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The impact of budgetary control on manufacturing firms' financial performance Mogadishu - Somalia

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Abstract

The primary goal of this paper is to study the effects of budgetary planning on financial performance, as well as the impact of budgetary monitoring on financial performance and the impact of budgetary feedback on financial performance. The study's target population included 60 employees from various organizations. Questionnaire was used to collect data for the study. Furthermore, the information from the findings were measured and displayed using the software program Statistical Package for Social Sciences (SPSS) (SPSS).

A study's results focused on determining whether budgetary control has an impact on performance and, if so, whether there is a link between the two. The Budget planning and financial performance were found to have a significant relationship ($p = 0.237$). Budget monitoring and financial performance were also found to have a negative relationship ($p = -1.03$). and also discovered a statistically significant (0.916) relationship between budget feedback and financial performance.

According to the findings of the study, budgetary planning and feedback are serious components of any given firm's budgetary control process. Budgetary planning is anticipated to be fully accepted by businesses as part of the budgetary control process. According to the study, commercial enterprises should identify high-priority programs to include in their budgets in order to gain a competitive advantage over competitors. When variances are reported, management should take corrective action because they are rapidly suitable a somewhat effective and efficient way of providing budget feedback. Because it can affect the firm's performance, the top administration should hold budget conferences to review performance.

Keywords: Budgetary planning, Budgetary monitoring, Budgetary feedback, and Financial performance

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1.0 Background study

A Budgetary control is a system of association control in which various expenditure arrangements are made. The organization identifies vulnerable targets for these financial plans and then strengthens these vulnerable targets (Harelimana, 2017). Siyanbola (2013) defines budgetary control as "a mechanism that uses budgets to organize and manage all aspects of good or service output and or sale." Budgetary

control is as important as cash itself, and any theft, waste, excessive use, or stock out may result in poor performance.

To achieve its goal, an organization's resources must be managed effectively and efficiently (Zipporah, 2017). The researcher adapts (Siyanbola, 2013) definition. The researchers assess budgetary control in three ways: budgetary feedback, budget planning, and budget monitoring. The term is also used to describe a



firm's overall financial health over a set period of time (Criveanu Maria, 2016). Furthermore, Financial Performance is a comprehensive evaluation of a company's overall position in areas such as assets, liabilities, equity, and profitability (Ngumi, 2017).

\Budgeting in a corporation has advantages and implications that extend beyond the organization's management and has a lot to do with the overall financial component, which is critical to economic success. Budgeting forces organizational management to do better forecasting and budgeting. Vague generalizations about what the future holds for the organization are not good enough; company management must bring their forecasts into definite and realistic terms (Evans, Obara, and Onduso, 2013). Budgeting and financial output monitoring are the two most important financial processes in the manufacturing industry.

A topic that affects every manufacturing sector's management is how to improve the organization's financial performance (Onduso, 2013). Typically, the high level of technology and process processes expected by the fast-growing global manufacturing sector necessitates significant financial investments, the initial sale of manufacturing equipment, and potential replacements or improvements to these machines (Onduso, 2013).

In Somalia, there is little or no liquidity. Because liquidity affects the day-to-day operations of a business. Maintaining an appropriate balance between liquidity and profitability in accordance with the firm's strategies and core objectives is essential for a firm's stable growth and survival. Solvency and liquidity are two intertwined concepts that influence a company's working capital. A lack of fluidness may result in increased financial costs and the incapacity of the business to meet its obligations (Zipporah, 2017). As a result, the goal of this study is to bridge that gap and determine the impact of budgetary control on the financial performance of manufacturing firms in Mogadishu, Somalia. The main purpose of the study was to establish the effect of the budget on the financial performance of manufacturing companies, particularly in budgetary planning,

budgetary monitoring, and budgetary feedback, to assist managers, businessman to improve their decision making for operations. There are also specific goals in this study, which are as follows:

- To determine the impact of budgetary feedback on the financial performance of Mogadishu, Somalia-based industrial firms.
- To examine the impact of budget planning on the financial performance of Mogadishu, Somalia-based industrial firms.
- To consider the impact of budget monitoring on the financial performance of Mogadishu, Somalia-based industrial firms.

The study's findings will be substantial to manufacturing management teams because they will emphasize the position of effective budgetary control practices.

2.0 The Literature review

2.1 Budgetary plan and financial performance

Budget planning also includes long-term, short-term, and strategic planning (Sizer, 2000). Sizer (2000) continues by arguing that short-term planning should consider both the environment and the resources available in an institution. Planning entails deciding on objectives and how to achieve them. It forecasts and estimates outcomes, allowing a company to better prepare for them. This is about budgeting. An institution's stability can be assessed through planning by setting goals and objectives.

According to Gustafsson and Parsson, budget planning has historically served as a control function (2010). Today, however, the budget has multiple objectives and purposes, and goals vary by organization. Budget planning is thought to enable the various functions of management control in this regard; The plan must be in line with the organization's long-term development strategy, even if conditions may exist in the shorter term of a fiscal year that could dilute this goal. A weak economy, for example, may cause a temporary deviation from long-term plans. As a



result, the policy that will be followed during the upcoming trading period must be determined (Oladipo & Efuntade, 2020). Gilbert Mutai Koech (2015) conducted research on the effect of budgetary controls on the financial performance of Kenyan manufacturing firms. They used a sample size of about 50 respondents from the ten largest companies in each subgroup of manufacturing companies.

2.2 Budgetary monitoring and financial performance

Budgetary monitoring is the process of preventing misappropriation or embezzlement of funds by establishing financial boundaries through procedures and policies. According to Drury (2000), the budgetary monitoring process is a clear, systematic, and continuous process that includes the following phrases: establishing performance targets or day-to-day operation levels for each section in the organization through the setting of goals and objectives to be met influences the monitoring of the institution's performance. Monitoring is the continuous and systematic collection and analysis of data on the progress of a development intervention. Financial monitoring, process

monitoring, and impact monitoring are all examples of monitoring (Jackson, 2017). Monitoring is the process of collecting and analyzing data about a project or program while it is still in progress (Hobson, Mayne, & Hamilton, 2014).

However, (Gilbert Mutai Koech 2015) conducted research on the impact of budgetary controls on the financial performance of Kenyan manufacturing firms. Using a sample size of approximately 50 respondents from the ten largest manufacturing companies in each subgroup. The study accomplishes that there was a significant or positive relationship between financial performance in manufacturing firms and budgetary Monitoring (Mutai, 2015).

Furthermore, the study (Ndahani J Ng'wasa 2017)

wanted to assess the relationship between budgetary control and financial performance of Tanzanian financial institutions, using the National Microfinance Bank (NMB) as a case study. Using 88 sample sizes, the results revealed no significant relationship between budget monitoring and financial performance ($p=0.807$). 4743

2.3 Budgetary feedback and financial performance

Budgetary feedback is critical in budgeting in order to achieve the desired quality and standards in planning, control, leadership, and staffing. Feedback provides details about the gap. Each discipline can independently distinguish between the actual level and the reference fine a concept as long as they consistently adhere to the level of a system parameter that is used in respective definitions (Ramaprasad, 2016). A teacher or parent can correct information, a peer can provide an alternative strategy, a book can provide information to clarify ideas, a parent can encourage, and a learner can look up the answer to determine the accuracy of a response (Hattie & Timperley 2007).

Feedback, according to these authors, is the measurement of the difference between the actual budget and the estimate during work. However, Ramaprasad's (2016) definition is more appropriate for this study because budgetary feedback is easy to understand and apply. Finally, Machoka, Nelson Mandela (2014) conducted research on the relationship between budgetary control and the performance of Kenya's public enterprises, using Nzoia Sugar Company (NSC) as a case study. A sample size of approximately 132 respondents was used. According to the results, there is no significant relationship between budget feedback and financial performance, ($p = 0.448$).

2.4 Financial performance

A financial performance is the achievement of the company's financial performance for a specific period cover the collection and allocation of finance as measured by capital adequacy,



liquidity, solvency, efficiency, leverage, and profitability (Fatihudin & Mochklas, 2018).

According to Callahan and Waymire (2007) investigated the impact of budgetary control on financial performance in bond ratings. The objective of this study was to show how important it is for institutions, particularly financial institutions, to link how they rate bonds with their performance. According to local government statistics, more than \$7 million in financial bonds were issued in June 2006, establishing a solid financial foundation for government units. This is true when giving customers credit over time. In this study, the researcher wanted to see if there was a link between budgetary control and financial performance. Furthermore, in a sample of US firms, bond rating influenced budgetary control. Marcormick and Hardcastle's (2011) study on budgetary control and performance in European financial institutions, on the other hand, contradicted Callahan and Waymire's findings (2007). To assess the role of budgetary control on performance, data was gathered over a ten-year period from a sample of approximately 40 institutions.

Finally, Silva and Jayamaha (2012) conducted a study to assess the impact of the budgetary process on organizational performance and determine if there is a significant impact on performance in the industry. Based on the data gathered from the financial statements, as well as the correlation coefficients and analysis performed, it was determined that the budgetary process has a positive relationship with organizational performance in the industry.

2.5 Theoretical Framework

2.5.1 The stewardship theory

According to Donaldson and Davis (1991), the theory holds that managers seek to improve their responsibility in order to achieve goals and satisfy themselves internally in an organization. Everything managers do is in the best interests of

organizational stewardship in order to meet the required needs. Variations in performance occur in the organizational structure in which employees work, according to this theory. Donaldson and Davis (1991) argue that the concept focuses on the facilities and structures rather than the managers' motivation. (Ndahani J Ng'wasa) applied this theory to link budgetary control and financial performance in financial institutions (2017).

According to the stewardship theory, working collaboratively produces more outstanding results than working alone. Discrete goals are not seen as motivators by managers. They are, however, motivated by the objectives of their management. According to the stewardship theory, there is a strong relationship between organizational accomplishments and top management satisfaction.

Collective behaviors and teamwork may be more beneficial to an organization's performance than an individualistic sense of self. A steward preserves and grows shareholder value through performance. Employee utility is maximized through their actions (Donaldson and Davis) (1991).

Budgets typically establish performance goals for the unit in terms of costs, revenues, and output (Little, 2000). This is a concise and accurate summary of the budgeting function's importance in most organizations. Budgets are used to varying degrees and for a variety of purposes in various industries. Budgeting is used to control expenditures in some industries, while it is used as a tool for planning, a means of communication, or a performance goal in others.

Although budgets are prepared in a variety of formats, their use benefits all organizations, and budgeting functions serve as a virtual device in a firm's organizational structure and business success. The preceding review of the literature sheds light on budgets as a tool for planning, monitoring, and control.



2.6 Conceptual framework

Budgetary control

financial performance

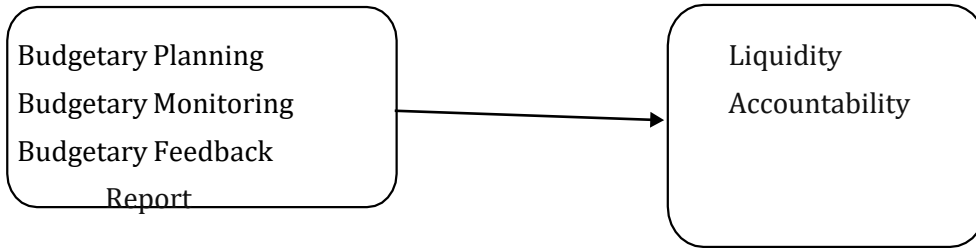


Figure:2.7

The conceptual framework demonstrates, as shown in Figure 2.7. Financial performance is directly linked with the independent variable (budgetary control dimensions). Budgetary planning has an impact on financial performance because it ensures that all targets for a given period are met with the budgeted amount. Furthermore, budgetary monitoring affects financial performance because manufacturing uses a budgetary plan as a control tool to monitor all of its financial operations during a given period. Budgetary feedback is directly related to financial performance in a manufacturing company because the budget, as a control tool, raises workers' awareness of the budgeting process.

3.0 Methodology

According to the Somali yellow page (2020), the main population in Mogadishu, Somalia, was 17 companies. However, the study's target population consists of 60 employees, including department heads, section heads, and supervisors. As a result of the total target population of 60 respondents,

the researchers chose 52 for the sample size. Slovenes' formula was used to calculate sample size. Choosing other members of the population has no effect on the probability of assigning a member of the population (Cohen, 2007).

4.0 Findings and discussions

4.1 Response rate

The questionnaire response rate indicates that the percentages at which the questionnaires sent to respondents were filled and returned. In this study, the researchers had a total sample of 70 respondents to whom questionnaires were administered

Table 4.1.1: Response Rate

Target	Response	Percentage
52	52	100%

The above table showed that questionnaire respondents were filled and returned one hundred percent (100%). This happened because the researchers worked harder and made the questionnaire an online form. They also gave efficient time to respond to the questions. This made it possible to return the questionnaire one hundred percent (100%).

4.2 Demographic data

The study sought to learn about the demographics of the respondents. Gender, age, educational level, experience, position, and training technique were all taken into consideration. The demographic characteristics of the respondents are depicted in the results below.



Table 4.2.1: Demographic data

Variables	Frequency	Percent
Gender		
Male	47	90.4
Female	5	9.6
Total	52	100
Age		
20-29	47	90.6
29-39	15	28.8
40-49	32	61.5
Total	52	100
Educational level		
Diploma level	12	23.1
Certificate level	10	19.23
Graduate level	20	38.46
Post Graduate level	10	19.23
Total	52	100
Work Experience		
5-10	5	9.6
10-15	34	65.4
15-20	13	25
Total	52	
Position		
Departmental Head	47	90.4
Section Head	5	9.6
Total	52	100
Training		
Study Leave	5	9.6
Workshops	32	61.5
Seminars	15	28.8
Total	52	100

The table above showed that there are more male respondents compared to female respondents. The total number of male respondents was 47 out of 52, 90.4% of the total respondents compared to

females, 5 out of 42 equivalents to 9.6%. Also, it showed the most respondents who responded to this questionnaire were aged 20-29 years and were five respondents and 9.6%. The next was



aged 29-39, which were 15 respondents and 28.8%. Also, the next was aged 40-49, which were 32 respondents and 61.5%. In terms of the educational level of the respondents, 12 out of 52 were at diploma level, which is equivalent to 23.1%. Most importantly, 10 out of 52 were certificate level which means 19.23% of the respondents were holding the second degree of the university. On top of that, the graduate and postgraduate level was the most participant of the study, 20 and 10 out of 52 respectively, equivalent to 38.46% and 19.23%. This can be interpreted as bachelor degree holders being the most participant in this study.

Furthermore, the table has revealed data regarding the experience status of the respondents as the table indicated that the respondents who were between 5-10 were 5 (9.6%), whereby the 10 to 15 respondents were 34 (65.4%) and the 15-20 years' respondents were 13 (25%). So the most respondents had 10 to 15 years and more of experience. However, the

above table has revealed data regarding the position status of the respondents. The table indicated that 47 out of 52 (90.4%) were departmental heads, whereby 5 out of 52 respondents (9.6%) were section heads. So the most respondents had the position of departmental directors. As the study shows, 5 out of 52 respondents

held study leave on training in their companies which is 9.6% on average. At the same time, 32 out of 52 respondents, equivalent to 61.5%, took part in workshops as accountant positions in their companies. Also, 15 out of 52 respondents, equal to 28.8%, participated in training techniques on budgetary control.

4.3 Descriptive analysis

This section analyzes all predicted and predictor variables in this study by computing mean and standard deviation.

Table 4.3.1: Budget Planning

Response to budget planning

Statement	Mean	Std. deviation	Score
1. The activities of the program are clearly identified.	4.5385	1.29041	Strongly agree
2. In the budget, we have specific goals in mind.	4.2115	1.31859	Agree
3. My team and I talk about our goals for the year.	2.788	0.9769	Natural
4. We identify high-priority programs to fund.	2.9231	1.23425	Natural
5. Allocating financial resources is based on programs.	3.3462	1.51961	Natural
6. Preparation helps us to know the kind and level of resources to provide	3.8431	1.48825	
Average Mean	3.6085	1.3047	Agree
Total	52	100	



The mean index, standard deviation, and interpretation of the results for the questions posed to respondents using the Independent variable (IV). So far, the first question has a mean index of 4.5385 and a standard deviation of 1.29041, indicating that respondents strongly agree with it. The second question has a mean of 4.2115 and a standard deviation of 1.31859, indicating that respondents agree.

The third question received a mean index of 2.7885 and a standard deviation of 0.97692, indicating that respondents do not agree or disagree and are neutral in this question. The fourth question's mean index was 2.9231, with a standard deviation of 1.23425. This question's interpretation was similar to the third question in that respondents neither agreed nor disagreed but were neutral.

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Table 4.3.2: Budget Monitoring

The fifth question was one of the others that were asked. It has a mean of 3.3462 and a standard deviation of 1.51961, indicating that respondents are neither agreeing nor disagreeing with this question. The sixth question has a mean of 3.8431 and a standard deviation of 1.48825, indicating that respondents agreed with the sixth question.

Response to budget monitoring

Statement	Mean	Std. deviation	Score
1. Budgets and actual results are constantly compared	2.8269	1.00433	Disagree
2. top management organizes budget conferences.	4.9231	0.26907	Agree
3. company's budget oversight appears to be appropriate.	2.6346	1.26845	Disagree
4. In the company, we keep track of our progress.	4.1923	0.56146	Agree
5. Normally, deviations are tracked.	4.1346	0.76770	Agree
6. The company makes budget modifications.	3.2115	1.40498	Natural
Average Mean	3.653833	0.879332	Agree

The first question has a mean index of 2.8269 with a standard deviation of 1.00433, representative that accused disagreed with it. The second question generated a mean score of 4.9231 and a standard deviation of 0.26907, indicating that respondents agreed with the second question. The third question received a mean index of 2.6346

and a standard deviation of 1.26845, demonstrating that respondents disagreed with it. The mean index for the fourth question was 4.1923 with a standard deviation of 0.56146, and the clarification of this question was similar to the interpretation of the second question, indicating that respondents agreed on this question.



Table 4.3.3: Budget Feedback

The fifth question was also asked, and it received a mean of 4.1346 as well as a standard deviation of 0.76770. This shows that respondents agreed with the question. This can be concluded based on the study's mean interpretation guide, which states that respondents agreed on the fifth question. The mean for the sixth question is 3.2115, with a standard deviation of 1.40498, indicating that respondents were neither agreed nor disagreed but were neutral.

Response to budget feedback

Statement	Mean	Std. deviation	Score
1. The institution prepares budget performance reports.	3.6731	1.38226	Agree
2. Budget variances are reported to the budget officer.	4.2692	0.79497	Agree
3. Budget target deviations are commonly reported. B	3.6731	1.38226	Agree
4. When discrepancies are reported, management takes corrective	4.4423	0.80229	Agree
Analysis of deviations is not necessary	4.1154	0.87792	Agree
Average Mean	3.798083	1.092595	Agree

The first question must have a score of 3.6731 with a standard deviation of 1.38226, indicating that respondents agree with this question. The mean for the second question is 4.2692, with a standard deviation of 0.79497, indicating that respondents agree with the third question. The third question received a mean index of 3.6731 and a standard deviation of 1.38226, indicating that respondents agreed with this question. The mean index for the fourth question was 2.6154, with a standard deviation of 1.31587, indicating

that respondents were neither agreeing nor disagreeing but were neutral.

The fifth question was also asked, and it received a mean of 4.4423 and a standard deviation of 0.80229, indicating that respondents agree with this question. The sixth question has a mean of 4.1154 and a standard deviation of 0.87792, indicating that respondents agreed with the question.

Table 4.3.4: Response to measurements of Financial Performance

deviation	Statement Score	Mean	Std.	
?	Profitability	3.6731	1.38226	Agree
?	Return on asset	2.6154	1.31587	Natural
?	Return on investment	3.99808	1.52740	Agree
?	Cash flows	3.6731	1.38226	Agree
?	Number of sales	4.0577	1.1099	Agree
Average Mean		3.603476	1.343538	



The first question has a mean index of 3.6731 and a standard deviation of 1.38226, indicating that respondents agree with this question. The second question yielded a mean of 2.6154 and a standard deviation of 1.31587, indicating that respondents did not agree or disagree with this question, which is sufficient. The third question received a 3.9808 mean index and a standard deviation of 1.52740, demonstrating that respondents agreed with this question. The mean index for the fourth

question was 3.6731, with a standard deviation of 1.38226, and this was interpreted so that respondents were decided in this question. The mean index for the fifth question was 2.6400, with a standard deviation of 1.32969, indicating that respondents did not agree or disagree with this question.

4.4 Correlation analysis results

Table 4.4.1 Results of Correlation Analysis

Variables	Budget Planning	Budget Monitoring	Budget Feedback	Financial Performance
Budget Planning	1	0.304	0.739	0.820
Budget Monitoring		0.3041	0.208	0.187
Budget feedback	0.739	0.208	1	0.952
Financial Performance		0.820	0.952	1

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

**. Correlation is significant at the 0.01 level (2-tailed).

The above table shows the relationship between the independent variables (budget planning, monitoring, and feedback) and the dependent variable (financial performance). The first goal of this research was to look into the effect of budget planning on the financial performance of manufacturing companies in Mogadishu, Somalia. The correlation between budget planning and financial performance, as shown in table 4.4.1, was 0.820. As a result, there is a strong positive correlation between budget planning and financial performance.

The second objective of this study was to investigate the impact of budget monitoring on the financial performance of manufacturing companies in Mogadishu, Somalia. The

correlation between budget monitoring and financial performance, as shown in table 4.4.1, was 0.187; thereby, there is a very weak positive correlation between budget monitoring and financial performance. The third objective of this study was to investigate the impact of budget feedback on the financial performance of manufacturing companies in Mogadishu, Somalia.

Table 4.4.1 shows that the correlation between budget feedback and financial performance was 0.952. As a result, there is a strong positive relationship between budget feedback and financial performance. The link between budget feedback and financial performance is strong.



Table 4.4.2: Model Fitness Results

Model summary

	RR Square	Adjusted R Square	Std. The error of theEstimate
1	.938	0.934	1.26353

The effect of budgetary control on manufacturing companies in Mogadishu, Somalia, was examined in table 4.2.2. The study revealed that independent variables such as budget planning, budget monitoring, and budget feedback were the most contributable variables to the budgetary control of manufacturing companies in Mogadishu, Somalia, as shown in table 4.4.2. The

impact of fiscal restraint on manufacturing firms [R Square = 0.938, written as 93.8 percent]. As a result, the study demonstrates that the independent variables of budget planning, monitoring, and feedback have a significant and strong positive relationship with the dependent variable of financial Performance in Mogadishu, Somalia.

Table 4.4.3: ANOVA Table

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1159.177	3	386.392242.023	.000b
	Residual	76.633	48	1.597	
	Total	1235.809	51		

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Budget Feedback, Budget Monitoring, Budget Planning

Table 4.4.4: Coefficients Table

Model	Coefficients			
	Unstandardized Coefficients B	Standardized Coefficients	t	Sig.
(Constant)	6.038	1.456	4.147	.000



Budget Planning	.273	.55	4.996	.000
		.274		
Budget Monitoring	-1.03	.71	-1.422	.156
		.054		
Budget Feedback	.916	.64	14.240	.000
		.760		

a. Dependent Variable: Financial Performance

According to the above table, budget planning software has a significant and positive effect on financial performance (p-value 0.05 level of significance). This means that a one-point increase in budget planning will result in a 0.237 increase in financial performance. Furthermore, increasing one point of budget monitoring reduces financial by -1.03, indicating that there is an inverse relationship between data quality and business performance. Furthermore, the results showed that budget feedback software has a significant and positive effect on financial performance (p-value 0.05 level of significance) at 0.916.

Major findings

The descriptive analysis, the first independent variable budget planning of industrial companies, the average mean index of all questions of 3.6085, and the standard deviation of 1.84602 were the research's significant findings. As a result, the intermediate responses of the respondents were agreed upon. The average means index of all questions for the second independent variable, manufacturing company budget monitoring, was 3.6538. The standard deviation was 0.8793 percent. As a result, the respondent's intermediate response was accepted as well. The final average mean index of all questions was 3.7981 for the third independent variable, budget feedback from manufacturing firms. The standard deviation was calculated to be 1.10926. The average mean index of the questions was 3.603 for the dependent variable, financial performance. The standard deviation was calculated to be 1.3435.

As a result, the respondents' average response was agreed upon. Another analysis that has been

pursued was correlation analysis, the first objective of this study was to investigate the impact of budget planning on the performance of manufacturing firms in Mogadishu, Somalia. Table 4.4.1 shows a 0.820 correlation between budget planning and financial performance. As a result, there is a very strong positive correlation between budget planning and financial performance. The correlation between budget planning and financial performance, on the other hand, is significant. The second goal of this study was to look into the effect of budget monitoring on the financial performance of manufacturing companies in Mogadishu, Somalia.

Table 4.4.1 shows that the correlation between budget monitoring and financial performance is 0.187. As a result, there is a very weak or insignificant positive correlation between budget monitoring and financial performance.

The third objective of this study was to investigate the impact of budget feedback on the financial performance of manufacturing companies in Mogadishu, Somalia. The correlation between budget feedback and financial performance, as shown in table 4.4.1, was 0.952. Thereby, there is a robust positive correlation between budget feedback and financial performance. The correlation between budget feedback and financial performance is significant.

5.0 Discussions

The purpose of this study was to look into the impact of budgetary control on the financial performance of manufacturing firms in Mogadishu, Somalia. The aims of this project were to determine the impact of budget planning,



monitoring, and feedback on the financial performance of manufacturing companies in Mogadishu, Somalia. A questionnaire instrument was used to collect data and was distributed to 52 respondents. All 52 questionnaires were returned.

The first goal of this research was to look the effect of budget planning on the financial performance of manufacturing companies in Mogadishu, Somalia. The correlation between budget planning and financial performance, as shown in table 4.4.1, was 0.820. As a result, there is a significant or positive correlation between budget planning and financial performance, and this study is consistent with the findings of Ndahani J Ng'wasa (2017), who aimed to assess the relationship between budgetary control and financial performance of financial institutions in Tanzania, using the National Microfinance Bank (NMB) as a case study. Using a sample size of 88, the researchers discovered a significant relationship between budgetary planning and financial performance.

The second goal of this research was to look the effect of budget monitoring on the financial performance of Mogadishu, Somalia-based manufacturing firms. Table 4.4.1 shows a correlation of 0.187 between budget monitoring and financial performance. As a result, the correlation between budget monitoring and financial performance is either very weak or insignificant. This study contradicts Gilbert Mutai Koeh's (2015) findings on the impact of budgetary controls on the financial performance of Kenyan manufacturing firms. Using a sample size of approximately 50 respondents from the ten largest manufacturing companies from each subgroup. The study concludes that there is a significant or positive relationship between financial performance in manufacturing firms and budgetary monitoring (Mutai, 2015).

The third goal of this study was to look the effect of budget feedback on the financial performance of manufacturing companies in Mogadishu, Somalia. The correlation between budget feedback and

financial performance, as shown in table 4.4.1, was 0.952. As a result, there is a strong positive correlation between budget feedback and financial performance. The correlation between budget feedback and financial performance is significant, so this study challenges the findings of Machoka, Nelson Mandela (2014) on the link between budgetary control and the performance of Kenyan public enterprises, using Nzoia Sugar Company (NSC) as a case study. Using a sample size of about 132 respondents. According to the findings, there was no significant relationship between budget feedback and financial performance ($p = 0.448$). Improving budgetary control enables the management to track its performance more effectively. Such monitoring ensures that any deviation in the company's actual performance from the budgeted one is always on the radar and can be corrected before it's too late.

5.1 Recommendations

To gain a competitive advantage over competitors, businesses should identify high-priority programs to budget for. Also, the firm's management must take corrective actions where variances are reported since they are quickly becoming a somewhat effective and efficient way in the budget feedback process. Furthermore, top management should hold budget meetings to review performance because it can affect it. As a result, holding budget conferences with employees should be a key goal in the budgetary control process. Budgetary feedback is also important because it helps senior managers ensure that spending limits are adequate.

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