

Investigating The Influence of Digital Transformation, Budgeting and Budgetary Control on The Financial Performance of SMEs: A Critical Review

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ABSTRACT

This critical review evaluates the study by Ebhota et al. (2024) concerning the impact of digital transformation (DGT), big data analytics (BDA), customer experience (CUE), and budgeting and budgetary control (BBC) on the financial performance (FFP) of small and medium-sized enterprises (SMEs) in emerging markets. Employing a critical literature review methodology, this paper assesses the original study's theoretical foundations, methodological rigor, and empirical claims. The analysis confirms that grounding the research in Dynamic Capability Theory effectively frames digital transformation as an evolving operational asset rather than a static IT expenditure. Furthermore, the underlying statistical models robustly validate that DGT, BDA, and CUE significantly enhance budgetary controls and financial performance. However, this critical review identifies notable limitations in the original manuscript, including a pronounced demographic sample bias toward highly digitized technology and financial sectors (67%), which limits generalizability to traditional resource-heavy industries, alongside significant typographical and statistical reporting errors in the text. Despite these flaws, the reviewed study offers a highly relevant, empirically backed framework demonstrating how modern SMEs must integrate digital capabilities with financial discipline to achieve sustainable growth.

Keywords: Budgetary control; Critical review; Digital transformation; Financial performance; SMEs.

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INTRODUCTION

The article "Investigating the influence of digital transformation, budgeting and budgetary control on the financial performance of SMEs," authored by Oziegbe Simeon Ebhota, Yao Hongxing, and Agyemang Kwasi Sampene (Ebhota et al., 2024), investigates the strategic mechanisms through which technological adoption influences financial outcomes in emerging markets. The primary research question centers on how digital transformation (DGT), big data analytics (BDA), and enhanced customer experience (CUE) interact with budgeting and budgetary control (BBC) to ultimately determine the financial performance (FFP) of small and medium-sized enterprises (SMEs). The authors (Ebhota et al., 2024) target SMEs in South-West Nigeria, an emerging market where businesses face unique systemic challenges, including limited access to external financing and inadequate equity capital.

The authors (Ebhota et al., 2024) anchor their theoretical framework in Dynamic Capability Theory (DCT), which posits that organizations must continuously adapt, renew, and reconfigure their internal competencies to sustain a competitive advantage in volatile business environments. The application of DCT is particularly appropriate in the context of the COVID-19 pandemic, which fundamentally altered consumer behavior, accelerated the digital economy beyond initial Fourth Industrial Revolution expectations, and forced enterprises into a "new normal" of contactless technology and virtual operations. Through the lens of DCT, the researchers successfully frame digital transformation not as an isolated technological acquisition, but as a foundational managerial and operational capability that empowers SMEs to hypothesize consumer preferences and rapidly adapt to market evolution.

The research (Ebhota et al., 2024) provides a highly relevant, empirically robust contribution to the intersection of strategic technology management and corporate finance. By successfully bridging modern digital capabilities with traditional financial control mechanisms, the study (Ebhota et al., 2024) delivers actionable intelligence for SME leadership. The researchers (Ebhota et al., 2024) construct a compelling quantitative argument demonstrating that digitalization is not merely an operational upgrade, but a critical driver of financial discipline. However, while the structural equation modeling is rigorously executed, the study's heavy reliance on technology-oriented sectors and its cross-sectional design present limitations regarding the broader generalizability of its causal claims across more traditional industries.

METHODS OF RESEARCH

This article evaluates and summarizes the study (Ebhota et al., 2024) using a critical literature review methodology (Anh, 2024; By, 2005; Choudhary & Singh, 2025; Dede et al., 2026; Franzke et al., 2022; He et al., 2026; Kabir et al., 2026; Magnuson et al., 2026; Martinussen et al., 2025; Mêda et al., 2026; Thomas et al., 2026). A critical review aims to thoroughly assess the theoretical foundations, methodological soundness, and contextual boundaries of previous research (Davies, 2022).

RESULT AND DISCUSSION

1) Thematic Foundations and Theoretical Underpinnings

The authors (Ebhota et al., 2024) prudently anchor their conceptual framework in Dynamic Capability Theory (DCT). Originating as an evolution of the traditional resource-based view, DCT

emphasizes an organization's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. The application of DCT is a major theoretical strength of this paper (Ebhotu et al., 2024). By framing digital transformation not merely as a static IT expenditure but as a dynamic, malleable capability, the authors successfully establish how technology empowers management to formulate hypotheses regarding market evolution and consumer preferences. This theoretical lens logically supports the study's central proposition: that the adoption of digital tools directly enhances operational and managerial capabilities, which in turn optimizes resource allocation and financial performance in volatile markets.

2) Methodological Rigor and Analytical Approach

The analyzed sample is heavily weighted toward highly digitized industries: Financial and Banking services constitute 34% of the respondents, Information Technology accounts for 19%, and Communication services make up an additional 14%. Consequently, 67% of the sampled SMEs operate within tech-adjacent sectors where digital banking, fintech tools, and online lending platforms are already operational norms. This demographic skew suggests that the sample natively possesses a higher baseline of digital transformation and data analytical maturity than traditional sectors, potentially limiting the direct applicability of the findings to resource-heavy, traditional industries like manufacturing or agriculture.

Despite the mathematical rigor of the sampling size, a deep evaluation of the demographic outcomes reveals a pronounced sector bias. The respondents primarily held high-level financial and administrative roles: 25% Controllers, 23% firm owners/CEOs, 22% financial officers, and 17% financial accountants. While this ensures the respondents possess the requisite knowledge to answer questions regarding budgetary control, the sectoral breakdown is heavily skewed. The sampled organizations belong to Financial and Banking services (34%), Information technology (19%), Communication services (14%), Consumer staples (22%), and Food and Beverages (11%). Consequently, an overwhelming 67% of the SMEs in this study operate within technology-centric or finance-centric sectors. The authors (Ebhotu et al., 2024) explicitly note that most respondents utilize payment solutions, digital banking, online lending platforms, and fintech tools. This demographic reality implies that the sample naturally possesses a high baseline of digital transformation and data analytical maturity. The absence of traditional, resource-heavy sectors such as manufacturing, agriculture, or logistics limits the generalizability of the findings. The barriers to digital transformation in a manufacturing plant differ vastly from those in an IT consultancy; therefore, the sweeping conclusions regarding the ease and efficacy of DGT must be contextualized within the highly digitized nature of this specific sample.

3) Statistical Validation and Model Robustness

There's a prose reveals glaring typographical and reporting errors that diminish the paper's (Ebhotu et al., 2024) scholarly polish. When reporting the direct relationships, the article (Ebhotu et al., 2024) presents directly contradictory statistical data. Similarly, the study (Ebhotu et al., 2024) outcome revealed that firms' age has a significant association with FFP". This blatant repetition of "firms' age" with two different sets of statistics indicates a failure to differentiate between firm age and firm size in the text, despite the figure clearly separating these two control variables.

More concerning is the textual reporting of Hypothesis 1 (the impact of DGT on CUE). The manuscript (Ebhotu et al., 2024) states that the findings, as provided in Appendix 8 from the survey, indicated that DGT has a significant and direct influence on CUE. Thus, the study (Ebhotu et al., 2024) outcome validated that DGT positively influences CUE. A negative beta coefficient mathematically dictates an inverse or negative relationship, yet the authors (Ebhotu et al., 2024) explicitly conclude that it is a positive influence. This severe discrepancy between the structural diagram and the written analysis points to inadequate proofreading and a potential misinterpretation of the statistical output during the drafting phase. While the visual data in the figure and the theoretical conclusions align, these in-text numerical errors constitute a significant weakness in the presentation of the evidence.

4) Empirical Evidence and Hypothesis Resolution

Despite the textual reporting errors, the underlying statistical outputs (as visually confirmed in the structural models) provide overwhelming support for the study's central thesis. The path analysis confirms that all nine hypotheses (H1-H9) are statistically significant, with p-values falling between 0.000 and 0.05. The data establishes that digital transformation profoundly impacts SME operations. DGT shows a positive and substantial linkage with Big Data Analytics and Budgetary Control. The authors (Ebhotu et al., 2024) effectively discuss these findings through the lens of Dynamic Capability Theory, noting that cloud-based systems and CRM software enhance managerial capabilities by streamlining decision-making and providing real-time data insights. This agility enables businesses to dynamically adjust budgetary frameworks to match changing market conditions swiftly.

The study successfully proves that both CUE and BDA possess a direct, substantial connection to the improvement of BBC. The authors (Ebhotu et al., 2024) argue that an enhanced customer experience creates brand loyalty and a predictable revenue stream, allowing for highly efficient resource allocation and budgetary optimization. Similarly, BDA enables SMEs to anticipate future challenges and refine financial frameworks based on measurable market trends. Hypothesis 6 confirms the foundational premise that budgeting and budgetary control positively and substantially affect the financial performance of SMEs in Nigeria. By establishing a comprehensive budget, SMEs maintain a disciplined approach to managing funds, thereby driving positive economic outcomes (Okeke et al., 2024; Theodore Narku Odonkor et al., 2024).

The indirect effect testing confirms that both CUE act as significant positive mediators in the relationship between DGT and BBC. This is perhaps the most critical finding of the paper (Ebhotu et al., 2024), digital transformation is not an end in itself, but rather a bridge that translates raw digital advancements into strategic financial decision-making via customer insights and data analysis. Furthermore, the moderation analysis confirms that Financial Efficiency significantly strengthens the link between BBC and FFP. A high level of FIE dramatically steepens the positive trajectory between budgetary control and financial performance, acting as a linchpin that amplifies the impact of strategic financial practices.

CONCLUSION

The article provides a highly sophisticated, empirically backed investigation into the modern drivers of financial performance within emerging market SMEs. By utilizing Dynamic Capability Theory to frame digital transformation as an evolving operational asset, the authors successfully bridge the gap between technological adoption and traditional financial discipline. The structural equation modeling rigorously proves that data analytics and customer experience are not merely secondary benefits of digitization, but essential mediators that convert raw technological infrastructure into actionable, highly accurate budgetary controls. While the manuscript is slightly marred by typographical errors in its statistical reporting and relies on a sample heavily weighted toward technology-adjacent sectors, the overarching methodology and theoretical design remain deeply robust. Ultimately, the paper makes a substantial contribution to the academic fields of corporate finance and strategic management, offering a definitive, data-driven blueprint for how modern enterprises must intertwine digital capabilities with financial efficiency to guarantee survival and growth in volatile economic landscapes.

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