

The Impact Of Cashless Payments On Smes' Financial Performance In Mount Lebanon

Nadia Al Masri¹, Danie Khawaja²

¹(Faculty Of Economics And Business Administration, Lebanese University, Lebanon)

²(Business Faculty, Holy Family University, Lebanon)

Abstract:

Cashless payments are one of the innovations playing a significant role in business strategy. However, in Lebanon, the economic and financial crisis has forced SMEs to primarily use cash as a mode of payment, leading to numerous issues affecting their financial performance. To overcome these challenges, companies are seeking to adopt cashless payments outside the banking sector to better control their finances and adapt to rapid technological advancements. This study aims to examine the impact of cashless payments on the financial performance of SMEs in Mount Lebanon, highlighting the factors affecting the adoption of this payment method. A survey was conducted with the leaders of 183 SMEs in the region, and the results of multiple regression analysis, carried out using SPSS software, confirmed the significant impact of electronic payments on the financial performance of SMEs in the region. Specifically, mobile money and E-transfer have a significant positive relationship with financial performance. Furthermore, the study identified that competition, risks, and ease of use are the behavioral intention factors that affect the adoption of cashless payments. Consequently, leaders must adjust their strategy by integrating cashless payments to improve their financial performance.

Keyword: Cashless payments, Small and Medium-sized Enterprises, Financial Performance, Checks, Mobile Money, Electronic Transfer, POS Machine

Date of Submission: 03-09-2024

Date of acceptance: 13-09-2024

I. Introduction

The rapid and significant change in the field of technology is producing new innovations and leading to a major technological revolution, especially in payment methods, where traditional methods are no longer sufficient. This transition is not just a response to new technologies, but it has become an imperative necessity for companies to remain competitive and take advantage of the benefits inherent in this monetary evolution. In this regard, the transformation into a cashless payment society becomes essential in all countries, with its important role being evident not only in the economy but also in financial inclusion. (Rahman, Ismail, Bahri, & Rahman, 2022). Cashless payment is one of the methods that enables development and global integration, as it facilitates transactions and investment exchanges between countries. The evolution of currency and payment methods begins with the use of cashless payments and the reduction of cash usage (Srouji, 2020). Cashless payment is a method that allows individuals to avoid carrying cash or to reduce the use of physical currency by making payments through transfers or using electronic money (Phinaonyekwelu & Chinwe, 2019).

While the entire world aims to become a cashless economy, an economic and financial crisis has hindered the implementation of this payment method in Lebanon, especially due to the behavior of the Lebanese banking sector after October 2019. Citizens have preferred to stop using bank cards and checks, particularly after the restrictions on withdrawals and transfers were imposed (AFP, 2022). Withdrawal limits have affected the performance of businesses in Lebanon, particularly SMEs, by reducing liquidity and solvency, which has led to an increase in unemployment and a limitation of investments (Khalife, 2021). To find a solution to their problem, businesses, particularly SMEs, turned back to using cash. However, this method was not effective, as it increased the risk of theft and led to additional expenses, such as installing cameras and safes to secure the money, as well as hiring security personnel. The inefficiency of using cash necessitated the creation of new payment methods, such as mobile money and electronic transfers, offered by companies that transfer money not only abroad but also within the same region, without relying on bank accounts (AFP, 2022). The shift to cash, particularly during the financial crisis, has led to numerous challenges that have affected the financial performance of SMEs. Consequently, it is crucial to understand the influence of cashless payments on these local businesses, not only for regional economic development but also to help SMEs maintain their competitiveness and thrive.

SMEs, as essential players in the economy, are constantly faced with the need to evaluate and adjust their payment methods to remain competitive. Mount Lebanon, as a specific region, hosts a dense network of SMEs within a unique economic ecosystem. Since SMEs are often the drivers of the local economy, understanding how

the adoption of cashless payments influences their financial performance is essential to grasp the overall impact on the local economy. This understanding is even more crucial in the current context of rapid digitization of financial transactions. The literature has revealed that previous studies have found a significant relationship between cashless payments and the financial performance of businesses, but the type of cashless payment that affects financial performance varies by region, and none have been conducted in Mount Lebanon, highlighting the need for further research. Therefore, this study aims to fill this gap and answer a crucial question:

What is the impact of cashless payments on the financial performance of SMEs in Mount Lebanon?

To address this issue, several hypotheses have been formulated:

- H1: Behavioral intention affects the adoption of cashless payments.
- H2: ATM cards impact the financial performance of SMEs in Mount Lebanon.
- H3: POS systems impact the financial performance of SMEs in Mount Lebanon.
- H4: Mobile money impacts the financial performance of SMEs in Mount Lebanon.
- H5: Checks impact the financial performance of SMEs in Mount Lebanon.
- H6: E-transfers impact the financial performance of SMEs in Mount Lebanon.

Based on these hypotheses, we can examine various cashless payment methods that could offer significant contributions. This can help SMEs understand which payment methods are most advantageous in terms of cost and efficiency. Additionally, it can provide valuable insights to policymakers and financial institutions to enhance cashless payments in the region, promote technological adoption, and consequently support the economic development of SMEs in Mount Lebanon.

In this study, the literature review explores the concepts of cashless payments and financial performance, presenting key theories related to our topic and findings from studies conducted worldwide. Following this, an empirical study will detail the research methodology, results obtained, and an in-depth analysis to address our research question. The study will conclude with a summary, limitations, recommendations, and future perspectives.

II. Literature Review

Cashless payment is a technique where monetary transactions are conducted without physical movement (John, Eke, & Ikechi, 2020). It is a non-traditional model that is preferable to be applied in financial stability, aiming to record legal currency in electronic form. According to Rofiat (2017), the term cashless payment does not indicate the complete elimination of cash but is related to the reduction of cash usage in transactions, particularly in online purchases and sales of products and services (Rofiat, 2017). Cashless payment is an economic system where individuals do not need to carry cash but make payments using electronic transfers or electronic money. It involves depositing money into an electronic system and then using it to purchase products and services through debit or credit cards, POS systems, or mobile money (Mieseigha & Ogbodo, 2013). The cashless payment policy consists of using two modes of payment, both cash and cashless, but cashless payment is more frequently used than cash (Phinaonyekwelu & Chinwe, 2019). According to Forel (2015), it is the model that utilizes information and communication technology.

Each new payment method must be easy to use, convenient, secure, and must provide added value compared to existing methods (Forel, 2015). This is the case with cashless payments, which reduce money laundering and facilitate tax collection. They increase competition in the financial sector (Fabris, 2019), promote the economic development of a country, and enhance the payment model (John, Eke, & Ikechi, 2020). They reduce the risk of theft, transaction costs, ensure transparency, speed up transactions, and provide more accurate accounting. Cards and mobile money are available 24/7, which supports business transactions at any time (Mieseigha & Ogbodo, 2013). They encourage competition, facilitate the exchange of information, communication, and decision-making (Talom & Tengeh, 2019).

On the other hand, the transition to cashless payments is costly and has limitations related to issues such as technical disruptions affecting systems, limited knowledge among the elderly and less educated individuals, the increase in cybercriminals, especially when online services are used (Fabris, 2019). It may lead to a reduction in the number of employees, which can result in fewer job opportunities and increased unemployment (John, Eke, & Ikechi, 2020). The high cost of the infrastructure needed to adopt cashless payments (Mieseigha & Ogbodo, 2013) and the inability to implement cashless payments in the poorest regions (Srouji, 2020).

The Evolution and Forms of Cashless Payments

The method of cashless payments has undergone several developments. According to Forel (2015), in France, there was a rapid shift in payment methods that led to dynamic evolution, beginning in the 1960s with check payments, followed by transfers and cards, internet payments, and culminating in 2010 with mobile payments.

Checks were the most common payment method in the early 1900s, where payment was not made directly but required processing through a clearinghouse. This model involves transferring liquid money with three key participants: the payee, the bearer, and the bank. This payment method carries risks such as insufficient funds in the account, signature errors, and the risk of losing the check (Charlie Brocard, 2022).

Automated Teller Machines (ATM cards) facilitate money transfers between clients and suppliers through banking intermediaries (Dalebrant, 2016). They allow users to pay, withdraw money, and access financial transactions in public spaces without needing human interaction (Phinaonyekwelu & Chinwe, 2019). Although this model is the most costly investment in technology, it is widely used for cash deposits (Ali & Emenike, 2016).

Point of Sale (POS) terminals are electronic payment models that use barcodes or bank cards. A POS system is defined as: "the place where a retail transaction occurs. It is the moment when a customer makes a payment to the merchant in exchange for goods" (Dehghan, Ghafoorifard, Shamsi, & Heydari, 2015).

Electronic Funds Transfer or Instant Payment Transfer (E-transfer) allows transfers between different parties via the banking system from a computer or smartphone with internet access (John, Eke, & Ikechi, 2020). Besides withdrawing cash, E-transfer enables various types of transactions without waiting for faxes or acceptance letters or signatures (Ezeanolue & Ekwitosi, 2018).

Mobile money, also known as peer-to-peer payments, involves conducting all types of transactions via mobile phones. Users can access company accounts, pay all kinds of bills without needing expensive infrastructure (Phinaonyekwelu & Chinwe, 2019).

Cryptocurrencies are virtual currencies used for transactions via codes, with Bitcoin being the most widespread. According to Velde (2015), Bitcoin is a set of rules, a communication protocol, or a form of interaction on the internet that users agree to follow to send and receive data. It holds value only when used by those who choose to use it; that is, the exchange of goods and services can only occur if both parties accept Bitcoin.

Factors Influencing the Use of Cashless Payments

Several factors influence the adoption of cashless payments. In their study titled "Implications of Cashless Payment Systems among SMEs in the Service Sector in Malacca," Amer et al. (2020) identified various criteria affecting the adoption of cashless payments. These criteria include ease of use, perceived usefulness, risk, costs, and network, which collectively form behavioral intention. The results, based on Pearson's analysis, reveal a significant relationship between the ease of use, perceived usefulness, risk, and the adoption of cashless payments. Conversely, costs and network do not significantly impact the adoption of cashless payments.

In another study, Rahman et al. (2022) titled "An Empirical Analysis of Cashless Payment Systems for Business Transactions" demonstrated that technological competence, managerial support, critical mass, compatibility, and competitive pressure positively impact the adoption of cashless payments. However, income, location, and type of business do not affect the adoption of cashless payments.

Additionally, a study conducted in Poland, titled "Financial Literacy as a Factor in the Development of Cashless Payments: Survey Results," showed that higher levels of financial knowledge correlate with increased use of cashless payments (Świecka, 2018)

Cashless Payments and Financial Performance in SMEs

As small and medium-sized enterprises (SMEs) are a key component of the economy, they contribute diversity, innovation, and vitality to local markets, while creating job opportunities and fostering economic growth. Despite the challenges they face, SMEs continue to play a crucial role in economic and social development. Cashless payments are one of the strategies adopted by SMEs to manage sales, facilitate transactions, and control their bank accounts, payments, and transactions (Rofiat, 2017). The use of cashless payments has helped SMEs enhance their financial performance by reducing costs and increasing sales (Talom & Tengeh, 2019). Financial innovation impacts performance by providing faster services, reducing queue times, decreasing the number of employees needed, and being available 24/7 (Jumba & Wepukhulu, 2019). It is considered a driver of financial performance because it lowers costs, improves efficiency, and increases profitability due to its impact and potential on consumers (Tahir et al., 2018). Financial performance refers to the assessment of a company's, organization's, or investment's profitability, which can be found in the balance sheet and income statement. It leads to better resource allocation, financing of expenses, improved production, and, thanks to financial technology, market expansion and overall growth (Emad Harash, Suhail Al-Timimi, Jabbar Alsaadi, 2014).

Several theories have been developed to address technology and innovation. The most widespread is the Diffusion of Innovations Theory developed by Rogers in 1983, which explains how new ideas, products, or technologies spread and are adopted by individuals or groups over time. Robinson summarized this theory in 2009, identifying that the adoption of innovation occurs through a three-step process: the quality of the innovation, such as the relative advantage it provides (e.g., economic benefits and ease of use), the importance of communication and networks, and the understanding of the need for the innovation. This theory classifies

individuals into four segments: innovators, early adopters, early majority, late majority, and laggards (Robinson, 2009).

The Technology Acceptance Model developed by Davis in 1989 specifies four phases for technology acceptance: perceived usefulness and ease of use, the user's attitude toward accepting or rejecting the new technology, intention and attitudes predicting the user's desire to use the system and the extent of its use, and actual technology use or how much the system is used. Indeed, technology also depends on its acceptance by the external environment as a criterion of trust (Jumba & Wepukhulu, 2019). Cashless payments are based on this model. However, any model used involves costs that may reduce profits and, consequently, the financial performance of the organization. Therefore, the Transaction Cost Economics Theory developed by Williamson in 1981 states that every time we need to use technology to provide products and services and transition them from one stage to another, we incur transaction costs. These costs can be attributed to the external environment, opportunity cost, risk, and the cost associated with the company's labor.

Previous Studies

Jumba and Wepukhulu (2019) conducted a study on the impact of cashless payments on the financial performance of supermarkets in Nairobi. They employed a quantitative method using multiple regression analysis based on statistical data. The results confirmed that cashless payments have a positive impact on the financial performance of supermarkets.

Rofiat (2017) examined the effect of cashless payments on the financial performance of SMEs in Zaria. The study found that the adoption of advanced technology, particularly the use of POS systems and mobile money, positively influences the financial performance of SMEs in Zaria.

Phinaonyekwelu (2020) investigated the impact of cashless payments on the performance of SMEs in Anambra State, Nigeria. The findings revealed that electronic transfers had a significant positive effect on financial performance, with a 46.1% increase in performance for each unit increase in E-transfer. Similarly, ATMs had a significant positive impact of 60.3% on financial performance, and mobile money had a notable impact of 61.8% on financial performance.

Tahir et al. (2018) studied the impact of financial innovation on the efficiency of banks in Pakistan. Their research showed that ATMs and POS systems had a negative but insignificant impact on the efficiency ratio, while mobile money and E-transfers had a positive but insignificant impact on the efficiency ratio. Consequently, the study concluded that financial innovation does not significantly affect the efficiency of banks in Pakistan.

Akhisar et al. (2015), in their study titled "The Effects of Innovations on Bank Performance: The Case of Electronic Banking Services," which covered 23 developed countries, found that all variables studied were significant. However, the number of cards issued and ATMs had a positive impact, whereas POS systems and E-transfers had a negative impact on profitability (Akhisar, Tunay, & Tunay, 2015).

III. Research Methodology

In this study, the epistemological positioning ensures objectivity through the application of positivism, as described by Zakraoui (2023). According to Zakraoui (2023), positivism involves the researcher being independent, maintaining a neutral stance, and being separate from the subject knowledge. The reasoning method used is hypothetico-deductive, where the researcher formulates hypotheses and tests them to either confirm or reject them. Deduction involves starting with general theories and testing them against specific cases (Khalife, 2021).

The method employed for data collection is a quantitative approach aimed at validating knowledge through unbiased, numerical data. Primary data was collected via a survey specifically designed for this study, using a structured and closed questionnaire to quantify the phenomenon under investigation through statistical methods. A pretest was conducted with 5 SMEs from various sectors to ensure the relevance and consistency of the questions.

The criteria for classifying SMEs in Mount Lebanon are consistent with those used nationally, as defined by the Chamber of Commerce, Industry, and Agriculture of Mount Lebanon and presented in the International Rescue Committee report. Small enterprises are characterized by having 3 to 9 employees, while medium-sized enterprises employ between 10 and 124 people (Committee, 2016).

The questionnaire was distributed to 500 SMEs in the Mount Lebanon region, with 183 responding, forming a representative sample covering the entire region and all sectors.

The variables used to test the hypotheses are divided into independent and dependent variables. All variables undergo reliability testing and correlation analysis to determine which independent variables to include in the multiple regression equation based on the results. Financial performance is measured by the arithmetic mean of several criteria, including revenue growth, market share, gross profit, net profit, reduction in transaction costs, and reduction in costs associated with cash usage. Cashless payment methods considered include ATMs, POS systems, mobile money, e-transfers, and checks, along with behavioral intentions related to competition,

managerial knowledge, risks, security, company size, employee knowledge, transaction speed, internet server, transaction costs, type of business, ease of use, and geographic location.

IV. Findings

The results were divided into two main areas: the factors influencing behavioral intentions affecting the adoption of cashless payments and the impact of cashless payments on the financial performance of SMEs in Mount Lebanon. Before conducting multiple regression analysis, a correlation test was performed as a preliminary step to verify whether there is a linear relationship between quantitative variables. This step helps identify significant relationships between variables, determining which independent variables to include in the multiple regression equation.

Additionally, before proceeding with correlation and regression tests, it was necessary to assess the normality of the data. This step determines whether the variables follow a normal distribution, which is crucial for selecting the appropriate correlation methods, such as Pearson or Kendall, based on the nature of the data distribution. Moreover, a reliability test, such as Cronbach's alpha, was conducted to ensure the reliability of the scale. These preliminary steps are essential to ensure a rigorous analysis.

Factors Affecting the Adoption of Cashless Payments

The established process yielded various results, with Cronbach's Alpha confirming the reliability of the scale with a value of 0.826. The normality test was conducted using the data from Table 5 as a reference. The normality test showed skewness values ranging from -0.494 to -1.038 for cashless payments, and from 0.883 to 0.677 for factors influencing the adoption of cashless payments, indicating that the variables follow a normal distribution. The Pearson correlation test helped identify the independent variables to include in the multiple regression model, revealing that all factors were significant ($F = 0.529$; $\text{sig} < 0.05$), except for the geographical area. Since the quantitative variables follow a normal distribution and there were no issues with multicollinearity, the multiple regression test yielded the following results: The overall correlation coefficient, "R," which measures the overall correlation between all variables, was 0.627, indicating a strong positive correlation. The "Adjusted R²" effectively explains 35.5% of the variation in the dependent variable. The ANOVA test showed a significant relationship between cashless payments and behavioral intention factors ($F = 10.095$; $\text{sig} < 0.001$). Specifically, the coefficient table indicated that only competition ($t = 3.813$; $\text{sig} < 0.01$), ease of use ($t = 3.080$; $\text{sig} = 0.002$), and risks ($t = 1.979$; $\text{sig} = 0.049$) were positively significant variables, while all other factors did not impact the adoption of cashless payments.

Impact of Cashless Payments on the Financial Performance of SMEs in Mount Lebanon

To address our research question, the same procedure was applied. The table below indicates a Cronbach's Alpha coefficient of 0.844 (Table 1), which is generally considered an indicator of high reliability.

Table 1: Reliability Test (Cronbach's Alpha)

Reliability Statistics	
Cronbach's Alpha	N of Items
0.844	6

The normality test indicates that the variables follow a normal distribution, with skewness values ranging from -0.766 to 1.082 for financial performance and from -0.494 to -1.038 for cashless payments. The Pearson correlation test revealed that the relationship between all variables is significant ($F=0.550$, $\text{sig}<0.001$).

To confirm the relationship between the variables, we applied multiple regression analysis to model the dependent variable (financial performance) based on the independent variables (various forms of cashless payments) using a linear regression equation. Initially, we included ATM, POS, mobile money, e-transfer, and checks as independent variables. However, we observed multicollinearity among the variables, with ATM showing a tolerance less than 0.3, necessitating its exclusion from the model. Consequently, the model can be expressed as follows:

$$Y=b_0+b_1X_1+b_2X_2+b_3X_3+b_4X_4$$

where:

- Y = Financial performance of SMEs in Mount Lebanon,
- X₁ = POS,
- X₂ = Mobile money,
- X₃ = E-transfer,
- X₄ = Checks.

The first table of the multiple regression test (Table 2) shows an R-value of 0.578, suggesting a moderately strong relationship (close to 1) between the independent variables (cashless payments) and the

dependent variable (financial performance). Additionally, the adjusted R² is 0.319, indicating that the independent variables explain approximately 31.9% of the variation in the dependent variable (financial performance).

Table 2: Summary of the Models

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.578 ^a	0.334	0.319	0.41295	0.334	22.274	4	178	0.000
a. Predictors: (Constant), POS machine, chèque, transfère électronique, argent Mobile									

The second table of the multiple regression test (Table 3) shows that the F-statistic is 22.274, which serves as a global test of the model's adequacy, with a significant p-value (<0.001). Therefore, cashless payments have a significant effect on the financial performance of SMEs in Mount Lebanon.

Table3: ANOVA test : multiple regression

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.194	4	3.798	22.274	.000 ^b
	Residual	30.355	178	0.171		
	Total	45.549	182			
a. Dependent Variable: Financial performance						
b. Predictors: (Constant), POS Machine, Check, Electronic Transfer, Mobile Money						

The coefficients table for the independent variables (below) indicates the absence of multicollinearity among the variables, with no tolerance values falling below 0.3. Additionally, it highlights several key conclusions:

- When all independent variables are set to zero, the predicted value of the dependent variable is 3.225, and the standard error for the constant is 0.84.
- Mobile money has a significant positive impact on the financial performance of small and medium-sized enterprises (SMEs), with a t-statistic of 3.460 and a significance value (sig) of 0.001. Practically, a one-unit increase in mobile money is associated with a 0.11 unit increase in financial performance.
- Similarly, electronic transfer also shows a significant positive impact on the financial performance of SMEs, with a t-statistic of 3.985 and a significance value below 0.001. Each one-unit increase in electronic transfer is linked to a 0.101 unit increase in financial performance.

In contrast, neither checks (t=0.191, sig=0.849) nor POS machines (t=0.456, sig=0.649) appear to have a significant impact on financial performance.

Table 4: Table of independent variables' coefficients by the dependent variable

Coefficients ^a										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	3.225	0.084		38.466	0.000	3.059	3.390		
	Mobile Money	0.111	0.032	0.291	3.460	0.001	0.048	0.174	0.531	1.884
	Electronic Transfer	0.101	0.025	0.333	3.985	0.000	0.051	0.150	0.536	1.867
	Check	0.006	0.029	0.014	0.191	0.849	-0.052	0.063	0.710	1.408
	POS Machine	0.013	0.028	0.034	0.456	0.649	-0.043	0.069	0.661	1.512
a. Dependent Variable: Financial performance										

V. Discussion

The results obtained clearly indicate that behavioral intention significantly influences the adoption of cashless payments, as evidenced by the significant F-value of 10.095 (with a statistical significance of sig < 0.05). Thus, we can confirm that our hypothesis (H1) is validated. Specifically, among these factors, competition, risk, and ease of use emerge as particularly important behavioral intention factors that influence the adoption of cashless payments. As for the other hypotheses, the impact of cashless payments on the financial performance of

SMEs in Mount Lebanon showed a significant relationship between variables, particularly through mobile money and e-transfers, thus confirming H4 and H6.

The findings reinforce conclusions from previous studies, notably those by Talom et al. (2019), Amer et al. (2020), and Rahman et al. (2022), regarding the importance of ease of use, competition, and risk in the adoption of cashless payments. However, our results do not align with other studies that identified different factors influencing cashless payment adoption.

Regarding the impact of cashless payments on the financial performance of SMEs in Mount Lebanon, our results are consistent with studies by Jumba et al. (2019), Rofiat (2017), Phinaonyekwelu (2020), Ezenanolue et al. (2018), Deghan et al. (2015), and Akhisar et al. (2015), with the exception of Tahir et al. (2018), which found no significant impact. Specifically, our results align with Rofiat (2017) concerning mobile money, showing its positive impact on financial performance. Similarly, for e-transfers, our results are consistent with those of Phinaonyekwelu et al. (2020), Ezenanolue et al. (2018), and Deghan et al. (2015).

Regarding the theories adopted in our study, our findings confirm the first part of Rogers' (1983) innovation theory, which relates to the quality of innovation. Our results show that new technology provides a relative advantage, such as improved financial performance, and ease of use plays a role in the diffusion of innovation. The Technology Acceptance Model developed by Davis is also applicable to our study, with results conforming to the theory. The collected and analyzed data confirm the core concepts of these theories, highlighting the importance of key factors such as perceived usefulness, ease of use, and attitude towards using or risk, which are part of the behavioral intention affecting the adoption of cashless payments. The Transaction Cost Economics theory developed by Williamson in 1981, which posits that every application of new technology incurs costs, also applies to our study. The results show that both the cost of using cash and transaction costs are criteria used to measure financial performance. Therefore, we affirm that our research supports the Transaction Cost Economics theory.

VI. Conclusion

This study aimed to examine the impact of cashless payments on the financial performance of SMEs in Mount Lebanon. Our results indicate a significant positive relationship between the use of cashless payments and the financial performance of SMEs. In other words, when SMEs utilize cashless payments, their financial performance improves. Specifically, we found that among the various forms of cashless payments studied, only e-transfers and mobile money had a significant positive impact on SMEs' financial performance. In contrast, checks, ATM cards, and POS terminals did not show a significant relationship with financial performance, as measured by indicators such as revenue, costs related to cash usage, transaction costs, and gross and net profits. Additionally, our results highlighted that behavioral intention factors such as competition, ease of use, and risk significantly impact the adoption of cashless payments by SMEs, as shown by the multiple regression results indicating a significant positive relationship. Therefore, it is important for SME managers in Mount Lebanon to consider measures to encourage the adoption of cashless payments, which in turn enhances financial performance.

The results have significant implications for the future development of businesses, emphasizing the essential role of cashless payments in an economy where cash is still predominant. Moreover, these findings could have theoretical implications for academics and researchers, contributing to the existing literature on factors influencing the adoption of cashless payments and their impact on SMEs' financial performance.

While our study produced encouraging results, it is important to acknowledge several limitations, as with any research. These include difficulties in obtaining recent statistics on SMEs not only in Mount Lebanon but also nationwide. Data collection was costly due to the need for travel and phone calls, as few respondents answered our questionnaire via email or social media, resulting in coverage of only one geographic area: Mount Lebanon. The results reflect a specific period, and responses to the questionnaire may fluctuate daily due to changes in economic and financial policies, as well as decisions by the central bank and government.

Based on this analysis, several recommendations can be made to assist SME managers and the government in adopting cashless payments. The adoption of cashless payments requires a government plan and strategy to demonstrate their importance to the public and support the transition to a cashless economy. Training for employees on the use of cashless payment systems is also crucial. Encouraging customers and suppliers to use cashless payments is recommended. For future research, employing a mixed-method approach and secondary data, such as company financial reports, is advisable for more in-depth analysis of the relationship between variables.

As cashless payments have emerged as a powerful tool for enhancing and stimulating sustainable innovation initiatives, our study may serve as a foundation for further research examining the impact of sustainable innovation on the financial performance of SMEs in Mount Lebanon.