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Digital Marketing and the Financial Performance of Small and Medium Enterprises (SMEs) in Etsako West Local Government Area, Edo State

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Abstract

The study examined the relationship between digital marketing and the financial performance of Small and Medium Enterprises (SMEs) in Etsako West Local Government Area, Edo State. Despite the increasing availability and potential of digital marketing tools, SMEs in Nigeria, particularly in non-metropolitan areas, have not consistently translated digital marketing adoption into improved financial performance outcomes such as return on investment, gross profit margin, and net profit margin. Specifically, the study examined the relationship between affiliate marketing, social media marketing, content marketing and Return on Investment (ROI), Gross Profit Margin, and Net Profit Margin. A survey design was adopted, utilising a structured questionnaire to collect a sample of 200 SME owners and managers from a population of 250 SMEs using the Krejcie and Morgan sample size determination. The data were analysed using both descriptive statistics and inferential statistics, including simple and multiple linear regression, analysed via SPSS version 21. Findings from the tests revealed that affiliate marketing, social media marketing, and content marketing all exert a positive and statistically significant influence on financial performance indicators. A multiple regression analysis was conducted as a robustness check, which showed that the integrated digital marketing dimensions account for 97.4% of the variance in financial performance. The study concludes that digital marketing is a critical determinant of financial sustainability, with affiliate marketing emerging as the most dominant predictor in a combined strategic framework. The SME operators should prioritise performance-based affiliate partnerships and adopt an integrated content-to-commerce strategy to optimise profitability.

Keywords: *Digital Marketing, Affiliate Marketing, Social Media Marketing, Content Marketing, Financial Performance*

1. Introduction

Emerging economies need SMEs to create jobs, innovate, and reduce poverty. SME ownership in Nigeria is high, and they contribute to socio-economic development through value creation, revenue production, and local sourcing. Despite their strategic importance, Nigerian SMEs suffer structural, financial, and market-access obstacles that hinder performance and long-term survival, especially in competitive and digitalising contexts (Olufemi & Kayode, 2025). Digital technologies have changed how companies interact, gain, and retain customers. Digital marketing uses internet-based channels, platforms, and technology to promote items, create consumer relationships, and drive transactions (Chaffey & Smith, 2023). Digital marketing

technologies, including affiliate platforms, social media networks, and content-driven advertising, have given SMEs options traditionally reserved for major enterprises. These solutions provide cost-effective client reach, targeted communication, and measurable marketing results that match modern consumer behaviour. Digital marketing helps SMEs compete and stand out in Nigeria as internet and smartphone use rise (Olugbenga, 2024). Scholars have studied the relationship between digital marketing use and financial performance, but results vary.

Digital marketing adoption among metropolitan SMEs in Nigeria has been shown to affect consumer reach, sales volumes, and brand competitiveness (Ufondu et al., 2025). Return on investment, gross profit margin, and net profit margin are rarely isolated in this research. Limited empirical studies on non-metropolitan regions, particularly local government districts like Etsako West in Edo State, create a contextual knowledge gap. Financial performance is how well organisations meet financial goals through profitability, investment efficiency, and cost control. Financial performance shows SMEs' ability to earn returns, maintain operations, and grow in dynamic markets (Yendra, 2023). ROI, GPM, and NPM are extensively used as financial performance metrics in SME research because of their objectivity and comparability. Nigerian SMEs face escalating competition, variable input costs, and volatile consumer markets, making these metrics more essential. The study examines how digital marketing affects the financial performance of selected SMEs in Etsako West LGA, Edo State. Affiliate marketing, social media marketing, and content marketing are examined for ROI, gross profit margin, and net profit margin. The study uses field data and quantitative analysis to shed light on this understudied region and advise SMEs on digital initiatives. Due to its potential effects on customer acquisition expenses, sales revenue, and conversion rates, digital marketing usage and financial success need additional study. Non-metropolitan SMEs may use digital tools differently depending on digital literacy and market infrastructure available. Policymakers and SME owners seeking financial sustainability must understand this local government dynamic. The Etsako West Local Government Area in Edo State is a good case study due to its diverse SME operations and rising digital participation.

Financial success is crucial for survival, continuity, and growth in Nigeria's highly competitive and resource-constrained SMEs. Despite digital technology and internet adoption, many SMEs struggle with profitability, cost management, and investment returns (Takainga et al., 2025). Traditional marketing methods need large investments and may have lower reach, measurability, and client engagement than digital ones. SMEs' ability to persistently improve financial performance in dynamic, digital markets is questioned. SMEs may improve client acquisition, market reach, brand positioning, and marketing budgets with digital marketing. Scalable and cost-effective affiliate systems, social media platforms, and content-driven promotional methods are ideal for resource-limited businesses. Nigerian SMEs' digital marketing adoption is variable due to managerial competences, infrastructure constraints, and digital literacy. As a result, digital marketing's financial benefits vary by sector and location. Digital marketing and financial performance research produce mixed findings. In sophisticated economies, digital marketing improves revenue growth, profitability, and return on investment. Contextual issues with technology adoption and market dynamics have led to uneven results in developing nations. In Nigeria, studies emphasise adoption behaviours, marketing benefits, customer engagement, or overall business performance rather than financial performance measures like return on investment, gross profit margin, and net profit margin. Much Nigerian empirical research focuses on metropolitan cities, ignoring local government regions where internet adoption patterns may differ.

The broad objective of this study is to examine the relationship between digital marketing and the financial performance of Small and medium-sized enterprises (SMEs) in Etsako West Local Government Area, Edo State.

However, the specific objectives are to:

- i. examine the relationship between affiliate marketing and the Return on Investment of selected SMEs in Etsako West LGA, Edo State.
- ii. determine the extent of the relationship between social media marketing and gross profit margin of selected SMEs in Etsako West LGA, Edo State.
- iii. assess the nature of the relationship between content marketing and the net profit margin of selected SMEs in Etsako West LGA, Edo State.

The following research questions align with the objectives:

1. What is the relationship between affiliate marketing and the Return on Investment of selected SMEs in Etsako West LGA, Edo State?
2. Does social media marketing have any relationship with the Gross Profit Margin of selected SMEs in Etsako West LGA, Edo State?
3. What is the relationship between content marketing and the Net Profit Margin of selected SMEs in Etsako West LGA, Edo State?

2. Literature Review

2.1 Conceptual Review

The conceptual framework connects this study's primary variables and their expected relationships. It shows how affiliate marketing, social media, and content marketing are thought to affect SMEs' return on investment, gross profit margin, and net profit margin.

2.1.1 Financial Performance

Financial performance is how well an organisation meets financial goals through profitability, revenue efficiency, and investment returns. It quantifies managerial efficiency in creating economic value from resources (Nguyen & Nguyen, 2023). Financial performance, measured by profitability ratios, investment indicators, or cost-related measurements, is the financial success of an organisation during a given period. Financial performance shows SMEs' strategic viability, operational sustainability, and expansion or reinvestment potential. Strong financial performance boosts business competitiveness, retains earnings, and lowers external shocks.

2.1.2 Return on Investment (ROI)

Return on investment (ROI) measures capital efficiency by comparing resource returns to investment costs. Due to its industry-wide comparability, it is extensively utilised as a financial performance measure (Takainga et al., 2025). Marketing, capital, and strategic activities are commonly evaluated using ROI, which is the ratio of net returns to the investment base (Small, 2024). SME managers use ROI evaluation to allocate limited resources to activities with the highest financial returns. In this study, ROI measures SMEs' financial efficiency in turning marketing and operational investments into financial returns.

2.1.3 Gross Profit Margin

Gross profit margin (GPM) is the percentage of revenue that exceeds the actual cost of products sold and shows how well a company manages production costs and sales. It measures operational profitability by measuring price strategy efficacy, cost control, and demand

(Iliemena et al., 2023). Performance ratios like GPM assess core company activities' financial performance before indirect expenditures. Higher gross margins allow SMEs to reinvest, be flexible, and weather market changes. GPM refers to SMEs' operational profitability from core operations in this research.

2.1.4 Net Profit Margin

After operating expenditures, interest, and taxes, net profit margin (NPM) measures the firm's profitability. Cost management efficiency and revenue-generating capabilities are integrated to create a comprehensive perspective of business performance. NPM is commonly used in SME performance research because it is sensitive to internal cost structure and external market situations. Strong NPMs help managers reduce spending and connect cost structures with revenue (Onah, 2025). This study uses NPM to measure SMEs' profitability after deducting direct and indirect business expenditures from revenue.

2.1.5 Affiliate Marketing

In performance-based digital marketing, firms work with affiliates that promote products or services to external audiences for cash compensation based on sales or referrals. Unique tracking URLs, cookies, and platform-based dashboards track user actions and conversions (Adebayo et al., 2025). Researchers define affiliate marketing as a commission-driven digital channel that expands an organization's market reach through third-party promotion. Affiliate marketing lowers customer acquisition expenses by moving promotional risk to incentivised affiliates who produce quality traffic and conversions. Affiliate systems offer wider promotional coverage without upfront advertising costs, making it an attractive digital strategy for resource-limited SMEs. Affiliate marketing is when SMEs use performance-based digital promotions to generate revenue from third-party conversions (Odira & Onyia, 2023).

2.1.6 Social Media Marketing

Social media marketing uses social media to connect with customers, establish relationships, and engage the market. Curated content, multimedia communication, and interactive platform features enable brand–customer interactions. Kaplan and Haenlein (2010) defined social media as internet-based apps that allow user-generated content production and exchange. Social media marketing allows strategic use of these platforms for promotional and branding goals. When managed well, social media marketing helps SMEs improve marketing performance by targeting audiences, providing real-time feedback, and developing communities (Oyekan, 2022). Facebook, Instagram, WhatsApp Business, and TikTok are major digital ecosystems in Nigeria due to rising mobile penetration and youth participation. This study defines social media marketing as SMEs using social media to sell products, engage customers, and boost financial performance (Omotosho, 2023).

2.1.7 Digital Marketing

Digital marketing uses internet platforms, digital tools, and interactive technologies to promote items, engage customers, and enable transactions. It entails strategically integrating digital channels to produce value and demand in dynamic markets. Chaffey and Smith (2023) defined digital marketing as using digital technology to acquire, convert, and retain customers online. Modern digital marketing uses analytics, algorithmic targeting, and platform-based communication to maximise marketing performance and customer experience (Bhaskar & Thaka, 2023). Digital marketing helps SMEs access more customers, boost brand awareness, and compete in crowded markets without breaking the bank (Yendra, 2023).

2.1.8 Content Marketing

Digital content marketing uses valuable, relevant, and consistent material to attract targeted audiences and drive profitable consumer action. It uses blog articles, videos, social media captions, infographics, and product guides to educate rather than promote. Strategic content marketing generates and distributes value-oriented information to impact consumer behaviour and increase corporate performance. Content marketing boosts brand authenticity, customer trust, and SMEs' credibility as market knowledge sources. Content marketing can influence purchasing decisions and financial performance since modern consumers increasingly use digital content to evaluate products. This study defines content marketing as SMEs using value-driven digital content to boost customer engagement and financial performance (Yendra, 2023).

2.2 Theoretical Review

Rogers (2003)'s Diffusion of Innovation (DOI) theory underpins this study. The DOI theory describes how new ideas, technologies, and practices propagate across a social system and helps organisations accept innovations. Rogers says relative benefit, compatibility, complexity, trialability, and observability drive innovation acceptance. Relative advantage is how much an invention is thought to outperform established approaches. Compatibility is how well an invention matches potential users' values, experiences, and needs. Complexity measures the innovation's perceived complexity to understand or use. Trialability allows limited testing before full commitment, and observability allows system stakeholders to see the innovation's effects (Olugbenga, 2024). The DOI hypothesis analyses SMEs' diverse digital marketing tool adoption by concentrating on management views of benefits, operational compatibility, technological complexity, and provable outcomes. In Etsako West Local Government Area, local networks and peer interactions can affect digital marketing adoption. Social systems and communication channels have a role in innovation acceptance. The DOI framework also categorises adopters, revealing that some SMEs adopt digital marketing early but others delay due to resource constraints or scepticism. Understanding this is crucial as digital marketing adoption has financial benefits. Finally, DOI considers cultural, cognitive, and economic variables in innovation uptake in underdeveloped economies. This study uses DOI theory to describe how SMEs in Etsako West Local Government Area adopt digital marketing innovations and how they may affect financial performance.

2.3 Empirical Review

Olugbenga (2024) conducted a study in Nigeria titled: The effects of social media marketing and online advertising penetration in emerging economies. The research uses a mixed-method approach involving quantitative surveys and qualitative interviews with 331 Nigerian company operators from various industries. Digital marketing was widely used, and statistical research indicated that digital technologies increase market reach, visibility, and profitability. The study used the Technology Acceptance Model (TAM) and Diffusion of Innovations (DOI) Theory to understand company adoption and innovation spread. Based on these findings, the author suggested improving digital skills, extending internet infrastructure, and merging digital and conventional communication channels into an integrated marketing communications framework.

In Harare Metropolitan Province, Zimbabwe, Takainga et al. (2025) examined digital marketing metrics and sustained ROI in dry-cleaning SMEs. Thirty registered dry-cleaning SMEs participated in the mixed-method study. Descriptive statistics and theme analysis were **Digital Marketing and the Financial Performance of Small and Medium Enterprises (SMEs) in Etsako West Local Government Area, Edo State**

used to examine structured questionnaires and interview guides. The research findings showed that managers and analysts use digital marketing analytics to develop analytical dashboards to track performance, evaluate strategic outcomes, and make decisions. The study also found a favourable association between digital marketing measures and ROI, showing that knowing metric links improves financial performance and company sustainability. After analysing the data, the authors concluded that digital metric systems are necessary for corporate growth and competitive performance. Given SMEs' considerable economic contribution, they proposed focused training interventions to improve their digital metrics interpretation and use, as well as a longitudinal study to expand awareness across SME sectors.

Lesanmi and Oyedepo (2023) investigated the role of digital marketing in enhancing SME performance in Nigeria. The authors examined the combined effects of social media marketing, email marketing, search engine marketing, mobile marketing, and internet marketing on SME performance using a descriptive survey design. A sample of 397 SMEs was determined through the Taro Yamane formula, and data were collected via convenience sampling. Of the distributed instruments, 374 questionnaires were deemed valid for analysis. Findings indicated that social media marketing, email marketing, search engine marketing, mobile marketing, and internet marketing collectively exerted a significant positive effect on SME performance. The study concluded that SMEs that strategically leverage digital marketing tools experience improved performance outcomes. It further recommended that SMEs adopt integrated digital marketing strategies that utilise multiple channels to achieve synergistic performance gains.

Nosike and Akwuobi (2022) examined the challenges and opportunities confronting small businesses in Nigeria within the broader context of their contribution to national development. The authors acknowledged that small-scale enterprises play a critical role in employment generation, poverty reduction, wealth creation, and contributing to GDP, yet continue to face structural constraints that hinder their sustainable growth. The study adopted a quantitative research approach, utilising a structured Likert-scale questionnaire administered to small business owners. The data collected were organised through frequency distribution and analysed using simple percentage and multiple regression techniques at a 5% level of significance. The findings revealed that although the sector possesses substantial developmental potential, inadequate access to finance, poor business planning, and weak institutional support constitute major impediments to SME survival. Based on these outcomes, the authors recommended enhanced monitoring of loan-disbursing agencies and improved managerial planning among SME owners to foster long-term sustainability.

3. Methodology

The following hypotheses were stated to align with the specific objectives.

1. **H0₁:** Affiliate marketing has no significant relationship with the return on investment of selected SMEs in Etsako West LGA, Edo State.
2. **H0₂:** There is no significant relationship between social media marketing and gross profit margin of selected SMEs in Etsako West LGA, Edo State.
3. **H0₃:** Content marketing has no significant relationship with the net profit margin of selected SMEs in Etsako West LGA, Edo State.

The study uses a research design, sampling strategy, and analytical methods used to assess how digital marketing affects SME financial performance in Etsako West LGA, as described in the methodology. It describes the quantitative survey methodology and statistical methods used to ensure empirical rigour, transparency, and research hypothesis confirmation. Digital marketing's impact on SMEs' financial performance in Etsako West LGA, Edo State, was

examined using a quantitative, cross-sectional survey. This design lets you empirically study variable connections using single-point data. The population included 250 Etsako West LGA SMEs. Formally registered and informal SMEs were included to represent the diversity of local businesses (National Bureau of Statistics, 2021). To ensure industry, business size, and location representation, stratified random selection was employed. The Krejcie and Morgan sample size determination table requires 152 SMEs for a 250-person population. To ensure representativeness and account for non-response, 200 SMEs were proportionally selected from each stratum (Odiwo & Ahanmisi, 2025). Structured questionnaires were given to SME owner-managers or qualified staff to obtain primary data. For better response rates and clarity, physical administration was used. For analysis, only completed surveys were used. The independent variable was digital marketing, assessed by affiliate, social media, and content marketing. Return on investment, gross profit margin, and net profit margin assessed financial success. As in previous SME performance studies, all dimensions were assessed on a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). Expert evaluation and alignment with digital marketing and SME performance research literature assured content and concept validity. An internal consistency criterion of 0.70 was used to measure reliability using Cronbach's Alpha (Ahmad et al., 2024).

Data were coded and analysed using SPSS 25. Respondents and covariates were described by mean, standard deviation, and frequency. Pearson correlation analysis compared research variables. Affiliate, social media, and content marketing were assessed for their effects on ROI, gross profit margin, and net profit margin using regression analysis. A 0.05 significance threshold was used. Voluntary, informed consent was obtained. Participants were anonymous, and data were utilised for scholarly purposes. This section examines how digital marketing affects the financial performance of selected SMEs in Etsako West LGA, Edo State. The research defined digital marketing as affiliate, social media, and content marketing, and financial performance as ROI, gross profit margin, and net profit margin. Systematic reliability testing and descriptive statistical analysis were performed on structured Likert-scale questionnaire data. Pearson correlation, simple linear regression, and multiple regression analyses were used for relationship testing and hypothesis confirmation to guarantee inferential depth.

3.1 Model Specification

Following the identification of the study's variables and the adoption of linear regression as the analytical technique, this section presents the functional and econometric specifications of the model employed to examine the relationship between digital marketing and the financial performance of Small and medium-sized enterprises (SMEs) in Etsako West Local Government Area. The general functional form of the model is expressed as:

$$\text{DM} = f(\text{FP}) \dots\dots\dots (i)$$

Where:

- FP = financial performance (the dependent variable)
- DM = digital marketing (the independent variable)
- f = functional relationship

Table 1: Reliability Statistics

Variable	No. of Items	Cronbach's Alpha
Affiliate Marketing	5	0.982
Social Media Marketing	5	0.990
Content Marketing	5	0.978
Financial performance	5	0.991
Overall Reliability	20	0.995

Source: SPSS Output

Table 1 presents the reliability test results using Cronbach's Alpha to assess the internal consistency of the research instrument. The coefficients of the individual constructs range from 0.978 to 0.991, while the overall instrument yielded a score of 0.995. Given that all values significantly exceed the standard academic threshold of 0.70, the scales demonstrate excellent reliability and internal consistency, ensuring the instrument is suitable for further inferential analysis.

4. Results

Descriptive statistics such as frequencies and percentages were used to answer research questions.

Table 2: Frequency Distribution of Affiliate Marketing

S/N	Items	SA	A	N	D	SD	X	SD
1	Our business uses affiliate partners to promote products or services online.	70	90	10	22	8	3.96	1.097
2.	Affiliate marketing has helped us reach customers we could not access directly.	72	95	8	20	5	4.05	1.014
3.	We offer incentives or commissions to affiliates for successful conversions.	53	85	12	35	15	3.63	1.253
4.	Affiliate marketing contributes to increased customer traffic for our business.	68	92	9	25	6	3.95	1.076
5.	Affiliate promotions have improved our overall marketing effectiveness.	75	96	7	18	4	4.10	0.972

Source: Field Survey, 2025

Table 2 illustrates a high level of adoption for affiliate marketing among the surveyed SMEs, with mean scores (X) ranging from 3.63 to 4.10. The highest mean (X = 4.10, SD = 0.972) indicates that respondents primarily perceive affiliate promotions as a tool for enhancing overall marketing effectiveness. Conversely, the provision of incentives or commissions recorded the lowest relative mean (X = 3.63), suggesting that while the strategy is used for reach, formal incentive structures are less uniform across the sampled businesses.

Table 3: Frequency Distribution of Social Media Marketing

S/N	Items	SA	A	N	D	SD	X	SD
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1	Our business maintains active social media profiles (e.g., Facebook, Instagram, WhatsApp).	88	88	6	15	3	4.22	0.929
2.	Social media platforms help us engage directly with customers.	75	89	10	22	4	4.04	1.024
3.	We use social media content to promote products, services, and offers.	75	90	9	20	6	4.04	1.046
4.	Social media marketing has increased customer inquiries and sales.	80	92	8	17	3	4.15	0.948
5.	Social media activities have strengthened customer relationships and loyalty.	72	93	9	21	5	4.03	1.027

Source: Field Survey, 2025

Table 3 demonstrates a strong integration of social media marketing among the sampled SMEs, with mean scores (X) ranging from 4.03 to 4.22. The highest mean (X = 4.22, SD = 0.929) signifies that businesses primarily focus on maintaining active digital profiles on platforms like Facebook, Instagram, and WhatsApp. Furthermore, the results indicate that social media is a key driver for customer inquiries and sales growth (X = 4.15). While still highly rated, the slightly lower mean for customer loyalty (X = 4.03) suggests that while social media is excellent for reach and lead generation, its role in long-term relationship retention is perceived with marginally less intensity compared to visibility.

Table 4: Frequency Distribution of Content Marketing

S/N	Items	SA	A	N	D	SD	X	SD
1	We create or share informative content (e.g., posts, videos, blogs) to attract customers.	65	92	11	24	8	3.91	1.104
2.	Content marketing helps educate customers about our products or services.	79	91	7	19	4	4.11	0.991
3.	Our content marketing efforts influence customer purchasing decisions.	67	93	10	23	7	3.95	1.079
4.	Posting relevant content improves our business visibility online.	77	94	6	18	5	3.72	0.738
5.	Content marketing activities have contributed to increased customer trust.	69	96	9	20	6	4.01	1.032

Source: Field Survey, 2025

The descriptive analysis in Table 4 reveals that content marketing is a significant driver of customer engagement for the studied SMEs, with mean scores (X) ranging from 3.72 to 4.11. The highest mean (X = 4.11, SD = 0.991) indicates that the primary value of content marketing lies in its ability to educate customers about products and services. Additionally, the strategy is perceived to foster customer trust (X = 4.01). While online visibility (Item 4) recorded the lowest mean in this category (X = 3.72), the overall results remain well above the 3.0 midpoint, underscoring the perceived efficacy of informative and relevant content in influencing consumer behaviour.

Table 5: Frequency Distribution of Financial Performance

S/N	Items	SA	A	N	D	SD	X	SD
1	Our business has experienced increased returns on investment in recent periods (ROI).	57	88	12	33	10	3.75	1.182
2.	We have recorded growth in gross profit margins over time (GPM).	69	89	10	25	7	3.94	1.101
3.	Our net profit margins have improved compared to previous years (NPM).	62	90	11	28	9	3.84	1.145
4.	Our business generates sufficient profit relative to operating costs.	56	87	14	30	13	3.72	1.209
5.	Investments in digital marketing and sales activities have led to higher overall profitability	67	91	10	24	8	3.92	1.107

Source: Field Survey, 2025

Table 5 presents the descriptive statistics for the financial performance of the surveyed SMEs. The mean scores (X), ranging from 3.72 to 3.94, indicate a generally positive trend in financial outcomes. The highest mean (X = 3.94, SD = 1.101) suggests that growth in gross profit margins is the most prominent indicator of financial improvement. Furthermore, respondents strongly link digital marketing investments to overall profitability (X = 3.92). While the efficiency of profit generation relative to operating costs recorded the lowest mean (X = 3.72), the overall findings remain above the benchmark, reflecting a consensus that the sampled SMEs have maintained a healthy financial trajectory during the period under review.

Table 6: Correlation Analysis Matrix

		Correlations			
		Affiliate Marketing	Social Media Marketing	Content Marketing	Financial Performance
Affiliate Marketing	Pearson Correlation	1	.980**	.988**	.980**
	Sig. (2-tailed)		.000	.000	.000
	N	200	200	200	200
Social Media Marketing	Pearson Correlation	.980**	1	.983**	.935**
	Sig. (2-tailed)	.000		.000	.000
	N	200	200	200	200
Content Marketing	Pearson Correlation	.988**	.983**	1	.960**
	Sig. (2-tailed)	.000	.000		.000
	N	200	200	200	200
Financial Performance	Pearson Correlation	.980**	.935**	.960**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	200	200	200	200

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

Source: SPSS Output

Table 6 presents the Pearson correlation coefficients between the dimensions of digital marketing and SME financial performance. The results indicate a strong, positive, and statistically significant relationship ($p < 0.01$) across all variables. Specifically, affiliate marketing exhibited the strongest correlation with financial performance ($r = 0.980$), followed by content marketing ($r = 0.960$) and social media marketing ($r = 0.935$). These high

coefficients suggest that as the adoption of these digital marketing strategies increases, there is a corresponding and substantial improvement in the financial performance of the surveyed SMEs.

Hypotheses Testing and Regression Analysis

H0₁: Affiliate marketing has no significant effect on the return on investment of selected SMEs in Etsako West LGA, Edo State.

Table 7: Model Summary 1

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.980 ^a	.960	.959	.228

a. Predictors: (Constant), Affiliate Marketing

Source: SPSS Output

Table 7 presents the regression model summary for the predictive relationship between affiliate marketing and return on investment. The coefficient of determination (R^2) is 0.960, indicating that 96.0% of the variance in the return on investment of SMEs in Etsako West LGA is explained by affiliate marketing.

Table 8: ANOVA 1

ANOVA ^a						
	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	243.945	1	243.945	4699.670	.000 ^b
	Residual	10.278	198	.052		
	Total	254.222	199			

a. Dependent Variable: Return on Investment

b. Predictors: (Constant), Affiliate Marketing

Source: SPSS Output

The ANOVA results in Table 8 evaluate the overall statistical significance of the regression model. With an F-value of 4699.670 and a p-value of 0.000 ($p < 0.05$), the model is highly significant. This indicates that affiliate marketing is a valid predictor of Return on Investment (ROI), and the relationship between these variables is not due to random chance. This result establishes the statistical fitness of the model for hypothesis testing.

Table9: Regression Results 1

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.324	.063		-5.165	.000
	Affiliate Marketing	1.056	.015	.980	68.554	.000

a. Dependent Variable: Return on Investment

Source: SPSS Output

The coefficient analysis results show that affiliate marketing has a positive and significant influence on return on investment ($\beta = 0.980$, $t = 68.554$, $p < 0.05$). The unstandardized

coefficient ($B = 1.056$) indicates that for every unit increase in affiliate marketing adoption, ROI increases by approximately 1.06 units. Therefore, since the p-value (0.000) is less than the 0.05 significance level, the null hypothesis is rejected, and the alternative hypothesis is accepted. Affiliate marketing has a significant impact on the return on investment (ROI) of SMEs in Etsako West LGA.

H0₂: Social media marketing has no significant effect on gross profit margin of selected SMEs in Etsako West LGA, Edo State.

Table 10: Model Summary 2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.935 ^a	.875	.874	.401

a. Predictors: (Constant), Social Media Marketing

Source: SPSS Output

The model summary indicates a very strong relationship between social media marketing and gross profit margin. The coefficient of determination ($R^2 = 0.875$) revealed that social media marketing accounts for 87.5% of the variance in the gross profit margin of the surveyed SMEs.

Table 11: ANOVA 2

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	222.335	1	222.335	1380.547	.000 ^b
Residual	31.888	198	.161		
Total	254.222	199			

a. Dependent Variable: Gross Profit Margin

b. Predictors: (Constant), Social Media Marketing

Source: SPSS Output

The ANOVA results confirm the statistical significance and overall fitness of the regression model. With an F-statistic of 1380.547 and a significance value of .000 ($p < 0.05$), the model demonstrates a high degree of predictive validity. This indicates that the relationship between social media marketing and gross profit margin is statistically significant and not the result of random variation, confirming that social media marketing significantly contributes to the model's explanatory power.

Table 12: Regression Results 2

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	T
		B	Std. Error	Beta	
1	(Constant)	-.596	.123		-4.863
	Social Media Marketing	1.082	.029	.935	37.156

a. Dependent Variable: Gross Profit Margin

Source: SPSS Output

The coefficient analysis reveals that social media marketing exerts a positive and statistically significant influence on the gross profit margin of the selected SMEs ($\beta = 0.935$, $t = 37.156$, $p < 0.05$). Specifically, the unstandardized coefficient ($B = 1.082$) implies that a unit increase in

social media marketing activities corresponds to a 1.082-unit improvement in gross profit margin. Based on these results, the study concludes that social media marketing is a vital determinant of financial success for small and medium enterprises in Etsako West LGA. Consequently, the research hypothesis stating that social media marketing has a significantly positive relationship with the gross profit margin of selected SMEs is accepted, as the p-value of 0.000 falls well below the standard 0.05 threshold for statistical significance.

H0₃: Content marketing has no significant effect on the net profit margin of selected SMEs in Etsako West LGA, Edo State.

Table 13: Model Summary 3

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.960 ^a	.921	.921	.318

a. Predictors: (Constant), Content Marketing

Source: SPSS Output

The model summary reveals a very high degree of association between content marketing and net profit margin. The coefficient of determination ($R^2 = 0.921$) indicates that content marketing explains 92.1% of the variance in the net profit margin of the SMEs studied.

Table 14: ANOVA 3

ANOVA ^a					
Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	234.165	1	234.165	2311.631	.000 ^b
Residual	20.057	198	.101		
Total	254.222	199			

a. Dependent Variable: Net Profit Margin

b. Predictors: (Constant), Content Marketing

Source: SPSS Output

The ANOVA results indicate that the regression relationship is statistically significant and highly robust. With an F-statistic of 2311.631 and a significance value of .000 ($p < 0.05$), the model demonstrates an excellent fit for the data. This statistical evidence confirms that content marketing is a reliable and significant predictor of Net Profit Margin, reinforcing the validity of the regression model in explaining the financial variations within the selected SMEs.

Table 15: Regression Results 1

Coefficients ^a					
	Model	Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	-.637	.096		-6.660
	Content Marketing	1.135	.024	.960	48.079

a. Dependent Variable: Net Profit Margin

Source: SPSS Output

The coefficient analysis for the final model reveals that content marketing has a strong, positive, and statistically significant impact on the Net Profit Margin of the SMEs ($\beta = 0.960$, $t = 48.079$, $p < 0.05$). The unstandardized coefficient ($B = 1.135$) suggests that for every unit increase in content marketing efforts, the net profit margin improves by approximately 1.14 units. Based on these findings, the research hypothesis stating that content marketing has a

Digital Marketing and the Financial Performance of Small and Medium Enterprises (SMEs) in Etsako West Local Government Area, Edo State

significantly positive relationship with the net profit margin of selected SMEs is accepted, as the p-value of 0.000 is well below the 0.05 significance threshold. The strategic use of informative and engaging content is a major driver of profitability for small and medium enterprises in Etsako West LGA.

5. Discussion

This study shows how digital marketing affects SMEs' financial performance in Etsako West LGA. Hypothesis testing repeatedly shows that digital marketing drives small business profitability, growth, and competitive advantage. The initial hypothesis test showed a substantial positive correlation between affiliate marketing and SMEs' ROI ($\beta = 0.980$, $p < 0.05$). This showed that third-party partners and performance-based marketing might help SMEs extend their market reach with less upfront expense and better returns. The finding corroborates the study of Fabilia and Aprianingsih (2024), who found that affiliate marketing helps small businesses increase sales and ROI by moving advertising risk to the affiliate. Nkpurukwe et al. (2025) revealed that performance-based digital partnerships help SMEs in emerging economies scale to financial stability without hefty advertising expenses.

The second hypothesis showed a substantial positive correlation between social media marketing and gross profit margin for the chosen SMEs ($\beta = 0.935$, $p < 0.05$). The high coefficient highlights WhatsApp, Facebook, and Instagram's significance in cutting middleman costs and enabling direct-to-consumer connection. The finding corroborates the study of Efemena et al. (2023), who found that social media platforms help SMEs create brand equity and boost sales at a quarter of the expense of traditional media. According to Omotosho (2023), social media marketing boosts consumer loyalty and purchase frequency, which boosts Nigerian SMEs' gross profit margins.

The third hypothesis found a substantial beneficial impact of content marketing on net profit margin ($\beta = 0.960$, $p < 0.05$). SMEs may cut client acquisition expenses by providing quality, relevant, and consistent content to build authority and trust. The finding corroborates the study by Eshiett et al. (2022), who found that content marketing is a "compounding asset" for organisations, where the audience acquired through content overcomes the expense of development. The finding corroborates the study of Eko et al. (2025), who found that instructive and engaging content is the best strategy for SMEs in regional clusters to distinguish items in crowded markets and increase net profit margins.

5.1 Summary of Findings

The findings of this study revealed that digital marketing has a significant and positive relationship with the financial performance of SMEs in Etsako West Local Government Area, Edo State. Specifically:

1. Affiliate marketing was found to have a strong and statistically significant relationship with Return on Investment ($\beta = 0.980$, $p < 0.05$), indicating its effectiveness as a cost-efficient, performance-based strategy for improving financial returns.
2. Social media marketing demonstrated a significant positive relationship with gross profit margin ($\beta = 0.935$, $p < 0.05$), suggesting that direct customer engagement and reduced marketing costs contribute to improved profitability.
3. Content marketing showed a significant positive influence on net profit margin, highlighting its role in building customer trust and reducing long-term customer acquisition costs.

Digital Marketing and the Financial Performance of Small and Medium Enterprises (SMEs) in Etsako West Local Government Area, Edo State

The combined effect of affiliate marketing, social media marketing, and content marketing revealed a substantial contribution to overall financial performance ($\beta = 1.533$), indicating that an integrated digital marketing approach enhances SME profitability more effectively than isolated strategies. Overall, these findings confirmed that digital marketing dimensions are critical drivers of financial success among SMEs.

6. Conclusion

This study found that digital marketing boosts SMEs' financial performance in Etsako West LGA, Edo State. Affiliate marketing, social media marketing, and content marketing positively and statistically significantly affected return on investment, gross profit margin, and net profit margin. Affiliate marketing is the biggest revenue driver, highlighting the need for an integrated digital marketing approach. The study concludes that digital marketing is a strategic instrument for customer engagement, profitability, and financial sustainability for SMEs in a competitive and changing business environment.

6.1 Recommendations

Based on the empirical findings, the following recommendations are proposed to enhance the financial performance of SMEs in Etsako West LGA:

1. SMEs should shift from costly fixed advertising to performance-based models by collaborating with local influencers and digital partners to drive sales on a commission basis.
2. Use social media as a supportive infrastructure and optimise platforms like WhatsApp Business and Instagram as conversion funnels that direct traffic toward affiliate links or valuable content, improving gross profits through direct social engagement.
3. Transition from generic content to a strategic model that creates high-quality educational materials addressing customer pain points, thereby reducing acquisition costs and enhancing brand authority.

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