

Impact Of Budgeting, Planning And Controlling On The Profitability Of Manufacturing Company

Dr. Madhur Gupta¹, Dr. Prabha Deena²

¹Director, ST XAVIER'S COLLEGE, BANGALORE

²Professor & Research Head, ST XAVIER'S COLLEGE, BANGALORE

ABSTRACT: *This paper analyzed and tested the impact of budgeting, planning and controlling on the profitability of manufacturing company. The enterprise for the production and promotion of manufacturing company was carefully chosen as a study sample and respondents signified a range of cost accountant and authorities through the assumption of the survey and the preparation of questionnaires to collect and assess the primary data by means of statistical methods. The main purpose of the study was to express a systematic conceptual framework concerning budget and its deliberate importance in the field of profitability of manufacturing company. Most significantly, the study presented a number of assumptions and references including that the selected company must deliberate the practice of budgeting, planning and control on the effectiveness of the company as a premeditated goal, and presence among the significances for its activities, mostly when related to presentation of organization practices. Data collected was analyzed using descriptive statistics such as percentages and arithmetic mean scores. Demographic profile data, Reliability Test, Correlation, Regression analysis and Anova test Analysis were drawn. Data was gathered in form of percentages. A summary of data was signified in the form of Statistical Analysis by using SPSS. Findings in this study were signified using descriptive statistic. Descriptive statistic is the analysis of data that helps describe, show and summarize data in a meaningful way.*

Key Words: *Budget, Planning, Controlling, Performance, Management control*

1. INTRODUCTION

The traditional budget has long been criticized for the aforementioned inefficiency as a resources organization control. Criticism of its insufficient performs in a dynamic professional nature arose back in the mid-1980s by the Johnson and Kaplan (1987) influential the book *Relevance Lost*. We can to see on or after the effort of Allen (1998) who argued that prompt change in Today's trade climate is far from stable. Not at all has it helped a long time, in his view, to compare the actual results of what is predicted with whatever up to 15 months ago. He says among the necessities of the most suitable plan, it can be the construction of an accounting obligation to elucidate the difference among the definite and the Deliberate performance. This requires direct reporting time. Therefore, there is a requirement to incorporate premeditated administration and create a budget. We can opinion to the works of Adams et al (2003) in this work. These writers feel that in order to be prompt, budgets need to be associated with organizational strategies, planning, and controlling on profitability of manufacturing company. The effort of Tim Blumentritt (2006) can be observed as an additional contribution to the

beyond tan ding as he sees the requirement for administrations to incorporate premeditated organization as well budget. Whatever appears unfortunate rendering to Tim Blumentritt (2006) is the detail that many administrations quiet manage different budgets and premeditated organization procedures also, a huge portion of lesser and medium initiatives do not enter strategic planning (Tim Blumentritt 2006, p. 74). Therefore, the purpose for this study to investigates the question; "What to make a budget for a manufacturing company? "The motive for this reading is as well comes from the study of Herat and Indriani (2007) who examined "the roles of Budget Management System (BCS) as part of the Management Control System (MCS) building and maintaining competitive advantage ". They determined that although BCS might play a key part in creating effective MCS in building a justifiable competitive advantage, the budget determination not work alone (page 79). "Instead, it can be used with great success by combining it with emerging strategies business" (Herath and Indriani, 2007, p. 79).

2. LITERATURE REVIEW

MANAGEMENT CONTROL

Garrison and Noreen (2000) have recommended a various definition of management control as It follows: "those steps taken by management to try to increase the likelihood that the objectives set out in the planning phase are achievable and ensure that all components of the work of the organization in a manner consistent with the policies of the organization" (p. 378). In this study, the word management control will be well-defined as those collections of an organization undertakings that involve: planning, coordinating, communicating, evaluating and taking decisions and familiar procedures intended at promoting the well-organized and actual use of administrative resources in achieving the goals of the organization. We treat the budget as an instrument used by organization to enable those tasks is in line with our study environment. Anthony and Govindarajan (2004) acknowledged specific features or functions of management control namely: planning, coordination, communication, evaluation, decision making and influence.

1) Planning to be done by the organization. Planning can be viewed as a budget to prepare. By organizing the organization decides what it will do with its responsibilities diverse members. We may plan commercial plans such as subsidizing under one of the following headings: Operating or Administrating plans (Arnold and Turley, 1996, pp. 316-317).

i) **Operating plans** are short-range plans that are straightly related to the accomplishment of company goals. Therefore manufacturing and marketing strategies for the year, as well by way of policies to finance, can be instances of operating plans. By way of we will see, utmost of the company budget undertakings are in use up with Short-range operating plans.

ii) **Administrating plans** are the 'strategic' plans for the construction of administrative structure, under which budgets and enactment standards can be resolute suitable jobs.

BUDGET

Over the preceding two eras the name has develop a mutual denominator for all executives '.terminology "budget". Budget is probably the furthestmost preferred sequence of action or act by managers and team in all sectors. Organization at all levels surrounded by the public, set apart and other parties use the budget as their defense or justification when facing or challenge any decision. It is not unusual to make out deviations of the phrase "the budget does not allow us ", or it is not our budget". In addition, executives in certain fields can be pardoned for considering only in violation of the law d'être has been budget preparation, budget acquiescence and budget monitoring. David Frederick (2001) defines a budget as a quantifiable

and appropriate plan. Bruns and Waterhouse (1975) describes budgets as monetary systems that offer the base for regulation assessing the enactment of entities or parts of enterprises. For the objectives of our study, we define a budget as a measureable statement of well-defined period of time, which may contain fixed income, expenses, assets, liabilities and funds flow that affords organizational focus, as it facilitates the integration of works, allocation of resources, as well as job management, and helps control. Vendor (1981) defines a budget system as the integration of information flow as well management procedures and techniques that are often an essential part of a short kind of planning and managing an organizational program

COMPETITIVE ADVANTAGE

Philip Sadler (2003) noted that if a company has the right resources and skills is higher than our competitors, as extended as the company implements a strategy that uses this means and skills efficiently, have to be able to found competition profit. But in rappers of the capability to make a profit in this competitive position profit, a serious problem is the period when the organizations cannot support its profit. The sustainability of competitive advantage requires that its resources be prolonged better (Porter 1990). Herath and Indrani (2007) argue that in direction to generate competitive advantage, firms design products and services that can compete with competitors. Composing may have technological advances and better ways of doing things functions (page 81). Here, we see that in instruction for a company to generate a competitive advantage, its wealth must be cast-off effectively for manufacturing purposes. Amoako-Gyampah and Acquah (2008) further the idea that the company can the advantage of competing over its competitors by having very low structures manufacturing or create an exclusive image in the minds of customers whether the enterprises or its products they are higher than their rivals (Philip Sadler 2003). We will therefore deliberate related documents that examine how the budget is a management instrument control can make it easier to create and maintain a competitive advantage. Herath and Indrani (2007) at the time of the case analysis recognized the four main functions through which the budget management system helps to create and maintain competitive advantage which will deliberate in details. We will have to appropriate various writers to work to effectuate the discussion. Budget purposes include: predicting and planning methods, channel communiqué and coordination, promotional tool, monitoring and control methods, and a source of decision-making information (Herath and Indriani 2007).

OBJECTIVES OF THE STUDY

1. To analysis the management process toward budgetary control
2. To understand the factors influence the budgeting and planning, controlling in manufacturing company
3. To examine the impact of budgeting, planning and management control in the manufacturing company

STATEMENT OF THE PROBLEM

Most of the manufacturing businesses in Manufacturing company still aspect a sort of difficulties in the course of the budgeting process, the modern view of the management system is based on the influential work of Robert Anthony who draw the line between management control, strategic planning and performance management he recognizes language of accounting as the basis for general commonalties in the system. Anthony (1965, p. 17) described

management as “the processes by which management operates ensure that resources are available and used effectively and efficiently and in order to attain the organizational objectives”.

IMPORTANCE OF STUDY

For manufacturing company, this paper is deliberated most important, mostly for those serving in the manufacturing sector, for the subsequent reasons:

- It emphasizes on a serious constituent which is identified as the origin for the accomplishment and effectiveness of industry administrations well-defined by the Budget control and planning and elucidates the most significant associated principles, as well as the influences which may chief to the profitability of this constituent throughout the performance activities.
- The importance of this paper is replicated in the detail that it is intensive on Budget, planning and control and its elements as effective metrics in the procedure of evaluating Manufacturing company business administrations’ enactment in a method that come across the desires of several interested users.
- It suggestions a set of conclusions in addition recommendations which be able to chief to the enrichment of the Budgeting control implemented by manufacturing company.

3. METHODOLOGY

This study complete use of measureable method to gather statistics due to the title of the study. This method is apprehensive with the procurement and explanation of data that is accessible in the form of distinct units. Quantifiable exploration methods are basically applied to the gathering of data that is organized and which could be signified numerically. The sample size for this study is 50 and would be acquired from Experienced Project Managers, Accountants, in quite a few companies. Sampling in quantitative research generally surveys the random sampling procedures. Random sampling means that every discrete in the population has a same chance of presence designated as a member of the sample. Owing to some aspects such as accessibility of resources, time, efforts, the simple random sampling method was used to gather a sample of 50. Study was used as a method of data collection subsequently it can systematically collect quantifiable data that can signify a population deprived of exploratory the entire population. A questionnaire was used to gather the views of respondents on the subject. Completed questionnaires were edited for comprehensiveness and consistency. The data was then coded and checked for any errors and omissions. Data collected was analyzed using descriptive statistics such as percentages und arithmetic mean scores. Demographic profile data, Reliability Test, Correlation, Regression analysis and Anova test Analysis were drawn. Data was gathered in form of percentages. A summary of data was signified in the form of Statistical Analysis by using SPSS. Findings in this study were signified using descriptive statistic. Descriptive statistic is the analysis of data that helps describe, show and summarize data in a meaningful way.

DATA ANALYSIS AND INTERPRETATIONS
DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Table- 1: Gender of the Respondents

Gender	Frequency	Percent
Male	24	48.0
Female	26	52.0
Total	50	100.0

Among 50 respondents participated in this survey, 48% were male and 52% were Female

Table-2: Age of the Respondents

Age(in Years)	Frequency	Percent
20 to 30	17	34.0
31 to 40	22	44.0
41 to 50	7	14.0
Above 50	4	8.0
Total	50	100.0

Among 50 respondents are participated in this survey, the age group between 20 to 30 were 34%, 31 to 40 were 44%, 41 to 50 % were 14 % and only 8% of respondents were in the age group above 50.

Table- 3 :Qualification of the Respondents

Qualification	Frequency	Percent
Graduate	12	24.0
Post Graduate	23	46.0
Professionals	14	28.0
Diploma	1	2.0
Total	50	100.0

Among 50 Respondents are participated in this survey, among 24 % of respondents are Graduate, 46% are Post Graduate, 28 % are Professionals and 2% are Diploma.

Reliability

Table no 5

Reliability

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.909	.910	8

INTREPRETATION

The Cronbach's Alpha value is 0.910 which specifies a high level of internal consistency. Hence the data collected is significant for analysis the variable.

Table no 6 Each Item-Total Statistics

ITEMS	Cronbach's Alpha if Item Deleted
Budgeting control	.903
Cost planning	.890
Management control	.894
Competitive Advantage	.890
Management functions	.897
Budget performance	.898
IT system	.898
Firm control system	.909

INTREPRETATION

All the variables have shown high reliability value more than .890, which indicates a high level of internal consistency

TEST OF HYPOTHESES

Hypotheses One

H1: There is a significant relationship between effective budgeting and management control system

H0: There is no significant relationship between effective e budgeting and management control system

Table 6: TABLE OF CORRELATION EFFECTIVE BUDGETING AND MANAGEMENT CONTROL SYSTEM

		Effective Budgeting	Management control system
Effective Budgeting	Pearson Correlation	1.000	.554
	Sig. (2-tailed)		.000
	N	50	50
Management control system	Pearson Correlation	.554	1.000
	Sig. (2-tailed)	.000	
	N	50	50

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

INTERPRETATION

The above calculations it is perceived that amount of correlation coefficient between levels effective budgeting is equal to 55.4% and considering that a significant level is less than 5%. Then we can say that there is a positive relationship between effective budgeting and Management control. This suggests that one percent increase in effective budgeting will lead to 55.4 % increase in level of management control.

Hypotheses .Two

H2: There is a significant relationship between Budget facilitate competitive advantage and management function

H0: There is no significant relationship between Budget facilitate competitive advantage and management function

Table 7: TABLE OF CORRELATION BUDGET FACILITATE COMPETITIVE ADVANTAGE AND MANAGEMENT FUNCTION

		Budget facilitate competitive advantage	Management function
Budget facilitate Correlation	Pearson	1.000	.554
Competitive advantage	Sig.(2-tailed) N	50	.000 50
Management control system Correlation	Pearson	.554	1.000
	Sig. (2-tailed) N	.000 50	50

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

INTERPRETATION

The above measure it is perceived that amount of correlation coefficient between levels Budget facilitate competitive advantage is equal to 55.4% and allowing for that a significant level is less than 5%. Then we can say that there is a positive relationship between **Budget facilitate competitive advantage and management function** This implies that one percent increase in will **Budget facilitate competitive advantage** lead to 55.4 % increase in level of management Function.

TEST OF HYPOTHESES

Hypotheses Three

H3: There is a significant relationship between Budget facilitate competitive advantage and IT system is of great important in the Budgeting and Planning

H0: There is no significant relationship between Budget facilitate competitive advantage and IT system is of great important in the Budgeting and Planning

Table 8: TABLE OF CORRELATION BUDGET FACILITATE COMPETITIVE ADVANTAGE AND IT SYSTEM IS OF GREAT IMPORTANT IN THE BUDGETING AND PLANNING

		Budget facilitate competitive advantage	IT system is of great important in the Budgeting and Planning
Budget facilitate competitive advantage Correlation	Pearson	1.000	.615
	Sig. (2-tailed) N	50	.000 50

IT system is of great important in the Budgeting and Planning Pearson Correlation	.615	1.000
Sig. (2-tailed)	.000	
N	50	50

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

INTERPRETATION

From the table calculations it is perceived that amount of correlation coefficient between levels Budget facilitate competitive advantage is equal to 61.5% and allowing for that a significant level is less than 5%. Then we can say that there is a positive relationship between Budgets facilitate competitive advantage and IT system is of more important in the Budgeting and Planning. This indicates that one percent increase in Budget facilitate competitive advantage will lead to 61.5 % increase in level of IT system is of great important in the Budgeting and Planning.

TABLE 9: REGRESSION ANALYSIS TEST OF LEVEL OF EFFECTIVE BUDGETING CONTROL PROCESS AND MANAGEMENT FUNCTION, COMPETITIVE ADVANTAGE, MANAGEMENT CONTROL AND IT SYSTEM

MODEL	R	R SQUARE	ADJUSTED R SQUARE	STD. ERROR OF THE ESTIMATE
1	.721 ^a	.519	.479	.645

a. **Predictors.** (Constant), IT system, Management Functions, Competitive Advantage

Management Control

b. **Dependent Variable :** Budgeting and Budgeting control process

INTREPRETATION

Regression coefficient of R = .721 or 72% indicate that relationship exist between independent variables and dependent variable. The coefficient of determination R² = 0.519 which show that 51.9% of variation in level of management control is explained by effective budgeting control process. The adjusted R-square in the table shows that the dependent variable, (**Budgeting and budgeting control process**) is affected by 47.9% by independent variable (**IT system, Management functions, Competitive advantage, Management control**). It shows that effective resource budgeting is responsible for Management control process.

4. CONCLUSION

The main aim of this study was to explain if there is a significant relationship among Effective Budgeting and profitability of manufacturing company. In this study. Literature review in the arena of budgeting, competitive advantage and management control was accessible and the Papers were deliberated for a deeper considerate of state of the art. The benefits effective budgeting, planning, controlling were pointed. It was seen that effective budgeting can effect project's success rate which displays that there is a significant relationship between effective budgeting and management function, Competitive advantage, Management control and Information Technology. One can confidently say that Effective budgeting is an instrument for

Profitability management, henceforth effective resource budgeting drives a long way in confirming the success of a project.

RECOMMENDATIONS

As the above conclusions, the subsequent recommendations can made:

Avoiding unwanted costs implemented and having appropriate cost reduction methodology in the organization, Budgeting involves drawing up budgets based on well-defined plans of action. It serves other important purpose i.e., coordinating, plans and activities of various departments and sections. It facilitates control over expenses, income, costs and profits. Control activities refer to the policies and procedures that are used in an organization to provide reasonable assurance that the directions and instructions given by the management are followed Budgeting. Continuous and efficient flow of information to all other employees, proper law management, control in the organization. Coordination, planning, and Budgetary control should be in the proper manner. Management system should be process oriented, less manual check and intervention strategies and motivating teams with positive vibes. Good relationship between in manufacturing units, Management, IT system and company should make monthly planner for complete control. Management control required from the top level of management. It would have been desirable to extent the research study to many states in MANUFACTURING COMPANY correspondingly to give a better representation, but this was not done. Thus, the reading cannot be comprehensive to other regions in MANUFACTURING COMPANY Time assigned to bring out the study was short. Henceforth a more wide-ranging research cover other states in MANUFACTURING COMPANY would be conceded out so as to underwrite to prevailing information on Budgeting, planning, Control on profitability of manufacturing company.

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