

# Impact of the Budgetary Control on Organisation Performance

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## Abstract

The impact of budgetary control is of immense significance as the development of the economic structure of the global economy can be seen. With the aid of such a notion, the growth of the organisational performance can be achieved. The budgetary control is a process to control the financial income and expenditure of a business industry. The importance of the controlling process makes a positive impact on the financial and the economical purpose of the business industry. This study paper is going to discuss about the main aims and the objectives of the topic and the problem arise related to the problem. The incorporation of budgetary control for enhancing the economic growth and the Theory of budgetary process has been noted down in the study.

**Keywords:** *Budgetary control, advantages and disadvantages, Theory of budgetary process, Zero based budget model.*

## INTRODUCTION

The budgetary control makes a positive impact on the organisational sector (Rehman et al. 2019). In this study the background of the research study will be discussed. Also the research aim and the objectives and the literature review will be also discussed. The

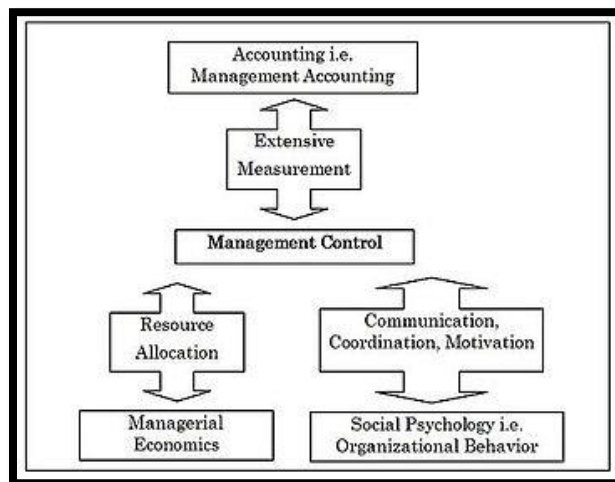
secondary qualitative methodology of the given study will be noted down, and a cohesive conclusion of the study will be pinned down at the end.

### Background of the study

For the development and progress of the business industry, the technique for controlling

the planning and function is an essential factor. The process of budgetary control refers to the process of development of the plan and the process given by the organization (Nani& Safitri 2021). The adjustment between the incoming and the spending is needed to be in control. For any government and private organization, the controlling power over the budget is a vital factor in managing various kinds of financial activities.

Figure 1: Budget and management control system



(Source: Rehman et al. 2019)

### Problem statement

Besides advantages, there also arise some issues relating to the impact of budgetary control in order to organisational performance. As per the recommendation of Rehman et al. (2019), the rigid discussion-making is one of the problems for the use of budgetary control in the organization's performance. At the end of the year, the budget makes attention to the financial condition of the organization. As per van Helden & Reichard (2019), the budget might be prescribing some expensive tools and expense amounts for the growth; it sometimes can hamper the budget of the company's fund.

### Research aims

The main aim of the research study is to maintain the power of control of the budget for any organization's performance in the business purpose.

### Research objectives

- To inspect the effect of budgetary control in order to the organisational performance.
- To determine the advantages and the disadvantages of the budgetary control in the performance of a organization.
- To assess the perfect policy of the organisational sector for the budgetary control.
- To recommend the correct approach of the organization to control the budget and the economy.

### Research question

- What are the factors for inspecting the effect of budgetary control on organisational performance?
- What are the pros and the cons of budgetary control in the performance of an organization?
- What policy of the organisational sector is for budgetary control?
- What are the different kinds of recommendations for the correct approach of the organization to control the budget and the economy?

### Literature review

#### Effect of budgetary control on organisational performance

The management capacity over the budget is essential for any business company and business organisation to increase financial and

economical development. For the improvement of the various kinds of performance of business organisations, there must be a control on the budget. By the proper implementation of budget planning, any company or organisation can reduce expenditure and increase business profit (Lill et al. 2021). Thus the required goal of any business company can be achieved without any problem. Perfect budgeting is helpful for any business company to increase its status once the company is in the business market and becomes successful in the business market.

A perfect direction must be needed for a company to achieve the required goal otherwise; the base of the industry may wonky. Budget control helps to fulfill all prospects of any company to give a perfect direction. As per Grossi et al. (2020), the process of budget control helps the company to take the action against the brutality of any kind of efficiency especially related to the cost and the financial. For tracking the performance of any organisation, budget control is implored. By tracking the performance and improving the performance of the company, any company can achieve the required goal.

#### Advantages and disadvantages of the budgetary control

The budgetary control leads to perfect and specific business planning for any company by setting a benchmark for the expenditure of any business industry (Grossi et al. 2020). Accurate business planning gives the company a better position in order to the financial purpose. By controlling the business cost and consumption, the company becomes more efficient to increase productivity and thus the business profit is also increased.

**Figure 2: Advantages and the disadvantages**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• The budgeting process should be more accurate.</li> <li>• Much better information upon which to appraise the performance of management.</li> <li>• The budget will be much more 'relevant' by the end of the traditional budgeting period.</li> <li>• It forces management to take the budgeting process more seriously.</li> </ul>	<ul style="list-style-type: none"> <li>• More costly and time consuming.</li> <li>• An increase in budgeting work may lead to less control of the actual results.</li> <li>• There is a danger that the budget may become the last budget 'plus or minus a bit'.</li> <li>• The budget may be demotivating because the targets are changing regularly.</li> </ul>

(Source: Grossi et al. 2020)

The motivation of employees for any company is important to develop the business profile in the business market (Sebastian et al. 2019). By controlling the budget and the expenditure the employee become more motivated towards the job. Also, budget control makes the coordination between the various business companies as well as the various departments in the company (Omopariola et al. 2020). The connection among the various business companies is effective for the companies to develop a position in the market. Without any coordination among the employees, the process of the growth of any business company becomes difficult.

#### Policies of the organisational sector are for budgetary control

Budgetary control is a process to manage the financial and economical factors of any business industry (Sandi et al. 2021). The controlling process makes a balance between the income and the consumption of the organisational sector which helps to increase the development of the company. Every company has the policy to keep a record of the company's finance. The use of the budget code

in the process of budget control helps to keep the data secure and thus any business company make a balance between income and expenditure. According to Ilmudeen et al. (2021), the process enables the budget expertise to define the actual budget position of any company.

The process of information gathering is also done in budgetary control for keeping the record of the economy of any organisational sector. The word variance means that the difference between earnings and the consumption of budget of a business industry. The process of analysing the variance is a crucial factor to keep the economy of any industry in control.

#### Theory of budgetary process

The process of budgeting arises some huge numbers of difficulties and issues in the financial sector. For understanding the complexity of the financial issues which includes calculation the business company has to take some major steps (Camilleri, 2021). A major number of issues are related to technical difficulties which become tricky to handle. According to van der Kolk et al. (2019), the theory of budgetary control means the control of the whole budget system that can develop the financial process and make the technical problem easier to handle. Through this process, the budgetary control system first decides the recommendation of the money for any specific business purpose (Pan Fagerlin & Löfstål 2020). After the recommendation of money, the big amount of capital divides into small amounts which make the process of money control easier.

The budgeting process is essential to control expenditures and increase the business's profit (der Kolk et al. 2019). The process of budgeting can be both gradual and fragmental because the

communities deal with the accommodating between the previous bases of each company. The cooperation of the different companies with each other helps to develop the business industry and make the industry more profitable in order to the marking and the financing (Coatney & Poliak, 2020). The use of budgetary control in the business company reduces the risk in the economic factors and accelerates the performance of the company and also the value of any company (Qalati et al. (2020).

#### Methodology

The secondary qualitative study has been approached in the article, which helps in the examination of the core topic in an expansive manner. Thematic analysis has been performed in the study, which helps in the construction of key concepts. This factor helps in the growth and development of the industry. The study is based on the data which is examined by using the descriptive approach.

#### Research findings

##### Theme 1: Suitability for a flexible budget

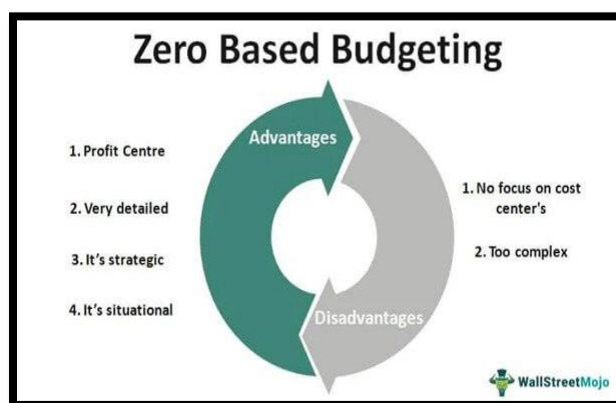
For making a flexible budget a company there must be flexibility in the company's budget. A flexible budget is helpful for making a profit and the flexible budget suits every situation of the company's financial purpose. The process of growth of any company depends on the production of new commodities and variables. The product of various kinds of essential commodities leads the organisation to a higher position in the business market, which makes the industry flexible (Wang, 2019). Introducing new products enhances the popularity of the business industry in the modern business world. By the help of taking flexible business essentials, the business company becomes able to compete in the business market. According

to Henri et al. (2020), changing the sense of fashion in order to the business product is also an important factor to make a business company more popular and profitable. Hence the factor of a flexible budget is played a vital role in the organisation's performance.

#### Theme 2: Zero based budget model

The word zero-based budget model mainly represents the budget which starts from a budget starting with zero. The budget model deals with a fresh budget and controls the whole year's budget for a business company (Cors & Arru 2021). By this budget model, the company come to know how much the company can improve in the coming year and by what rate the company need to improve to reach a satisfactory position. The zero-based budget model gives a challenge for the company to developer the financial improvement in every year in compare to the previous year. Hence, the zero-based process helps the business company to increase the business development.

**Figure 3: Zero-based model**



(Source: Ali et al. 2019)

The advantage of this kind of budget model is, by this budget model the company able to know about the next expenses of the organization (Ali et al. 2019). This factor helps the company in

the improvement in the financial as well as the economic factors. By setting the next goal, the business company tried to overcome the goal and this factor makes easier the pathway of success of the company. There is also having some disadvantages for applying this process in order to the business development. The zero-budget based model is a long term process which takes more time to set the future goal of the company (Chutivongse & Gerdri 2020). This thing delays the administrable process of any business company. Setting the business goal for the next year is also makes the budget less flexible and effective. The less flexibility can hamper the business process and procedure and might be a hindrance for the company.

#### Theme 3: Setting a standard for controlling the business process

Standardization of any business process helps the business industry for the development and progression of the business company. Setting standard marketing for a financial purpose helps to make the coordination between the business policy and the business procedure (An & H 2019). The factor increases the power of action-taking and making the right decision for any company.

The process of the slandered consolation is made by the business organisation in the market strategy to enhance the business process and the procedure. Setting the future of the business leads the business company to a better position in the business and the marketing factors. Hence, by setting the slandered of any business company is makes better view of the business company towards the business and the marketing sector in the world.

#### Conclusion

For managing the economy and the finance of any business, budgetary control played a

crucial role for any business company. The reasons for all parameters of the financial factors have to be defined and identified for better growth. Taking the correct action at the correct time is an effective step to control the finance of the company. The variances which indicate the difference between income and expenditure may have both positive and negative results. The study paper has demonstrated the aims and the problem that arises from the research study. In this study paper, the methodology and the review of the research are also discussed. Lastly, the findings of the research are also discussed.

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