

Effect of Monitoring, Information and Communication System on financial performance of Small and Medium Scale Enterprises in Kebbi State

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Article History	Abstract
Original Research Article	<i>This study investigated the influence of monitoring and information and communication systems on the financial performance of Small and Medium-Sized Enterprises (SMEs) in Kebbi State, Nigeria. Data were collected through a structured questionnaire administered physically to SMEs within the study area, with a total of 338 questionnaires distributed to respondents. The information obtained was quantitatively analyzed using both descriptive and inferential statistical techniques. The findings demonstrated that monitoring as well as information and communication systems exerted a positive and statistically significant influence on the financial performance of SMEs in Kebbi State. Based on these findings, the study recommends that SME management undertake an annual assessment of their financial reporting processes and establish effective internal audit mechanisms to facilitate continuous monitoring of operational efficiency. SME managers and owners should also consider the established relationship between internal control systems and financial performance when developing measures aimed at improving organizational effectiveness and long-term success.</i> Keywords: Information and Communication System, Financial Performance, Monitoring, Nigeria, SMEs.
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Copyright © 2026 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited. Citation: Abubakar Muhammad Illo, ACTI; Lawal Abubakar; Nazif Bala Yeldu, & Muhammad Muktar Abubakar. (2026). Effect of monitoring, information and communication system on financial performance of small and medium scale enterprises in Kebbi State. UKR Journal of Economics, Business and Management, 2(10), 1-9.	

Introduction

SMEs account for a significant share of economic activity worldwide and particularly in developing countries, SMEs play an important role for business development and provide substantial dynamism to the economy (J. Soininen, Puumalainen, Sjögrén, & Syrjä, 2013). SMEs play an equally important role in the Nigerian national economy in economic growth, flexibility and entrepreneurial activity in all its forms. However, with this huge number of enterprises operating in the field, many SMEs struggle to operate and are more likely to fail and research shows that their operations are influenced by what is perceived as inefficient internal control systems (Siwangaza, Smit, Bruwer, & Ukpere, 2014). This lack of adoption of internal controls has recently been explained by the fact that some SME managers feel that it will incur more costs along the way without generating any visible benefits. Also, a lack of managerial knowledge and appreciation of internal controls could hinder the proper implementation of an internal control system. Furthermore, many SMEs tend to

implement the same types of controls across multiple businesses without sufficiently accounting for differences in their activities, working conditions and business environments. Additionally, limited human resource and financial capability may dissuade owners and managers of SMEs from developing and using adequate internal control systems that are suited to their businesses.

An adequate system of internal controls can facilitate orderly, efficient and effective operations, ensure the reliability of financial reporting and compliance with applicable laws, regulations and organizational policies. SMEs play an added role in the wider economy of Nigeria too, making up a large part of the informal economic sector and creating jobs and income generation. This is especially relevant for socioeconomic development, since the growth of SMEs had helped people find jobs and livelihoods. Research has shown that this sector has significant capacity to reduce poverty through jobs and income generation (Webster & Braswell, 1991). Call centre and customer

service training in the face of ongoing worries about unemployment and associated socio-economic implications, the Nigerian government has been increasingly calling attention to how SMEs could boost job creation as well as contribute positively to national economic progress.

Objective

The purpose of this study is to examine the effect of Monitoring, Information and Communication System on financial performance of SMEs in Kebbi State, Nigeria. The specific objectives are to:

1. Assess whether Monitoring put in place enhanced financial performance of SMEs in Kebbi State, Nigeria.
2. Examine whether Information and Communication enhanced financial performance of SMEs in Kebbi State, Nigeria.

Literature Review

Small and Medium-Scale Enterprise

Small-scale enterprise development has a long history in Nigeria. It can be traced to the ancient times when Nigerians were engaged in activities such as yam storage and trading, iron smelting, agriculture, cottage-based production, and other enterprises. The achievements of the yam traders, for example, were realized through their willingness to invest their efforts into productive activities. History shows that entrepreneurship, self-help, and self-reliance, as values, had a profound impact on the people's commitment to productive work and their readiness to take risks. These attitudes were not necessarily guided by the political or economic ideologies of the time. They were informed by the extent to which community members and individuals were willing to take initiative and the incentive environment that could encourage them to embark on enterprises that would benefit themselves, the community, and the country.

The successive governments in Nigeria have come to realize the importance of enterprises and have invested significantly in promoting their development in the country. The ease with which they could be created and their relative ability to register and sustain profitability over time attracted the government's attention. There are several reasons why small-scale enterprises and their owners are important to Nigeria. Enterprises support the country's overall economy. They have a significant presence in the local economy, originating from their sheer numbers, the range of sectors they operate in, and the contribution to employment and the general economic activity of the local community. Enterprises have played a significant role in Nigeria's economy. They comprise a large portion of enterprises nationwide and have existed for long periods.

Many small-scale enterprises originate from home or cottage-based businesses. Many such family-run businesses evolved from small-scale enterprises into bigger business ventures. Some enterprises grow from small-scale businesses and expand into medium and large enterprises as their productivity, market reach, and management structures improve.

Internal Control

Internal control is defined as a process, consisting of procedures, mechanisms, and activities instituted by management, those charged with governance, and other personnel in an entity to provide reasonable assurance that the entity's objectives will be achieved. The objectives of internal control are to ensure the accuracy and reliability of financial reports, effective and efficient use of resources, and compliance with applicable laws and regulations (Ayozie, Ogechukwu, Oboreh, Umukoro, & Uche, 2013).

Internal control cannot ensure that the objectives of an entity will be met. It is designed to provide reasonable assurance that they will be achieved. In other words, internal control can provide the management and the board of directors of an entity with the confidence that organizational objectives will be achieved to the best of their ability. However, there are limitations to internal control that inhibit the effectiveness of the entity's control procedures, which are inherent in every control system, and it is impossible to eliminate these constraints (Banoura, 2008).

Information and Communication System

Information and communication are a critical element of an effective internal control system because organizations must rely on the information provided to them to make decisions (Ayagre, 2015). Information must be provided to all levels and departments within the organization to ensure that all employees work together to achieve the set objectives and goals. This necessitates having a management information system and its supporting systems that are well-designed, responsive, and managed appropriately. Information and communication involve information needs and nature, and the systems used in processing and distributing this data (Badara, 2013). As such, information systems provide reports on operations, financial, and compliance matters that help managers control and manage operations effectively (Ayagre, 2015).

Communication involves sharing this information with other stakeholders, including customers, suppliers, government agencies, and shareholders, in addition to internal stakeholders (Badara, 2013). Different levels of managers and employees need the information and communicate it to others so that they can perform their duties efficiently and help the organization achieve its

goals. Information must flow downwards, upwards and laterally within the organization. This ensures that those who need the information to carry out their responsibilities get it in time and that it reaches those authorized to act on it. Some external stakeholders may rely on the information provided to make decisions. As such, information regarding the control environment, control activities, organizational risks, plans, and performance must be shared with all stakeholders. Information and communication must be relevant, reliable, accurately captured, processed, presented, and distributed appropriately in terms of time and format to help the organization achieve its objectives.

Having effective information and communication systems can help improve an organization's internal control systems because they can help prevent fraud and detect it if it occurs. Reliable information makes it easier to identify fraud because the information is accurate and contains the true state of affairs making it difficult to hide. Also, having a positive communication culture can make it easier to detect fraud. This is because the environment encourages employees to report suspected suspicious activities allowing the organization to investigate and stop fraudulent activities from escalating (Dimassi, Mary, & Wylleman et al., 2014).

Monitoring

The quality of internal control systems can be reviewed over time by discrete reviews, ongoing monitoring operations or a combination of both⁴⁰.

Different internal control systems, and the way in which control procedures are put into action may differ throughout time. Such changes may be due to newly recruited or departed personnel, differences in the extent to which procedures are implemented and/or monitored, resource constraints, and changes in the organizational context for which the original control system was designed (Lilly & Sptadling 1996). As a result, internal controls need to be evaluated regularly so they can continue being applicable and efficient amidst the changing landscape of the organization.

The most important monitoring functions have been created whether internal controls remain effective, appropriately implemented and adequately designed. An internal control system can be considered adequately designed and operating effectively, if the five main components (control environment, risk assessment, control activities, information and communication and monitoring) are present in the organization and functioning as intended (Monday et al., 2014). In this regard, monitoring thus serves as an important mechanism to confirm whether these components continue to act together as a strong control system.

On top of this, organizations need to retain the ability to detect risks introduced through transformations in their organizational structure, operating environment, systems or people. Continual Monitoring allows for management to recognize this type of change and assess if existing controls are still adequate to mitigate new risks. Thus, management must give due diligence to continuous assessment of internal controls and whether these controls are yielding the expected results in furthering organizational objectives.

Monitoring is a structured process through which the entity assesses quality control producing results, identifies deficiencies and communicates the identified deficiencies to relevant management personnel as well as reporting material weaknesses to senior management and the board of directors. Management should also be assured that any corrective actions required were implemented and deficiencies noted are adequately remedied. This process not only identifies weaknesses in internal control but also provides corrective action.

Financial Performance

Organizational performance is a measure for evaluating the achievement of established goals and objectives, so it is one of the major concerns to business owners and managers. This would imply, as Gibcus and Kemp (2003) assert, that management practices across the three levels of management are likely to have a significant effect on overall organizational performance. Business performance, they explain, can be measured by market-oriented metrics such as sales growth and market share and an organization's ability to set up the conditions for future needs. Here, financial performance acts as a key criterion of organizational effectiveness.

While performance indicators may provide important information about outcomes of organizations, by themselves, they do not constitute a full measure of overall organizational effectiveness. However, traditional approaches for measuring performance within a firm are dominated by accounting-based measures like Return on Sales (ROS), Return on Assets (ROA) and Return on Equity (ROE) that capture different aspects of profit levels and financial efficiency. However, organizational effectiveness is much more than just financial results for shareholders and the definition has become wider including the concerns of more stakeholders. This could be product quality, employee satisfaction and overall service or operational quality. Other metrics include those that pertain to corporate social responsibility, especially a business's environmental profile and its impact on the communities where it operates.

Theoretical Review

The present study is grounded in the Contingency Theory, which is an organizational behaviour approach that explains

how context-specific variables affect the structure and performance of organizations by considering external factors referencing technology, phenotypic organization culture and environmental factors, as well as overweighing situational variables. What the theory basically contends is that no single type of organizational structure or management strategy will be effective for every organization. In contrast, organizational effectiveness is a function of the appropriate levels of fit between contextual precursors and organizational characteristics such as technology, environmental uncertainty, organizational size, structural features and standards of information systems. Contingency theory can explain the relationship between organizational context and structural characteristics of internal control systems with effectiveness leading to a change in quality of financial reporting but the relationships may be shaped by contextual factors (i.e., environment and strategies) as proposed in this study. Empirical evidence also indicates that organizations having specialized internal auditors and stronger auditing capabilities tend to create more effective internal control systems and consequently efficient internal control mechanism can lead to organizational effectiveness.

Management control systems have been influenced by multiple contextual variables which include external environment, technology, organization structure and size, strategy and national culture. According to the Contingency Theory approach, the technical requirements connected with manipulating workflows within firms influence how mechanisms for coordination and manage internal operations are developed. How technology, environmental conditions, and information requirements relate to one another can also influence the design of an organization. Organizations under environmental uncertainty who adopt and utilize inputs of non-routine technologies may rely to a greater degree on internally generated information flowing through the decision-making and control processes, while more stable environments and routine technologies may encourage reliance on externally available information (Badara, 2013). By focusing on dimensions like distribution of authority and formalization which includes rules, procedures and processes that specify the citation of discretion available to individuals in the organization more secrets around organizational structure and control can be revealed.

Authority is a critical aspect of organizational control and is associated with the distribution of decision making. In a contingency perspective, decentralized authority may be more appropriate in the face of uncertainty or where organizations have the use of non-routine technologies as they need to make decisions closer to where tasks are being put into place. On the other hand, in an environment that is

relatively stable with well understood technological processes centralized authority embraces advantages. The theory is also relevant to auditing because the right structuring of audit works might depend on the scope being considered and features of the specific business model that is reviewed. Thus, auditors must take into account relevant contextual factors in the planning and execution of audit assignments. Even beginning with the composition of teams next for an audit team, contingency principles can be put on it. Audit managers are usually assigned specific audit jobs and can then create project-based teams by approaching auditors based on relevant experience, skill set, and availability. Thus, each audit team will differ in composition and structure based on the requirements and needs of each client engagement.

Review of Empirical Studies

Adegboyegun, Ben-Caleb, Ademola, Oladutire and Sodeinde (2020) examined the effect of internal control systems on operating performance of SMEs in Ondo State, Nigeria. The research examined whether the different components of the internal control systems affect SME profitability. We randomly selected a sample of 120 SMEs and then acquired primary data through questionnaires. Logistic regression estimation was used by the researchers to conduct their study of the data Their results revealed that, for SMEs with a one-unit improvement in the control environment and control activities, the probability of achieving high operating performance (in terms of higher actual annual profit) was increased by 0.78% and 1.95%, respectively, though these increases were statistically insignificant. On the other hand, being better at-risk assessment, information and communication and monitoring activities only had an associated 0.051%, 0.33% and 4.53% insignificant decrease in high non-operating performance rate probability respectively the study found in general that the individual elements of internal control systems do not significantly influence the operating performance of Small and Medium Scale Enterprises (SMEs) in Ondo State. However, control environment and control activities had a positive relation with SME on performance, which indicates that SMEs would enhance their performance by continuously implementing effective practices within those categories. The authors also advocated for systematic consideration of risk assessment, information and communication, and monitoring — depending on the operational environment in individual enterprises. This study added to the literature on integrity, ethical values, competence and accountability, preventive and detective controls, technology applications (such as continuous auditing or monitoring), and standardized transaction authorization, verification and reconciliation procedures.

According to Bello (2015), the scale of agricultural transformation that Nigeria requires will only be achieved with higher levels of SME participation, along with a commitment from Government and domestic as well as foreign partnerships geared towards food security and sustainability. It was also observed that Nigeria's agricultural sector had gone through a series of interventions and development problems in all the years, efforts regarding rural integration, development promotion of small-scale enterprises particularly relating to PPPs had not yielded so much result. As a result, this study has stressed the fact that it is extremely important to increase participation of SMEs in agricultural development. Bello suggested that Micro and Small enterprises should be motivated to form cooperative societies in their immediate operating environment. The findings of the research may set the tone for SMEs inorganizing themselves some to gain access to capital but also reinforce agricultural extension services through village networks.

This was followed by a study by Siwangaza, Smit, Bruwer and Ukpere (2014) assessing the status of internal controls amongst fast moving consumer goods UMPS MSMEs in the Cape Peninsula. The main aim of the study was to assess how much of an impact a proper internal control system could have on the viability of SMMes. The investigation employed an empirical approach in the positivist research paradigm. Data were collected by means of questionnaires completed by 110 SMME owners and managers involved in the fast-moving consumer goods environment in the Cape Peninsula. The results showed that most of the studied business organizations have taken some internal control measures, following the established required elements in a framework for internal control. Nevertheless, the role of these controls on the longer-term sustainability of the SMMes was minimal. As a result, it emphasized that internal control procedures should be not simply established but effectively executed and suited to small and medium-sized enterprises (SMEs) in relation to operations and sustainability.

Kamau (2014) researched the effect of internal controls on the financial performance of manufacturing firms in Kenya. The target population was identified as 65 manufacturing firms registered in the Ministry of Industrialization. The sample size was 20 manufacturing firms selected from the target population through stratified random sampling. The study adopted both primary and secondary sources of data collection. Primary data was collected through questionnaires while secondary data was collected from secondary sources of information including the financial statements of the selected firms. The study found out that the control environment was an important component of internal control system in the sampled manufacturing firms.

The study also found that the firms had put in place control activities to mitigate risks including fraud. The employees had been trained on aspects of accounting and financial management systems and procedures and security measures were implemented to safeguard the firm's assets. A regression analysis revealed that internal control systems had a positive effect on the financial performance of manufacturing firms in Kenya. The control environment, risk assessment, control activities, information and communication, and monitoring amounting to 75.7% (adjusted $R^2 = 0.757$) of the variation in financial performance of manufacturing firms in Kenya were explained by the multiple regression model. There was a great difference between manufacturing firms that had invested in elaborate internal control mechanisms and those that had not. It was recommended that audit committees should ensure that internal control systems were monitored and evaluated appropriately. However, the researcher acknowledged the limitation of the scope of the study as it did not involve all the manufacturing firms in Kenya. Only 20 manufacturing firms were selected for the study while there are more than 65 manufacturing firms in Kenya. Notably, the study could not be generalized for all manufacturing firms due to the small sample size selected.

Nyakundi, Nyamita and Tinega (2014) studied the effect of internal control systems on the financial performance of small and medium enterprises (SMEs) in Kisumu city. The motivation behind the study was the concern that although the Kenyan government was facilitating access to credit, a large percentage of SMEs were not surviving initial challenges and failing to meet their potential. According to the Economic Survey 2009 as reported by the authors, SMEs constituted 96% of enterprises in Kenya. However, about 90% of new enterprises failed within three years of operations. The study aimed to establish whether there was a relationship between internal control systems and the financial performance of SMEs as measured by return on investment and knowledge of internal control of the entrepreneurs. The study adopted a cross-sectional survey design. The researchers selected a sample of 104 small and medium enterprises through stratified and simple random sampling procedures. The study used both qualitative and quantitative approaches and primary and secondary sources of data collection. Primary data was collected through questionnaires and interviews. Secondary data was collected from the financial statements of the sampled small and medium enterprises. The study analysis used descriptive and inferential statistics. The study found out that changes in the level of financial performance of SMEs were related to the extent of internal control systems applied. The study therefore concluded that internal control systems significantly influenced the performance of small and medium enterprises (SMEs) in Kisumu city. The

researcher recommended that small and medium enterprise proprietors should be trained on the importance of internal control systems.

Methodology

A questionnaire was the main tool that was used to gather information for the study. Exactly 338 questionnaires were physically distributed to the selected small and medium-sized enterprises (SMEs) in Kebbi State, Nigeria. The study targeted 2,200 SMEs in the state, which had verifiable

Chief Executive Officers (CEOs), managers, and internal control units, as the categories of respondents. The data gathered were quantitative in nature, as a random sampling approach was utilized, giving every targeted organization an equal chance to be selected. The filled questionnaires were coded and tallied, and the resulting data were analyzed using both descriptive and inferential statistics.

Presentation of Data

Table 1: Demographic Data Analysis

Variables	Characteristics	Frequency	%age (%)
Gender	Male	222	71.2
	Female	90	28.8
Age of Respondent	20-30 Years	120	38.5
	31-40 Years	188	60.3
	41-50 Years.	3	0.96
	51-60 Years	1	0.3
Educational Qualification	B.Sc.	182	58.3
	M.Sc.	123	39.4
	Ph.D.	7	2.2
Employment Status	Full Time	227	72.8
	Part Time	85	27.2
Organization Type	Retail	125	40.1
	Manufacturing	72	23.1
	Skill Services	58	18.6
	Catering	57	18.3
	Total	312	100.0

Source: Field Report, 2022

The demographic distribution presented in the table shows that 71.2% of the respondents were male, whereas 28.8% were female, indicating that male participants constituted the larger proportion of the sample. Regarding age, 38.5% of the respondents were between 20 and 30 years, while 60.3% fell within the 31–40 years age category. Respondents aged 41–50 years accounted for 0.96%, while those within the 51–60 years category represented 0.3% (1 respondent). Thus, participants aged 31–40 years constituted the predominant age group in the study. In terms of educational attainment, 58.3% (182 respondents) possessed a Bachelor's degree, 39.4% (123 respondents) held a Master's degree, and 2.2% (7 respondents) had a Ph.D. The distribution therefore indicates that respondents

with Bachelor's degrees represented the largest educational category.

With respect to employment status, the table indicates that 72.8% (227 respondents) were engaged in full-time employment, whereas 27.2% (85 respondents) reported part-time employment. Full-time employees consequently constituted the majority of the respondents. Concerning the nature of business activity, 40.1% (125 respondents) operated retail businesses, 23.1% (72 respondents) were engaged in manufacturing, 18.6% (58 respondents) provided skill-based services, and 18.3% (57 respondents) operated catering businesses. Among these categories, retail businesses represented the largest proportion of respondents in the study.

Table 2: Relationship between Monitoring and Financial performance

Correlations			
		Fin Performance	Monitoring
Fin Performance	Pearson Correlation	1	.288**
	Sig. (2-tailed)		.000
	N	312	312
Monitoring	Pearson Correlation	.288**	1
	Sig. (2-tailed)	.000	
	N	312	312
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: SPSS Computation 23.0

The primary aim of this research was to analyse the association between monitoring activities and the financial performance of SMEs in Kebbi State, Nigeria. Pearson's Product-Moment Correlation with a two-tailed test at the 0.01 level of significance was used. The analysis yielded a p-value of 0.000 as shown in table 4.17. This value is less than the selected level of significance. Hence the null hypothesis was rejected and it was concluded that there was a statistically significant relationship between monitoring activities and the financial performance of SMEs in Kebbi State. The correlation value was 0.288 which indicates

positive and moderate relationship between the two variables. Hence, the finding shows that monitoring efforts are favourably related to the financial performance of SMEs. However, correlation does not imply causality. This conclusion is in line with the study of Yap and Yap (2018) who studied COSO enterprise risk management on small and medium firms and found that monitoring components had a substantial impact on sales performance. The finding thus supports the necessity of monitoring activities as a component of internal control in terms of SME financial performance.

Table 3: Relationship between Information and Communication and Financial Performance

Correlations			
		Fin Performance	Infor_Comm
Fin Performance	Pearson Correlation	1	.333**
	Sig. (2-tailed)		.000
	N	312	312
Infor_Comm	Pearson Correlation	.333**	1
	Sig. (2-tailed)	.000	
	N	312	312
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: SPSS Computation 23.0

Lastly, the second objective assessed the relationship between information and communication and the financial performance of SMEs in Kebbi State, Nigeria. A Pearson's Product-Moment Correlation analysis was performed using a two-tailed test at 0.01 level of significance. As observed from Table 4.18, the results revealed that the p-value of 0.000 was less than the significance level of 0.01; thus, rejecting the null hypothesis that there is no relationship between information and communication and the financial performance of SMEs in Kebbi State. However, the

analysis revealed that there exists a positive but moderate degree of association between information and communication and the financial performance of SMEs as witnessed by $r = 0.333$. Therefore, from the results, the study concluded that information and communication have a positive relationship with the financial performance of SMEs. Nonetheless, the analysis cannot establish causation. Similarly, Bett and Memba (2017) found that information and communication in internal control systems contribute to the financial performance of processing firms in Kenya.

Discussion and Findings

The results of this study revealed that surveillance practices adopted by small and medium-sized enterprises (SMEs) have a positive effect on their financial performance. The majority of the respondents selected the first option of monitoring questions, indicating that it helps to identify design, implementation, and operating effectiveness. Moreover, most of those surveyed indicated that monitoring allows detecting risks associated with organizational and personnel changes. Finally, the respondents agreed that management should constantly monitor internal control activities. These results correspond with Yap and Yap (2018), who discovered that monitoring components of COSO enterprise risk management had a significant effect on sales performance of small and medium-sized enterprises.

The results of this study also demonstrated that the internal control component of information and communication affects the financial performance of SMEs in Kebbi State. This outcome is based on the fact that most respondents selected the first option when assessing statements related to the information and communication component. It means that the majority of the respondents agreed that it helps evaluate whether processes and procedures are implemented effectively and contribute to achieving financial performance outcomes. Furthermore, these results correspond with Yap and Yap (2018), who discovered that information and communication components of COSO enterprise risk management had a significant effect on sales performance of small and medium-sized enterprises.

Conclusion and Recommendations

This study investigated the influence of internal control components on the financial performance of small and medium-sized enterprises (SMEs) in Kebbi State, Nigeria, with particular attention to the control environment, risk assessment, and control activities. The findings provide evidence that both supports and differs from conclusions reported in previous theoretical and empirical studies concerning the relationship between internal control systems and organizational financial performance. Specifically, the results demonstrate that monitoring activities and information and communication have positive and statistically significant relationships with the financial performance of SMEs in Kebbi State, Nigeria.

However, the study gave the following recommendations:

1. The management of the SME conduct an annual evaluation of the financial reporting process and implement an internal audit system that permits monitoring of operational efficiency.

2. SME leaders take into account the findings of this study regarding the relationship between internal control systems and financial performance, which ultimately impacts organisational success.

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