Influence of Digital Payment Systems on Cash Management of Small and Medium Scale Enterprises (Smes) in Nigeria

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Abstract
This study examined the influence of digital payment systems on the cash management practices of Small and Medium Scale Enterprises (SMEs) in Nigeria, with business size considered as a potential moderating variable. The research adopted a descriptive survey design and utilized primary data collected through structured questionnaires administered to 400 SME owners and managers, selected using a multi-stage sampling technique. Data analysis was conducted using descriptive statistics and multiple regression analysis with SPSS. The findings revealed that digital payment systems had a significant positive influence on cash management ($\beta = 0.284$, $p = 0.000$), indicating that increased adoption of platforms such as POS, USSD, and online transfers enhanced transaction tracking, reduced cash handling inefficiencies, and improved overall cash flow management. Additionally, the study found that business size significantly influenced cash management ($\beta = 0.875$, $p = 0.000$), suggesting that larger SMEs were better positioned to leverage digital tools for financial control. The model summary showed an R value of 0.581 and an R^2 of 0.338, indicating that approximately 33.8% of the variation in cash management was explained by the combined effect of digital payment systems and business size. The ANOVA result further confirmed the model's significance ($F = 84.744$, $p = 0.000$). Based on these results, the study concluded that both digital payment adoption and business growth play critical roles in improving cash management among SMEs in Nigeria. It recommended increased support for digital financial inclusion and capacity-building initiatives to enable SMEs to fully benefit from digital innovations.

Keywords: *Digital Payment Systems, Cash Management, Business Size.*

1. INTRODUCTION

In today's rapidly evolving global economy, digital innovation is reshaping how individuals and businesses engage in financial transactions. The integration of technology into commerce has introduced various alternatives to traditional cash-based systems, offering efficiency, speed, and security in business operations (Gomber et al., 2018). This digital transformation is not only revolutionizing the financial services sector but also influencing how organizations manage resources, interact with customers, and make strategic decisions (Muslim, 2024). The emergence of digital payment systems including mobile banking, Point of Sale (POS) machines, internet banking, and USSD transfers has created new opportunities for business owners to process payments without the need for physical cash. These systems are especially transformative in developing economies where informal trade and cash-based transactions previously dominated the

commercial landscape (Balboa et al., 2024). In Africa, and particularly in Nigeria, the transition from a cash-dependent society to a digital payment economy is gaining momentum.

Driven by increasing mobile phone penetration and access to the internet, Nigeria has recorded significant growth in the adoption of digital payment platforms. According to the Central Bank of Nigeria (CBN, 2022), digital payments such as POS, mobile money, and electronic transfers have grown exponentially in both volume and value over the past decade (Monye, 2024). The CBN's cashless policy, first introduced in 2012, was intended to reduce the circulation of physical cash and encourage electronic transactions for greater financial inclusion and efficiency. The Nigerian government and financial institutions have played critical roles in creating an enabling environment for digital payments. Several reforms including the licensing of mobile money operators, the introduction of eNaira, and the strengthening of fintech regulation have enhanced access to digital financial services (CBN, 2023). These interventions aim not only to boost the economy but also to improve the ease of doing business, especially for small and medium-scale enterprises (SMEs).

SMEs are widely recognized as the engine of economic growth in Nigeria. According to SMEDAN (2020), there are over 39.6 million MSMEs in the country, accounting for over 80% of employment and about 50% of GDP. These enterprises play a critical role in poverty reduction, job creation, and economic diversification. However, they often face challenges in accessing financial services, managing cash flows, and maintaining financial records factors crucial for business sustainability and growth. Cash management is one of the most fundamental aspects of business success (Monye, 2024). Effective cash management ensures liquidity, reduces the risk of fraud or theft, and supports planning and budgeting. For SMEs, which typically operate on thin margins and face limited access to credit, the ability to control and monitor cash flows is essential for survival (Nwakpa, 2023). Traditional cash handling, however, is prone to leakages, inefficiencies, and lack of transparency, which can negatively affect business performance. The adoption of digital payment systems presents a promising solution to some of these challenges. By reducing dependence on cash, SMEs can benefit from better transaction records, enhanced liquidity tracking, and increased customer satisfaction (Shamim, 2023). Furthermore, digital platforms offer a gateway to formal financial systems, enabling small businesses to build credit histories, access loans, and scale operations with greater accountability.

Despite the potential benefits, the transition to digital payments among SMEs in Nigeria has been uneven. Factors such as poor digital literacy, unreliable internet connectivity, fear of fraud, and lack of trust in financial institutions continue to hinder full-scale adoption (Igudia, 2017). Additionally, many small business owners still prefer cash due to its perceived simplicity and immediacy, thus limiting the effectiveness of cashless policies in improving cash management. Moreover, the business size of SMEs may influence how they adopt and use digital payment systems. Micro-enterprises with fewer employees and lower transaction volumes may see less incentive to switch from cash to digital platforms, compared to larger SMEs that handle higher daily sales and complex operations (Ogbari et al., 2024). This variability introduces the need to understand how digital payment systems interact with business size in influencing cash management effectiveness.

Existing research has explored digital payments from various angles, including financial inclusion, customer satisfaction, and business growth (Iwedi, 2024; Effiom & Edet, 2022; Awinja & Fatoki, 2021). However, there is a limited body of empirical work focusing specifically on the link between digital payment system adoption and cash management among SMEs in Nigeria. Most studies have either focused on large enterprises or treated digital payments as a tool for financial

inclusion without considering their internal operational impact on businesses. The gap in understanding this relationship is critical, particularly in the context of Nigerian SMEs who often lack the financial discipline and structures that characterize larger corporations. Thus, this study seeks to fill the existing gap by investigating the influence of digital payment systems on cash management among small and medium-scale enterprises in Nigeria, while also considering the moderating role of business size.

Hypotheses

H_{o1}: Digital payment systems have no significant influence on cash management of SMEs in Nigeria.

H_{o2}: Business size does not significantly moderate the relationship between digital payment systems and cash management.

2. LITERATURE REVIEW

Digital Payment System

The concept of digital payment systems refers to the use of electronic methods to transfer money or settle financial transactions between parties. Unlike traditional cash-based transactions that involve physical exchange of currency, digital payments utilize technologies such as the internet, mobile phones, payment cards, and point-of-sale terminals to facilitate financial exchanges (Ogbari et al., 2024). These systems offer a cashless means of payment that is secure, fast, and traceable, enabling both individuals and businesses to manage financial transactions more efficiently.

Digital payment systems encompass a wide variety of platforms and channels. These include internet banking, mobile money, USSD codes, automated teller machines (ATMs), Point-of-Sale (POS) terminals, debit/credit cards, online payment gateways (such as Paystack or Flutterwave), and even central bank digital currencies like Nigeria's eNaira (Okoye et al., 2023). Each of these systems allows users to perform transactions such as fund transfers, utility payments, shopping, and business-to-business (B2B) payments without using physical cash (Sende et al., 2023). One of the fundamental components of digital payment systems is digital infrastructure, which includes mobile networks, data connectivity, and financial technology platforms that enable secure, real-time transactions. The use of secure authentication protocols such as OTPs (One-Time Passwords), biometrics, and encryption has increased the trust and safety of digital transactions, helping users shift from conventional payment methods to digital alternatives (Ogunmuyiwa & Amida, 2022). As such, digital payment systems are a key driver of financial inclusion, especially in underserved regions.

The advantages of digital payment systems are numerous. For consumers and businesses alike, they provide convenience, speed, lower transaction costs, and greater financial transparency. For governments and regulators, digital payments enhance tax collection, reduce corruption, and promote a more formal economy (Effiom & Edet, 2024). Furthermore, digital transactions generate valuable financial data, which can help financial institutions assess creditworthiness and provide targeted services. Digital payment systems offer several operational benefits. They allow business owners to monitor cash flow, track transaction history, reduce the risk of theft associated with cash handling, and improve record-keeping (Igudia, 2016). SMEs using digital platforms are also more likely to be integrated into formal financial systems, making it easier to access loans, insurance, and other financial products necessary for expansion.

Despite their benefits, digital payment systems are not without challenges. Barriers such as poor internet connectivity, digital illiteracy, lack of trust in the system, and fear of fraud continue to hinder widespread adoption especially in rural and underserved areas (Ifinedo, 2012). Moreover, small businesses may lack the technological infrastructure or knowledge required to implement digital systems effectively, leading them to continue relying on physical cash. In Nigeria, the Central Bank has implemented a number of policies to promote digital payment adoption. The introduction of the Cashless Policy, the issuance of payment service bank licenses, and the launch of the eNaira are some of the initiatives aimed at expanding the digital financial ecosystem (Otieno, 2015). These efforts are targeted at reducing the volume of physical cash in circulation and encouraging individuals and businesses to adopt digital alternatives for their financial transactions.

Cash Management

Cash management refers to the process of collecting, handling, utilizing, and monitoring cash flows within a business to ensure sufficient liquidity while maximizing profitability. It is a critical component of financial management that ensures an enterprise has enough cash to meet its short-term obligations and operate efficiently (Udefi et al., 2025). Good cash management practices help businesses prevent liquidity crises, improve creditworthiness, and maintain financial stability. For small and medium-sized enterprises (SMEs), effective cash management is particularly vital due to their limited access to credit and often unpredictable cash inflows. Unlike large corporations that can rely on credit lines and complex financial instruments, SMEs typically operate with tight cash flows, making day-to-day cash oversight crucial (Oluoch, 2016). As such, poor cash management can lead to delayed payments, strained supplier relationships, and even business failure. Cash management involves several activities, including cash budgeting, forecasting, monitoring bank balances, managing receivables and payables, and maintaining optimal cash reserves. One of the key tools used in cash management is the cash flow statement, which provides a detailed picture of a business's inflows and outflows over a given period (Igudia, 2017). This enables business owners to anticipate shortages and plan accordingly.

In today's digital age, cash management has become more sophisticated with the aid of technology. Digital banking platforms, accounting software, and mobile payment systems allow real-time tracking of transactions, automation of bill payments, and better financial planning (Odey, 2021). Digital tools reduce errors associated with manual records and provide historical data to support strategic decision-making. Moreover, effective cash management supports long-term business sustainability by enabling efficient allocation of funds. When businesses know how much cash they have at any point, they can invest surplus funds wisely or pay down debts. Conversely, when businesses mismanage cash, they may incur unnecessary borrowing costs or lose investment opportunities (Yeye et al., 2024). One of the major challenges SMEs face in managing cash is the tendency to rely heavily on physical cash transactions. This can make it difficult to track income and expenditure accurately, often leading to poor financial decisions (Oyedele et al., 2023). In this context, the integration of digital payment systems can enhance cash management by providing more structured and traceable transaction records.

In Nigeria, where many SMEs still operate informally, cash management is often neglected or poorly understood. However, increasing digitization in the financial sector presents an opportunity to improve how small businesses handle cash. As more SMEs adopt digital payment systems, they gain access to tools that enhance transparency, improve budgeting, and reduce the risk of theft or misappropriation (Effiom & Edet, 2022).

Technology Acceptance Model (TAM)

This research is based on the Technology Acceptance Model (TAM) created by Davis in 1989, which helps toclarify how individuals begin toacceptand utilize new technologies. According to TAM, the decision to adopt technology is mainly affected by two significant aspects: Perceived Usefulness (PU) and Perceived Ease of Use (PEOU), as noted by Marangunic and Granic in 2015. Perceived usefulness is about how much a person thinks that using a certain system will improve their work efficiency, while perceived ease of use relates to how much they believe using the system will require little effort, according to Davis in 1989 and Venkatesh and Davis in 2000.In relation to this research,which looks at how digital payment systems impact cash management for small and medium-sized enterprises (SMEs) in Nigeria, TAM is especially relevant. SMEs are more inclined to adopt digital payment solutions if they see them as beneficial for speeding up transactions, minimizing cash handling mistakes, and improving financial openness. Similarly, if these systems are thought to be userfriendlyand align well with the current business practices, SMEs are more likely to incorporate them into their everyday activities, as shown by Gefen and colleagues in 2003. Thus, TAM offers a theoretical framework for understanding and evaluating the adoption patterns of SMEs regarding Digital payment systems.

Prior Studies

A quantitative research projectby ZhouandKumia in 2014 examined the elements that affect the a cceptance of mobile payment systems in China. This study applied the Unified Theory of Acceptance and Use of Technology (UTAUT) model, highlighting performance expectancy, effort expectancy, social influence, and enabling conditions as vital factors. The research analyzed a survey conducted with 1,200 mobile payment users from both urban and rural settings using structural equation modeling (SEM). Results indicated that performance expectancy, or perceived usefulness, along with social influence—like peer pressure and societal trends—were the strongest indicators of adoption. In contrast, effort expectancy, or ease of use, appeared to have a lesser effect, meaning thatusers valued functionality more than simplicity. Furthermore, e nabling conditions, which include infrastructure and support, were critical, especially in rural locations with lower digital literacy. The research suggested that mobile payment providers should improve user education and infrastructure support to encourage broader adoption.

Gil-Cordro et al. (2024) explored security and privacy concerns affecting digital wallet adoption in Europe. The study employed a mixed-methods approach, combining survey data from 800 users with in-depth interviews of cybersecurity experts. The research was anchored in the Protection Motivation Theory (PMT), assessing how perceived threats and coping mechanisms influenced user behavior. Results indicated that fraud risks, data breaches, and phishing attacks were major deterrents. Users who had experienced previous security incidents were significantly less likely to trust digital wallets. The study also found that two-factor authentication (2FA) and biometric verification increased trust levels. The authors recommended stricter regulatory frameworks and user awareness campaigns to mitigate security fears.

Gupta et al. (2022) analyzed its impact on digital payment adoption. Using a difference-in-differences (DiD) approach, the study compared transaction volumes before and after the policy across 1,500 merchants and 3,000 consumers. Findings showed a 300% surge in digital transactions post-demonetization, with Unified Payments Interface (UPI) and mobile wallets

(Paytm, PhonePe) experiencing the highest growth. However, cash reverted to dominance after six months, indicating habit persistence. The study concluded that forced adoption policies alone were insufficient without sustained infrastructural and behavioral support.

Luo et al. (2022) examined trust dynamics in P2P payment platforms (Venmo, PayPal, Zelle) through a large-scale survey (N=2,500) in the U.S. The study integrated social exchange theory and technology trust models, assessing how perceived reliability, platform reputation, and social proof influenced usage. Trust in the platform's security was the strongest predictor of adoption. Social endorsements (e.g., friends using the app) significantly boosted trust. Negative experiences (failed transactions, hidden fees) eroded confidence.

Ahn et al. (2019) evaluated blockchain-based payment systems (Bitcoin, Ripple) using transaction speed, cost, and scalability data from 10,000 blockchain transactions. The study found that while Bitcoin offered decentralization, its high latency (10+ minutes per transaction) and volatility hindered mainstream adoption. In contrast, Ripple's centralized ledger system provided faster settlements (2-5 seconds) but faced regulatory scrutiny. The study concluded that hybrid models (combining blockchain with traditional systems) were the most viable for mass adoption.

Munyegera and Matsumoto (2016) investigated the socioeconomic impact of mobile money in rural Uganda using panel data from 1,200 households over two years. The study employed a difference-in-differences (DiD) model to compare households using MTN Mobile Money with non-users. The study found that mobile money significantly increased household consumption by 14%, reducing poverty. Female-headed households benefited more due to enhanced financial autonomy. Remittance costs dropped by 75%, encouraging migrant workers to send money home. The study highlighted mobile money as a tool for financial inclusion in low-bank-access regions but noted that digital literacy barriers persisted.

Mogaji & Nguyen (2024) analyzed contactless card adoption using transaction data from 500,000 users and a survey of 2,000 consumers. The study applied the Technology Acceptance Model (TAM) with additional constructs like perceived speed and hygiene benefits. Speed and convenience were the strongest adoption drivers (78% of users cited this). COVID-19 fears (2020 data) accelerated contactless usage by 62%. Older demographics (55+) were slower to adopt due to security concerns. The study recommended public awareness campaigns to address security myths and boost adoption among older users.

Chow (2024) examined fraud patterns in e-wallets (GrabPay, OVO) across Indonesia, Malaysia, and Thailand. The study used fraud case data from 12 banks and interviews with cybersecurity experts. Phishing scams (45%) and SIM-swapping (30%) were the most common attacks. Lax KYC (Know Your Customer) policies increased fraud risks. Users who reused passwords were 3x more likely to be victimized. The study urged biometric authentication and stricter KYC regulations to combat fraud.

3. METHODOLOGY

This research employs a descriptive survey design to investigate how digital payment platforms impact cash management practices among Small and Medium Enterprises (SMEs) in Nigeria. This approach is suitable as it facilitates the collection of firsthand data through the use of structured questionnaires administered to SME owners and managers. The study focuses on the estimated 39.65 million Micro, Small, and Medium Enterprises (MSMEs) in Nigeria, as documented by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2020. Using Yamane's formula and a 5% margin of error, a sample size of about 400 participants was selected.

A multi-stage sampling method was adopted, beginning with convenience sampling to identify suitable areas, followed by random selection of SMEs within those locations. Data collection was carried out using structured questionnaires aimed at capturing essential information on digital payment usage, efficiency in cash handling, and firm characteristics. The collected data were analyzed using descriptive statistics and multiple regression techniques to assess the link between digital payment solutions and cash management, taking business size into account. Analysis was conducted with SPSS software to enhance the reliability and validity of the findings. The regression model for the study;

$CM = \beta_0 + \beta_1 DPS + \beta_2 BSIZE + \epsilon$

Where:

CM = Cash Management
DPS = Digital Payment Systems
BSIZE = Business Size
β0 = Intercept
β1, β2 = Coefficients
ε = Error term

4. RESULTS AND DISCUSSION

Descriptive Statistics Result for Digital Payment Systems

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
My business uses digital payment systems like POS, USSD, or online transfers.	335	1.00	3.00	2.0537	.72804
Digital payments have reduced the need to handle physical cash.	335	1.00	5.00	2.6716	1.11048
Customers prefer using digital payment methods.	335	1.00	5.00	2.6597	1.31003
I can easily track transactions through digital payment platforms.	335	1.00	5.00	2.6567	1.14191
The use of digital payment systems has increased sales.	335	2.00	5.00	4.1134	1.08568
Valid N (listwise)	335				

Source: Researchers Computation, 2025

The descriptive statistics provide insights into respondents' perceptions and experiences with digital payment systems among SMEs in Nigeria. The statement "My business uses digital payment systems like POS, USSD, or online transfers" has a mean score of 2.05 (on a 3-point scale), indicating that most businesses moderately agree with using digital payment platforms. This suggests a fair level of adoption among the surveyed SMEs. However, the mean score for "Digital payments have reduced the need to handle physical cash" is 2.67 on a 5-point scale, which leans towards neutrality or slight agreement. This implies that while digital payments are used, their impact on reducing cash handling may not yet be fully realized across all businesses.

Furthermore, the mean scores for "Customers prefer using digital payment methods" (2.66) and "I can easily track transactions through digital payment platforms" (2.66) suggest a moderate agreement, indicating that digital payment systems are gradually becoming acceptable to customers and are aiding in basic financial tracking. However, the strongest agreement is seen in the statement "The use of digital payment systems has increased sales", with a high mean of 4.11, showing that SMEs perceive a positive business outcome from adopting digital payments. This reflects a strong perceived benefit, even if usage and system familiarity are still developing among some SMEs.

Descriptive Statistics Result for Cash Management

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
My business effectively monitors daily cash inflows and outflows.	335	1.00	5.00	3.3970	1.24559
The use of digital payments helps in preparing cash flow forecasts.	335	2.00	5.00	3.3015	.91322
I can easily reconcile sales with cash balances using digital records.	335	3.00	5.00	3.9284	.73875
There has been a reduction in cash leakage or theft.	335	3.00	5.00	3.8000	.79970
My business rarely experiences cash shortages.	335	2.00	5.00	3.4657	.87438
Valid N (listwise)	335				

Source: Researchers Computation, 2025

The descriptive statistics for cash management reveal that SMEs in Nigeria have moderately positive perceptions of their cash management practices, particularly in relation to digital payment systems. The statement "My business effectively monitors daily cash inflows and outflows" has a mean score of 3.40, suggesting a fair level of efficiency in tracking financial movements, although some variability remains (Std. Dev. = 1.25), indicating that not all SMEs are consistent in this practice. Similarly, the mean for "The use of digital payments helps in preparing cash flow forecasts" is 3.30, implying moderate agreement that digital platforms aid in planning and forecasting, though the benefit may not be fully maximized by all respondents.

More notably, SMEs show stronger agreement with statements related to transaction reconciliation and cash security. The highest mean is for "I can easily reconcile sales with cash balances using digital records" (Mean = 3.93) and "There has been a reduction in cash leakage or theft" (Mean = 3.80), both indicating strong agreement and suggesting that digital payment systems significantly contribute to improving transparency and minimizing losses. The mean score for "My business rarely experiences cash shortages" (3.47) also reflects a relatively stable cash position among many SMEs.

Descriptive Statistics Result for Business Size

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
How many employees do you have	335	1.00	4.00	2.8925	.91908
Average annual revenue	335	1.00	4.00	2.5821	.78055
Years of operation	335	2.00	4.00	3.0657	.73524
Valid N (listwise)	335				

Source: Researchers Computation, 2025

The descriptive statistics for business size offer insight into the characteristics of the SMEs surveyed in terms of workforce, revenue, and longevity. The item "How many employees do you have" has a mean score of 2.89 on a 4-point scale, indicating that most respondents fall within the small-sized enterprise category, likely employing between 11–49 staff, based on standard SME classifications. The relatively moderate standard deviation (0.92) suggests a fair spread across different employee sizes, though the bulk of responses remain clustered around the small-business range.

For "Average annual revenue," the mean of 2.58 also indicates that many businesses are generating moderate revenue, possibly in the range of ₦5 million to ₦50 million annually, depending on the scale definitions applied. Meanwhile, "Years of operation" has the highest mean at 3.07, suggesting that a significant number of SMEs have been in operation for more than 5 years, indicating a degree of business stability and experience.

Regression Analysis Result

Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.581[a]	.338	.334	2.76505

a. Predictors: (Constant), SIZE, DIGITAL

The model summary reveals that digital payment systems and business size together explain approximately 33.8% of the variance in cash management practices among SMEs in Nigeria, as indicated by the R Square value of 0.338. The Adjusted R Square of 0.334 accounts for the number of predictors in the model, confirming the model's good fit with minimal shrinkage. The R value of 0.581 shows a moderate positive correlation between the combined predictors (digital payment systems and business size) and cash management. The standard error of the estimate (2.76505) suggests the average distance between the observed values and the predicted values of cash management, indicating a reasonably acceptable level of prediction accuracy.

ANOVA Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1295.827	2	647.914	84.744	.000[b]
	Residual	2538.304	332	7.645		
	Total	3834.131	334			

a. Dependent Variable: CASH
b. Predictors: (Constant), SIZE, DIGITAL

The ANOVA result demonstrates that the regression model is statistically significant in explaining the relationship between the predictors (digital payment systems and business size) and the dependent variable (cash management). The F-value of 84.744 with a p-value of .000 indicates that the model is highly significant at the 0.05 level. This means that, jointly, digital payment systems and business size have a significant effect on cash management among SMEs in Nigeria. The relatively high regression sum of squares (1295.827) compared to the residual sum of squares (2538.304) further confirms that a meaningful portion of the variation in cash management is explained by the model.

Regression Coefficient Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.443	1.822		7.925	.000
	DIGITAL	.284	.074	.214	3.834	.000
	SIZE	.875	.115	.426	7.622	.000

a. Dependent Variable: CASH

The regression coefficients reveal the individual contributions of digital payment systems and business size to cash management among SMEs. The constant (14.443) indicates the baseline level of cash management when both predictors are zero. The coefficient for digital payment systems (B = 0.284, p = .000) shows a positive and statistically significant relationship, meaning that an increase in the use of digital payment systems leads to an improvement in cash management practices. Although its standardized beta (0.214) suggests a moderate effect size, it remains a meaningful contributor. The coefficient for business size (B = 0.875, p = .000) is also positive and highly significant, with a larger standardized beta (0.426), indicating that business size has a stronger influence on cash management compared to digital payment systems. This suggests that as SMEs grow in size—reflected by more employees, higher revenue, or longer years of operation—their cash management practices improve significantly.

Test of Hypotheses

Ho_1. Digital payment systems have no significant influence on cash management of SMEs in Nigeria.

Since the p-value (.000) is less than the significance level of 0.05, we reject the null hypothesis (Ho1). Digital payment systems have a significant positive influence on cash management among SMEs in Nigeria.

Ho_2. Business size does not significantly moderate the relationship between digital payment systems and cash management.

Since the p-value (.000) is less than 0.05, we reject the null hypothesis (Ho2). Business size has a significant positive influence on cash management.

Conclusion

The findings of the study concluded that digital payment systems significantly enhance the cash management practices of SMEs in Nigeria. The adoption of digital platforms such as POS, online transfers, and USSD has improved transaction tracking, reduced cash leakage, and facilitated better reconciliation of sales and cash flows. Additionally, business size plays a critical role, with larger and more established SMEs demonstrating stronger cash management capabilities. The statistical results confirm that both digital payment usage and business size are significant predictors of effective cash management. Therefore, promoting the adoption of digital payment systems and supporting SME growth can substantially improve financial control and operational efficiency in the sector.

Recommendations

The following recommendations were made for the study;

1. **Encourage Digital Payment Adoption Among SMEs:** Policymakers and financial institutions should create awareness and provide incentives for SMEs to adopt digital payment systems. This could include offering training, subsidies, or low-cost digital payment solutions to help small businesses transition from cash-based transactions to more efficient, secure, and traceable digital platforms.
2. **Support SME Growth and Capacity Building:** Given the positive influence of business size on cash management, it is recommended that stakeholders such as the government and financial bodies provide tailored support for SMEs to scale their operations.

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