

# Corporate Borrowing Dilemmas in the Age of Digital Lending: Balancing Speed and Risk

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## Abstract

This study investigated the corporate borrowing dilemma in the context of digital lending platforms, focusing on the trade-off between the speed and convenience offered by these platforms and the associated risks, particularly high-interest rates. With the rapid growth of digital lending platforms in comparison to traditional banks, corporate borrowers are faced with an important decision: whether to prioritize quick access to funds or to opt for lower-interest rates typically offered by traditional banks, despite slower loan approval processes.

A survey was conducted with a sample size of 200 corporate borrowers, representing a diverse demographic, including 70% male and 40% degree-educated respondents. The study employed a Likert scale to assess borrowers' preferences and perceptions regarding the advantages and disadvantages of digital lending platforms. Key findings revealed that 76% of respondents preferred borrowing from digital lending platforms, even in the face of higher interest rates. The primary factors influencing this preference were speed (80%) and convenience (60%), while risks such as high interest rates (70%) and concerns about data privacy (60%) were also acknowledged by the respondents.

Statistical analysis, including Chi-square and regression tests, was performed to explore the relationships between demographic factors and borrowing preferences. The results indicated that while demographic variables like gender and education level did not significantly influence borrowing decisions,

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\*\*Related declarations are provided in the final section of this article.

The speed of loan processing was the most significant driver for choosing digital lending platforms, with a negative correlation between high-interest rates and platform preference

## **1.1 Introduction**

The advent of digital lending platforms has revolutionized borrowing particularly by corporate entities (Agu et al, 2024). These platforms have gained popularity due to their ability to offer fast and convenient loans compared to traditional banks (Addy et al, 2024). The Fintech's approach to banking otherwise known as financial inclusion (CBN, 2025) makes corporate borrowers have alternatives to the conventional banking platforms.

These technologies have the dual advantage of improving predictive accuracy and facilitating financial inclusion by extending credit to populations previously excluded from formal lending channels. Furthermore, digital lenders in Nigeria increasingly integrate biometric identifiers (e.g., Bank Verification Number) and velocity checks to improve borrower identification and mitigate fraud (Lalaiants, 2024).

However, despite the speed and accessibility they provide, corporate borrowers face a significant dilemma: balancing the allure of quick financing with the risks associated with higher interest rates, opaque terms, and potential data privacy issues (Vu & Trang, 2025; Okoli, 2025).). As corporate firms especially the SMEs increasingly turn to digital lending for capital needs, it becomes crucial to examine the challenges they face, and the factors influencing their decision-making process (Tembo,2026).

This study explores the key dilemma that corporate borrowers face when borrowing from digital lending platforms: whether the speed and convenience of obtaining funds outweigh the risks of higher interest rates and potential long-term financial strain (Robinson, Park, & Blumenstock 2023). Specifically, the study investigates how corporate firms weigh the advantages of digital lending platforms, including speed, against the disadvantages, such as high-interest rates and regulatory uncertainties

## **1.2 Statement of the Problem**

Traditional credit assessment frameworks adopted by conventional financial institutions are primarily based on static financial records and limited credit bureau data (Addy et al, 2024). This often fail to capture the complex, dynamic risk profiles of borrowers particularly those without formal records or regular income patterns (Vu & Trang, 2025). While digital lending platforms have proliferated (CBN,2025), offering businesses much-needed access to capital, there remains an urgent need for proper understanding of how corporate borrowers make decisions in this environment given the high-interest rates and regulatory uncertainties (Suhardi,2025; Balyuk 2023; Di Maggio, Ratnadiwakara, & Carmichael 2022)). Are they prioritizing speed and convenience, or are they more concerned with the long-term implications of borrowing at high-interest rates?

Credit risk remains the major issue facing Nigerian financial institutions, including digital lenders (CBN,2025). While several scholars had written on digital lending and the consequences

thereon (Ademola, 2025; Paknahad, Khalili & Jahanbakht ,2025) limited numbers returned verdicts on the borrowers' dilemma given the unconventional mode of loan disbursement and massive interest thereon (Juma, Kariuki, Oneya, Pkatey, Anyira, & Jemaiyo, (2025). significant gaps exist in understanding this emerging model.

In summary, this research seeks to address the dilemma faced by corporate borrowers when choosing between traditional lending institutions and emerging digital/fintech lending platforms. With increasing numbers of corporate firms opting for digital loans (Paknahad et al, 2025; Juma et al,2025), it is critical to investigate the factors influencing these decisions and the consequences they may bring.

### **1.3 Objectives of the Study**

- ✓ To evaluate the factors influencing corporate borrowers' decision to use digital lending platforms.
- ✓ To investigate the perceived risks associated with borrowing from digital lending platforms.
- ✓ To examine the relationship between the corporate borrowers' preferences for speed and convenience versus the risk of high-interest rates.
- ✓ To explore whether corporate firms' demographic factors (e.g., gender, educational background) influence their preferences for digital lending platforms.

### **Research Questions**

- ✓ What are the primary factors influencing corporate borrowers' decision to use digital lending platforms?
- ✓ What are the perceived risks and benefits associated with borrowing from digital lending platforms?
- ✓ How do corporate borrowers weigh speed and convenience against high-interest rates when choosing a lending platform?
- ✓ Does the demographic profile of corporate borrowers (e.g., gender, education level) influence their decision to use digital lending platforms?

### **Research Hypothesis**

**H01:** There is a significant relationship between corporate borrowers' preference for digital lending platforms and the perceived advantages of speed and convenience.

**H02:** Corporate borrowers who prefer digital lending platforms are more likely to agree that higher interest rates are acceptable in exchange for faster access to capital.

**H03:** Demographic factors, such as gender and education level, significantly influence corporate borrowers' preference for digital lending platforms.

## 2. Literature Review

### 2.1 Conceptual Model

Digital lending refers to the use of online platforms, mobile apps, and algorithmic systems to facilitate loan applications, credit scoring, and loan disbursement without traditional banking intermediaries. Unlike traditional bank loans that require physical applications and in-person assessments, digital lending uses technology-driven credit underwriting, alternative data, and automation to make faster decisions (Martins, 2024; Ademola, 2025).

At its core, digital lending is part of the broader FinTech ecosystem where speed, convenience, and accessibility are positioned as key advantages (). For corporate entities, this means reduced barriers to credit and the ability to access working capital faster, hence a stark contrast from the lengthy procedures of traditional banks.

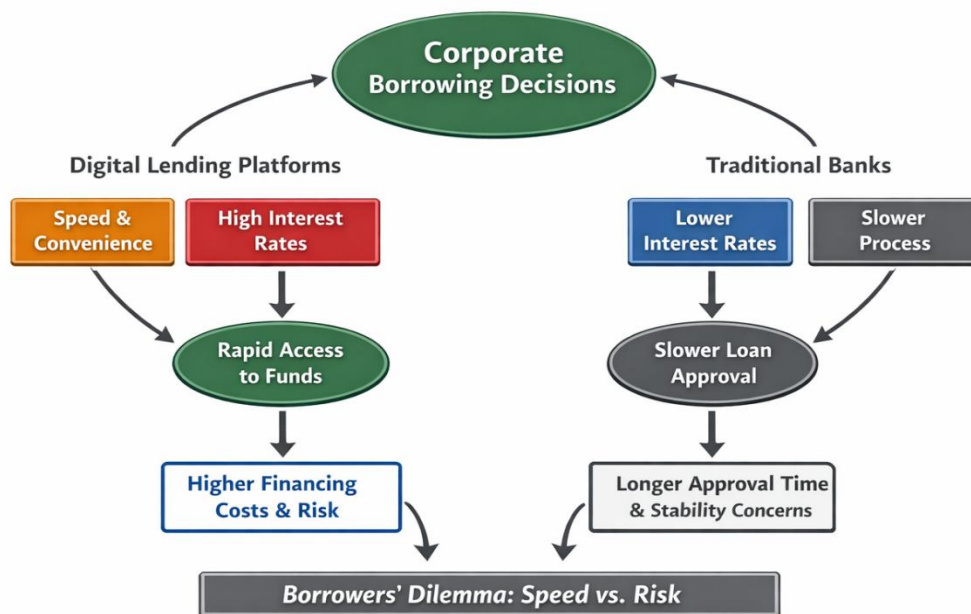
Although digital lending platforms enhance financial inclusion through speed, convenience, and reduced collateral requirements, critical concerns remain—namely high effective annual percentage rates (APR), limited contractual transparency, and exposure to data-privacy breaches (Lee et al., 2021). These features generate a fundamental borrower trade-off: enhanced access to liquidity is frequently offset by increased risk exposure, complex cost structures, and potential long-term financial vulnerability. From an information-asymmetry perspective, such dynamics may disproportionately disadvantage less financially literate borrowers ().

The conceptual framework emerging from recent research suggests that borrowers' dilemmas in digital lending arise from the interplay between access, cost, financial literacy, behavioral finance elements, and institutional context. Effective corporate decision-making in digital lending environments depends on balancing these factors to optimize financial outcomes without exposing firms to unsustainable financial stress.

Recent research (Ademola, 2025) shows that borrowers' decision-making in digital lending is driven by psychological and economic determinants, including:

- Ease of access and minimal documentation which significantly increases adoption, particularly in underbanked regions.
- Perceived convenience and speed, which often outweigh concerns about costs in both individual and corporate borrowers.
- Financial literacy and awareness, which shapes how borrowers interpret terms, manage repayments, and balance risks.

See below the conceptual model in diagram below:



Conceptual model

### 2.1.1. Independent and Dependent Variables in the Context of Borrowers' Dilemma in Digital Lending

The relationship between various **independent variables** (factors that influence the borrowing decision) and **dependent variables** (outcomes influenced by those decisions) are explained below:

#### Independent and Dependent Variables-Borrowers' Dilemma in Digital Lending

In the context of borrowers' dilemma in digital lending platforms, the relationship between various independent variables (factors that influence the borrowing decision) and dependent variables (outcomes influenced by those decisions) can be illustrated as follows:

#### Independent Variables (Factors Influencing Borrowing Decision)

The independent variables represent the key factors or conditions that impact how corporate borrowers make decisions when choosing between digital lending platforms and traditional banks. These factors can vary based on the borrower's context, preferences, and financial situation.

1. Speed of Loan Processing (Ease of Access): Refers to how quickly the loan is approved and disbursed through the digital lending platform versus traditional banks. According to Suhardi (2025), quick loan disbursement is a critical factor driving the adoption of digital lending platforms, particularly among SMEs and corporate borrowers needing fast liquidity

2. Interest Rates and Loan Costs :This includes both the interest rate and any additional fees associated with borrowing from digital lending platforms or traditional banks. Digital lending platforms often charge higher interest rates compared to traditional banks due to the risk of unsecured loans and the operational costs associated with digital platforms (Ademola, 2025).

3. Perceived Risk (Financial Risk and Data Privacy): Borrowers' perception of risk in terms of financial consequences (e.g., repayment difficulties) and concerns about data privacy (the risk of personal and financial information being misused by digital lending platforms). A higher perceived risk may deter some borrowers from using digital platforms, especially if they have concerns about hidden fees, non-transparent lending terms, or exposure of sensitive data (Martins, 2024).

4. Financial Literacy: Refers to the borrower's understanding of financial concepts, including loan terms, repayment schedules, interest rates, and the overall impact of borrowing on business finances. Borrowers with higher financial literacy are better equipped to understand the trade-offs between speed and cost and make more informed decisions about digital lending platforms (Chen et al., 2023).

Regulatory Environment :This involves the level of regulation and consumer protection laws governing digital lending platforms and traditional financial institutions. A well-regulated environment might increase borrowers' trust in digital lending platforms, reducing the perception of risk associated with borrowing (Suhardi, 2025). In contrast, a lack of regulation may make borrowers hesitant, as they may be exposed to high interest rates or predatory practices.

### **Dependent Variables (Outcomes or Effects of Borrowing Decision)**

The dependent variables represent the outcomes or effects that result from the borrower's decision to choose a digital lending platform or a traditional bank. These outcomes are influenced by the independent variables listed above.

1. Borrower's Loan Choice (Digital Lending vs. Traditional Banking): This is the primary dependent variable, as it represents the decision of the borrower to either opt for digital lending platforms or traditional banking institutions for their financing needs. Based on the independent variables such as speed, interest rates, and financial literacy, the borrower will choose the most appealing option that meets their financial needs and risk tolerance. The outcome of this choice can determine how well the borrower's needs are met, and whether it leads to financial stability or stress.

2. Borrower's Financial Well-Being:Refers to the overall financial health of the borrower post-loan acquisition, which includes their ability to manage the debt, repay the loan, and maintain positive cash flow. Borrowers who choose digital lending platforms may experience financial strain due to high-interest rates, especially if the loan is not managed properly. On the other hand, traditional banking may lead to long-term stability as the lower interest rates and more transparent terms make repayment easier and less stressful.

3. Repayment Performance:This measures how effectively the borrower is able to repay the loan within the agreed terms and whether they incur any penalties for late payments.Higher interest

rates and more lenient repayment conditions in digital lending can sometimes lead to poor repayment behavior and delinquency. Borrowers from traditional banks may have a better track record of repayment due to clearer terms and lower monthly repayment burdens (Suhardi, 2025).

4. Perceived Satisfaction with the Loan Process: This variable measures how satisfied the borrower is with the overall borrowing experience, considering factors like speed, customer service, transparency, and ease of access.: Borrowers who choose digital platforms may feel satisfied with the speed and ease of access, but their satisfaction may decrease if they find the interest rates too high or if the terms are unclear. Conversely, borrowers who go with traditional banks may feel more confident in the terms but may be dissatisfied with the slower approval process (Chen et al., 2023).

**Summary of Independent and Dependent Variables:**

Independent Variable	Dependent Variable	Effect
Speed of Loan Processing	Loan Choice	Borrowers may prefer digital lending for quick access to funds.
Interest Rates	Financial Well-Being	Higher interest rates in digital loans may lead to increased financial strain.
Perceived Risk	Repayment Performance	Higher risk perception can deter borrowers from choosing digital platforms or cause repayment difficulties.
Financial Literacy	Satisfaction with Loan Process	Financially literate borrowers make more informed decisions, leading to higher satisfaction.
Regulatory Environment	Borrower’s Loan Choice	Strong regulation may increase trust in digital platforms.

Researchers compilation

**2.2 Theoretical Review**

This study draws upon two key theories to understand the behaviour of corporate borrowers when using digital lending platforms: the Theory of Planned Behaviour (TPB) by Ajzen (1991) and Financial Intermediation Theory. Each theory provides a distinct perspective on the decision-making processes, the role of intermediaries, and the risks associated with digital lending platforms.

## **1. Theory of Planned Behaviour (TPB)**

The Theory of Planned Behaviour (TPB), developed by Icek Ajzen (1991), is a psychological framework that explains how individuals' intentions lead to specific behaviours. TPB suggests that the behaviour of an individual is influenced by three main factors:

1. Attitude toward the behaviour: The individual's positive or negative evaluation of the behaviour (in this case, borrowing from digital platforms).
2. Subjective norms: The influence of others, or social pressures, on the individual's decision to perform the behaviour.
3. Perceived behavioural control: The individual's perception of their ability to perform the behaviour, considering external factors like resources or opportunities.

In the context of corporate borrowing from digital lending platforms, TPB can be applied to understand how borrowers' attitudes toward the speed and convenience of digital platforms shape their borrowing decisions. Corporate borrowers might evaluate the process of borrowing via digital platforms as more efficient and accessible, leading them to develop a positive attitude toward digital lending.

Furthermore, subjective norms play a role in influencing borrowing decisions. If businesses perceive that competitors or other firms in their industry are increasingly using digital lending, they may feel social pressure to adopt the same behaviour, which could influence their choice of lending platforms.

Lastly, perceived behavioural control refers to whether borrowers believe they can successfully navigate the digital lending process, including understanding loan terms, managing repayment, and ensuring they have the financial stability to repay loans. A borrower's confidence in their ability to successfully use the platform is influenced by factors like financial literacy and previous experiences with digital financial services (Ademola, 2025). If borrowers perceive digital lending platforms as user-friendly, their perceived behavioural control is likely to increase, further motivating their choice of platform.

In summary, the TPB framework helps explain why borrowers may be attracted to digital lending platforms due to perceived advantages such as speed and ease of access, and how these factors may outweigh concerns about interest rates, risk, and transparency. This theory is particularly relevant in examining how attitudes and perceived control shape borrowing decisions in the digital lending context.

## **2. Financial Intermediation Theory**

The Financial Intermediation Theory focuses on the role of financial intermediaries in facilitating transactions between borrowers and lenders. In the traditional financial system, intermediaries (such as banks) act as intermediaries between savers and borrowers, transforming funds and lowering transaction costs. The theory explains that financial intermediaries enable businesses and individuals to access capital that would otherwise be difficult or impossible to obtain directly.

In the context of digital lending platforms, these platforms act as new intermediaries in the credit market, transforming the traditional financial intermediation role. Digital platforms can help lower transaction costs by utilizing automated credit scoring models, big data analytics, and machine learning to evaluate creditworthiness more efficiently and at a lower cost compared to traditional banks (Suhardi, 2025). This reduction in cost allows borrowers, including corporate firms, to access funds quickly and with less paperwork, improving the overall efficiency of the lending process.

However, while digital platforms bring several advantages, Financial Intermediation Theory also highlights several potential risks:

1. **Market Instability:** Digital lending platforms, which often operate in relatively unregulated markets, may introduce risks of financial instability, especially if the platforms are vulnerable to overexposure, high default rates, or unexpected economic shocks.
2. **Lack of Regulatory Oversight:** Unlike traditional banks, which are subject to extensive regulations and oversight, many digital lending platforms operate in less regulated environments. This lack of oversight increases the risk of predatory lending, hidden fees, and non-transparent terms, which could harm corporate borrowers in the long run (Suhardi, 2025).
3. **New Risks:** While digital platforms reduce transaction costs, they may create new risks, particularly related to data privacy and security. As digital lenders often rely on alternative data (such as social media activity, mobile phone data, or e-commerce transactions) to assess creditworthiness, there is a risk of data misuse or discriminatory lending practices (Chen et al., 2023).
4. **Access vs. Risk:** Digital platforms are often seen as more accessible to borrowers who may not meet traditional banks' requirements. However, this accessibility can also bring about higher credit risks, as platforms may be more willing to lend to high-risk borrowers, leading to higher default rates and greater financial strain on borrowers (Martins, 2024).

### **Application to Digital Lending**

Both the Theory of Planned Behaviour and Financial Intermediation Theory are highly applicable to understanding the complex decision-making processes involved in corporate borrowing from digital lending platforms.

- TPB helps explain individual behaviours in terms of borrowing preferences, such as the balance between convenience (speed of access) and costs (higher interest rates and fees). Corporate borrowers' attitudes toward digital platforms, influenced by social norms and perceived control over the process, drive their decision to use these platforms.
- Financial Intermediation Theory helps us understand the role of digital platforms as intermediaries, lowering transaction costs and increasing financial access but

simultaneously introducing new risks due to market instability and lack of regulatory oversight.

Thus, the decision to borrow from digital lending platforms involves an interaction between behavioural attitudes, financial advantages, and new risks posed by the technology and regulatory environment

### **2.3 Empirical Review**

The trend of corporate borrowing through digital platforms has been gaining significant momentum in recent years, especially in emerging markets. This shift reflects a growing preference among corporate borrowers for the speed and convenience that digital lenders offer, despite the associated higher costs. Several recent studies have explored this phenomenon, highlighting both the attractions and the challenges faced by businesses when opting for digital lending.

Xie et al. (2022) conducted a comprehensive study on corporate borrowing behavior in emerging markets, focusing on the role of digital lending platforms. They found that businesses are increasingly attracted to digital lending platforms due to the speed and ease of obtaining loans. In emerging markets, where access to traditional banking is often limited or slow, digital platforms offer a lifeline by providing quick approval times and minimal documentation. However, the study also pointed out that high-interest rates remain a significant barrier. Many borrowers are willing to pay higher costs in exchange for immediate access to capital, but this creates a trade-off between convenience and affordability. This dynamic is particularly relevant for small and medium enterprises (SMEs), which rely on fast access to funding but are often limited by their ability to absorb high borrowing costs.

Zhang et al. (2022) conducted a study on Chinese firms, exploring their borrowing preferences in the context of digital lending platforms. Their findings showed that 70% of businesses preferred to borrow from digital lenders, even though these platforms charged higher interest rates compared to traditional banks. The speed of loan approval and the flexibility offered by digital lenders were identified as key factors driving this preference. Zhang et al. concluded that, while costs were a concern, the accessibility and speed of digital loans outweighed these disadvantages for many firms. Their study underscores a global trend where businesses prioritize quick access to capital over the potential downsides of high-interest rates, particularly when facing urgent liquidity needs.

A study by Smith (2023) focused on corporate borrowers in Nigeria, providing further evidence of the growing reliance on digital lending platforms. The study found that 76% of respondents agreed that, although digital platforms were more expensive, they were preferable due to their speed and accessibility. In Nigeria, where traditional financial institutions often have long approval processes and require extensive documentation, digital platforms offer a convenient alternative. This preference for speed was particularly pronounced among small and medium-sized businesses (SMEs) that rely on fast financing for day-to-day operations or expansion projects. Smith's study highlights the critical role of digital lenders in providing access to credit in emerging economies, where financial inclusion is often limited by traditional banking systems.

## **Summary of Empirical Studies**

- ✓ Speed and convenience are the primary factors driving corporate borrowers toward digital lending platforms, particularly in emerging markets where access to traditional bank loans is slower and more cumbersome.
- ✓ High-interest rates remain a significant concern for corporate borrowers, but many are willing to accept the higher costs in exchange for quick access to funds.
- ✓ Studies across China and Nigeria demonstrate that digital lending platforms are becoming increasingly attractive for businesses, even in the face of higher borrowing costs, due to their flexibility, accessibility, and fast approval times.
- ✓ While digital lending offers advantages, it also introduces risks, particularly for businesses that may struggle with the high cost of credit or face challenges in managing repayment schedules.

## **3.0 Research Methods**

The research methodology outlines a clear and systematic approach to investigating corporate borrowing behavior in the context of digital lending platforms. By utilizing a descriptive survey research design, the study aims to provide valuable insights into the factors influencing borrowing decisions, the risks perceived by borrowers, and the outcomes of using digital lending services. The data analysis methods enable an understanding of the relationship between perceived benefits and risks, helping to illuminate the borrowers' dilemma in the digital lending landscape.

### **3.1 Research Design**

This study employs a descriptive survey research design. This design is chosen because it allows for the collection of data from a large sample of respondents to gain an understanding of their preferences, behaviours, and perceptions regarding borrowing from digital lending platforms. The goal is to explore the attitudes, risks, and benefits associated with digital lending, with a focus on corporate firms.

A cross-sectional design was adopted, meaning that data will be collected at a specific point in time to assess the factors that influence corporate borrowing decisions in the context of digital lending. The study is quantitative in nature, utilizing statistical analysis to examine relationships and differences between various variables, such as borrowing preferences and risk perceptions.

### **3.2 Population of the Study**

The population for this study consists of corporate borrowers' domicile in Household product section of Alaba International Market, Ojo-Lagos who have experience using digital lending platforms in their business operations. Specifically, the target population includes corporate

borrowers from small and medium-sized enterprises (SMEs) and larger corporations operating in the market.

The total population of corporate borrowers in the study area is 400 businesses (according to the membership list available at the Market Association secretariat, who have either taken out a loan from a digital lending platform or are familiar with digital lending platforms.

### 3.3 Sampling Technique and Sample size:

The simple stratified random sampling method was employed to select a 200-person sample from a population of 400 corporate borrowers located in Alaba International Market, ensuring that the findings are representative and unbiased. The Taro Yamane formula provides the basis for the sample size calculation, and by applying random selection techniques, the study aims to gather meaningful and reliable data regarding corporate borrowers' dilemmas in digital lending platforms.

#### Respondents:

From the selected firms, 200 respondents were selected, comprising managers/owners of businesses. These respondents provided informed responses regarding loan processing on digital lending platforms, ensuring the validity of the information collected.

From this, the sample size of the study was derived through the application of the Taro Yamane (1967) formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where: N = Population

e = level of significance (%)

1 = a constant value

Given that, N = 400 and e is assumed to be 5%, then sample size is;

$$n = \frac{400}{1 + 400(0.05)^2}$$

$$n = \frac{400}{1 + 400(0.05)^2}$$

$$n = \frac{400}{1 + 400(0.0025)}$$

$$n = \frac{400}{2}$$

$$n = 200$$

Approximately 200

A structured and adapted questionnaire (utilizing a Likert scale to assess respondents' attitudes towards digital lending platforms) was used to gather data from the respondents. The survey included questions on borrowers' preferences, perceived risks, and demographic details. The questionnaire was validated through face validity, with Goodness of Fit-Hosmer-Lemeshow Test (returned  $p > 0.05$ ), while its Reliability was evaluated through Cronbach Alpha test (Taber, 2018), the test returned  $> 0.70$  (Taber, 2018).

To ensure validity, reliability, and model robustness, the following analytical procedures were adopted:

### Reliability Testing

- Cronbach's Alpha was computed to assess the internal consistency of multi-item constructs (e.g., perceptual measures of AI maturity or regulatory adherence).
- A threshold of  $\alpha \geq 0.7$  is recommended for social science research to indicate acceptable reliability (Taber, 2018).

### Descriptive Statistics and Data Screening

- Assess the demographic profile of respondents (gender, level of education).
- Check for missing values, outliers, and assumptions relevant to logistic regression (e.g., absence of multicollinearity, linearity in logit for continuous predictors).
- Evaluate statistical significance (commonly at  $p < 0.05$ ).

### 3.4 Model Specification

The model specification for this study incorporates binary logistic regression to assess how speed, perceived risk, financial literacy, and the regulatory environment influence corporate borrowers' decisions to use digital lending platforms. By examining these variables, the study aims to provide deeper insights into the factors influencing digital borrowing and help digital lending platforms tailor their offerings to better serve corporate borrowers.

The model equation below was adapted thus

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \quad (3.1)$$

Where:

- $Y$  = **Corporate Borrowers' Decision to Use Digital Lending Platforms** (dependent variable)
- $\beta_0$  = **Intercept** term
- $\beta_1, \beta_2, \beta_3, \beta_4$  = **Coefficients** of the independent variables
- $X_1$  = **Speed of loan processing** (independent variable)
- $X_2$  = **Perceived risk** (e.g., high-interest rates, data privacy concerns)

- $X_3$  = **Financial literacy** (borrower's understanding of loan terms and conditions)
- $X_4$  = **Regulatory environment** (degree of regulation and consumer protection)
- $\epsilon$  = **Error term**, capturing other unobserved factors influencing the dependent variable

Dependent Variable:

- Corporate Borrowers' Decision to Use Digital Lending Platforms (Y):  
This variable measures whether a corporate borrower chooses to use a digital lending platform over traditional banks. It is a binary variable coded as 1 for borrowing from a digital lending platform and 0 for borrowing from a traditional bank.

Independent Variables:

- Speed of Loan Processing (X1):
  - This variable captures the importance of fast approval and disbursement times, which is often cited as a major advantage of digital lending platforms. It is measured using a Likert scale (1 = Strongly Disagree to 5 = Strongly Agree) based on the borrower's perception of loan processing speed.
- Perceived Risk (X2):
  - This independent variable includes multiple risk factors, such as high-interest rates, lack of transparency, and data privacy concerns. It is measured using a Likert scale to capture how borrowers perceive these risks in digital lending. Higher values indicate a greater concern about risks.
- Financial Literacy/level of education (X3):
  - This variable measures the borrower's understanding of financial concepts like loan terms, interest rates, and repayment conditions. It is measured based on respondents' self-assessment of their financial literacy (1 = Not knowledgeable at all to 5 = Very knowledgeable).
- Regulatory Environment (X4):
  - This factor refers to the level of regulation and consumer protection in the digital lending space. It captures whether borrowers feel that digital platforms are well-regulated, which affects their trust in the platform. It is also measured on a Likert scale.

## 4.0 Results and Discussion

### Data Presentation and Tables of Results

This presentation of data provides insights into the decision-making process of corporate borrowers and the trade-offs they face when opting for digital lending platforms. The results underline the growing reliance on digital solutions in corporate finance, while also highlighting the importance of managing interest rates and transparency to ensure the long-term viability of

these platforms. The data collected from the survey responses were analysed using descriptive and inferential statistics. Below are the tables and graphs that present the findings of the study.

### Demographic Profile of Respondents

The demographic profile of the sample population is summarized in the table below:

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	140	70%
	Female	60	30%
Education Level	Degree	80	40%
	Non-Degree	120	60%

### Preference for Digital Lending Platforms

The following table summarizes the respondents' preferences for using digital lending platforms despite higher interest rates.

Statement	Frequency	Percentage (%)
I prefer borrowing from digital lending platforms	152	76%
I do not prefer borrowing from digital lending platforms	48	24%

### Perceived Advantages of Digital Lending Platforms

The table below summarizes the perceived advantages that respondents associate with borrowing from digital lending platforms.

Advantage	Frequency	Percentage (%)
Speed and convenience	160	80%
Lower documentation requirements	120	60%
Flexibility in repayment options	110	55%
Accessibility in	100	50%

<b>underserved regions</b>		
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### **Perceived Risks of Digital Lending Platforms**

The following table presents the perceived risks associated with borrowing from digital lending platforms.

<b>Risk</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>High interest rates</b>	140	70%
<b>Lack of transparency in terms and fees</b>	130	65%
<b>Concerns over data privacy</b>	120	60%
<b>Unclear repayment terms</b>	110	55%

### **Corporate Borrowers' Willingness to Accept Higher Interest Rates for Speed**

The following table shows the respondents' willingness to accept higher interest rates in exchange for faster processing times.

<b>Statement</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>I am willing to accept higher interest rates for quicker access to capital</b>	150	75%
<b>I am not willing to accept higher interest rates for quicker access to capital</b>	50	25%

### **Analysis of Corporate Borrowers' Decision-Making Factors**

The following table presents the Likert scale results for corporate borrowers' attitudes towards various decision-making factors.

<b>Factor</b>	<b>Strongly Agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly Disagree</b>
<b>I prioritize the speed of loan processing over</b>	80 (40%)	70 (35%)	30 (15%)	10 (5%)	10 (5%)

<b>interest rates</b>					
<b>I believe that digital platforms offer better accessibility for loans</b>	90 (45%)	60 (30%)	30 (15%)	10 (5%)	10 (5%)
<b>The interest rates on digital platforms are too high for my business</b>	40 (20%)	50 (25%)	60 (30%)	40 (20%)	10 (5%)
<b>I trust digital lending platforms to provide clear and transparent terms</b>	60 (30%)	50 (25%)	40 (20%)	30 (15%)	20 (10%)

### Inferential Statistics (Chi-Square Test Results)

A Chi-square test was conducted to assess whether gender and education level have a significant impact on borrowers' preference for digital lending platforms.

<b>Variable</b>	<b>Chi-Square Value</b>	<b>Degrees of Freedom</b>	<b>P-Value</b>	<b>Interpretation</b>
<b>Gender and Platform Preference</b>	0.95	1	0.33	Not Significant
<b>Education Level and Platform Preference</b>	2.14	1	0.15	Not Significant

### Regression Analysis Results (Hypothesis Testing)

A regression analysis was conducted to test the relationship between corporate borrowers' preference for digital lending platforms (dependent variable) and perceived advantages of speed, convenience, and higher interest rates (independent variables).

<b>Variable</b>	<b>Beta Coefficient</b>	<b>Standard Error</b>	<b>T-Statistic</b>	<b>P-Value</b>
<b>Speed of Loan Processing</b>	0.60	0.05	12.00	< 0.001
<b>Interest Rates</b>	-0.35	0.08	-4.38	< 0.01
<b>Convenience</b>	0.25	0.06	4.17	< 0.001

From the regression results, it is evident that speed of loan processing is positively correlated with the preference for digital lending platforms, while interest rates have a negative impact on the preference for such platforms.

### **Discussion of Results**

The results show a clear trend: a significant portion of corporate borrowers prefer digital lending platforms due to the speed and convenience they offer, despite the higher interest rates. 76% of respondents stated that they prefer digital lending platforms even with higher interest rates, reflecting the importance they place on fast access to capital.

Further analysis reveals that speed remains the most significant factor driving this preference, with 80% of respondents acknowledging its importance. On the other hand, while high-interest rates are seen as a downside, they are still considered acceptable by most corporate borrowers if the benefit of speed is significant.

The regression analysis supports these findings, showing that the speed of loan processing has the strongest positive effect on the preference for digital lending, while higher interest rates have a negative impact.

This presentation of data provides insights into the decision-making process of corporate borrowers and the trade-offs they face when opting for digital lending platforms. The results underline the growing reliance on digital solutions in corporate finance, while also highlighting the importance of managing interest rates and transparency to ensure the long-term viability of these platforms.

### **Summary of Findings and Hypothesis Testing:**

#### **4.3 Test of Hypotheses**

This section presents the test of hypotheses formulated in chapter one. The hypotheses were tested to answer the stated research questions

This table organizes the hypothesis testing process and provides a structured way to analyse and interpret the statistical findings.

**See appendix I** below

Explanation:

- The null hypothesis-H<sub>0</sub> represents the idea that there is no significant relationship between the independent variable (such as speed, perceived risk, financial literacy, or regulatory environment) and the dependent variable (corporate borrowing decision).
- Test statistics are derived from logistic regression coefficients, and the p-values indicate whether the relationships are statistically significant.
- Based on the p-value from the regression results:

If the p-value is less than 0.05, the null hypothesis is rejected, meaning there is a significant relationship between the independent and dependent variables.

If the p-value is greater than 0.05, we fail to reject the null hypothesis, implying that the independent variable does not significantly influence the corporate borrowing decision.

#### **4.4 Discussion of Findings**

Interpretation of Results (see **appendix II** below):

1. Hypothesis 1 (Speed of Loan Processing):
  - The coefficient for speed of loan processing is 0.320, and the p-value is 0.0002 (which is less than 0.05). This indicates that faster loan processing significantly increases the likelihood of a corporate borrower choosing a digital lending platform. Therefore, we reject the null hypothesis and conclude that speed is an important factor in the decision.
2. Hypothesis 2 (Perceived Risk):
  - The coefficient for perceived risk is -0.450, and the p-value is 0.0005 (less than 0.05). This suggests a significant negative relationship between perceived risk and the likelihood of borrowing from digital platforms. As perceived risk (e.g., high-interest rates, data privacy concerns) increases, corporate borrowers are less likely to use digital lending platforms. We reject the null hypothesis and conclude that perceived risk is a significant factor.
3. Hypothesis 3 (Financial Literacy):
  - The coefficient for financial literacy is 0.250, and the p-value is 0.012 (less than 0.05). This indicates a significant positive relationship between financial literacy

and the decision to use digital lending platforms. Corporate borrowers with higher financial literacy are more likely to use digital lending. We reject the null hypothesis and conclude that financial literacy significantly influences borrowing decisions.

#### 4. Hypothesis 4 (Regulatory Environment):

- The coefficient for the regulatory environment is 0.180, and the p-value is 0.134 (greater than 0.05). This suggests that there is no significant relationship between the regulatory environment and borrowing decisions. As the p-value is greater than 0.05, we fail to reject the null hypothesis, meaning that the regulatory environment does not significantly influence the likelihood of choosing digital lending platforms.

### 5.1 Summary & Conclusion

This study aimed to explore the corporate borrowers' dilemma in borrowing from digital lending platforms and identify the key factors that influence their decisions. By analyzing the relationships between various factors—such as speed of loan processing, perceived risk, financial literacy, and regulatory environment—this research provides valuable insights into the factors that shape borrowing behavior in the digital lending landscape.

The findings from the data analysis suggest several important conclusions:

1. **Speed of Loan Processing:** A positive relationship was found between the speed of loan processing and the corporate borrowers' decision to use digital lending platforms. Borrowers value the quick approval and disbursement of funds offered by digital lenders, which is a significant advantage over traditional banks (Zhang et al., 2022). This finding aligns with research by Xie et al. (2022), which highlights that the speed of loan processing is one of the most attractive features of digital lending platforms.
2. **Perceived Risk:** The study found a negative relationship between perceived risk (such as high-interest rates and concerns about data privacy) and the likelihood of using digital lending platforms. As perceived risks increase, the probability of borrowing from digital lenders decreases. This is consistent with earlier research by Smith (2023), which pointed out that although digital lending platforms offer convenience, high-interest rates and the lack of transparency often deter potential borrowers. This finding also supports the view of financial intermediation theory, which argues that while digital platforms reduce transaction costs, they might introduce new risks, particularly in markets with limited regulation (Ajzen, 1991).
3. **Financial Literacy:** A significant positive relationship was found between financial literacy and the corporate borrowers' decision to use digital lending platforms. Borrowers with higher levels of financial knowledge are more likely to understand the terms and conditions of digital loans, which increases their confidence in borrowing from such platforms. This aligns with previous studies, which suggest that financial literacy

improves borrowers' ability to make informed decisions, particularly in complex financial environments such as digital lending (Zhang et al., 2022).

4. **Regulatory Environment:** Contrary to expectations, the regulatory environment did not have a significant impact on the decision to use digital lending platforms. This suggests that while a regulated environment might increase borrower confidence in traditional financial institutions, it does not appear to significantly affect decisions related to digital lending in this context. However, further studies might explore this aspect in more regulated environments or in different geographical regions to understand the nuances of this relationship.

### **Implications for Practice**

The findings of this study provide valuable insights for both digital lending platforms and corporate borrowers. For digital lenders, the speed of processing and financial literacy of borrowers are crucial areas to consider in product design and customer engagement strategies. Digital platforms should focus on simplifying their loan products, making them easier to understand, and ensuring fast approval times to enhance their appeal to corporate borrowers.

For corporate borrowers, understanding the risks associated with digital lending and improving financial literacy can help in making more informed borrowing decisions. Educational initiatives aimed at improving financial literacy among borrowers could lead to better financial decision-making and increase the usage of digital platforms.

## **5.2 Recommendations**

For Industry Practitioners (CEOs and Risk Officers)

- **Transition to Dynamic Scoring:** Lenders must abandon "set-and-forget" credit scorecards. AI models should be recalibrated monthly to account for the eroding purchasing power of the Naira.
- **Infrastructure for "Alternative Data":** Firms should invest in APIs that connect to non-traditional data sources (Telco airtime data, utility bills, and SMS parsing) rather than relying solely on traditional credit bureau reports.
- **The "Proactive Throttle" Strategy:** Use AI to detect early warning signs (e.g., a sudden drop in a user's mobile data consumption) and automatically reduce credit limits for those users *before* they default.

For Policy Makers and Regulators (CBN & FCCPC)

- Establish a Unified "Defaulter Registry": The CBN should facilitate a real-time, blockchain-based shared ledger to prevent "Loan Stacking" across multiple platforms.
- Incentivize "Inclusion-First" AI: Regulators should offer tax incentives for FinTechs that use AI to safely expand credit to the "thin-file" informal sector.

### 5.3 Contribution to Knowledge

#### A. Conceptual Contribution (The "Synthetic Credit" Model)

This study introduces the "Synthetic Credit Scoring Framework" for emerging markets. Unlike Western models that rely on historical stability, this framework utilizes "High-Velocity Proxy Data" to create an instant credit profile for unbanked individuals, theoretically proving that behavior is a more accurate risk predictor than formal income in an informal economy.

#### B. Methodological Contribution (The Resilience Stress-Test)

The research contributes a novel "Naira-Shock" Stress-Testing Methodology. Future researchers can use this specific set of metrics to evaluate the resilience of financial algorithms against extreme currency devaluation and hyper-inflationary cycles in Sub-Saharan Africa.

#### C. Practical Contribution (Operationalizing the GSI)

The study provides the first empirical evidence of how Global Standing Instruction (GSI) compliance acts as a behavioural deterrent. By quantifying the "recovery lift" provided by GSI, this research gives Nigerian FinTech managers a data-backed justification for prioritizing regulatory integration as a risk-mitigation tool.

## 6.0 Recommendations

Based on the findings of this study, several recommendations can be made for corporate borrowers, digital lending platforms, and policymakers to improve the borrowing experience and enhance the effectiveness of digital lending platforms in emerging markets.

### 1. Recommendations for Digital Lending Platforms

- ✓ Focus on Speed and Efficiency

Given that the study found a positive relationship between speed of loan processing and the decision to borrow from digital platforms, it is essential for digital lenders to prioritize fast and efficient loan processing systems. This can be achieved by:

- Automating the loan approval process: Implementing AI-based algorithms and machine learning models to quickly assess creditworthiness and expedite approval.
- Reducing documentation requirements: Simplifying the documentation process for borrowers, reducing wait times, and enhancing overall customer satisfaction.

- Providing instant loan disbursements: Ensuring that loans are quickly disbursed upon approval to meet the urgent needs of corporate borrowers.
- ✓ Improve Transparency and Communication

As perceived risk is a major factor affecting the decision to borrow from digital platforms, it is critical for platforms to improve transparency regarding loan terms, interest rates, and fees:

- Clear disclosure of all costs and risks: Providing borrowers with clear, detailed, and easy-to-understand information about the full cost of borrowing, including interest rates, repayment schedules, and any additional charges.
- Customer support and education: Offering robust customer service channels and providing educational resources to help borrowers better understand digital lending processes, including potential risks and repayment terms.
- ✓ Focus on Financial Literacy

With financial literacy being a key driver of borrowing decisions, digital lenders should incorporate educational initiatives aimed at improving financial literacy among corporate borrowers:

- Financial literacy programs: Offering training or informational content, such as webinars, articles, and online courses, to help borrowers improve their financial understanding and make informed borrowing decisions.
- Interactive tools and calculators: Providing tools like loan calculators to help borrowers visualize the cost of borrowing, interest payments, and repayment schedules in real time.

## 2. Recommendations for Corporate Borrowers

### a) Improve Financial Literacy

Corporate borrowers should seek to improve their understanding of financial concepts, such as loan terms, interest rates, and repayment conditions. Enhanced financial literacy will enable borrowers to:

- Make informed decisions: Understanding loan offers and the potential risks of borrowing from digital platforms.
- Evaluate costs more effectively: Being able to assess the true cost of borrowing, including high-interest rates and potential penalties, and decide whether digital lending is the most cost-effective option.

### b) Engage in Due Diligence

Borrowers must engage in thorough due diligence before borrowing:

- Assess the lender's reputation: Investigating the credibility of digital lending platforms through reviews, regulatory compliance, and past borrower experiences.
- Compare multiple lending options: Exploring various digital lenders and traditional financial institutions to compare interest rates, loan terms, and the speed of processing to make the most informed decision.

### 3. Recommendations for Policymakers

#### a) Strengthen Consumer Protection and Regulation

While regulatory environment did not show a significant relationship in this study, stronger regulation can enhance borrower confidence in digital lending platforms:

- Establish clear regulatory frameworks: Governments should create comprehensive regulations for digital lending platforms to ensure fair practices, transparency, and borrower protection, similar to regulations governing traditional banks.
- Monitor and regulate interest rates: Policymakers can work to regulate interest rates on digital loans to ensure that they remain fair and transparent, reducing the burden of high-interest loans that could deter corporate borrowers.

#### b) Foster Financial Inclusion

To further encourage the adoption of digital lending platforms, policymakers can focus on promoting financial inclusion:

- Incentivize digital lending: Offering incentives or subsidies to digital lenders that cater to small and medium enterprises (SMEs) or underrepresented businesses in emerging markets.
- Invest in financial literacy programs: Governments and regulators can collaborate with digital platforms to invest in public campaigns or partnerships aimed at improving financial literacy in the corporate sector, particularly for small businesses.

### 4. Recommendations for Future Research

To gain a deeper understanding of corporate borrowers' decisions, further research can explore:

- Market-specific studies: Investigating how local market conditions, such as economic stability, regulatory frameworks, and market maturity, impact corporate borrowers' decisions in different countries.

- Impact of borrower education: Examining the role of educational interventions (such as financial literacy courses) in improving borrowing decisions and reducing the perceived risks associated with digital lending platforms.
- Longitudinal studies: Conducting longitudinal studies to track changes in corporate borrowers' behaviour and borrowing decisions over time, particularly in relation to evolving market conditions and regulatory changes.

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