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COMPARATIVE ANALYSIS OF DIGITAL LENDING PLATFORMS AND DEPOSIT MONEY BANKS LENDING IN NIGERIA

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Abstract

Nigeria's Deposit Money Banks (DMBs) and credit market is increasingly characterized by the coexistence of technology-driven digital lending platforms (DLPs). This study examined the two lending channels with emphasis on credit accessibility, cost of lending, loan quality and financial inclusion. A descriptive survey design was adopted, and structured questionnaires were administered to borrowers in Jos North Local Government Area of Plateau State who had obtained credit from DLPs, DMBs, or both. 384 questionnaires administered, 247 usable responses were received, representing 64.32%, Data collected were analyzed using descriptive statistics, Pearson correlation and simple regression in SPSS version 30. The results indicate that lending type significantly explains differences in all four outcomes. DLPs demonstrated superior credit accessibility (B = 0.804, β = 0.749, p < .001) and stronger contribution to financial inclusion (B = 0.921, β = 0.763, p < .001). However, DLPs were associated with higher lending costs (B = 0.769, β = 0.724, p < .001) and with weaker loan quality (B = −0.836, β = −0.737, p < .001), relative to DMBs. The findings suggest a balancing relationship between speed and inclusion on one hand and affordability and credit quality on the other. The study recommends proportionate regulation, transparent pricing, responsible digital credit assessment, interoperable credit information systems and stronger digital capabilities

Keywords: Digital lending platforms, Credit Accessibility, Cost of Lending, Loan Quality, Financial Inclusion

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among DMBs. Rather than treating DLPs and DMBs as mutually exclusive alternatives, therefore policymakers should encourage complementary strengths while protecting borrowers from excessive costs, over-indebtedness and abusive recovery practices.

Introduction

Financial intermediation is undergoing a structural transformation as digital technologies reshape how households and businesses obtain credit. Conventional banking has traditionally relied on physical branches, formal documentation, collateral, credit histories and relatively intensive human appraisal. Digital lending platforms, by contrast, use mobile applications, automated decision rules, alternative data and algorithmic scoring to deliver small loans with limited physical interaction. The development represents an extension of financial intermediation into a technology-intensive environment rather than a complete disappearance of the traditional banking model (Bavoso, 2022; Ndung'u & Oguso, 2021).

The importance of this transition is particularly pronounced in emerging economies, where conventional credit markets frequently exclude borrowers who lack collateral, formal employment records or extensive financial histories. Digital financial services can lower transaction and search costs and permit lenders to reach customers through mobile channels. Evidence from Africa indicates that digital credit has supported entrepreneurial activity and access to finance, although the benefits have been accompanied by concerns about pricing, repayment pressure, consumer protection and credit risk (Koomson et al., 2023; Pazarbasioglu et al., 2020).

In Nigeria, the synergy between DMBs and rapidly increasing digital lenders creates an important policy and research question as to which channel performs better, and on what dimension? DMBs have stronger institutional structures, regulatory oversight, established credit appraisal procedures and wider capacity for large-value lending. However, borrowers may experience lengthy processes, collateral requirements and extensive documentation; all of these barriers are addressed by digital lenders through mobile applications and automated decisions, though very often their speed may be accompanied by relatively high effective costs, short repayment periods and weaker screening for some borrowers (Ilufoye et al., 2020; Okafor et al., 2021).

The major issue is not whether digital lending is superior to banking in an absolute sense, but whether the two models generate different outcomes across access, affordability, loan quality and inclusion. This study addresses this concern using borrower-level evidence from Jos North Local Government Area. Its contribution lies in integrating four outcomes into a single comparative framework, thereby moving beyond studies that examine fintech or conventional banking in isolation.

The study is therefore organized around the research problem, conceptual and theoretical foundations, empirical design, statistical results, discussion, implications and conclusion using Financial Intermediation Theory and the Technology Acceptance Model (TAM) as the principal theoretical lenses (Gurley & Shaw, 1960; Davis, 1989).

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Statement of the Problem

The Nigerian credit market continues to experience persistent growing demand for credit and limited access to affordable and sustainable financing. Digital innovation has made borrowing faster and more convenient, but many households and small enterprises remain constrained by the affordability and quality of available credit. DMBs have the institutional capacity to screen borrowers, monitor loans and manage portfolio risk, but formal lending requirements can exclude informal-sector operators, low-income earners and borrowers without acceptable collateral. Digital lenders reduce many of these barriers, yet the absence of physical collateral and the use of alternative data may create new forms of credit risk and information asymmetry.

The cost dimension is complicated by this comparison. A loan that is immediately available is not necessarily affordable. The total cost of borrowing includes interest, processing charges, service fees, penalties and other contractual costs. The study suggests that digital credit can carry higher effective costs because lenders price unsecured and rapidly processed loans for higher perceived risk (Motaze, 2022; Ogundipe et al., 2020). Consequently, increased access can coexist with greater financial pressure.

Loan quality presents an addition challenge. DMBs generally apply more structured appraisal, collateral assessment, repayment monitoring and credit-risk procedure while Digital lenders can process more applications at lower transaction cost, but algorithmic models may depend heavily on behavioural and transactional data. Where data quality is weak or borrower histories are thin, rapid approval can result in inaccurate risk classification, repeat borrowing and elevated default risk (Addy et al., 2024; Nuthalapati, 2022).

Furthermore, Financial inclusion adds another dimension. Inclusion is not only simply ownership of a bank account; but concerns meaningful access to useful and affordable financial services. Digital lending may reach borrowers who are geographically distant from branches or unable to satisfy conventional lending requirements. This is particularly relevant in a setting where mobile connectivity can extend beyond the physical footprint of bank branches (Adelaja et al., 2024; Dolson & Jagtiani, 2024).

The research gap arises because much of the Nigerian literature examines fintech adoption, bank performance, or digital lending separately. Comparatively fewer studies assess the same borrower population across multiple outcomes. Hence the need to evaluate whether lending type is systematically associated with credit accessibility, lending cost, loan quality and financial inclusion. This multidimensional design provides evidence that can guide regulators, DMBs, digital lenders and borrowers.

Research Questions

1. What is the difference between credit accessibility of digital Lending Platform and Deposit Money Banks in Nigeria?
2. What is the difference between of cost of lending of Digital Lending Platforms and Deposit Money Banks in Nigeria?
3. What is the quality of loans of Digital Lending Platforms compare with those of Deposit Money Banks in Nigeria?

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4. What is the contribution of digital lending platforms and Deposit Money Banks to Financial inclusion in Nigeria?

Aim and Objectives

The main objective of this study is to examine the difference between lending performance of digital Lending Platform and Deposit Money Banks in Nigeria. while specific objectives are to:

1. Determine the difference in credit accessibility of Digital Lending Platform and Deposit Money Banks in Nigeria.
2. Assess the difference between of cost of lending of Digital Lending Platforms and Deposit Money Banks in Nigeria.
3. Examine the quality of loans of Digital Lending Platform with those of Deposit Money Banks in Nigeria.
4. Evaluate the contribution of digital lending platforms of Deposit Money Banks to Financial inclusion in Nigeria.

Hypotheses

The following hypotheses are formulated and stated in null form for the study:

HO_1: Digital Lending Platform and Deposit Money Banks have no significant difference on credit accessibility in Nigeria.

HO_2: Digital Lending Platforms and Deposit Money Banks have no significant difference in cost of lending of in Nigeria.

HO_3: Digital Lending Platform and Deposit Money Banks have no significant difference on quality of loans in Nigeria?

HO_4: Digital Lending Platforms and Deposit Money Banks have no significant contributions to financial inclusion in Nigeria?

Bank Lending

Bank lending is a major function of financial intermediation through which mobilized deposits are moved to deficit units that is funding are transformed in credit for households, firms and public-sector entities. DMBs assess borrower capacity, price credit according to risk and funding costs, monitor repayment and recover outstanding obligations. These processes support resource allocation and economic activity while simultaneously exposing banks to credit, liquidity and operational risks (Challoumis, 2024; Ivashina et al., 2022).

The traditional Nigerian model places substantial emphasis on documentation, verifiable income, credit history and collateral. Such requirements can mitigate adverse selection and moral hazard, but they also create access barriers. The collateral constraint is especially important for MSMEs and informal-sector borrowers whose productive capacity may exceed the value of acceptable security. The resulting credit gap creates an opportunity for alternative lenders (Amadi et al., 2022; Chibueze, 2021).

Bank lending costs are influenced by the monetary policy environment, cost of funds, operating expenses, risk premiums and borrower characteristics. The effective price paid by the borrower

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may include interest and several non-interest charges. Thus, affordability should be evaluated using the total borrowing burden rather than nominal interest alone (Motaze, 2022).

Digital Lending Platforms

Digital lending Platforms (DLPs) are technology-based systems that originate, assess, approve, disburse and monitor credit through digital interfaces. Their distinguishing features include remote onboarding, automated credit decisions, alternative data, electronic documentation and rapid disbursement. By reducing physical and administrative barriers, DLPs can reach borrowers who would otherwise face difficulties obtaining conventional credit (Okafor et al., 2021; Pazarbasioglu et al., 2020).

Alternative data can include transaction histories, mobile usage patterns and other behavioural indicators. Such information can supplement conventional credit bureau data and potentially reduce information asymmetry. However, data-driven lending creates concerns regarding model accuracy, privacy, discrimination, transparency and the consequences of automated decisions (Richardson et al., 2021).

In Nigeria, digital lending has expanded alongside fintech development and mobile financial services. The model is particularly attractive for small, urgent and unsecured borrowing. Its principal competitive advantage is convenience, but convenience does not automatically imply affordability or sustainability. The source study therefore evaluates DLPs through four outcomes rather than treating adoption as an end in itself.

Credit Accessibility

Credit accessibility is the practical ability of a borrower to obtain credit when needed without excessive procedural, informational or collateral barriers. It includes ease of application, approval speed, documentation, collateral requirements and the ability to obtain a loan of an appropriate size. Accessibility is therefore both a supply-side and borrower-experience concept.

DMBs may restrict accessibility through extensive documentation, formal income requirements, collateral and relatively lengthy appraisal. These controls are economically defensible because they reduce risk, but they may systematically exclude borrowers with informal income or limited asset ownership. The result is a tension between prudent lending and inclusive lending (Omede, 2020; Chibueze et al., 2025). However, DLPs address several barriers through mobile-based applications and automated scoring. Borrowers can apply without visiting a branch, submit fewer documents and receive decisions rapidly. The source study conceptualizes approval rate, processing time, collateral requirements and ease of application as key indicators. The literature generally predicts a positive accessibility advantage for DLPs (Maina & Njeru, 2023; Oladinni, 2025).

Cost of Lending

Cost of lending is the total financial burden associated with obtaining credit. It includes the interest rate and relevant processing, management, service and penalty charges. A meaningful comparison should therefore consider the effective rather than advertised price of credit. The cost is affected by macroeconomic conditions, funding costs, operating costs, risk and the characteristics of the lending model (Motaze, 2022).

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The DLP model can lower transaction costs for lenders through automation, but borrowers may nevertheless face high effective prices because unsecured lending and rapid repayment structures can carry substantial risk premiums. Short tenors may also increase the frequency and intensity of repayment obligations. The source study consequently expects DLPs to be associated with higher cost of lending than DMBs. For DMBs, pricing is usually influenced by cost of funds, regulatory requirements, credit risk and operating expenses. Banks may also charge fees beyond interest. Accordingly, the comparison should not imply that all bank credit is cheap or that all digital credit is expensive. instead, the empirical question is whether respondents systematically report different cost experiences by lending type.

The conceptual difference between access and affordability is important as a lending product can be highly accessible but financially burdensome, therefore effective financial inclusion requires both dimensions to be considered.

Loan Quality

Loan quality reflects the reliability and risk characteristics of credit portfolios and, from the borrower perspective, the appropriateness and manageability of loan terms. Relevant indicators include repayment performance, default rates, portfolio-at-risk and non-performing loans. High non-performing loans can weaken profitability and constrain further credit creation, making asset quality central to financial stability (Kil et al., 2020; Temba et al., 2024).

DMBs employ structured credit appraisal, collateral evaluation, credit-history checks, repayment monitoring and risk-management procedures. These are controls that can improve portfolio quality but may also slow the lending process while DLPs emphasize speed and automated scoring and may use alternative information to compensate for limited conventional data. The benefit is efficiency; the risk is model error, insufficient borrower assessment and over-indebtedness.

The source study operationalizes loan quality through repayment structures, reliability, default risk, adequacy of risk checks and perceived likelihood of default. The theoretical expectation is that DLPs may exhibit lower loan quality because unsecured and rapid lending can weaken traditional safeguards. However, this relationship is not deterministic: improvements in machine learning, credit reporting and behavioural scoring can strengthen digital underwriting (Addy et al., 2024; Nuthalapati, 2022).

Financial Inclusion

Financial inclusion concerns effective access to appropriate and affordable financial services for individuals and businesses, particularly groups that are underserved or excluded. Credit is a major component because access to productive finance can support consumption smoothing, entrepreneurship and investment. In Nigeria, rural residents, informal-sector operators and low-income groups may face barriers arising from distance, documentation, collateral and financial literacy (Muhammad et al., 2022; Umeaduma, 2023).

DLPs can promote inclusion by allowing borrowers to access credit through mobile devices, thereby reducing geographical and procedural barriers. Existing evidence on fintech suggests that digital channels can reach underserved consumers more effectively than some conventional channels (Dolson & Jagtiani, 2024). Nevertheless, inclusion should not be measured solely by the

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number of loans disbursed. Sustainable inclusion requires transparent prices, responsible underwriting, data protection and repayment arrangements that do not create harmful debt cycles. DMBs on the other hand, also contribute to inclusion through branches, agency banking, mobile banking and formal financial infrastructure. Their challenge is to combine prudential standards with simpler, faster and more accessible credit processes.

Financial Intermediation Theory

Financial Intermediation Theory explains how financial institutions reduce transaction and information frictions between surplus and deficit units. Gurley and Shaw (1960) emphasized the intermediary role of financial institutions, while Diamond (1984) highlighted delegated monitoring in addressing information asymmetry. Intermediaries screen borrowers, monitor lending, diversify risk, and transform maturities, thereby reducing information and transaction costs. This framework is relevant to this study on DMBs lending platforms where credit appraisal, monitoring, collateral, and relationship information mitigate adverse selection and moral hazard. It also accommodates digital lending, as fintech firms employ automated screening and alternative data, transforming instead of eliminating traditional financial intermediation (Bavoso, 2022).

Technology Acceptance Model

Davis's Technology Acceptance Model proposes that perceived usefulness and perceived ease of use influence users' attitudes, intentions and adoption of technology. The model is relevant to digital lending because borrowers are more likely to use a loan application when it is perceived as useful, convenient and easy to operate (Davis, 1989; Khatri et al., 2020). TAM helps explain why borrowers may choose DLPs even when costs are relatively high. Immediate access can have high perceived value during emergencies or when conventional channels are slow. The model therefore provides a behavioural explanation for the observed accessibility and inclusion advantage of digital lending. Nevertheless, limitation with TAM is that it focuses strongly on individual perceptions without fully incorporating regulation, privacy, credit risk, consumer protection or macroeconomic conditions. Hence this reason, the present study uses TAM together with Financial Intermediation Theory with the former explaining adoption and convenience; the latter screening, risk management, intermediation costs and loan quality.

The combined framework predicts that DLPs should perform strongly on accessibility and inclusion, while DMBs should retain advantages in structured risk management and loan quality. Cost remains an empirical question because technology can reduce transaction costs while unsecured lending can increase risk premiums.

Empirical Review

Empirical evidence presents a mixed result of digital credit, fintech indicates that technology can improve access to financial services, reduce processing friction and extend services to underserved users. Koomson et al. (2023) assert mobile money and digital credit with entrepreneurial outcomes in East Africa, while Dolson and Jagtiani (2024) show that fintech and non-bank lenders can reach underserved consumers. These findings support the inclusion and accessibility rationale for digital lending. However, they identified significant risks of digital lenders operating with limited

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information about borrowers, rely on automated scoring and offer short-term unsecured loans. These characteristics can increase exposure to default, repeat borrowing and over-indebtedness. Addy et al. (2024) emphasize the growing role of predictive analytics in credit risk management, while Nuthalapati (2022) highlights machine learning and big-data applications in lending risk analysis.

Existing literature indicate that conventional banking emphasizes the value of disciplined appraisal and monitoring but Ivashina et al. (2022) show that loan types and bank lending conditions affect the operation of the bank lending channel. Nigerian evidence also points to the importance of credit risk, interest rates and bank-specific conditions in loan performance (Ogundipe et al., 2020; Egbunike & Yeye, 2025). The literature therefore suggests that the two models have comparative strengths rather than a simple winner. DLPs are likely to reduce access barriers; DMBs are likely to provide stronger formal risk controls. Digital lenders may charge more for unsecured, rapidly processed credit, while banks can impose non-price access barriers. These trade-offs motivate the four hypotheses tested in the study.

Methodology

The study adopted a descriptive survey research design. This design is appropriate because the research seeks to capture borrowers' experiences and perceptions concerning two lending channels rather than construct a purely administrative or bank-level panel. The study focused on borrowers in Jos North Local Government Area of Plateau State who had obtained credit from a DLP, a DMB or both.

The unit of analysis was the individual borrower. This is consistent with the study's interest in accessibility, affordability, repayment structures and inclusion as experienced by users of credit. The source document frames the broader study period as 2015–2025, reflecting the development of digital finance and changes in conventional banking, while the survey evidence was collected in 2026.

Population, Sampling Technique, Sample Size Determination and Data Collection

A total of 384 questionnaires were administered of these, 125 were not returned and 12 were invalid, leaving 247 usable questionnaires. The effective usable response rate was 64.32%. All 247 respondents reported previous loan experience, ensuring that the sample was composed of individuals with direct exposure to credit services.

Table1: Questionnaire Report

Questionnaire outcome	Frequency	Percentage
Administered	384	100.
Unreturned	125	32.55
Invalid	12	3.13
Usable	247	64.32

Respondents were selected on the basis of their experience with the lending channels under investigation. The questionnaire measured four major constructs using five-point Likert-scale items

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with analytical strategy of; descriptive statistics, reliability testing, normality assessment, Pearson correlation and four simple regression models.

Model Specification

Credit accessibility was measured through ease of obtaining loans, processing speed, documentation, collateral requirements and access to small loans. Cost of lending covered interest, additional charges, affordability and penalties. Loan quality captured repayment structure, reliability, default risk and adequacy of risk assessment. Financial inclusion covered access among unbanked, underserved, rural, low-income and informal-sector users.

The regression specification was: $Y_i = \alpha + \beta LT_i + \varepsilon_i$, where Y represents each dependent variable and LT is lending type, coded DLP = 1 and DMB = 0. Four separate equations were estimated for credit accessibility, cost of lending, loan quality and financial inclusion.

Data Presentation and Analysis

The demographic profile indicates that the sample contained a substantial proportion of economically active borrowers. Male respondents constituted 60.32%, while females accounted for 39.68%. Respondents aged 26–35 years represented the largest age group (40.49%), followed by 36–45 years (24.29%), 18–25 years (22.27%) and 46 years and above (12.96%).

Table 2: Demographic Profile

Characteristic	Category	n	%
Gender	Male	149	60.32
	Female	98	39.68
Age	18–25	55	22.27
	26–35	100	40.49
	36–45	60	24.29
	46+	32	12.96
Education	Secondary	17	6.88
	OND/NCE	54	21.86
	HND/BSc	127	51.42
	Postgraduate	49	19.84

Educational attainment was relatively high: 51.42% held HND/BSc qualifications and 19.84% had postgraduate education. Occupationally, self-employed respondents formed the largest group (32.39%), followed by private-sector workers (29.96%) and civil servants (18.62%). Students represented 14.17%. This distribution is relevant because the informal and self-employed segments are among those often discussed as beneficiaries of alternative credit channels.

Table 3: Occupation

Occupation	n	%
Civil servant	46	18.62
Private sector	74	29.96
Self-employed	80	32.39

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Occupation	n	%
Student	35	14.17
Other	12	4.86

With respect to lending source, 42.11% had used DLPs, 34.01% had used DMBs and 23.89% had used both. The presence of borrowers who had used both channels strengthens the comparative relevance of the survey because respondents could evaluate actual experiences rather than purely hypothetical preferences.

Table 4: Test of Reliability

Construct	Items	Cronbach's α	Decision
Credit accessibility	5	0.84	Reliable
Cost of lending	5	0.81	Reliable
Loan quality	5	0.79	Reliable
Financial inclusion	5	0.86	Reliable
Overall	23	0.88	Reliable

All alpha coefficients of 8.88 exceed the accepted 0.70 threshold, which shows the satisfactory internal consistency of the measurement scales. This supports the coherence of the questionnaire items.

Descriptive Analysis

The descriptive evidence is consistent with the comparative propositions of the study. Credit accessibility recorded an aggregate mean of 3.8186 (SD = 0.56552), indicating agreement that digital lending offers easier access than conventional bank lending. The cost of lending recorded the highest aggregate mean at 3.9895 (SD = 0.45341), reflecting strong agreement that digital credit is comparatively expensive. Loan quality recorded a mean of 3.7887 (SD = 0.55571), while financial inclusion recorded 3.9441 (SD = 0.50842).

Table 5: Descriptive Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev.
Credit Accessibility	247	1.80	5.00	3.8186	0.56552
Cost of Lending	247	2.80	5.00	3.9895	0.45341
Loan Quality	247	1.60	5.00	3.7887	0.55571
Financial Inclusion	247	2.20	5.00	3.9441	0.50842

The findings reveal that digital lending platforms (DLPs) were perceived to provide greater convenience, respondents agreed the ease to obtain loans (M = 3.88) and approved faster (M = 3.82) though associated with higher costs, including interest rates (M = 3.94), additional fees (M = 3.93), penalties (M = 4.03), and overall borrowing costs (M = 4.01), while bank loans were considered more affordable (M = 4.04). Banks also offered better repayment structures (M = 3.92).

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Nevertheless, DLPs enhanced financial inclusion through improved access for unbanked users (M = 3.97), rural borrowers (M = 3.91), and wider participation (M = 4.04).

Correlation and Regression Analysis

Table 6: Correlation Analysis

Variables	CA	CL	LQ	FI
CA	1.000	−0.136*	−0.149*	0.314**
CL	−0.136*	1.000	0.202**	−0.187**
LQ	−0.149*	0.202**	1.000	−0.075
FI	0.314**	−0.187**	−0.075	1.000

Credit accessibility is positively related with financial inclusion (r = 0.314, p < .01), asserting the intuition that easier credit access is related to broader participation. Credit accessibility has weak negative associations with cost and loan quality. Cost of lending is positively associated with loan quality (r = 0.202, p < .01) but negatively associated with financial inclusion (r = −0.187, p < .01). The correlation between loan quality and financial inclusion is not statistically significant.

Normality and Autocorrelation

Kolmogorov–Smirnov significance values were above .05 for all four constructs: 0.082 for credit accessibility, 0.096 for cost of lending, 0.073 for loan quality and 0.112 for financial inclusion. The source study therefore treated the variables as approximately normally distributed. Skewness and kurtosis values were also modest, supporting the use of parametric analysis. Durbin–Watson statistics for the four regression models were 1.884, 1.936, 1.902 and 1.861 respectively. These values are close to 2 and indicate no serious residual autocorrelation problem in the estimated models.

Regression Result and Test of Hypotheses

Table 7: Model 1: Credit Accessibility

R	R^2	Adj. R^2	F	B	β	t	P
0.749	0.561	0.559	312.984	0.804	0.749	17.691	<.001

Table 8: Model 2: Cost of lending

R	R^2	Adj. R^2	F	B	β	t	P
0.724	0.524	0.522	269.748	0.769	0.724	16.424	<.001

Table 9: Model 3: Loan Quality

R	R^2	Adj. R^2	F	B	β	t	P
0.737	0.543	0.541	291.068	−0.836	−0.737	−17.061	<.001

Table 10: Model 4: Financial Inclusion

R	R^2	Adj. R^2	F	B	β	t	P
0.763	0.582	0.580	341.038	0.921	0.763	18.467	<.001

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Lending type explains 56.1% of the observed variation in credit accessibility. The positive and significant coefficient indicates that DLPs provide greater accessibility than DMBs in the study setting. Hypothesis one is rejected. It also explains 52.4% of the variation in reported cost with the positive coefficient, given the DLP = 1 coding, showing that digital lending is associated with higher borrowing costs therefor hypothesis two is rejected. Furthermore, lending type explains 54.3% of the variation in loan quality though with the negative coefficient which indicates that DLPs are associated with lower perceived loan quality relative to DMBs. Hypothesis three is rejected. Lending type explains 58.2% of the variation in financial inclusion, the largest R^2 among the four models. The positive coefficient indicates a stronger contribution from DLPs. Hypothesis four is rejected.

All four models are statistically significant at the 5% level. The standardized coefficients also show that the strongest comparative association is financial inclusion ($\beta = 0.763$), followed by credit accessibility ($\beta = 0.749$), loan quality ($|\beta| = 0.737$) and cost of lending ($\beta = 0.724$).

Discussion of Findings

The findings show that digital lending platforms (DLPs) provide higher credit accessibility and financial inclusion than digital money banks (DMBs), but these advantages are accompanied by higher borrowing costs and weaker perceived loan quality. The greater accessibility of DLPs can be traced to mobile applications, automated verification, simplified documentation, and faster processing, consistent with the Technology Acceptance Model, which emphasizes usefulness and ease of use as drivers of technology adoption (Davis, 1989; Yadav & Shanmugam, 2024). However, DMBs' more stringent requirements reflect important risk-management functions rather than inherent inaccessibility.

The positive relationship between digital lending and borrowing costs highlights a key trade-off: convenient and rapidly processed credit may be more expensive because of risk premiums, monitoring costs, and transaction costs. This underscores the importance of transparent disclosure of interest, fees, penalties, and total repayment obligations (Ilufoye et al., 2020; Tampuri, 2023). The negative relationship between lending type and loan quality further suggests that DMBs maintain stronger repayment structures and risk-management practices, while DLPs' reliance on automated data may expose them to information limitations.

Financial inclusion recorded the strongest explanatory power, reflecting DLPs' capacity to reach underserved, low-income, informal-sector, and first-time borrowers through mobile channels and reduced documentation. Nevertheless, access alone does not guarantee meaningful inclusion, particularly where repeated high-cost borrowing may increase financial vulnerability. Overall, the findings suggest that DLPs and DMBs possess complementary strengths. DLPs thrives in accessibility and inclusion, while DMBs demonstrate stronger risk management and loan quality. Policy should therefore promote responsible competition by encouraging DMBs to adopt digital capabilities while requiring DLPs to strengthen underwriting, transparency, credit reporting, data protection, and responsible lending practices.

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Summary of Findings

The study compared the relationship between lending type and four dimensions of digital lending: credit accessibility, cost of lending, loan quality, and financial inclusion. Findings indicated that lending type has a significant influence on credit accessibility, cost of lending, loan quality, and financial inclusion. A significant positive relationship was found between lending type and credit accessibility ($r = 0.749$, $p < .001$), indicating that Digital Lending Platforms (DLPs) provide borrowers with easier and faster access to credit through simplified documentation and limited collateral requirements. Also, lending type had a significant positive relationship with the cost of lending ($r = 0.724$, $p < .001$), suggesting that digital loans are associated with higher reported borrowing costs.

The study further revealed a significant negative relationship between lending type and loan quality ($r = -0.737$, $p < .001$), indicating that Digital Money Banks (DMBs) were perceived to offer stronger repayment structures and risk-management practices. Conversely, lending type had a significant positive relationship with financial inclusion ($r = 0.763$, $p < .001$), showing that DLPs are more effective in reaching underserved, low-income, informal-sector, and first-time borrowers. All four regression models were statistically significant, with R^2 values of 0.561, 0.524, 0.543, and 0.582, respectively. Financial inclusion recorded the highest explanatory power, demonstrating the strong contribution of lending type to expanding access to financial services.

Conclusion

The study concludes that DLPs and DMBs perform differently across dimensions of lending effectiveness. Digital lending is particularly strong in accessibility and financial inclusion because technology reduces geographic, procedural and documentation barriers. Its principal weaknesses are higher borrowing costs and comparatively weaker loan quality. DMBs retain advantages in structured appraisal, repayment monitoring and affordability, but their traditional procedures can limit responsiveness and inclusion. This implies that the Nigerian credit market should not be organized around a binary choice between banks and fintechs. The more productive direction is convergence: DMBs can adopt the speed and convenience of digital channels, while DLPs can adopt stronger credit-risk, consumer-protection and governance practices. Such convergence can improve the overall quality of financial intermediation.

Recommendations

1. Deposit Money Banks (DMBs) should simplify loan documentation and shorten approval processes while expanding digital access channels without compromising appropriate credit-risk controls.
2. Digital Lending Platforms (DLPs) should ensure transparency by clearly disclosing all interest charges, fees, penalties, and total repayment obligations to borrowers before loan acceptance and disbursement.
3. To promote responsible lending DLPs should also strengthen affordability assessments, validate credit-scoring models, improve repayment monitoring, and establish appropriate lending limits that reflect borrowers' repayment capacity. coordinated supervision of DMBs and DLPs by regulators should be strengthened by improving credit-reporting systems,

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enforcement of data-protection requirements, and enhancement of consumer-protection mechanisms for a safe digital-credit environment.

4. DMBs and DLPs should expand responsible access to credit among underserved groups, including informal-sector operators, low-income households, rural communities, and first-time borrowers, particularly through mobile and agency banking channels. While, financial-literacy programmes should equip borrowers to make informed credit decisions by training them to compare total repayment costs, repayment periods, interest charges, and penalties other than focusing merely on the speed and convenience of loan disbursement. All of these measures can promote greater financial inclusion while ensuring that the expansion of digital credit remains transparent, responsible, and sustainable.

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