This can lead to increased productivity, job creation, and overall economic growth (IFC, 2021). Credit provides businesses with flexibility in managing their finances. It allows them to smooth cash flow fluctuations, take advantage of growth opportunities, and respond to market demands without solely relying on internally generated funds (McKinsey & Company, 2018). Financial inclusion enables individuals and businesses to participate in the formal financial system, giving those opportunities to save, borrow, invest, and protect against risks. This can empower individuals, promote entrepreneurship, and support economic development. Access to financial services can help individuals and families build assets, manage emergencies, and invest in education or healthcare. It can contribute to poverty reduction, improve livelihoods, and enhance social welfare.

Fintech has facilitated online lending platforms and crowd funding portals, providing individuals and businesses with alternative financing options and simplifying the lending process leading to improved business performance (Deloitte, 2020). Fintech tools leverage data analytics and machine learning algorithms to automate compliance processes, identify fraudulent activities, and manage risks more effectively. Fintech innovations can lead to cost reduction for financial institutions and businesses, enabling them to provide more affordable and accessible services. Additionally, fintech solutions promote competition by offering new entrants the ability to challenge traditional financial service providers. This encourages incumbents to improve their offerings and customer experience (World Bank, 2018).

3. METHODOLOGY

Survey research design was adopted for the study while a-researcher designed questionnaire served as the major instrument of data collection for the study supported by interviews and observations. A sample size of 123 businesses operating in Benue State was selected using a purposive sampling strategy. The researchers carried out a pilot study on the instrument to ascertain the consistency of the instrument and Cronbach's Alpha for all the constructs were all above 0.7 indicating that the instruments were reliable and fit to be used. Data for the study was analysed using correlation and regression analyses with the aid of the Statistical Package for Social Sciences (SPSS 23).

4.HYPOTHESES TESTING AND DISCUSION OF RESULTS

Table 1: Correlation between variables

Variables	1	2	3	4
Digital Payments and E-commerce (1)	1			
Credit and financial inclusion (2)		1		
Financial Technology innovation (3)	.673**	.435**	1	
Business performance (4)	.602**	.620**	.773**	1

*** Correlation is significant at the 0.01 level (2-tailed)*

Source: *Researcher's Computation from SPSS Output, 2024.*

The relationship between dimensions of the independent variable (digital payments and e-commerce, credit and financial inclusion and financial technology innovation) and the dependent variable (business performance) was established using correlation analysis. The result in Table1 showed that there is a positive relationship between the variables. The result indicated that there is a positive and strong correlation between digital payments and e-commerce and business performance in Benue State (r=.602; *p*<.01) and a positive relationship between credit and financial inclusion and business performance in Benue State (r=.620; *p*<.01). The result further showed a positive and high correlation between financial technology innovation and business performance in Benue State (r=.773; *p*<.01).

Table 2: Regression Analysis

Variable		Beta	T	Sig.
Digital Payments and E-commerce		.682	2.691	.000
Credit and financial inclusion		.412	8.663	.000
Financial Technology innovation		.201	7.086	.012
R	.826			
R Square	.768			
Adjusted R Square	.764			
Durbin-Watson	1.640			
ANOVA F Statistic	56.352			
Sig.	.000			

Predictors: (Constant), Financial technology innovation, Credit and financial inclusion, Digital payments and e-commerce
Dependent Variable: Business Performance
***Source:** Researcher's Computation from SPSS Output, 2024.*

4.1 Test of Hypotheses

The result of the regression analysis presented in Table 2 showed that all the variables predicted 76.8 % variation in business performance. This indicates that the independent variables significantly predicted the dependent variable (R^2= 0.768). The coefficient of determination was also significant as evidenced by F ratio of 56.352 with p value 0.000 <0.05. This shows that there is a significant relationship financial trends (digital payments and e-commerce, credit and financial inclusion and financial technology innovation) and business performance in Benue State. The result of the tested hypotheses indicated that all the three hypotheses showed a positive and significant effect. The independent variables (digital payments and e-commerce, credit and financial inclusion and financial technology innovation) all have significant effect on the dependent variable business (performance).

4.2 Discussion of Results

An in dept assessment of the regression coefficients revealed that digital payments and e-commerce had a positive and significant relationship with business performance in Benue State. This implies that if digital payments and e-commerce are reliably deployed in the business environment it will spur the performance of business performance of businesses in Benue state. This results in agreements with the assertion of World Economic Forum (2019) that digital payments and e-commerce allow businesses to diversify their customer base and explore new market segments, leading to increased sales and business growth. The study also, established that credit and financial inclusion had a significant and positive impact on business performance in Benue State. This means many ailing businesses in Benue State can be revived if they have access to credit and finance. This result is in consonance with study of McKinsey and Company (2020) that credit inclusion allows them to smooth cash flow fluctuations, take advantage of growth opportunities, and respond to market demands without solely relying on internally generated funds. The study further revealed a positive significant impact of financial technology innovation on business performance in Benue State. This implies that emerging innovations in financial technologies are leaving positive foot prints in the business sector. The results is in tandem with the empirical work of Deloitte (2020) which stated that fintech has facilitated online lending platforms and crowd funding portals, providing individuals and businesses with alternative financing options and simplifying the lending process leading to improved business performance.

5.CONCLUSION AND RECOMMENDATIONS

The result showed that all financial trends under study (digital payments and e-commerce, credit and financial inclusion and financial technology innovation) have significant and positive effect on the business performance in Benue State.

It is therefore concluded that emerging financial trends play a vital role in the performance of businesses in Benue State, Nigeria. The study therefore recommends that there is need for digital payment platforms to address the issue of uncertainty about the internet so as to improve the level of trust of stakeholders patronizing them. Users should also ensure that all online transactions are done with trusted organisations whose identities are not anonymous.

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