

Accounting Practices and Financial Performance of Licensed Microfinance Banks in Nigeria: Evidence from Kwara State

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Abstract

Despite the growing importance of microfinance banks (MFBs) in promoting financial inclusion, empirical evidence on the combined influence of accounting control systems, financial reporting practices, and accounting information systems on their financial performance remains limited, particularly in the context of Kwara State, Nigeria. This study addresses this gap by examining the effect of these accounting practices on the financial performance of licensed microfinance banks. Specifically, this study examines the effects of accounting control systems, financial reporting practices, and accounting information systems on the financial performance of licensed microfinance banks in Kwara State, Nigeria, with a view to addressing these problems. In particular, it seeks to evaluate how their accounting control systems, financial reporting practices and accounting information systems affect their financial performance. The study adopted cross sectional survey design, where data were obtained from 115 managerial staff of 27 licensed MFBs in Kwara State, obtained through Taro Yamane formula. Data is analysed using Partial Least Square-Structural Equation Modelling (PLS-SEM). The findings showed that accounting control systems, accounting information systems, financial reporting practice have significant effects on financial performance of microfinance banks. The study concluded that found that all three dimensions of accounting practices positively influenced the financial performance of the MFBs in Kwara State. The study recommended that licensed microfinance banks invest in modern accounting information systems to improve the accuracy and timeliness of financial information, strengthen internal control systems through regular monitoring and internal audits, and enhance financial reporting quality by ensuring compliance with applicable accounting standards and regulatory requirements. These measures will improve transparency, stakeholder confidence, and sustainable financial performance.

Keywords: Accounting Practices, Accounting Control Systems, Financial Reporting Practices Financial Performance.

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1. Introduction

Microfinance has been touted as one of the most effective means of financial inclusion and poverty reduction, especially in developing countries. It offers financial services, such as loans (in the form of credit), savings and insurance, to those who are often denied access to conventional financial systems because of the risks they are seen to pose to financial institutions (Siwale & Umoru, 2026). Microfinance banks are extremely special types of financial institutions that have a dual mission; both a social mission, which involves the goals of poverty reduction and empowerment of the less privileged classes, and a financial mission, which involves financial sustainability (Abeysekera & Abeysekera, 2025). That why there should be a balance between these objectives, as MFBs ought to be operationally viable and able to reach the most economically vulnerable groups.

In financial performance and sustainability of MFBs, good accounting practices are very crucial. Accounting helps in the efficiency of financial resource management and embodies accountability, which is one of the main elements of the road to organizational success. Accounting practices involve the raising, spending and managing of financial resources to achieve the production of accurate financial information which can help to support decision making (Indarto et al., 2025).

MFBs play a significant role in the growth of SMEs and the economy in general in areas like Kwara State. Nevertheless, issues like lack of capital, high operation expenses require proper accounting and supporting policies to improve their performance. Abuja, for example, Pius (2022) and Audu, et al. (2021) have anticipated that by embracing the use of modern accounting practice and taking advantage of technology, MFBs can achieve financial sustainability thus enhancing their pursuit of economic inclusions and poverty alleviation. These risks can result in financial losses and affect organizational goals if there is weak accounting control systems (Ngari, 2017). Many MFB's do not have the resources and know-how to apply effective controls, which results in poor control of segregation of duties, inadequate documentation and lack of appropriate technological systems (Zakariyau & Mustapha, 2021). These weaknesses may affect the integrity of financial reporting and make it more prone to disruptions and fraud. Nigerian microfinance banks (MFBs) continue to face significant financial reporting challenges that undermine transparency, accountability, regulatory compliance, and stakeholder confidence. Empirical evidence has shown that deficiencies in internal control systems, limited adoption of accounting information technology, and inadequate accounting staff competence contribute to poor financial reporting quality, thereby increasing the incidence of financial misreporting and control weaknesses across the sector (Okumu, 2025; Adekunle, 2026, Abdulsalam et al., 2026). Regulatory reports further substantiate these concerns, indicating that more than one-third of Unit MFBs and approximately one-fifth of State MFBs fail to submit mandatory monthly prudential returns, thereby constraining effective regulatory oversight (EFUT et al., 2026). These challenges have intensified in recent years.

In July 2026, the Central Bank of Nigeria (CBN) revoked the licences of 46 MFBs due to persistent regulatory breaches, including inadequate assets to meet liabilities, unauthorized business closures, prolonged inactivity, and failure to maintain the prescribed minimum capital. Furthermore, industry experts report that many MFBs continue to fall short of the CBN's requirements for the timely submission and public disclosure of audited financial statements (Adelaiye, 2026; Nigeria Deposit Insurance Corporation (NDIC), 2026). Collectively, these deficiencies highlight persistent weaknesses in internal controls, accounting information systems, and financial reporting practices, posing significant risks to stakeholder confidence, regulatory effectiveness, and the stability of Nigeria's microfinance banking sector.

The continued growth and sustainability of licensed microfinance banks (MFBs) in Nigeria depend largely on the adoption of sound accounting practices capable of supporting efficient financial management and informed decision-making. However, many MFBs still rely on manual or obsolete financial data collection and processing systems, resulting in weaknesses in record keeping, delays in financial reporting, poor data quality, weak accounting controls, and increased operational costs. These technological and procedural deficiencies reduce the ability of MFBs to generate reliable financial information, effectively monitor organizational performance, comply with regulatory requirements, and respond promptly to changing business conditions. The limited adoption of modern accounting information systems and effective accounting control mechanisms has therefore continued to undermine the financial performance and long-term sustainability of many MFBs in Nigeria (Kwara State Microfinance Association, 2022).

Although previous empirical studies have examined the relationship between accounting practices and organizational performance in Nigeria (Onaolapo & Olanrewaju, 2024; Elizabeth et al., 2024), existing evidence remains inadequate for several reasons. First, most previous studies concentrated on individual components of accounting practices, such as accounting information systems, financial reporting, or internal controls, rather than examining their combined influence on financial performance within a single integrated framework. Consequently, the complementary and interactive effects of these accounting dimensions remain insufficiently understood.

Second, many of these studies focused on commercial banks, manufacturing firms, public sector organizations, or small and medium enterprises, thereby providing limited evidence that reflects the unique operational characteristics, regulatory environment, and financial challenges of licensed microfinance banks. Third, inconsistent findings reported in earlier studies regarding the effectiveness of accounting practices on organizational performance suggest that the relationship remains inconclusive and requires further empirical validation. Furthermore, limited attention has been given to licensed MFBs in Kwara State despite the strategic importance of the sector in promoting financial inclusion and economic development within the state.

The foregoing empirical, contextual, and methodological gaps provide strong justification for this study. Specifically, there is insufficient evidence on the combined effects of accounting control systems, financial reporting practices, and accounting information systems on the financial performance of licensed microfinance banks in Kwara State. Addressing this gap is important because an integrated assessment of these accounting practices will provide more comprehensive evidence for managers, regulators, and policymakers on the accounting mechanisms that most significantly enhance financial performance. This study therefore seeks to examine the effects of accounting control systems, financial reporting practices, and accounting information systems on the financial performance of selected licensed microfinance banks in Kwara State, Nigeria, with the aim of providing empirical evidence to support managerial decision-making, policy formulation, and future research.

2. Literature Review

Accounting Practices

Accounting practice is the process and activity of recording the day-to-day financial operations and management of a business entity (Kenton, 2021). Renaldo and Sevendy (2023) define accounting practices as the methods, procedures and standards used by people or companies to prepare, record and report financial information. The practices are critical in ensuring the maintenance of accurate and reliable financial records which will be used for various purposes

including decision making, financial reporting and compliance with regulatory requirements. Financial reporting, Internal control systems, Budget and budgetary control, Accounting information systems, Taxation, Regulatory compliance and compliance with international accounting standards, Audit and assurance, Corporate governance, Risk management are the aspects of accounting practices in Microfinance Banks (Mert, 2022). From another perspective, financial reporting practice is the dissemination of information related to the finances of a firm to various users of accounting information to make an investment decision, obtain credit facilities, and other financing decisions at the time they need the information (Wild et al., 2016).

Accounting Control System

An accounting control system consists of the internal policies, procedures and checks that an organization has in place to protect assets, to ensure an accurate and reliable set of financial accounting records, and to ensure adherence to the law (Bracci et al., 2022). Microfinance banks (MFBs) face specific risks from high transaction levels, frequent cash usage by their field staff and decentralized micro-lending practices, which make accounting controls essential. The financial performance of the microfinance banks is affected by accounting control, which is used to prevent fraud and to avoid loan delinquencies and misstatements of accounts (Thomas & Omidire, 2025; Badmus, 2023), including having two sets of authorizations for loan disbursements, reconciling the accounts that are collected at the field level daily, ensuring there is a good segregation between the credit approval and fund release, and the tracking of non-performing loans be automated in order to ensure institutional liquidity, compliance with regulation, and depositor's confidence.

Accounting Information System

An Accounting Information System (AIS) is an organized system of people, procedures, and technologies that gather, store, process and analyze financial data to create accurate financial reports and information for internal decision makers and external stakeholders. Another way of looking at it, is that an Accounting Information System is a set of resources, which comprise humans and equipment that are structured to convert financial and other data into information (Sumaryati et al., 2020). Microfinance banks (MFBs) are using a specialised AIS solution to connect the core banking system with mobile money platforms and field-level transaction terminals to process high volumes of low-value transactions in real time. An AIS is designed to automate critical activities including tracking loan applications, calculating interest and amortization, updating customer balances, and generating automated portfolio-at-risk (PAR) reports, which improves business efficiency, reduces manual data entry errors, helps support internal accounting controls and empowers management to have timely and accurate financial information to evaluate credit risk and meet regulatory reporting requirements.

Performance

Performance is a measure of the organization's ability to realize its strategic goals and objectives effectively and efficiently (Tijan, 2020). Generally, performance has been viewed as the capacity of a firm to maintain income stability and growth (Ahmad, 2025) while financially, it has been seen as profitability per unit of total assets (Aimable & Isaie-Kadhafi, 2025). Financial measures of performance are generally classified into two categories: the first is the investor return which examines the results from the investor's perspective and the second is the accounting return (Hassan et al., 2011; Uwhejevwe-Togbolo et al., 2025a). Institutional health was measured using financial performance as measured by six indicators: financial structure, financial income, financial expenses, efficiency, productivity, and risk, as well as financial performance for the microfinance institutions (MFIs).

2.1 Theoretical Framework

The Contingency Theory

Contingency Theory, originally associated with Burns and Stalker (1961) and subsequently developed in organizational and accounting research by scholars such as Otley (1980), posits that there is no universally optimal organizational structure, management practice, or accounting system; rather, its effectiveness depends on the circumstances or contingencies surrounding the organization. The theory assumes that organizational performance improves when internal systems and practices are appropriately aligned with contextual factors such as organizational size, environmental uncertainty, technology, regulatory requirements, organizational structure, and managerial needs (Burns & Stalker, 1961; Otley, 1980). Applied to financial reporting practices and the financial performance of microfinance banks (MFBs), Contingency Theory suggests that the usefulness and effectiveness of financial reporting practices depend on how well reporting systems fit the operating and regulatory environment of MFBs (Jayawardane & Gamlath, 2020; Agyeman, 2021). Timely, accurate, relevant, reliable, and comprehensive financial reports can provide information that enables MFB managers to respond appropriately to changes in credit risk, liquidity, customer demands, competition, and regulatory requirements (Rathnayake, 2021; Jayawardane & Gamlath, 2020). However, the performance benefits of financial reporting may vary according to the technological capacity, organizational structure, size, and environmental conditions of individual MFBs (Mang'ana et al., 2023; Vo Van et al., 2026). Thus, the theory provides a basis for arguing that financial reporting practices enhance financial performance when they are appropriately aligned with the specific circumstances and information needs of MFBs (Jayawardane & Gamlath, 2020).

Agency Theory

Agency Theory was formally developed by Jensen and Meckling (1976) and is concerned with the relationship between principals, who delegate authority, and agents, who perform activities on their behalf. The theory assumes that the interests of principals and agents may not always coincide, that information asymmetry may exist between them, and that agents may engage in opportunistic behaviour when their actions are difficult to monitor. Consequently, mechanisms are required to monitor managerial activities, reduce information asymmetry, constrain opportunistic behaviour, and minimize agency costs (Mungai et al., 2021).

In the context of MFBs, the separation between owners, directors, managers, employees, depositors, and other stakeholders can create opportunities for misuse of organizational resources, fraudulent activities, unauthorized transactions, and poor financial decisions. These agency-related concerns are particularly relevant to microfinance institutions because of the need to maintain financial accountability while providing financial services to underserved groups (Abeysekera & Abeysekera, 2025).

Effective accounting control systems, including segregation of duties, authorization procedures, documentation, reconciliation, asset safeguards, and monitoring mechanisms, can reduce these risks by strengthening managerial accountability and ensuring that financial transactions are properly authorized, recorded, and reviewed (Odunko, 2022). Evidence further suggests that effective internal control systems are associated with improved employee performance and organizational outcomes, particularly where accounting information systems support the operation of control mechanisms (Alawaqleh, 2021). Similarly, Tijani (2022) provides evidence on the relevance of internal control systems to the performance of microfinance banks in Nigeria, thereby making the agency perspective particularly applicable to the MFB context. From the Agency Theory perspective, effective accounting control

systems therefore reduce agency problems and associated costs, improve resource utilization and operational efficiency, and consequently contribute to improved financial performance of MFBs (Odunko, 2022; Hamed, 2023).

Technology Acceptance Model

The Technology Acceptance Model (TAM) was developed by Davis (1989) to explain users' acceptance and utilization of information technology. TAM is derived from the Theory of Reasoned Action of Fishbein and Ajzen (1975) and assumes that an individual's acceptance of a technological system is primarily influenced by perceived usefulness and perceived ease of use. Perceived usefulness refers to the extent to which an individual believes that using a particular system will improve job performance, while perceived ease of use concerns the extent to which the individual believes that using the system will require minimal effort (Davis, 1989). These perceptions influence attitudes and behavioural intentions toward using the technology and, ultimately, actual system use (Indarto et al., 2025).

Applied to accounting information systems (AIS) and financial performance in MFBs, TAM suggests that accounting systems are more likely to contribute to organizational performance when users perceive them as useful, easy to operate, and capable of improving their work (Khalid & Kot, 2021). Effective utilization of AIS can facilitate faster transaction processing, accurate recording of financial information, timely reporting, improved information accessibility, and better managerial decision-making (Vo Van et al., 2026). Empirical evidence also indicates that accounting information systems can enhance organizational and financial performance by improving information processing, management capabilities, and operational efficiency (Khalid & Kot, 2021; Lopung & Rulindo, 2023; Agbata et al., 2025).

These improvements can enhance operational efficiency, reduce accounting errors, strengthen financial monitoring, and support better financial decisions, thereby contributing to improved financial performance (Saad, 2023). Evidence from Nigerian firms similarly suggests that investment in accounting information systems is associated with financial performance, demonstrating the practical relevance of AIS to organizational outcomes in the Nigerian business environment (Kareem et al., 2021; Agbata et al., 2025). Thus, TAM provides a theoretical explanation of how effective acceptance and utilization of accounting information systems can translate into improved financial performance of MFBs.

2.2 Empirical Review

Accounting Practices and Organizational Performance

Across developing economies, empirical evidence generally suggests that sound accounting and financial reporting practices may enhance organizational performance, although the magnitude and direction of specific accounting dimensions vary across institutional settings. In Vietnam, Nguyen and Dang (2023) investigated the effect of accounting reforms on the value relevance of financial reporting among non-financial listed firms using an ex post facto research design. The study relied on secondary data extracted from the financial statements of firms listed on the Vietnam Stock Exchange covering 2010 to 2020 and analysed the data using the Ohlson price model with Panel Corrected Standard Errors (PCSE). The findings revealed that earnings and book value significantly improved stock prices, although the 2014 accounting reforms did not enhance the value relevance of financial reporting.

Similarly, Jayawardane and Gamlath (2020) examined the impact of financial reporting practices on the financial performance of SMEs in Sri Lanka using a survey research design. Primary data were collected through questionnaires and face-to-face interviews from 60 SMEs, complemented with secondary sources, and analysed using descriptive statistics and multiple regression. The study found that financial reporting, investment analysis and fixed asset

management practices significantly improved financial performance, whereas inventory and cash management practices exerted weaker effects. Evidence from Africa and Nigeria equally indicates a positive association between accounting practices and organisational outcomes, although methodological limitations remain. In Ghana, Agyeman (2021) assessed the effect of financial accounting practices on the growth of SMEs in Cape Coast Metropolis using an explanatory research design. Primary data were collected through questionnaires administered to 123 business owners selected through purposive sampling and analysed using regression analysis. The findings established that financial accounting practices significantly enhanced sales, profitability and liquidity of SMEs.

In Nigeria, Super et al. (2025) investigated the impact of financial accounting systems on the corporate performance of manufacturing firms using an ex post facto research design. Secondary data obtained from annual reports of ten listed firms between 2019 and 2023 were analysed using Ordinary Least Squares multiple regression. The study found that financial reporting quality positively influenced return on assets and net profit margin but negatively affected return on equity. A different aspect of accounting practice conducted as Dambo et al. (2026) examined the influence of accounting control measures on the job performance of bursary staff in Rivers State-owned higher institutions using a descriptive survey design. Primary data collected through structured questionnaires from 131 respondents were analysed using mean statistics and Analysis of Variance (ANOVA), revealing that preventive, detective, deterrent and forensic control measures significantly improved job performance.

Financial Reporting Practices and Organizational Performance

Empirical evidence generally suggests that the quality, reliability, and accessibility of financial reporting can contribute to organisational performance, although the strength and nature of the relationship vary across contexts, performance measures, and methodological approaches. Rathnayake et al. (2021) examined financial reporting quality and firm performance among 30 listed companies in Sri Lanka using an ex post facto design, secondary annual-report data covering 2013–2018, and the Random Effects Model. Although the study established an overall significant relationship, financial reporting quality did not significantly affect individual indicators such as return on assets, return on equity, and market-to-book ratio, suggesting that the performance implications of reporting quality may depend on the particular performance measure adopted. Similarly, Tran et al. (2022) investigated financial reporting and public sector performance in Vietnam using a survey design, data from 248 accountants and finance managers, and PLS-SEM. Their findings showed that financial reporting quality and accountability played a mediating role in the relationship between innovation-oriented culture and organisational performance, indicating that the contribution of reporting may operate indirectly through broader organisational mechanisms. In Egypt, Hussein and Nounou (2022) examined internet financial reporting and company performance among 139 non-financial listed firms using a cross-sectional design, independent-sample t-tests, and multiple regression. The study found that internet financial reporting significantly enhanced company value and stock price but had no significant effect on stock returns. Collectively, these studies indicate that financial reporting can enhance organisational outcomes, but its effect is not necessarily uniform across all dimensions of performance. The variations may reflect differences in reporting quality, reporting channels, institutional environments, organisational characteristics, and the specific indicators used to measure performance.

More recent evidence provides further support for the performance relevance of financial reporting while also revealing contextual differences. Mang'ana et al. (2023) examined financial management practices among 427 agricultural SMEs in Tanzania using a cross-

sectional survey and SmartPLS 4 and found that working capital and financing management significantly improved performance, whereas accounting and financial reporting practices had no significant effect. This contrasts with Nguyen et al. (2024), who used an ex post facto design and FGLS on listed firms on the Ho Chi Minh City Stock Exchange covering 2015–2022 and found that reliable financial statements significantly improved firm performance. More recently, Al-Hashimy and Yao (2026) examined financial management practices and organisational performance among 500 managers in Iraq using survey data and PLS-SEM and found that budgeting and financial reporting significantly improved organisational performance, although risk management had only a marginal effect. The divergence between these findings suggests that the financial performance consequences of reporting practices may depend on organisational setting, institutional environment, reporting quality, and the nature of the performance indicators employed. Importantly, the reviewed studies have concentrated mainly on listed companies, SMEs, public-sector organisations, and general business entities, with most relying either on secondary capital-market data or broad organisational performance measures. Consequently, limited evidence exists on whether financial reporting practices directly enhance the financial performance of regulated microfinance banks, particularly within the Nigerian context. This creates a sectoral and contextual gap that the present study addresses by examining the effect of financial reporting practices on the financial performance of selected licensed MFBs in Kwara State.

Accounting Control System and Organization Performance

Empirical studies across both developed and developing economies consistently demonstrate that effective accounting control systems may enhance organisational performance by strengthening governance, reducing operational risks, and improving financial management, although the significance of individual control mechanisms differs across institutional settings. Empirical evidence across different countries generally indicates that effective internal and accounting control systems contribute positively to organisational and financial performance, although the magnitude of the effect varies across institutional settings and control dimensions. In Kenya, Mungai (2022) examined the effect of internal control systems on the financial performance of public universities using a causal research design, with primary and secondary data obtained from 142 respondents and five years of financial records and analysed using descriptive statistics and multiple regression. The study found that budgetary, preventive, detective, and corrective controls significantly improved financial performance when examined individually, although corrective controls became insignificant in the joint model. Similarly, Bashaija (2022), using a descriptive research design and multiple regression to examine commercial banks in Rwanda, found that internal control systems, particularly risk management and the control environment, significantly enhanced financial performance. In Nigeria, Odunko (2022) adopted an ex post facto design and OLS regression to examine selected firms and reported that cash control, risk assessment, and internal control significantly improved firm performance, while. However, the studies differ in their institutional contexts and operationalization of controls.

The positive evidence was further reinforced by studies published from 2023 onward, although some variations in findings demonstrate that the performance implications of control systems are context-dependent. Hamed (2023) investigated internal control system compliance and financial sustainability among listed banks in Jordan using a survey design and regression analysis and found that compliance significantly improved financial sustainability, particularly through control activities, information and communication, and monitoring. Similarly, Zhang and Su (2023) examined corporate social responsibility, internal control, and financial

performance among Chinese A-share listed firms using an ex post facto design and panel regression for 2012–2019 and found that internal control partially mediated the positive effect of corporate social responsibility on financial performance. These findings extend the earlier evidence by showing that the contribution of controls may operate through both direct mechanisms, such as compliance and monitoring, and broader organisational mechanisms that improve the effectiveness of other performance-enhancing practices. Nevertheless, the reviewed studies predominantly examined universities, listed firms, SMEs, and conventional commercial banks, while accounting control was frequently represented by selected dimensions such as preventive control, cash control, risk assessment, or control activities rather than as an integrated accounting control system.

Accounting Information System and Organizational Performance

Empirical evidence from both developed and developing economies consistently indicates that accounting information systems may and not enhance organisational performance. Empirical evidence from 2021 indicates a generally positive relationship between accounting information systems (AIS) and organisational performance, although the nature of the relationship varies across sectors and analytical approaches. In Thailand, Khalid and Kot (2021) examined the effect of AIS on performance management in the banking sector using an ex post facto design and secondary data from six commercial banks covering 2011–2019, analysed through correlation and multiple regression. The study established that AIS-related financial indicators significantly influenced performance management, with total assets, operating assets, and earnings after tax positively associated with return on equity, while total liabilities had a negative effect. Similarly, Kareem et al. (2021) examined AIS and knowledge management capabilities among SMEs in Iraq using a survey design, questionnaires administered to 236 SME managers and owners, and PLS-SEM. Their findings showed that AIS significantly enhanced organisational performance, while knowledge management capabilities partially mediated the relationship. In Jordan, Alawaqleh (2021) investigated AIS as a mediator between internal control and employee performance among 203 SMEs using survey data analysed with AMOS and SPSS and found that AIS positively mediated the effect of internal control on employee performance. Although these studies differed in country, sector, research design, unit of analysis, and analytical technique, they converged in demonstrating that AIS can enhance performance by improving information availability, processing efficiency, control, and decision-making. However, their concentration on commercial banks and SMEs, rather than microfinance banks, limits the extent to which their findings can be directly generalised to the MFB environment.

The positive evidence continued in studies conducted during and after the COVID-19 period, with greater emphasis on AIS quality, utilisation, and specific system characteristics. Saad (2023) investigated AIS adoption and business performance among Sudanese banks during COVID-19 using a survey design, data from 103 AIS users, and PLS-SEM. The study found that information quality and system quality significantly enhanced AIS usage, while AIS utilisation significantly improved business performance, indicating that the performance effect of AIS depends partly on the quality and effective use of the system rather than its mere existence. Similarly, Lopung and Rulindo (2023) examined AIS characteristics and financial performance among Indonesian SMEs using a quantitative survey and multiple regression analysis and found that AIS significantly improved financial performance, particularly through broad-scope and timeliness dimensions. Lawal and George (2023), however, adopted a different qualitative approach, using semi-structured online interviews with ten auditors during the COVID-19 pandemic, and found that AIS improved employee productivity, reduced

operating costs and human errors, strengthened auditing processes, and improved operational performance, although it did not directly improve cash flow or revenue. Taken together, these studies reinforce the positive performance implications of AIS but also demonstrate that its effects may operate through different mechanisms, including system quality, information quality, timeliness, productivity, error reduction, and effective utilisation. Thus, the evidence increasingly suggests that AIS effectiveness is determined not simply by technological adoption but by how well the system supports organisational processes and users' information needs.

Nevertheless, more recent evidence demonstrates that the AIS–performance relationship is not universally significant, thereby creating an important basis for further investigation. In Nigeria, Agbata et al. (2025) examined AIS and corporate performance among six quoted construction companies using an ex post facto design, secondary data from annual reports covering 2012–2020, and OLS regression. Contrary to the predominantly positive findings, the study reported an insignificant positive relationship between accounting software expenditure and return on assets and no significant relationship with earnings per share or dividend per share. This finding suggests that investment in accounting software alone may not necessarily translate into improved financial performance, particularly where the quality, utilisation, integration, or organisational alignment of the system is inadequate. In contrast, Vo Van et al. (2026) examined cloud-based AIS and organisational performance among 193 chief accountants of Vietnamese SMEs using a survey design and PLS-SEM and found that cloud-based AIS significantly enhanced AIS effectiveness and organisational performance. The contrasting findings indicate that the effect of AIS may depend on technological sophistication, system characteristics, user competence, implementation quality, organisational context, and the specific performance measures adopted.

Gaps Identified in The Literature

The extant literature demonstrates that accounting practices play an important role in enhancing organizational performance across different sectors and countries. The empirical literature demonstrates that accounting practices, financial reporting practices, accounting control systems, and accounting information systems generally improve organisational performance; however, important inconsistencies remain regarding the dimensions examined and the performance indicators adopted. Studies on accounting practices largely concentrated on financial reporting, internal audit, external audit, accounting recording, and financial accounting procedures, while reporting organisational performance using indicators such as sales growth, profitability, liquidity, social performance, return on assets, return on equity, and net profit margin (Jayawardane & Gamlath, 2020; Kedze & Kenmegni, 2024; Agyeman, 2021; Super et al., 2025). Similarly, studies on financial reporting practices focused on financial reporting quality, internet financial reporting, financial statement reliability, innovation-oriented reporting, and budgeting, with performance measured mainly through capital market indicators, company value, profitability, stock returns, and organisational performance (Rathnayake et al., 2021; Hussein, 2022; Nguyen et al., 2024; Tran et al., 2022; Al-Hashimy & Yao, 2026). Likewise, accounting control studies primarily examined preventive controls, detective controls, corrective controls, cash control, risk assessment, internal control environments, and compliance, while organisational performance was measured using financial sustainability, financial performance, or employee performance (Mungai, 2022; Bashaija, 2022; Hamed, 2023; Odunko, 2022). Furthermore, Accounting Information System (AIS) studies focused on accounting software, cloud-based AIS, AIS quality, AIS effectiveness, and AIS adoption, with performance assessed using organisational performance,

employee performance, financial health, and performance management (Kareem et al., 2021; Egiyi et al., 2024; Vo Van et al., 2026; Saad, 2023; Lopung & Rulindo, 2023). Despite these contributions, previous studies have largely examined these accounting dimensions independently rather than integrating accounting practices, financial reporting practices, accounting control systems, and accounting information systems into a unified accounting information practices framework capable of explaining the financial performance of microfinance banks. Consequently, a variable gap exists, which the present study addresses by examining the effect of accounting information practices on the financial performance of microfinance banks, which is very limited in Nigeria.

The theoretical gap arises from the limited and fragmented application of theories in explaining the relationship between accounting practices and financial performance. Prior studies have mainly relied on Agency Theory to explain internal and accounting controls through monitoring, accountability, and reduction of agency problems (Tijani, 2022; Hamed, 2023), while studies on financial reporting have drawn on perspectives related to reporting quality, accountability, and organisational performance (Rathnayake et al., 2021; Tran et al., 2022; Nguyen et al., 2024), and AIS studies have predominantly adopted technology-oriented perspectives focusing on system quality, adoption, and utilisation (Saad, 2023; Lopung & Rulindo, 2023). However, these studies largely applied theories to individual accounting dimensions and across listed firms, SMEs, public organisations, and conventional banks, with limited theoretical integration within the microfinance banking context. The present study addresses this gap by providing a theoretically differentiated framework in which Contingency Theory explains the financial reporting practices–financial performance relationship, Agency Theory explains the accounting control systems–financial performance relationship, and the Technology Acceptance Model (TAM) explains the accounting information systems–financial performance relationship among licensed MFBs in Kwara State.

Institutionally and geographically, prior empirical studies have largely focused on manufacturing firms (Nguyen et al., 2020; Monteiro et al., 2021), listed companies (Kedze & Kenmegni, 2020; Agyeman, 2021; Rathnayake et al., 2021; Nguyen et al., 2024), public-sector institutions (Nyumoo, 2020; Abiodun, 2020; Tran et al., 2022), SMEs (Fitriati et al., 2020; Alawaqleh, 2021; Wirakusuma & Suaryana, 2023; Lopung & Rulindo, 2023), construction firms (Hamed, 2023; Agbata et al., 2025), nonprofit organisations, agricultural enterprises (Mang'ana et al., 2023), and conventional commercial banks (Khalid & Kot, 2021; Bashaija, 2022; Saad, 2023), with comparatively limited attention to licensed microfinance banks (MFBs). Within Nigeria, existing studies have examined accounting information systems and accounting practices mainly among manufacturing firms, quoted companies, and other business organisations rather than MFBs (Egiyi et al., 2024; Agbata et al., 2025), while evidence specifically relating to Kwara State remains scarce.

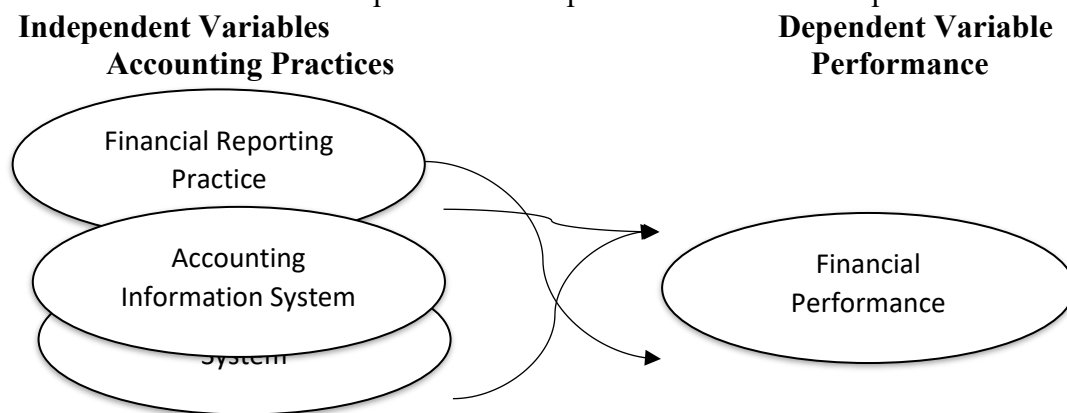
Furthermore, the existing literature has generally examined financial accounting practices in different dimensions and separately, thereby providing limited evidence on their respective effects within the same MFB setting. Consequently, empirical evidence on how these accounting dimensions influence the financial performance of licensed MFBs in Kwara State, Nigeria, remains inadequate. This institutional and geographical gap is important because MFBs operate within a distinct regulatory and operational environment characterised by financial inclusion activities, deposit mobilisation, microcredit provision, credit-risk exposure, and the need for effective financial information and control mechanisms. Hence, findings derived from listed companies, SMEs, manufacturing firms, public institutions, or conventional

commercial banks may not adequately capture the specific operational realities of licensed MFBs in Kwara State, thereby justifying the need for the present study.

Methodologically, related prior studies conducted in Nigeria on accounting practices and organisational or financial performance have predominantly employed multiple regression, Ordinary Least Squares (OLS), ex post facto, and survey-based regression techniques (Odunko, 2022; Egiyi et al., 2024; Agbata et al., 2025), with relatively limited application of Partial Least Squares Structural Equation Modelling (PLS-SEM). This study addresses the methodological gap by adopting PLS-SEM to simultaneously assess the structural relationships between financial reporting practices, accounting control systems, accounting information systems, and financial performance of selected licensed MFBs in Kwara State, while also assessing the reliability and validity of the underlying latent constructs.

2.3 Conceptual Framework

This framework shows the relationship between independent variable and dependent variable



Financial Performance is the dependent variable while the proxies for financial performance are financial structure, efficiency, revenue level, amount of deposits, profitability, cost reduction, financial risk, and productivity. Accounting practices are the independent variables proxy with financial accounting practices, accounting information system, and accounting control practices).

3. Methodology

The present study employed a cross-sectional survey research design for primary data collection, using questionnaires. The population of this study encompasses 162 managerial personnel of 27 duly licensed and operational microfinance banks within Kwara State as of 2026 (NDIC, 2026). In alignment with the research objectives posited in the under the background of this study, the management cadre of these microfinance banks constitutes the six (6) focal unit of analysis, where one senior member each represents operational unit, accounting unit, audit unit, risk management unit, administrative unit and any other senior member staff. A selection of these six roles was made across the 27 microfinance banks, predicated on their extensive expertise and experiential knowledge in accounting procedures within the sector. Their insights are pivotal for evaluating the accounting practices prevalent among the microfinance banks in Kwara State. 27 microfinance banks located in Kwara State as of 2026 (NDIC, 2026). A sample of 115 respondents was obtained through proportionate sampling across the 27 licensed microfinance banks in Kwara State and was determined using the Taro Yamane (1967) formula based on sampling frame of 162 managerial personnel. This sampling approach ensured adequate representation of the managerial workforce while enhancing the reliability and generalizability of the study findings. The technique for data

analysis was descriptive statistics, the inference used was the model of the structural equation model and used for hypothesis testing. For robustness of the findings, the methods were supplemented with reliability and validity check.

$$n = N / (1 + Ne^2)$$

Where: n = Sample size, N = Total population, which is 162, e = Margin of error (0.05) at 95% confidence level.

$$n = 162 / (1 + 162 * (0.05)^2), n = 115$$

This model is the relationship between the dependent variable, Financial Performance, and independent variable, Accounting Practices. This model is modified from Hamed (2023) study which is about the role of internal control systems in the financial performances. Based on the model proposed by Hamed (2023), the model used in this study is as follows:

$$FP = f(ICS) + \mu \dots \dots \dots 3.1$$

$$PF = \beta_0 + \beta_1 ICS_1 + \mu \dots \dots \dots 3.2$$

Where, β_0 = Constant Parameter $\beta_1 - \beta_4$ = regression coefficients of variables, PF = Performance, Internal Control System, μ = Stochastic Error term, i = Cross- Sectional.

The model of this study is as specified below:

$$FP = \beta_0 + \beta_1 FRP_1 + \beta_2 ACS_2 + \beta_3 AIS_3 + \mu_i \dots \dots \dots 3.3$$

Where: FP = Financial performance, ACS = Accounting control system, FRP = Financial reporting practice, μ = Stochastic Error term. $\beta_1 - \beta_3$ are the slope coefficients of accounting control systems and financial performance.

This study uses the model from the original study but with modifications as applicable. In particular, ICS (Internal Control System) was replaced by ACS (Accounting Control System), as both are conceptually equivalent and related to systems in place to ensure the reliability of financial reporting, safeguard organizational assets and promote compliance with policies and regulations. In addition, Financial Reporting Practice (FRP) and Accounting Information System (AIS) were introduced in the model to give a better understanding of the accounting practices and boost the explaining power and robustness of the model in understanding the overall impact of accounting practices on the financial performance of licensed microfinance banks in Kwara State.

4. Results and Discussions

Response Rate

The given questionnaire was completed by 113 people out of a total sample size of 115. The high response rate (98 percent) can be ascribed to the use of a personal (self-administered) method for data collection.

Table 1. Response Rate of The Sample Respondents

	No of respondents	Percentage
Questionnaire Issued	115	100%
Responses received	113	98%
Responses discarded	1	1.1%
Responses used	112	97

Source: Researchers field survey (2025)

Table 1 shows the percentage of the sample respondents who responded, which are the senior employees of microfinance banks. A total of 113 questionnaires were returned for a 98% response rate (out of 115 questionnaires issued). One response was rejected, presumably for incomplete/inconsistent responses, leaving 112 responses usable for a final response rate of

97%. The high response rate reflects high degree of participation of the senior managements of the microfinance banks in Kwara State, Nigeria in the study of risk management practice.

4.1 Descriptive Statistics

Table 2: Descriptive Statistics of Accounting Practices and Financial Performance of Microfinance Banks

Name	Indicators	Mean	Standard deviation	Excess kurtosis	Skewness
FRP_1	Financial reporting with the standard reporting framework	4.150	0.976	0.136	-1.049
FRP_2	Capacity and expertise in financial reporting	4.250	0.783	1.331	-1.116
FRP_3	Compliance with internal and external audit standards.	4.188	0.950	1.541	-1.369
FRP_4	Comprehensiveness in financial reporting	4.263	0.770	2.296	-1.333
FRP_5	Audience Consideration, and Clarity and organization of financial statements.	4.225	0.651	0.590	-0.545
FRP_6	Ease of access to financial reports by stakeholders	4.400	0.644	-0.580	-0.618
FRP_7	Use of consistent accounting policies and methods to allow for comparisons across periods and entities.	4.338	0.774	1.967	-1.336
AIS_1	Accounting Staff Competency	4.062	1.004	-0.281	-0.882
AIS_2	Accounting Techniques and Procedures	4.375	0.954	2.682	-1.793
AIS_3	Quality of Accounting Information	4.375	0.678	7.470	-1.864
AIS_4	Budgeting and Financial Planning Support	4.325	0.787	1.655	-1.282
AIS_5	System Response Time	4.125	0.900	0.687	-1.092
AIS_6	System Responsiveness	3.925	1.127	-0.743	-0.812
AIS_7	Technical Competence, Integrity, and Reliability of Accounting Staff	4.125	0.927	0.877	-1.214
AIS_8	System Reliability and Security	4.475	0.547	-0.972	-0.366
AIS_9	System Integration and Accessibility	4.188	0.923	0.667	-1.164
ACS_1	Segregation of duties	4.513	0.632	3.923	-1.560
ACS_2	Clear reporting structure	4.638	0.617	6.193	-2.168
ACS_3	Communication reporting structure	4.638	0.481	-1.703	-0.583
ACS_4	Authorization and approval of accounting transactions and documents	4.500	0.837	3.379	-1.958
ACS_5	Accounting control and standardized procedures	4.125	0.886	0.886	-1.131
ACS_6	Control of accounting documents and efficiency in signing document before payment	4.350	0.808	4.126	-1.746
ACS_7	Staff responsibility	4.300	0.812	2.290	-1.466
ACS_8	Internal audit department functions	4.300	0.872	1.245	-1.324
ACS_9	Staffing and effective in prevention of errors and fraud	4.275	0.836	1.679	-1.347
FP_1	Financial structure	3.025	0.851	0.213	-0.296
FP_2	Enhancing efficiency	3.163	0.697	-0.926	-0.237
FP_3	Increased revenue levels and cost reduction	3.312	0.663	-0.422	-0.193
FP_4	Increased in amount of deposits	3.788	0.876	-0.026	-0.703
FP_5	Increased profitability	3.587	0.945	-0.780	-0.348
FP_6	Financial risk management	3.112	0.866	-1.219	0.013

Source: Author's Computation (2025)

Table 2 shows the descriptive statistics of the indicators of accounting practices and financial performance of licensed microfinance banks in Kwara State. The findings suggest that most respondents agreed with the financial reporting practices (FRP), accounting information systems (AIS), and accounting control systems (ACS) with mean score values much higher than 4.00 for almost all of the indicators. Financial reporting practices dimension, easy access for stakeholders financial reports had the highest mean (Mean = 4.400, SD = 0.644), use of consistent accounting policies and methods had the second highest mean (Mean = 4.338, SD = 0.774), and financial reporting with the standard reporting framework had the lowest mean (Mean = 4.150, SD = 0.976). The results from this study indicate that the sampled microfinance banks have effective financial reporting systems which are accessible, consistent, comprehensive, and adhere to financial reporting and audit standards. Likewise, accounting information system indicators showed high mean values ranging from 3.925 to 4.475 with the highest mean value 4.475 for system reliability and security, followed by accounting techniques and procedures and quality of accounting information (Mean = 4.375 each). The results showed, however, that the mean score for system responsiveness (Mean = 3.925, SD = 1.127) was the lowest, which means that the accounting information systems were effective in the respondents' perception but still needed to be improved in terms of their responsiveness. The respondents showed the highest level of agreement for accounting control system with mean values ranging from 4.125 to 4.638 among all constructs. Specifically, clear reporting structure and communication reporting structure achieved the highest mean scores (Mean = 4.638) followed by segregation of duties (Mean = 4.513) which shows that the effective internal control mechanisms are well established in the sampled microfinance banks. The financial performance indicators showed comparatively lower results on average with mean scores ranging from 3.025 to 3.788, with highest mean score given for increases in deposits (Mean = 3.788, SD = 0.876), and the lowest score given for financial structure (Mean = 3.025, SD = 0.851). This indicates that while respondents felt moderate gains were being made in financial performance, this was not as significant as they felt it was in accounting practices. Moreover, the standard deviations of the variables were all less than 1.20, suggesting that the variation in opinions of the respondents was relatively small and that opinions among the respondents were fairly consistent. The skewness coefficients were mostly negative reflecting that the response tended to be at the extreme "agree" and "strongly agree" end, and the kurtosis values ranged mostly within acceptable limits, suggesting that the data were reasonably normal and appropriate for further inferential analyses.

4.2 Measurement Model

The measurement model assesses the reliability and validity of the constructs in the study. This includes the computation of composite reliability and average variance extracted for each construct.

Table 2: Construct Reliability, Validity and Collinearity

Constructs	Composite Reliability	AVE	VIF	Tolerance
Financial Reporting Practice (FRP)	0.773	0.842	1.514	0.661
Accounting Information System (AIS)	0.776	0.713	1.349	0.741
Accounting Control System (ACS)	0.760	0.746	1.142	0.875
Financial Performance (FP)	0.733	0.871		

Source: Author's Computation (2025)

Results of the reliability, validity, and orthogonal assessment of the constructs are depicted in Table 2. As per the findings, all composite variables were found to be reliable as the composite reliability scores ranged from 0.733 to 0.776 which is well above the threshold value of 0.70. Additionally, the average variance extracted values varied between 0.713 and 0.871 which also exceeds the range of the acceptable level being more than 0.50, and that proves that there is convergent validity for all constructs. As to the VIF and Tolerance values, results indicated that all VIF scores are lower than 5.0 (ranging from 1.142 to 1.514) and Tolerance values also sustain at a level that is more than 0.20 (ranging from 0.661 to 0.875).

Testing of Hypotheses

Results This section therefore presents the results of hypothesis testing using a structural model. Herein, path coefficients were analyzed in order to confirm the tenability of the hypothesized relationships as proposed in the hypotheses of this study. As indicated from Table 4.11, summary path coefficients and respective significance levels show the valid acceptance or otherwise of proposed hypotheses.

Table 3: Path Coefficients

Constructs	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
FRP -> FP	0.250	0.253	0.084	2.974	0.003
AIS -> FP	0.251	0.245	0.090	2.782	0.005
ACS -> FP	0.224	0.231	0.096	2.333	0.020

Source: Author's Computation (2024)

4.3 Restatements of Hypotheses and Discussions

H₀₁: There is no significant effect of financial reporting practice on financial performance of selected licensed MFBs in Kwara State.

The sample path coefficient for Financial Reporting Practice to Financial Performance is 0.250, t-statistic 2.974 and p-value of 0.003 which shows a positive statistically significant relationship between FRP and FP. It indicates that if the FPR does not equal the FP, then the null hypothesis can be rejected in favor of the alternative hypothesis that FPR will be greater than FP. This demonstrates that the higher the financial performance, the more the improvements in FRP. This means that the improved financial reporting leads to a much more favourable financial performance outcome. These factors can be attributed to the positive impact of sound financial reporting practices such as improved decision making, increased confidence of stakeholders, etc. and with respect to regulatory requirements. The study results are consistent with the prior study by Tran et al. (2022); Mang'ana et al. (2023); Nguyen et al. (2024); and Al-hashimy and Yao (2026) which obtained positive and significant relationship between financial reporting practices and financial performance, which implies that a very lucid and concise financial reporting practice increases the credibility of statements while ensuring good decision-making through stakeholder trust. Thus, the results of the study conducted by Rathnayake et al. (2021); and Super et al. (2025), which found that there was no significant relationship between the practice of financial reporting in relation to the aspects that affect the financial performance of firms. Variations may be due to differences in study context, sample or type of methodology employed or institutions or environments where the effects of financial reporting practices on financial performance are not as obvious.

The finding that financial reporting has significant effect on financial performance is further supported by Contingency Theory, which posits that the effectiveness of organizational

practices depends on their fit with the circumstances and operating environment of the organization. In the context of MFBs, financial reporting practices are expected to improve financial performance when they are appropriately aligned with the information needs of management, regulatory requirements, technological conditions, and the operational environment of the institutions. Effective financial reporting provides timely and relevant information for monitoring financial activities, identifying risks, allocating resources, and making appropriate decisions. Therefore, the positive and significant relationship found in this study is consistent with the proposition of Contingency theory that appropriate accounting practices, when properly fitted to organizational circumstances, can contribute to improved organizational performance.

H₀₂: There is no significant relationship between accounting control systems and financial performance of selected license MFBs in Kwara State.

In the original sample, the path coefficient of Accounting Control System (ACS) to Financial Performance (FP) is 0.224, and the t-statistic is 2.333, and the p-value is 0.020. This means that there is a statistically significant positive correlation between ACS and FP. A null hypothesis testing the absence of a relationship between ACS and FP should be rejected and the alternative hypothesis that there is a positive relationship between the two should be accepted. So, it would be concluded that there would be a positive correlation between the improvements in ACS and the financial performance. Here, it is clear that the strengthening of accounting controls involve measures for the accurate recording of financial information, internal auditing and compliance with regulatory requirements and all these measures contribute to a better financial outcome.

The reliability of financial information, improved operational efficiency, and the risk mitigation of financial misstatement and fraud are all aspects of effective ACS that lead to improved financial health and stability. The desired financial performance depends on adequate accounting control and this positive relationship highlights the importance of the latter. The finding corroborates Tijani (2022), Bashaija (2022), Odunko (2022), Hamed (2023), Zhang and Su (2023), and Dembo et al. (2026), who found that appropriate accounting control systems have a positive impact on financial and organisational performance. This supports the argument that a robust accounting control framework is important for promoting transparency, accountability, operational efficiency, and financial sustainability. Effective controls enable financial institutions to monitor their activities, detect irregularities, protect organisational resources, minimise financial risks, and ensure compliance with established policies and regulatory requirements.

The finding is also supported by Agency Theory developed by Jensen and Meckling (1976), which assumes that conflicts of interest and information asymmetry may arise between principals and agents because managers and employees may pursue interests that are not always consistent with those of owners and other stakeholders. Accounting control systems provide monitoring and control mechanisms that can reduce such agency problems by restricting unauthorized activities, improving accountability, protecting organizational resources, and ensuring that financial transactions are properly authorized and recorded. In MFBs, effective accounting controls can therefore reduce agency costs, limit opportunities for fraud and resource misuse, and improve operational efficiency.

H₀₃: The accounting information system has no significant effects on the financial performance of selected license MFBs in Kwara State.

In the original sample, the path coefficient of Accounting Information System (AIS) to Financial Performance (FP) is 0.251, the t statistic is 2.782, and p is 0.005. This means that there is a positive relationship between AIS and FP that is statistically significant. The

alternative hypothesis, H_1 : There is a positive relationship between AIS and FP, is accepted in place of the null hypothesis. This implies that there is a relationship between improvement of AIS and improved financial outcomes. The results of the analysis showed that the accounting information system (AIS) is having a significant impact on the performance of the financial performance of microfinance banks (MFBs) in Kwara State. This means that adequate implementation and utilization of AIS can positively impact on how these banks operate, their decision-making processes, as well as the financial outcomes of these banks.

The finding is consistent with Alawaqleh (2021), Khalid and Kot (2021), Kareem et al. (2021), Lawal and George (2023), Saad (2023), Lopung and Rulindo (2023), Egiyi et al. (2024), and Vo van et al. (2026) who found that AIS had a positive and significant impact on financial performance. However, the result contradicts the findings of Agbata et al. (2025), who reported no significant relationship between AIS and financial performance in their respective studies. The differences may arise from variations in study settings, technological sophistication, organizational size, system quality, users' technological competence, and the specific dimensions used to measure AIS and financial performance. The current finding suggests that, within the selected MFBs in Kwara State, effective utilization of AIS is sufficiently important to produce measurable improvements in financial performance.

The finding is further supported by the Technology Acceptance Model (TAM) developed by Davis (1989), which proposes that users' acceptance and utilization of information technology are primarily influenced by perceived usefulness and perceived ease of use. Where employees perceive an accounting information system as useful and easy to use, they are more likely to utilize it effectively in performing accounting and financial management activities. Effective utilization of AIS can improve the speed and accuracy of transaction processing, facilitate timely access to financial information, reduce manual errors, and support better managerial decisions. These improvements can enhance operational efficiency and financial outcomes. Therefore, the positive and significant relationship between AIS and FP found in this study is consistent with TAM, as effective acceptance and utilization of accounting information systems can enable MFB employees to obtain greater performance benefits from the technology, thereby contributing to improved financial performance.

4.4 Policy and Social Implications

The central bank of Nigeria and the Nigeria Deposit Insurance Corporation (NDIC) are the policy makers who should be concerned about the significant positive influence of financial reporting practices, accounting information systems and accounting control systems on the financial performance, because they can strengthen policies to encourage compliance with the financial reporting standards, use of modern accounting information systems and effective internal control systems in the microfinance banks. Support to these policies should be provided through regular monitoring, capacity-building programmes and more effective application of regulatory requirements to increase institutional transparency, accountability and financial stability.

Socially, better accounting will help build trust in microfinance institutions, increase financial inclusion, boost depositors' trust, curb financial mismanagement and fraud, and create better access to sustainable financial services for small businesses and underserved communities. In summary, the improved financial performance of the microfinance banks will help create jobs, alleviate poverty, promote entrepreneurship, and foster sustainable economic growth in Kwara State and Nigeria in general.

5.1 Conclusion and Recommendations

The study is conclusive that the accounting practices do have significant impact on financial performance of licensed microfinance banks in Kwara State. Specifically, financial reporting practices, accounting information systems, and accounting control systems were identified to positively influence the financial performance, and statistically significantly so. The results suggest that if a microfinance bank has a strong accounting control system, efficient accounting information system and reliable and transparent financial reporting, it is more likely to have a better profitability, operational efficiency, regulatory compliance, and overall financial sustainability. Hence, the study has confirmed that a complete accounting system can be a strategic asset to improve the financial performance and sustainability of licensed microfinance banks. The following recommendations are made based upon the conclusion:

- i. Microfinance banks should invest in modern accounting information systems by adopting integrated accounting software to improve the accuracy, timeliness, and reliability of financial information. Management should also strengthen accounting control systems through regular internal audits, effective segregation of duties, continuous monitoring, and staff training to minimize operational and financial risks.
- ii. The small-scale financial institutions need to build up the system of accounting information of modernization, integration and be equipped with modernized and integrated accounting information systems that can be used to conduct the real-time financial reporting, process transaction, enhance the quality of financial information and support the strategic decision making. Employees need to be trained continuously as well to enhance their technical competency and to maximize the benefits obtained from accounting information systems by bank management.
- iii. Management should create and continually improve accounting control systems through strengthening of internal audit functions and separation of duties, risk management systems, compliance monitoring, and periodic review of internal control procedures. Licensed microfinance banks in Kwara State will have a reduced incidence of fraud, minimal financial misstatements, good accountability and sustainable financial performance as a result of strong accounting control system.

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