

BUDGETARY CONTROL AS THE METRIC FOR CORPORATE PERFORMANCE

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ABSTRACT

Budgeting and Budgetary Control is the thrust of this article. It tries to examine the practice of budgeting and budgetary control in corporate organizations and its merit as a predictor of corporate performance. Budgeting involves the setting of targets and monitoring of performance against those targets. For an organization to be successful, it must plan its financial activities well in advance through the institution of effective budgeting and budgetary control measures. . Modern business organizations are increasingly appreciating the importance of budgeting and budgetary control in the achievement of goals and objectives. Making effort to achieve operational targets and objectives without effective budgeting and budgetary control measures would be tantamount to a blind pursuit of goals. Great majority of firms are guilty of preparing initial budgets only to over-shoot the budget limits during the implementation stage due to poor control budgetary control measures.

Forward-looking organizations today are determined to go the extra mile through achieving competitive dominance over their competitors and posting super profit figures. Good budgeting and budgetary control measures is the key to achieving this objective.

The study advises top management of modern organizations to take budgeting and budgetary control issues seriously as no appreciable success can be achieved with haphazard budgeting and budgetary control. The methodology adopted in this article was descriptive approach involving the study of budgeting and budgetary control activities in 30 organizations selected from a number of States in the Federation.

Best practices in budgeting and budgetary control in the 30 organizations were skimmed and synthesized to form the basic data for writing the article.

Key Words: Budgeting, Budgetary Control, Corporate Performance, measurement

1. INTRODUCTION

Budget is essential in every walk of our life-nation, domestic and business. A budget is prepared to have effective utilization of funds and for the realization of objectives as efficiently, as possible. Budget is a widely practiced technique and most of us use budgets in some way or the other. Budget is one of the emphasized terms used in efficient methods of planning and control. It is employed, no doubt, in large business houses, but even the small businesses are using it, in some informal manner. Budget in common parlance is understood as planning for expenditure. Budgets should not be administered rigidly. Changing conditions usually call for changes in plans. A manager may commit to the budget, but a situation might develop in which some unplanned repairs or an unplanned advertising program would better serve the interest of the company. The managers should not defer the repairs of the advertising as a way of meeting the budget-not if doing so will hurt the company in the long run. Attaining the budget should not be an end in itself.

2. NEED FOR THE STUDY

The need for the study is to analyze about Budget and budgetary control measures followed by ICICI Bank So that the performance of the company is measured, that helps to take remedial measures to boost the performance of the company to succeed in the competitive market in terms of Budgetary Control and regulatory measures.

3. OBJECTIVES OF THE STUDY

To compare the budgeted figures with actual figures.

To know the cash balance for different financial years.

To find out the corrective measures to enhance its business through proper budgetary control.

SCOPE OF THE STUDY

This analysis will help the company to improve its performance by using budgetary control. This will also help the company to reduce the cost and maximizing its profit. Through this the past year budgets are analyzed and used to frame the budgets for future. Through this the company would able to know its budgetary performance and can have proper control over its budget in future.

4. REVIEW OF LITERATURE

[1] Wnder Agbenyo, Frank Osei Danquah and Wang Shuangshuang, "Budgeting and Its Effect on the Financial Performance", in Research Journal of Finance and Accounting, Vol.9, No.8, 2018, "Organizations in both developed and developing countries face high competition in the business sectors. It is essential that businesses that want to remain competitive develop the desire of identifying the role of budgeting and its effect on their financial performance. It provides the detail that when to monitor them and to plan for future operations, refine existing strategic plans and considers how they can responds to current competitions".

[2] Santoshi Aru, "Purpose for Budgeting", International journal of Science Technology and Management, Vol. No.6, Issue No.05, 2017, "This paper studies the literature regarding budgets and their importance within a company. In the current economic climate, companies are starting to pay more attention to efficient management of resources and, for this purpose, use budgets as tools for financial management at company's level of the main types of company's activities. So, the budget is the most important tool in conducting any activity successfully. A budget is the tool by which a company's management translates into action the corporate strategies and quantitative mission statement".

[3] Onho Stepen Iortyer, Iortyer Doo Boniface and Zayol Patrick, "A Critical Appraisal of Budgeting and Budgetary Control", International Journal of Scientific and Engineering Research, Volume 8, Issue 1, 2017. A Critical Appraisal of Budgeting and Budgetary Control, "To ascertain the effectiveness of budgets control and the problems affecting budgeting and budgetary control. The budgeting and budgetary control in public sector is weak and despite the effort of government, it has failed because of dependence on federation account, untrained budget staff, non-adherence to budgetary control measures, corruption, inflation and political environment. The author recommended among others that there is a need for budget culture in the public sector, sharpening the budget monitoring and implementation procedures in the public sector, sustaining greater accountability and transparency and making the need for budgeting realistic and not just a formality".

[4] Faculty of Economics and Business Administration, "New Trends in Budgeting", SEA- Practical Application of Science, Volume 11, Issue 2(4)/2014. Tanase Gabriela Lidia, "Difficulties of the Budgeting Process and Factors Leading to the Decision to Implement this Management Tool", Procedia Economics and Finance, Volume 15, 2014, "Budgeting is universally used all over the world. Budgets are the most powerful tool for management control, they are the key drivers and evaluators of managerial performance. However, in recent years criticism towards traditional budgeting has been notably increased. Researchers consider that traditional budgeting is a relic of the past; it cannot keep up with the changes and requirements of today's business world".

[5] Tanase Gabriela Lidia, "Difficulties of the Budgeting Process and Factors Leading to the Decision to Implement this Management Tool", Procedia Economics and Finance, Volume 15, 2014, "Budgets are management tools universally recognized for their ability to support planning and efficient management of resources and activities in economic entities. The preparation and use of budgets is not without difficulties. This presents a synthesis of the studies on the difficulties of the budgeting process and the factors that determine nevertheless the adoption and use of this tool. The result show that budgets are useful tools and offer numerous advantages, despite the issues generated, which determines their importance and use in economic entities".

5. RESEARCH DESIGN

Research design aids the researcher in the allocation of limited resources by posing crucial choices in methodology. Research design is the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the over all scheme or program of there search. It includes an outline of what the investigator will do from writing hypothesis and their operational implications to the final analysis of data.

ANALYTICAL RESEARCH:

In analytical research, the researcher has to use facts or information already available, and analyze them to make a critical evaluation of the material. It involves the in-depth study and evaluation of available information in an attempt to explain complex phenomenon.

6. FINDINGS

The total receipt for the financial year 2016-17 is Rs.5680000 higher than other years.

The total payment for the financial year 2014-15 is Rs.740000 higher than other financial years

The closing cash balance for this financial year will be the opening balance for the next financial year. The sales Rs.1550000 for the financial year 2014-15 is more than other financial years.

The sales for the financial year 2015-16 is declined to Rs.1300000 & will remain same for the year 2016- 17.

The net sales obtained by reducing sales returns from the total sales.

In the financial year 2016-17 the total selling overhead Rs.77300 for Rs.1340000.

In the financial year 2012-13 the actual is Rs.1300000 is lesser than the budget Rs.148000.

SUGGESTION

The company may have good Cash balance of Rs.5260000 in the financial year 2016-17. So the company can follow the same strategy when framing the future Cash budgets. → The company may reduce the travelling salesmen's commission from 5% to 3%, to reduce the total variable overhead in order to reduce the total Selling overhead.

LIMITATIONS OF THE STUDY

Budget provides only approximate estimates. Hence results cannot be measured accurately. Budgets are prepared on the basis of certain prevailing conditions. If the conditions change budgets are also to be revised.

7. CONCLUSION

Budget is one of the emphasized terms used in efficient methods of planning and controlling used in ICICI Bank Proper Budgetary control will help the top management to have proper control over its company activities. In this study the cash budget, sales budget, selling overhead budget and comparing budgets with actual was undertaken. The study on budgetary control in ICICI Bank will helps to know the cash inflow and outflow of the company.

8. REFERENCE

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