

A STUDY ON THE IMPACT OF BUDGETARY CONTROL ON THE PERFORMANCE OF MANUFACTURING COMPANY, CHENNAI, INDIA

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Abstract – The main purpose of the research is to examine the relationship between the budgetary control and the performance of Manufacturing Industry in Chennai , India. was conducted through a descriptive research that comprises of both primary and secondary data.

In the case of primary data a structured questioner was prepared to understand the Impact of budgetary control on the performance of the organization which would be of a qualitative data and send across to 250 targeted respondents from Finance, Administration , Human Resource , Operations , Marketing , Sales department of Manufacturing Industry in Chennai , India but received around 109 .

The Research analysis is done using Descriptive study that is Frequency and Inferential statistics that is Bivariate-correlation , Linear Regression , Reliability test for the performance of the organization. The research shows there is a positive correlation between the budget planning and organization performance & Budget control and financial performance of the organization . It also has a great Conbach's Alpha .

The study recommends a refinement of managements and employees of the organization along with the importance of budgetary control in improving the financial performance , restraining of unnecessary involvement in the budgetary process and using the budget as a tool for management planning.

Key Words: Budgetary control , Budgetary planning , Financial performance.

1. INTRODUCTION

Budgetary control is an important factor not only in one sector but in each and every sector. This helps the organization to abide their policies for a financial welfare , it indicates how much money is distributed by the management to various departments to focus on the key areas . This leads to proper planning and forecasting in order to reduce the cost and monitor the spending.

This helps the organization to be financially strong. This has a inverse effect if there is no proper budgetary control then that can lead to decrease the performance both financially and non-financially.

2. PROBLEM IDENTIFICATION

Firstly budget has a uncertain future , this because certain predictions are upon future and future assumptions are not constant it may change at any point of time , Secondly the decision must likely to be analyzed on the distribution of financial and non-financial resources effectively and efficiently, Thirdly problem of coordination , budget is to be prepared by every department before the budgeted year but there is lack of awareness to the employee of department than the department heads, Fourthly the problem understanding the behavioral pattern of budgetary control .Lastly the study finds out the budgeting can used as a good planning , monitoring and controlling tool in a manufacturing company that helps in increasing the financial performance.

3. OBJECTIVES OF THE STUDY

To understand the importance of using the budgetary control in an organization and also to ascertain the relationship between the budgetary planning and the organizational performance this also leads in acknowledging the relationship between the budgetary control and the financial performance of the organization which helps in understanding the reliability statistics towards the performance of the organization.

3. RESEARCH METHODOLOGY

This research consist of two data design that is primary data and secondary data .For primary data the targeted respondents was about 250 but actually received 109 from various manufacturing sector in Chennai from all levels of the company.

This research is analyzed using SPSS , and consist of both descriptive and inferential analysis .

The Hypothesis is analyzed through correlation. The reliability statistics is also used to analyze the performance of the organization . For this research two hypothesis is used 1) Budgetary planning and control on the organizational performance 2) Budgetary control and increase in the financial performance.

The secondary data used in the paper by reviewing of various paper related to the topic and understanding of various perspective of one single topic and applying the thought process in the research paper.

4) DATA ANALYSIS

CORRELATION

1) Budgetary planning and control on the organizational performance

H0 : There is no significant relationship between planning and controlling.

H1: There is a significant relationship between planning and controlling.

Correlations		Budgetary Planning	Controlling the performance of the organization
Budgetary Planning	Pearson Correlation	1	.231*
	Sig. (2-tailed)		.016
	N	109	109
Controlling the performance of the organization	Pearson Correlation	.231*	1
	Sig. (2-tailed)	.016	
	N	109	109

*. Correlation is significant at the 0.05 level (2-tailed).

Table - 4.1

Inference : From the above table, the Pearson Correlation Coefficient, r is 0.231 and as the p= 0.016 (p< 0.05), it indicates there is a significant difference between the two variables and Ho is Rejected.

Thus, there is significant relationship between budgetary planning and controlling the organizational performance.

2) Budgetary control and increase in the financial performance.

H0 : There is no significant relationship between budgetary control and financial performance.

H1: There is a significant relationship between budgetary control and financial performance.

Correlations		Budgetary control	Increase in the Financial performance of the organization.
Budgetary control	Pearson Correlation	1	.208*
	Sig. (2-tailed)		.030
	N	109	109
Increase in the Financial performance of the organization.	Pearson Correlation	.208*	1
	Sig. (2-tailed)	.030	
	N	109	109

*. Correlation is significant at the 0.05 level (2-tailed).

Table - 4.2

Inference : From the above table, the Pearson Correlation Coefficient, r is 0.208 and as the p= 0.030 (p< 0.05), it indicates there is a significant difference between the two variables and Ho is Rejected.

Thus, there is significant relationship between budgetary control and financial performance.

RELIABILITY STATISTICS

This statistics is used to measure the performance of the organization here four parameter is taken – Increase in financial performance , Organizational control , Assessing the level of the performance , Budgetary control.

Reliability Statistics	
Cronbach's Alpha	N of Items
.86	4

Table 4.3

Inference : In this case performance of the organization are grouped to together to measure their consistency. here the alpha is .86 which a good sign.

5) FINDINGS

- ✓ In case of budget planning 63.3% agrees that there is a short and long term budget planning held in the organization.
- ✓ In case of budgeting committee holds budget conferences and meetings , 66% stays neutral in committee holding a meeting and around 15% disagree to the statement.
- ✓ It is found out that most of the employees are unaware of their role and responsibility and have a very minimal understanding this can be stated because 69.7 % disagree to the fact and 20% agrees to this fact because they belong to the top level management.
- ✓ Controlling of budget activities statement stays neutral by 60% but contradicting 25% disagree to the fact .
- ✓ It is found out that budgetary control increases the financial performance of the organization because 80% of them agrees to the statement.
- ✓ In case of planning controlling the organizational performance is also agreed by 75% of the sample.
- ✓ Pearson Correlation Coefficient, r is 0.208 and as the p= 0.030 (p< 0.05), it indicates there is a significant difference between the two variables and Ho is Rejected. Thus, there is significant relationship between budgetary control and financial performance.
- ✓ Pearson Correlation Coefficient, r is 0.231 and as the p= 0.016 (p< 0.05), it indicates there is a significant difference between the two variables and Ho is Rejected. Thus, there is significant relationship between budgetary planning and controlling the organizational performance.

- ✓ In case of reliability test the performance shows a good alpha value that is .86 , which is a good sign.

6) SUGGESTIONS & RECOMMENDATIONS

- ✓ This study recommends that managers in the manufacturing companies should continue with the motive of valuing budgetary control in their policies like planning, monitoring , controlling because this has been found to influence their financial performance to a great extent.
- ✓ The study also recommends that managers should produce detailed budgetary plans to enable the implementation of the short and long term budget. This helps the managers to analyze the problem before it is raised and rethink of it.
- ✓ This study also tells that the employees within the organization should have a clear understanding of their roles and responsibility.
- ✓ Senior management can also use budgets to communicate objectives to the lower level employee and ensure that they understand this process and co-ordinate the activities to attain them. This act of preparation of budget will lead to improve communication.
- ✓ This study recommends that participation always be embraced to allow the influence of the employees to the budget if performance increments are to be realized in the manufacturing companies.
- ✓ It is recommended to avoid delayed forecasting/planning of fund requirements.

7) CONCLUSIONS

The research consist of how important a budgetary control is important in the perspective of an organization , if there is no proper planning and control of the budgetary activities then the performance of the organization can get declined , in order to maintain the goodwill the organization should have a proper control. The employees should also have a proper understanding of the concept and their responsibility of budget.

The budgetary committee should conduct the meeting regularly so that if there any deviations then it could be easily found out and rectified. The budgets must be analyzed and made by forecasting the future.

It can be concluded with two hypothesis that budget planning can increase the performance of the organization and proper control can increase the financial performance of the organization. The research finally concludes that the budgetary control impacts the performance of the organization both financially and non-financially.

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