

Effect of Budgetary Control Systems on Financial Performance of firms: Evidence from Pharmaceutical and Breweries Manufacturing Industries in Enugu

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Abstract: *This study has examined the budgetary controls system on financial performance of manufacturing firms in Enugu State. At the inferential level of analyses, Z-test and simple regression. The result showed that regular review of budget had effect on profitability of manufacturing companies, variance analysis do affect the growth rate of manufacturing companies, management by exception affect the solvency of manufacturing companies and the limit of budget operators affect the liquidity of manufacturing firms in Enugu State. Therefore, this study concludes that budgetary control systems as observed from the findings of this study are necessary for the financial performance of manufacturing firms. Based on the objectives of this study we recommended that managers in the manufacturing companies continue with the motive of valuing budgetary control in their polices (planning, monitoring and control as well as advocating for participatory budgeting for these has been found to influence their financial performance to a great extent. Regular budget review should be used to support the organization in achieving its objectives by flexibility in managing its risks, while complying with rules, regulations, and organizational policies. The organization should therefore make budgetary control part of its overall governance system. Thus, this study recommends strict compliance with constant budget reviews integrating it with rules, regulations, and organizational policies to increase performance in manufacturing firms.*

Keywords: *Budget, Control Systems, Financial Performance, Manufacturing Industries.*

1. INTRODUCTION:

There is no gain saying the fact that companies assess the viability of each project based on comparing the actual against the budgeted from which the decision are made either to kill the project or to revisit the negotiation table for a better deal. Bonus to motivate employees to put up their best in the operation which is also based on performance measurement is also not left out. The Key Performance Indicators (KPIs) such as financial performance are also centred on the budget. The budget therefore, for manufacturing and pharmaceutical companies is the engine of decision making, the core pillar around which every decision on any project is derived. Sensing the sensitivities of the role of the budget in an organisation's operation and the decision-making body, it is incumbent on the budget manager to get very reflective budget information that throws more light on the actual situations on the ground.

Budgetary control is one of the essential functions of every business organization. Survival and growth of any corporate organization depends on effective budgetary control measures (Horngren, 2003). This implies that if budgets are effectively designed and implemented, an organization can achieve massive results. With the prevalent business environment in Nigeria, Managers and Stakeholders of manufacturing companies must be prepared to compete favourably and in order to survive they need modern skills like budgetary processes in its entirety to forecast the major changes which are likely to affect the business while they plan future directions and dimension of resources needed to attain selected goals. Budgetary control, in practice, has been noted to be a tool for accountability in corporate organizations. It is also a management tool which helps organization management, and enhances improved performance of any economy in different ways. Budgetary control system requires institutional arrangements that provide correct incentives and assist in balancing priorities with affordability. It has however proved to be practically difficult for many companies to establish such a mechanism (The World Bank, 2004).

Budgeting in a business has benefits and consequences that go beyond the organization's management and have more to do with financial dimension in general key, which is financial performance. Budgeting forces firms' management to do better forecasting. Vague generalizations about what the future may hold for the organization are not good enough for assembling a budget. Firms' management must put their predictions into definite and concrete forecasts (Tracy, 2013). Budgeting motivates managers and employees by providing useful yardsticks for evaluating performance. Budgets provide useful information for superiors to evaluate firm performance and inform financial allocation strategies across various components of a firm (Horngren, 2003). Over the years, companies has undertaken various attempts aimed at improving its budgetary process with the objectives of imposing greater fiscal discipline on

management agencies of both private and public companies. Today most companies boast of having a strong detailed and well laid budgeting legal process which the top executives uses as a tool to allocate revenue resources (Anderson, 1996). Budgeting is the process used by the management of companies to formalize its plans (Horngren, 2000).

Budgeting and Financial Performance Management are key financial processes in the manufacturing sector. How to improve firm's financial performance is an issue that concerns every manager in every manufacturing business. The high level of technology and process systems required by the fast growing manufacturing and Pharmaceutical industry in Nigeria typically involves large financial investments. The initial purchases of machinery necessary for production, as well as the eventual replacements or upgrades of these machinery, means that manufacturing and pharmaceutical businesses have to engage in continuous investments. Manufacturing and pharmaceutical businesses, therefore, need to consider comprehensive, adequate and systems informed with flexible budgets to realize substantial financial performance.

Specific research studies extensively on the relationship between budgeting and the financial performance of firms are scanty, Nigerian manufacturing sector on which limited research work has been done, is not comparable to those firms in the developed world or middle income countries where the empirical studies have been conducted and as a result, the researcher believes there might be differences on the relationship between working capital and firms performance.

Tundji (2013) on the impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria using Cadbury Nigeria Plc, as case study. He adopted a descriptive research design with data gathered through questionnaire administered to respondents and it was revealed that budgeting is a useful tool that guides firms to evaluate whether their goals and objectives are actualised. Considering the changing environment in which firms now operate, it can be concluded that budget, which is a continuous management activity, should adapt to changes in the dynamic business environment.

Locally, studies focusing on budgeting have been carried out. Ndiritu (2007) carried out a study on the effectiveness of cash budgeting at Telkom Kenya which was a public institution. He focused on cash management budgeting process as an important tool of planning and controlling. His study found out that although cash budget as a management and control tool was in place in Telkom (K) limited, it was not effective in improving the management of cash. Obulemire (2006) found out that, public schools in Nairobi used budgets mostly to implement short term operational plans with majority of the long term plans being implemented without prior budget. Kavoi (2011) found out that adequate planning and accurate projections done in budget preparations influenced budget achievement targets in the University of Nairobi.

Muthinji (2009) carried out a study on the challenges of budget implementation at the commission for higher education. His aim was to study the challenges of budget implementation and its effectiveness at the commission. He found out that budget was important for communication and there is an increasing trend towards decentralization.

Murrison (2001) did a survey on budgeting practices among the major British Non-Governmental organizations in Kenya. He focused on their budgeting practices and the extent to which budgets are used as a management control tool. The result showed that 100 percent of the Relief projects overestimated their income.

On the other hand, Performance can be defined as the outcome of a firm's activities over a given period. Thus, a firm could experience a poor as well as a good performance. The determinant of performance varies across industries and companies. Measurement of performance includes: customer satisfaction, employees and shareholders satisfaction, sales growth, market share, return on capital invested (Amalokwu and Ngoasong, 2008). The inability of many organizations to adequately plan has led to various problems they are facing today. Some of these problems are low profitability, poor liquidity, insolvency and low growth rate which of course would have negative effect on shareholders wealth. In view of the above problems, our study examines the effect of budgetary control systems on financial performance of manufacturing firms in Enugu State with specific reference to pharmaceutical and breweries manufacturing industries.

2.THEORETICAL FRAMEWORK:

Hirst (1987) explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control, a detector of variances between organizational objectives and performance (Shields and Young, 1993). Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control.

Budgets project future financial performance which enables evaluating the financial viability of a chosen strategy. In most organizations this process is formalized by preparing annual budgets and monitoring performance against budgets. Budgets are therefore merely a collection of plans and forecasts (Silva and Jayamaha, 2012). They reflect the financial implication of business plans, identifying the amount, quantity and timing of resource needed (Shields and Young, 1993). The establishment of short to medium-term objectives serves the purpose of providing estimates of future sales revenues and expenses, to provide short and long-term objectives for a coordinated

management policy. Benchmarks for management and task controls are provided by comparing actual results with budgeted plans and to take corrective actions if necessary (Sharma, 2012). Budgets can further influence the behaviour and decisions of employees by translating business objectives, and providing a benchmark against which to assess performance. Hancock (2009) even considered such operational planning as the backbone of management.

During budget preparation procedures, consideration of alternative courses of action becomes an integral part and leads to increased rationality. A budget allows a goal, a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be forward looking rather than looking back (Scott, 2005). Budgets have therefore been identified as playing a number of roles which include making goals explicit, coding learning, facilitating control, and contracting with external parties (Selznick, 2008). Fisher exemplified this by “linking compensation to performance measures against the budget”, thereby making goals explicit, communicating goals and thereby coding learning and clarifying performance measures for individual employees of an organization (Goldstein, 2005).

Robinson and Last (2009) identified budgeting system as a tool used by the firm as a framework for their spending and revenue allocation. To ensure the firm’s resources are not wasted, the organization must be able to come out with an effective budgeting system. This is important as it ensure that the outputs produced and services delivered achieve the objectives. According to this theory, a good budgeting system must be able to addresses the efficiency and effectiveness of the organization’s expenditure. A good budget is determined by the level of income of the organization (Robinson, 2009).

The organization has to put proper controls that ensure that the budget is properly maintained and allocated. A firm that is able to run its operations efficiently is able to allocate more revenues for the organization. This is achieved through cutting costs in order to increase the quality and quality of goods and service offered by the firm. However, if an organization has lesser income they might have to find a way to fund their estimated budget by borrowing and tax restructuring (Robinson and Last, 2009). That is why the budget is mostly regarded as the control of expenditure. As the total amount of the annual expenditure; the organization must not exceed the allocation of budget. In some countries for example Malaysia the budgeting process is done through a political process which is mainly done in the parliament. Budget is important not only as political tools but also as a pledge between the ruling organization and the public as their commitment to satisfy the need and demand of the people. Budget also can be used an indicator of the performance of the ruling government. It is a statement of whether they are competent in administering the organization and the national resources (Sawhill and Williamson, 2001). One of the models of budgeting system is

According to Robinson and Last (2009), performance-based budgeting system (PBBS) aims to improve the efficiency and effectiveness of public expenditure. Unlike other budgeting system, PBBS use the resources to ensure that it can help in achieving the expected results and outcome based on the targeted area or planning. In simple words, the PBBS is seen as managing for results (Marc Robinson and Duncan Last, 2009).

Compared to the traditional budgeting system which focuses on the amount of inputs, performance based budgeting system focused more towards the outcome. As the organization spending stretches annually, it is important to understand the nature of spending of the organizations which is always being stated in the budget. It is therefore essential for the organization to understand its budgeting system and give priority to urgent matters that require attention. In order to find out the relationship between the budgeting system and the organizational performance, it is important for the firm to determine the patterns of the expenditure of the organization and its performance (Phyrr, 1970).

Kaplan and Norton (1996), accounting theory is aimed towards provision of a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices and policy development. Otley and Pollanen (2000), the purpose in developing a theory of accounting is to establish standard for judging the acceptability of accounting methods. Procedures that meet the standard should be employed in practice of accounting. Horvath (2009) argues that the accounting methods that fail to meet the standard should be rejected.

Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation. The money measurement concept in accounting has contributed to a greater extent in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Horvath and Seiter, 2009).

Theory in accounting guide in the selection of principles and roles to be applied in particular circumstance. The accounting theory in budget control has come up with different models of analysis for example cost volume profit analysis and standard costing which serve as a standard setting in budgeting. Theory has an important normative role in the evaluation of budget and control procedures to be adopted. Theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances. Horngren (2002) argues that accounting theory view a firm as a separate entity in which its activities are distinct from its owners. These principles serve as an impetus to the general philosophy of budget itself as a tool for effective management (Horngren, Forster and Dater, 1997).

Budget as a tool for standard setting and performance measurement utilize several accounting concept to a greater extent. Accounting theory has developed models in which standard can be set. Management accounting theory also provides several yardsticks to be used for control. That is variance analysis. Since budget is an instrument of plan. It provides a framework of given feed back to the management on the implementation of budget. When implementing the accounting theory historical data is instrumental since this data serve as an input for making forecast. The cost accounting theory developed by Wedgwood in early 20th century which stress on cost identification, allocation and revenue maximization has provide a basic insight and blue print in budget and control in organization. The matching concept in accounting also plays a role as reference issue in budget analysis (Hopwood, 1976).

3. EMPIRICAL REVIEW:

Joshi and Abdulla (1996) examined some aspects of budgetary control and performance valuation systems by utilizing data based on a questionnaire survey of 42 medium and large size companies located in the State of Bahrain. The study found that the conventional form of budget controllability principle was practiced to a great extent. It was concluded that bonus is affected by budget performance along with new assignments, but not salary.

Callahan and Waymire (2007), according to government statistics, at the end of June 2006, there was over \$7 trillion of corporate, state, and local government, asset backed structured finance bonds outstanding with much of it rated by only a (literal) handful of bond rating companies that establish credit worthiness of corporate entities and of governmental units. Linking bond ratings to performance is important particularly in a governmental setting where credit ratings remain a key feature of municipal debt management, and debt is the key source of capital. In this study, the researchers examined whether budgetary control and its relationship with performance, using a sample of large U.S. cities over the 2003-04 timeframe. The study found that the effective level of budgetary control was significantly and positively related to bond rating.

Ong'onge (2009) conducted a descriptive survey, using a population of 1,200 registered savings and credit Cooperative Societies (SACCOs) in Nairobi, a sample size of 40 SACCOs was selected using a simple random sampling method. Primary data was collected using a semi-structured questionnaire. Descriptive statistics especially percentages were used to establish the budgetary process used by the SACCOs. The study found that budgets in SACCOs serve to aid control, aid both short and long term planning, communicate plans, and coordinate activities and also to evaluate performance. Majority of SACCOs used a combination of both top-down and bottom-up approach when preparing budgets.

Chemweno (2009) evaluated how the firm has employed an operational budget as a management tool. It set out to determine how operational budgeting practice is actually done, the basis of budget formulation and to what extent the budgets are used as a management and control tool. The study concentrated on companies offering mortgage financing in Kenya. The data was collected mainly through detailed questionnaires and analysed using descriptive statistics by way of summary statistics, tables and percentages. The study revealed that budgets are normally prepared on an annual basis. It was found that all the major Kenyan mortgage financing institutions have an operational budgeting process which they considered extremely important since it is outlined in the organizations objectives, targets, means of achievements, cost of achievement and responsibilities.

Mwaura (2010) conducted an investigation into the participatory budget setting and budget commitment as a factor that affects performance of the NSE listed companies. This study used a causal research design to identify cause and effect relationship. The population of interest in this study comprised 55 companies listed where it considered only 53 still operating ones. Data for this study was both quantitative and qualitative hence both descriptive and content analysis techniques was employed. The descriptive statistical tools helped the researcher to describe the data and determine the extent used. In addition, to quantify the strength of the relationship between the variables, the researcher used a multiple regression. The study concluded that budgetary participation affects return on capital employed and return on assets to a great extent. It was further found that budgetary participation affects return on investment and budget commitment to moderate extents.

Badu (2011) conducted an investigation of budgeting and budgetary Control at Ernest Chemist Laurea. The aim of this study was to conduct research concerning the budgeting practice in Ernest Chemist, a pharmaceutical company based in Ghana, and identify the perception of the budgeting experts in the company and assess their views towards the current status of the company. This research was necessary in order to assess the possibility of solving any problem this organization may face in designing an effective budgeting and budgetary control system. A self-designed interview questionnaire was sent to a member of staff in the company to seek his views on the problems and concerns regarding budgeting and budgetary control in the organization. The results of the study indicated that the appropriate system of budgeting and budgetary control had been adopted and used to prepare the pharmacy's budgets but there were a few problems associated with ethical issues which were also revealed.

Marcormick and Hardcastle (2011) carried out a study on budgetary control and organizational performance in government parastatals in Europe. A sample of 40 government parastatals were used for establishing the

relationship between budgetary control and organizational performance, secondary data was used and a period of ten years was reviewed. A regression model was used for data analysis and the results of data analysis revealed a positive relationship between budgetary control and organizational performance of government parastatals.

Karanja (2011) examined the effect of budgetary control process in SACCOs with specific reference to SACCOs in Nyeri County. Descriptive research design was chosen because it enables the researcher to generalize the findings to a larger population. The population of this study was the 120 finance officers of SACCOs in Nyeri according to ministry of cooperative development and marketing 2011. From each stratum the study selected 30% of stratum population using simple random sampling method. Primary data is information gathered directly from respondents and for this study the researcher used questionnaires. The study concludes that finance and administration departments participated in budgetary control processes.

Budgetary control processes are not intimately linked with considerations of labour controls. Participation of all the stakeholders makes the budgetary process too lengthy and time consuming. In their study, Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used, a regression model was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries.

A study by Serem (2013) examined the budgetary control in Non-Governmental Organizations and its effects on their performance. The research target population consisted of 7,127 Non-Governmental Organizations as provided in the Non-Governmental Organization Board of Kenya. 30 NGO's were selected using convenience judgmental sampling technique for this study, both local and international organizations with headquarters in Nairobi and its environs. The study findings established that a weak positive effect of budgetary control on performance of NGO's in Kenya and suggested the need of sensitizing employees on budgetary controls so as to improve its consequent effect of performance.

Tsui (2001) study based on China and Caucasian cultures points that the interaction effects of management accounting system and budget participation on managerial performance were different, because of the cultural background of managers more specifically, he put forward the observation that the relationship between management accounting system information and managerial performance of Chinese participation but positive for Caucasian managers past studies consider organizational culture as an element of organizational structure as in Brownell technology.

Most of the empirical literature on the impact of budgetary control as instruments of financial performance noted that despite the widespread use of budget, it is deficient for planning and performance evaluation (Bunce et al., 1995; Hope and Fraser, 2003; Marcino, 2000; Jensen, 2001; Ekholm and Wallin, 2000). They observed that budgets impede the allocation of organizational resources to their best uses, and encourage myopic decision making. These scholars argue that the inability of budget and budgetary control to impact positively on planning and performance evaluation is caused by the traditional top-down, command and control orientation budgeting (Wallander 1999).

In their various researches, Hope and Fraser (2003), Ekholm and Wallin (2000), Selto and Widener (2001), Jensen (2001), and Neely et al. (2001) identified time - consuming; constrained responsiveness; concentration on cost reduction and not value creation; vertical command-and-control; gaming and perverse behaviours; unsupported assumptions and guesswork; and departmental barriers rather than encourage knowledge sharing as the major factors that inhibit the efficaciousness of budgetary control.

However, Wijewardena and De Zoysa (2001) argue that the impact of budget planning and budgetary control on performance may vary from firm to firm depending on the extent of its use. They assert that the greater extent of the formal budgeting process should have a positive impact on the performance of SMEs. In their study, performance is measured by two financial indicators: sales growth and returns on investment. Data were collected from 2,000 manufacturing SMEs in Australia. The results show a positive and significant relationship between budgeting planning and sales growth, and between budgetary control and sales growth. The study noted that no significant relationship exists between budgeting planning and budgetary control and return on investment.

Empirical studies carried out on financial management practices of businesses in developed countries reveal that the quality of accounting information utilized within a business organization has a positive relationship with the organisation's performance (McMahon and Holmes, 1991; Mumbula, 2002). Such accounting systems have been sustained and improved in this century through computerized standard financial reporting in businesses.

Thus, in many financial management literatures, scholars have identified the importance of developing skills in reading and interpreting financial statements to monitor the financial health and progress of firms (Cole and Wolken, 1995). Effective use of computerised financial analysis in managerial evaluation, planning, and decision making has a positive relationship with organisation's financial management (McMahon and Holmes, 1991).

4. METHODOLOGY:

Given the nature of this study, survey research design was employed. A survey is a series of self-report measures administered either through an interview or a written questionnaire (Stangor, 2007:103). The use of surveys is one of the most commonly used forms of data collecting descriptive information about a group of people. The study focused on Enugu Metropolis.

The population of this study is made up of the total number of workers divided into managers, supervisors and line workers, in 10 selected manufacturing companies. Records made available to the researcher by the administrative managers of the various companies reveal that the population of their entire workforce as at the time of the research is 1,112. This number represents all the category of employees in the companies.

Table 1: Staff strength of the three (10) selected organizations

Company	Staff strength
Emenite Limited (Emene, Enugu)	295
Juhel Nigeria Ltd (Emene, Enugu)	93
AC Drugs Ltd (Abakpa, Enugu)	75
Arab Contractors (Enugu)	234
Innoson Group (Emene, Enugu)	78
Dalex Paint (Emene, Enugu)	68
Hardis and Dromedas Limited (Emene, Enugu)	75
Nemel Pharmaceutical (Emene, Enugu)	52
Aqua Rapha (Ngwo Industrial Park, Enugu)	68
ALO Aluminium (Emene, Enugu)	74
Total	1,112

Source: Personnel units of the selected companies, 2019

The sample size for this work is determined using Taro Yamane’s (1964) formula for estimating sample size, which is:

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

Where:

n = Sample size

N = Actual population

e = Level of significance (or limit of tolerable error is 0.05 or 5%)

1 = Constant

Substituting, we have

$$n = \frac{1112}{1 + 1112 (0.05)^2}$$

$$\frac{1112}{1 + 1112 (0.0025)}$$

$$\frac{1112}{1 + 2.78}$$

$$\frac{1112}{3.78}$$

$$n = 294$$

Hence, 294 represent the sample size for the population. The sample size for each firm to be sampled was estimated using Bowley’s proportional allocation statistical technique.

$$\text{Thus; } n_h = \frac{nN_h}{N}$$

Where:

n_h = The number of staff allocated to each company

N_h = The number of staff in each category

n = The total sample size
 N = The actual or total population.

Table 2 Sample size for each firm

Company	Staff strength
Emenite Limited (Emene, Enugu)	294x295/1112 = 78
Juhel Nigeria Ltd (Emene, Enugu)	294x93/1112 = 25
AC Drugs Ltd (Abakpa, Enugu)	294x75/1112 = 19
Arab Contractors (Enugu)	294x234/1112 = 62
Innoson Group (Emene, Enugu)	294x78/1112 = 21
Dalex Paint (Emene, Enugu)	294x68/1112 = 18
Hardis and Dromedas Limited (Emene, Enugu)	294x75/1112 = 19
Nemel Pharmaceutical (Emene, Enugu)	294x52/1112 = 14
Aqua Rapha (Ngwo Industrial Park, Enugu)	294x68/1112 = 18
ALO Aluminium (Emene, Enugu)	294x74/1112 = 20
Total	294

Source: Researcher’s Field Survey, 2019

Consequently, 294 respondents out of the 1112 total population of workers in the 10 companies will be chosen and questionnaire distributed based on the figure above.

5. ANALYSIS AND RESULTS:

This sub-section presents data from copies of questionnaire administered to Supervisors and managers of ten (10) manufacturing firms in Enugu State. A total of two hundred and ninety four (294) copies of the questionnaire were distributed to supervisors and managers of twenty manufacturing firms in Nigeria. From the two hundred and ninety four (294) copies of questionnaire distributed to the respondents, a total of two hundred and sixty-five (265) copies of the questionnaire representing ninety percent (90%) percent rate were correctly filled and returned by the respondents. Table 3 presents the response rate of questionnaire distributed to the respondents.

Table 3: Response Rate from Survey Instrument

Stakeholders	Copies of Questionnaire Distributed	Copies of Questionnaire Returned	Percent Response	Overall Percent
Supervisors	90	84	93	32
Managers	61	59	97	22
Line Workers	143	122	85	46
Total	294	265	90	100

Source: Field Survey, 2019

From table 3, it was revealed that two hundred and ninety four (294) copies of the questionnaire distributed to the three groups of respondents (Supervisors, managers and line workers) were correctly filled and returned representing 90% performance. A breakdown of the returned copies of questionnaire revealed that from the ninety (90) copies of questionnaires distributed to supervisors of manufacturing firms in Enugu, eighty four (84) copies of questionnaire were correctly filled and returned representing 93% performance and 32% of total returned questionnaire. Sixty one (61) copies of questionnaire were distributed to managers of the ten manufacturing firms and fifty nine (59) copies of the questionnaire were correctly filled and returned representing 97% performance and 22% of total returned questionnaire. While one hundred and forty three (143) copies of questionnaire were distributed to line workers of the ten manufacturing firms and one hundred and twenty two (122) copies of the questionnaire were correctly filled and returned representing 85% performance and 46% of total returned questionnaire

Table 4 is the output of the computed Z-test values from the Wilcoxon signed ranks with the response options of strongly agreed, agreed, strongly disagreed, disagree and indifferent based on the responses from respondents from ten (10) selected manufacturing firms in Enugu. The Z-test computed value (Z= -11.008 and -12.716) with the p-value was 0.00 < 0.05).

**Table 4: Z-test Result of Hypothesis One
 Test Statistics^b**

	Disagree on Regular Review of Budget on Profitability - Agree on Regular Review of Budget on Profitability	
Z		-11.008 ^a
Asymp. Sig. (2-tailed)		.000
	Indifferent on Regular Review of Budget on Profitability - Agree on Regular Review of Budget on Profitability	
Z		-12.716 ^a
Asymp. Sig. (2-tailed)		.000

a. Based on positive ranks.

b. Wilcoxon Signed Ranks Test

Source: Researchers' SPSS Result

As observed from table 5, the coefficient of variance analysis (using a dummy of 1 if there is variance and 0 otherwise) is negative and also has a significant impact on growth rate of manufacturing companies in Enugu measured with revenue generation growth ($\alpha = 0.19$, t-value = 2.14, p-value = 0.033). Other results include $R^2 = 82.25$, adjusted $R^2 = 71.76$, F- statistic = 4570.23 (p-value=0.03) and Durbin Watson value of 2.02}. From the result therefore, it shows that as variance of actual from expected across period by one unit, revenue generation rate of manufacturing firms will decrease by 0.19 units with a probability of obtaining a t - value of 2.14 greater than 3%, thus significant at 0.05 critical values. The R^2 is a summary measure of how well a sample regression line fits the data (goodness of fit). From the model above, the R^2 value of 0.8225 means that 82.25 percentage variations in the dependent variable (GRT) was explained by the independent variables (VA) and the remaining 17.75% was explained by variables not included in the model. The adjusted R^2 tells us that after taking account of the number of regressors, variance analysis still explains 71.76% variation in growth rate of manufacturing firms in Enugu. The F-value (4570.233) which follows the F distribution was significant (p-value of 0.03) at a critical value of 0.05. This implies that the entire model is significant. The Durbin Watson statistic is 2.02.

Table 5 E-view Regression Result

Dependent Variable: GRT
 Method: Least Squares
 Sample: 1 265
 Included observations: 265

Variable	Coefficient	Std. Error	t-Statistic	Prob.
VA	-0.190720	0.089213	2.137810	0.0338
C	0.340538	0.545619	0.624132	0.5333
R-squared	0.822561	Mean dependent var		1.468370
Adjusted R-squared	0.717625	S.D. dependent var		1.986115
S.E. of regression	1.968535	Akaike info criterion		4.202406
Sum squared resid	767.2755	Schwarz criterion		4.235389
Log likelihood	418.2406	F-statistic		4570.233
Durbin-Watson stat	2.027709	Prob(F-statistic)		0.033758

Source: Researchers' E-view Result

Table 6 is the output of the computed Z-test values from the Wilcoxon signed ranks with the response options of strongly agreed, agreed, strongly disagreed, disagree and indifferent based on the responses from respondents from ten (10) selected manufacturing firms in Enugu. The Z-test computed value (Z= -21.117 and -22.006) with the p-value was $0.00 < 0.05$).

**Table 6: Z-test Result
 Test Statistics^b**

	Disagree on management by exception affecting solvency -Agree on management by exception on affecting solvency	
Z		-21.117 ^a

Asymp. Sig. (2-tailed)	.000
	Indifferent on management by exception affecting solvency - Agree on management by exception affecting solvency
Z	-22.006 ^a
Asymp. Sig. (2-tailed)	.000

- a. Based on positive ranks.
- b. Wilcoxon Signed Ranks Test

Source: Researchers’ SPSS Result

As observed from table 7, the coefficient of limit of budget operators (using a dummy of 1 if there is limit of budget operators and 0 otherwise) is negative and also has a significant impact on liquidity of manufacturing companies in Enugu measured with the firm’s liquidity ratio $\{\alpha = 0.002, t\text{-value} = 2.03, p\text{-value} = 0.022\}$. Other results include $R^2 = 72.00$, adjusted $R^2 = 61.01$, F- statistic = 2270.23 (p-value=0.02) and Durbin Watson value of 2.12}. From the result therefore, it shows that as the across period by one unit, revenue generation rate of manufacturing firms limit of budget operators decreases by 0.002 units with a probability of obtaining a t - value of 2.03 less than 3%, thus significant at 0.05 critical values. The R^2 is a summary measure of how well a sample regression line fits the data (goodness of fit). From the model above, the R^2 value of 0.7200 means that 72.00 percentage variations in the dependent variable (LQD) was explained by the independent variables (LBO) and the remaining 28% was explained by variables not included in the model. The adjusted R^2 tells us that after taking account of the number of regressors, limit of budget operators still explains 61.01% variation in liquidity of manufacturing firms in Enugu. The F-value (2270.23) which follows the F distribution was significant (p-value of 0.02) at a critical value of 0.05. This implies that the entire model is significant. The Durbin Watson statistic is 2.12 showing no autocorrelation.

Table 7: Regression Result

Dependent Variable: LQD
 Method: Least Squares
 Sample: 1 200
 Included observations: 200

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LBO	-0.020720	0.010203	2.030775	0.0221
C	0.240122	0.316541	0.758581	0.3322
R-squared	0.720013	Mean dependent var		1.474370
Adjusted R-squared	0.610123	S.D. dependent var		1.943115
S.E. of regression	2.143765	Akaike info criterion		4.201206
Sum squared resid	467.3764	Schwarz criterion		4.235021
Log likelihood	318.2104	F-statistic		2270.233
Durbin-Watson stat	2.120012	Prob(F-statistic)		0.022100

Source: Researchers’ E-view Result

6. CONCLUSION - RECOMMENDATION:

In general, this study has examined the budgetary controls system on financial performance of manufacturing firms in Enugu State. The relationship between budgetary controls and the financial performance is clear especially when one considers the implementation of its components by the staff of manufacturing firms. The implementation of budgeting and planning, monitoring and control, analyzing and feedback of budget operators will affect the perceived financial performance in terms of profitability, growth, solvency and liquidity manufacturing firms.

Organizations always face uncertainty in achieving their strategic, operational, and other objectives. However, they can decide the level of risk they wish to be exposed to in the pursuit of those objectives. Proper risk assessment and budgetary control assist organizations in making informed decisions about the level of risk that they want to take, and implementing the necessary controls, in pursuit of the organizations’ objectives. However, risks should not be taken without an explicit understanding of their potential consequences for achieving an organization’s objectives. Therefore, decision makers require relevant and reliable information, produced through the budgetary control system,

to effectively implement and execute their strategic and operational plans. Therefore, this study concludes that budgetary control systems as observed from the findings of this study are necessary for the financial performance of manufacturing firms.

Based on the objectives of this study we recommends that managers in the manufacturing companies continue with the motive of valuing budgetary control in their polices (planning, monitoring and control as well as advocating for participatory budgeting for these has been found to influence their financial performance to a great extent. Regular budget review should be used to support the organization in achieving its objectives by flexibility in managing its risks, while complying with rules, regulations, and organizational policies. The organization should therefore make budgetary control part of its overall governance system. Thus, this study recommends strict compliance with constant budget reviews integrating it with rules, regulations, and organizational policies to increase performance in manufacturing firms.

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