

# Effect of Budget on Internal Control of Manufacturing Organization in Osun State, Nigeria

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**Abstract:** *This study focuses on effect of budget on internal control of manufacturing organization in Osun State, Nigeria. The specific objectives are to: examine the profit making controls in manufacturing organization in Osun State; assess whether the manufacturing firms in Osun State plans their profits hence their losses are unnecessarily large in relation to their budget estimate; and identify the types of budgeting in some of the manufacturing firms in Osun State that enhance efficiency. This study adopted a survey research design. The sampling techniques employed for this study are stratified and simple random sampling methods. The instrument used for this study was obtained from primary data. The primary data was obtained through properly structured questionnaire. The descriptive statistics of frequency distribution, percentages mean were used to analyze data while hypotheses were tested using Chi-squares. The study found that there those manufacturing business organizations do control their levels of profit making and, the means used to achieve it. The work also discovers that manufacturing firms do control their levels of profit making and, the means used to achieve it. The result also confirms that the type of budgeting in some of the manufacturing firms in Osun State is efficient. The study revealed that, all the respondents of the firm indicated the existence of an established budget process at the Company. Thus, an indicator that the firm's budgetary process goes through the standard stages of budget planning, budget control, budget coordination and budget evaluation. The study recommends that all the organizations should make sure that budgets are made within the procedures set out for the planning of a budget. Also, employers of any manufacturing business should make sure that he/she employs a qualified staff for various positions in the business. Also, management should establish a budget committee who are expertise in the field in order to help plan and investigate any variances that may occur.*

**Keywords:** Budget, Internal control, manufacturing firms, budget estimate, profit making

## 1.0 INTRODUCTION

Budget is a statement of projected resources set aside for the execution of scheduled work over a given period. It is the blue print of the expected outcome of a firm's operations in a financial year. It specifies the qualitative factors of a firm's performance. Budgetary control on the other hand entails the process of establishing what is happening and comparing the actual results with budgeted targets to ascertain achievement or remedy any variances that may have arisen

The scope of the budget will determine the level of operations to be carried out and proper budgetary control will aid in decision making as it tracks the level of performance of every activity and then identifying underperformed activities that may require revision or possible elimination (Mohamed, Evans and Tirimba, 2015). In order to keep in line with the objectives of the organization, every function within the organization must meet its stated budget and thus ultimately making it possible for the objectives of the organization to be achieved. Budgetary control is therefore important as it makes this possible through coordinating and monitoring of the various functions (Abdullahi, Abubakar, Kuwata and Muhammad, 2015).

Budgetary control refers to the establishment of budgets relating to the responsibilities of the executives of a policy and the continuous comparison of the actual with the budgeted results, aimed at securing the objective of the policy or to provide a basis for revision (Olaoye and Ogunmakin, 2014). According to Igbinosun and Ohiokha (2012), budget must be aligned with the organization's strategies, appropriate strategic planning and performance management processes introduced and must involve processes that are value based, consequential and continuous.

Mbazize and Twesige (2014) defines budget as "a financial plan summarizing the financial experience of the past, stating the current plan and projecting it over a specified period of time in future". Hence, a budget is the bedrock of financial administration through which different operations in the field of public finance are linked. In public sector accounting, budgets refer to financial

proposals, which are placed before the legislative assemblies periodically for approval and allow governments spend money for the benefit of the citizenry. Thus, it entails the entire financial operations of the government, which may form the basis of future fiscal planning for the economy.

For a budgetary control to work, the following conditions are necessary: top management must support it in terms of facilitation and resource allocation, clearly spelt out information regarding long-term organizational goals guiding budgeting process should be in place, the organizational structure should be realistic with clearly defined responsibilities and full involvement of the functional heads in the process. In addition, there ought to exist regular revision of budgets and targets as need be, proper accounting of income and expenditure and flexibility in administration. Rigidity in budgeting may cause the whole process to lose meaning and credibility (Siyabola, 2013).

In business organizations, budgeting are formally associated with the advent of industrial capitalization for the revolution of the eighteenth century, which presented a challenge for industrial management (Marcormick&Hardcastle, 2011). However, budgeting at the early state of its development was concerned with preparing and to permit correct performance evaluation and consequently rewards. Information that management accounting control system helps managers, by monitoring company's changing environmental circumstances, is to compare opportunities and threats in the market so that they can obtain added value against competitors because it is important in facilitating the preparation of budgets, since budgeting and accounting are closely related.

Budgets are known to have an important role to transmit the expectation of top management to lower levels and are used to communicate top management's expectations to managers and employees. According to Lucey (1993), it is a quantitative expression of plan of action prepared in advance of the period to which it relates, expressed in money terms approved prior to the period. Lucey (1993) further urges that performance is influenced by many factors which includes planning and coordination, clarification of authority and responsibility, effective communication both internal and external, control of resources available, both human and non human and motivation of both the lower and middle management. If the actual numbers delivered through the financial year turn to be close to the budget, this actually demonstrates that the organization's management understands its business and has been successfully driving it in the direction they had planned. On the other hand, if the actual results diverge wide from the budget, this sends out an out of control signal (Kpedor, 2012).

For this reason, budget based control means manager's evaluation according to budgetary goals. In this context, budgeting benefits and its possible negative effects on attitudes and behaviors of managers on performance are still among the subjects of strategic management control systems that are being researched presently nearly all large businesses reforecast their forecast their activities, as months pass, the actual income achieved and expenses incurred can be compared to the budget and forecast (Callahan et al., 2007). Basically, a budget system enables management more effectively to plan, coordinate, control and evaluates its activities. It is a device intended to provide greater effectiveness in achieving organizational efficiency.

It seems that budgeting influence performance of any business. However, the argument is that though this effect cannot be ruled out; there is a possibility whether the way of linkage is negative or positive. Hence, this study attempts to explore the effect of budget on internal control on manufacturing firms in Osun State. In recent times, companies have performed poorly due, to the fact that they lack effective and efficient budgets, and budgetary control systems to adequately and judiciously allocate resources to meet organizational goals, and maximize performance

### **1.1 Research Objectives**

The broad objective of this study is to examine the effect of budget on internal control of manufacturing organization in Osun State, Nigeria.

This broad objective is broken down to the following specific objectives which are to:

- i. examine the profit making controls in manufacturing organization in Osun State
- ii. assess whether the manufacturing firms in Osun State plans their profits hence their losses are unnecessarily large in relation to their budget estimate
- iii. identify the types of budgeting in some of the manufacturing firms in Osun State that enhance efficiency

### **1.2 Research Questions**

In order to achieve the intended objectives, this study will proffer answer to the following questions

- i. Does the manufacturing firms control their levels of profit making and the means used to achieve it
- ii. Does manufacturing firms in Osun State plans their profit hence their losses are unnecessarily large in relation to their budget estimate
- iii. Does the types of budgeting in some of the manufacturing firms in Osun State enhance efficiency

### **1.3 Research Hypotheses**

The following hypothetical propositions will be formulated to guide the study:

#### **Hypothesis I**

H0: Manufacturing business organization do not control their levels of profit making and the means used to achieve it

H1: Manufacturing business organization do control their levels of profit making and the means used to achieve it

### **Hypothesis 2**

H0: Manufacturing firms in Osun State do not plan their profit hence their losses are unnecessarily large in relation to their budget estimate.

H1: Manufacturing firms in Osun State do plan their profit hence their amount of losses are not unnecessarily large in relation to their budget estimate.

### **Hypothesis 3**

H0: The type of budgeting in some of the manufacturing firms in Osun State is not efficient.

H1: The type of budgeting in some of the manufacturing firms in Osun State is efficient.

## **2. LITERATURE REVIEW**

### **2.1 Conceptual Review**

#### **2.1.1 Classifications and types of Budget**

According to Isaac et al., (2015), budgets can be classified as follows: short-term budget, long-term budget, fixed budget, flexible budget and zero based budgets. Other classifications include rolling budgets, activity-based budgeting, incremental budgeting and planning, programming budgeting systems.

##### **2.1.1.1 Short-term budgets**

These are budgets established for use for control purposes over a short period, usually less than one year. They are commonly used in manufacturing industries due to their complexity and dynamism. They can easily match with the ever-changing working environment in which they operate.

##### **2.1.1.2 Long-term budgets**

These budgets are also sometimes referred to as development plans. They are normally applicable for a minimum duration of 5 years and are at times, referred to as an organization's strategic plan. Just as governments usually prepare 5-year Development Plans that can be rolled over after every five years, manufacturing firms also prepare 5-year strategic plans, which are usually broken into annual budgets that are rolled over from one year to the other.

##### **2.1.1.3 Fixed budget**

As the name suggests, a fixed budget will remain the same regardless of the subsequent changes in activity costs or revenues. It usually serves as a benchmark in performance evaluation.

##### **2.1.1.4 Flexible budget**

Flexible budgets are budgets that are designed to change as the level of activity achieved changes. They recognize the existence of fixed, variable and semi-variable costs and change in relation to the actual volume of output over time.

##### **2.1.1.5 Zero Based Budgeting.**

This type of budgeting is also sometimes referred to as priority-based budgeting. It is a technique, which discourages the traditional incremental budgeting style year after year but advocates for justification for any budgeted figures. Zero Based Budgeting was introduced in the US in the early 1970s. It gained prominence due to its practicality. The technique lays more emphasis on the concept of opportunity cost and cost benefit analysis generally in project evaluation.

#### **2.1.2 Effect of Budgetary Control on Employee Behavior**

The realization of organizational control is dependent on top managements' actions and sound working relationships between different levels of an organization's hierarchy. During budget making process, a management accountant may motivate as well as improve managers' attitude towards budgetary control improved. Consequently, lower level employees and managers are motivated when required budget levels are realized. Therefore, culture, management style and managers' attitude towards firm employees will influence the budgeting approach within an organization (Polisetty, 2016).

#### **2.1.3 Budgets and Human Behavior**

The success of a firm's budgetary control is dependent upon top management and their appreciation of the importance of sound interpersonal relationships between different employee job cadres. Senior management can motivate lower cadre employees through budgetary control. It is important to note that culture; management style and attitude towards employees pay a crucial role in determining the approach to budgeting within a firm (Raghunandan, Ramgulam and Raghunandan-Mohammed, 2012).

#### **2.1.4 Budgetary Control**

Once a budget is in place, it can be used as a control instrument to compare actual performance with budgeted performance. Since most organizations' activities are expressed in financial terms, it is possible to quantify these activities. Thus, budgetary control is a form of responsibility accounting within a firm whereby costs are matched with revenues and analyzed accordingly through effective financial monitoring systems (Adongo and Jagongo, 2013). Budgetary control demands that each manager of a cost center is responsible for the expenses of that cost unit. According to Robinson (2009), budgetary control is defined as a policy

established by firm's executive for comparison purposes between actual and budgeted results associated with attainment of a particular objective. Hence, emphasis is placed on control achieved through comparison of the actual results against budgeted plans.

## **2.2 Theoretical Review**

### **2.2.1 The Theory of Budgeting**

Hirst (1987) explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control. Shields and Young (1993) define the theory of budgeting as a detector of variances between organizational objectives and performance. Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control.

### **2.2.2 Budgetary Control Theory**

According to this theory, a good budgetary control system must be able to address the efficiency and effectiveness of the organization's expenditure. A good budget is determined by the level of income of the organization (Robinson, 2009). Sawhill and Williamson (2001) argue that budgets can be used an indicator of the performance of the ruling government. It is a statement of whether they are competent in administering the organization and the national resources. It is therefore essential for the organization to understand its budgeting system and give priority to urgent matters that require attention to its control tools. In order to find out the relationship between the budgeting system and the organizational performance, it is important for the firm to determine the patterns of the expenditure of the organization and its performance (Phyrr, 1970).

## **2.3 Empirical Review**

Egbunike and Unamma (2017) evaluated the impact of budgeting and budgetary control on the performance of hospitality firms in Nigeria and found a significant variation in the budget, budgetary control and performance of the firms.

Kazeem, Hakeem, and Reuben, (2014) found a positive correlation between budgeting and organizational performance; they established that fiscal discipline, transparency, efficiency and accountability have been injected into the operational system through budgetary control mechanism.

In the same vein, Serem (2013) found a positive effect of budgetary control on performance of private business organisations in Kenya.

In their study, Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used, a regression model was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries.

Silva & Jayamaha (2012), study sought to evaluate budgetary process of apparel industry in Sri Lanka and see whether budgetary process has significant impact on performance of such industry. The budgetary process of apparel industry was assessed by using variables such as planning, coordination, control, communication and evaluation. The performance of apparel industry in Sri Lanka was examined by using

Laynetwor (2004) posits that budgeting is the only comprehensive approach to managing an organization and if utilized with sophistication and good judgment, the objectives of the organizations can be achieved with optimum results.

However Brown & Howard, (2002) strongly recommend that a good and functional budget system must be comprehensive, participative, flexible, and allow for cost benefit analysis and feedback.

Marcormick and Hardcastle (2011) carried out a study on budgetary control and organizational performance in 40 government parastatals in Europe and established that organizational performance considerably improved with the aid of budgetary control.

## **3. METHODOLOGY**

### **3.1 Research Design**

This study adopted a survey research design. This is deemed appropriate because it enabled the researcher to obtain the opinion of the representative sample of the target population without manipulating any variable of interest in the study

### 3.2 Area of Study

This research work was conducted in Osun state located in southwestern Nigeria. Osun state is regional commercial hub for both agricultural and industrial goods from different parts of the country. The area is amalgamation of urban and rural structures characterized by various businesses and industrial set-up.

### 3.3 Population of the study

The population of this study consists of twenty seven manufacturing companies in Osun State. They are as follows: OSICOL Waters, Osogbo; Dipson Plastics and recycling plant, Osogbo; Sam Ace Pharmaceutical Ede; Kasm Soap Limited, Osogbo; Ergo Multi Venture IdoOsun; Newland and Smith Nigeria Limited, Osogbo; Abiola Electrical, Osogbo; Cocoa Industry, Ede; International Breweries Limited, Ilesha; Ola OluwaAina Manufacturing Company, Osogbo; G.K.E Inter-Continental Company Limited, Osogbo; Osogbo Steel Rollings, Osogbo; Obelawo Plastics Industry Osogbo, Tuns International Holdings Limited, Osogbo; Moyes Oils Production Limited Osogbo; Coca-Cola Bottling Company, Asejire; Laddans Contracts and Supplies Ltd, Osogbo; Lawod Metals Nigeria Limited, Okinni; Omsat Global Resources Ltd; Davemake Chemical Nigeria Ltd; G-Rehoboth Aluminum Factory; Linhab Plastics Industries Nigeria; Ollan Holdings Nigeria Limited; Ladsol Ventures Limited; Lastborn General Merchant Limited; West-stone and Marble Processing Company Limited and West –Stone Paint Limited {Source: Osun State Ministry of Commerce, Trade and Industry (2020)}.

### 3.4 Sample Size and Sampling Technique

The sampling techniques employed for this study are stratified and simple random sampling methods. In this study, out of the population of 256 (Table 1), sample of 156 was selected using stratified random sampling technique since the population was not homogeneous and could be subdivided into groups or strata to obtain a representative sample (Table 2). Stratified random sampling involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup making it possible to make reliable estimates for each stratum as well as for the population as a whole (Cooper and Schindler, 2003).

For this purpose, the selected seven manufacturing companies sample were stratified into seven to represent the manufacturing company under study after which questionnaires were administered using simple random sampling to each of the strata according to their percentages indicated in Table 3.2 below. In determining the sample size of the population for the study, Yamane’s (1967) formula as expressed by Israel (1992) was used thus:

$$n = \frac{N}{1 + N(e)^2}$$

Where n = Sample size

N = Total Population

e = Level of significance (95%)

Therefore,

$$n = 256 / 1 + 256(0.05)^2$$

$$= 256 / 1 + 256(0.0025)$$

$$= 256 / 1 + 0.64$$

$$= 256 / 1.64$$

$$= 156.09$$

Approximately 156 respondents will be given questionnaire instruments,

Table 1: Estimated Total Population of the selected Manufacturing Company in Osun State

S/N	Manufacturing Company	Population
1	Ladsol Ventures Limited, Osogbo	30
2	Dipson Plastics and Recycling Company, Osogbo	20
3	Sam Ace Pharmaceutical, Osogbo	25
4	KASMO Soap Nigeria Limited, Osogbo	83
5	Ergo Multi-Venture, IdoOsun	55

6	Newland and Smith Nigeria Limited, Osogbo	13
7	Abiola Electrical Osogbo	30
<b>TOTAL</b>		<b>256</b>

Source: Researcher’s Survey, 2020

**Table 2: Staff Population and Sample Size of Selected Sampled Manufacturing Company**

S/N	Manufacturing Company	Total Population	Percentage	Number of Respondents
1	OSICOL Waters, Osogbo	30	12	18
2	Dipson Plastics and Recycling Company, Osogbo	20	8	12
3	Sam Ace Pharmaceutical, Osogbo	25	10	16
4	KASMO Soap Nigeria Limited, Osogbo	83	32	51
5	Ergo Multi-Venture, IdoOsun	55	21	33
6	Newland and Smith Nigeria Limited, Osogbo	13	5	8
7	Abiola Electrical Osogbo	30	12	18
<b>TOTAL</b>		<b>256</b>	<b>100</b>	<b>156</b>

Source: Researcher’s Survey, 2020

### 3.5 Method of Data Collection

This study employed primary data, which is aided in providing relevant answers to the research questions and to achieve the objective of study. The primary source of data is questionnaire and was administered to the selected employees of the seven selected manufacturing firms (Table 2). The responses received from the respondents were used for data analysis.

### 3.6 Research Instrument

Primary data was used in this study and questionnaire was used as research instrument. This was designed to obtain vital information in line with the stated objectives, research questions and hypotheses of the work. The questionnaires were distributed to one hundred and fifty six (156) respondents in seven (7) manufacturing organizations in Osun State (Table 1). The completed (filled) questionnaires were retrieved back after some days they were giving to the respondents.

### 3.6 Validity and reliability of research Instrument

The constructed questionnaire was submitted to the experts for critical, analytical and logical appraisal and assessment of contents and statements in the instruments and this then made the instrument valid for the study. To ensure proper reliability of the instrument, the questions were not ambiguous to respondents in order to avoid the impression of different interpretation or constructed in a way that give different meaning that could generate inaccurate and inconsistent responses when instrument is repeatedly objectivity with no leading question as to answer desired.

### 3.7 Administration of Instrument

Questionnaires were given to participants, making use of the drop and pick technique. The questionnaires were filled at appropriate time by respondents; appointments were made with the participants in the departments, preceded by a follow to see if respondents experienced any challenges in answering the questionnaires.

### 3.8 Method of Data Analysis

The researcher organized and presented the data using tables and percentages. Hypotheses were tested using the Chi-square test.

## 4. RESULT AND DISCUSSION

### 4.1 Socio Demographics of Respondents

**Table 3: Socio Demographics of the Respondents**

S/N	CLASSIFICATION	ITEMS	FREQUENCY	PERCENTAGE (%)	TOTAL
1	Gender	Male	109	70	100

		Female	77	30	
2	Age	20-30	28	17.95	100
		31-40	74	47.43	
		41 and above	54	34.62	
3	Religion	Christianity	85	54.49	100
		Islam	71	45.51	
		Other specify	-	-	
4	Marital Status	Single	90	57.69	100
		Married	66	42.31	
5	Educational Qualifications	WASC/G.C.E/HND/B.Sc	140	89.74	100
		M.Sc/Ph.D	16	10.26	
6	Status in Organization	Management Staff	14	8.97	
		Senior Staff	74	47.44	
		Supervisors	37	23.72	
		Others	31	19.87	

Source: Researcher’s Survey, 2020

Table 3 shows the demographic characteristics of the respondents. From the table, 70% of the respondents are male, while 30% of the respondents are female. The age of the respondents showed that 17.95% lies between the age range of 20-30 years while 47.43% lies within the age 31-40years and 34.62% are 41 years and above. Also from the table, 54.49% of the respondents are Christians while 45.51% of the respondent are Muslims. The marital status of the respondents showed that 57.69% are single while 42.31% of the respondents are married. It is shown in the table that 89.74% possess WASC/GCE /BSC/HND and 10.26% has M.Sc/Ph.D. The questionnaires shows that 8.97% of respondents are management staff, 47.44% are Senior Staff, 23.72% are Supervisors while 19.87% belong to others category in organization status.

Table 4: Budget Planning and Control Is Very Important to Organization

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	40	25.64
B	Agree	67	42.95
C	Strongly Disagree	14	8.97
D	Disagree	25	16.03
E	Undecided	10	6.41
	Total	156	100

Source: Researcher’s Survey, 2020

The table 4 above shows that 25.64% of respondents strongly agreed that budget planning and control is very important to the organization, while 42.95% agree, 8.97% strongly agreed, 16.03% disagreed and 6.41% couldn’t decide.

Table 5: Response related to whether there is adequate representation of budgeting and budgeting Control execution in the Organization

S/N	Response Option	Number of Response	Percentage
A	Satisfied	117	75
B	Not Satisfied	28	17.95
C	Indifferent	11	7.05
	Total	156	100

Source: Researcher’s Survey, 2020

Table 5 above shows that 75% of respondents believe that adequate budgeting and budgeting control is done in their firms, 17.95% of respondents believe it is not while 7.05% believe that they are the same

Table 6: Budgeting Is Seen As a Control Measure in the Organization

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	12	7.69
B	Agree	140	89.74
C	Strongly Disagree	-	-

D	Disagree	4	2.56
E	Undecided	-	-
	Total	156	100

Source: Researcher’s Survey, 2020

From the table 6 above, 7.69% of respondents strongly agree, 89.74% agree, 2.56% disagree while strongly disagree and undecided have no respondent.

Table 7: Extent of Budgetary Control in Establishment

S/N	Response Option	Number of Response	Percentage
A	Large	46	29.48
B	Moderate	104	66.66
C	Small	6	3.84
	Total	156	100

Source: Researcher’s Survey, 2020

In the table above (7), 66.66% of respondents believe that budgeting control is applied to a moderate extent in the establishment, 29.48% of the respondents say it is applied to a large extent while 3.84% believe it is applied to a small extent in the establishment.

Table 8: There Is a Communication Gap between the Budget Committee and the Various Divisions in Budget Presentation within the Organization

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	28	17.95
B	Agree	15	9.62
C	Strongly Disagree	95	60.89
D	Disagree	18	11.54
E	Undecided	-	-
	Total	156	100

Source: Researcher’s Survey, 2020

From the table above (8), 17.95% of respondents strongly agree, 9.62% agree, 60.89% strongly disagree, and 11.54% disagree and undecided have no respondent.

Table 9: All the division’s Interests and Requests Are Adequately Represented

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	94	60.26
B	Agree	19	12.17
C	Strongly Disagree	23	14.75
D	Disagree	16	10.25
E	Undecided	4	2.56
	Total	156	100

Source: Researcher’s Survey, 2020

The table 9 above shows that 60.26% strongly agree, 12.17% agrees, 14.75% strongly disagree, 10.25% disagree and 2.56% couldn’t decide.

Table 10 There is an execution of the budget for the Year in the Organization

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	46	29.48
B	Agree	93	59.62
C	Strongly Disagree	-	-
D	Disagree	17	10.90
E	Undecided	-	-
	Total	156	100

Source: Researcher’s Survey, 2020

From the table above (10), 29.486% strongly agree, 59.62% agree, 10.90% disagree and no respondent for strongly disagree and undecided.

**Table 11: Budget Execution Procedure in Organization**

S/N	Response Option	Number of Response	Percentage
A	Laid down Procedure	131	83.97
B	Not following a Laid down Procedure	15	9.62
C	No Procedure Entirely	10	6.41
	Total	156	100

Source: Researcher’s Survey, 2020

Table 11 shows that 83.97% of respondents are of the opinion that budget execution is carried out according to a laid down procedure, 9.62% are of the opinion that budget execution is not carried out here according to any laid down procedure while 6.41% believe that budget execution have no procedure entirely in the company.

**Table 12: Usage of budgeting as an Instrument of Control**

S/N	Response Option	Number of Response	Percentage
A	Laid down Procedure	151	96.79
B	Not following a Laid down Procedure	-	-
C	No Procedure Entirely	5	3.21
	Total	156	100

Source: Researcher’s Survey, 2020

The majority of the respondents (96.79%) believe that budgeting is used as an instrument of control by setting a target and ensuring that it is achieved in this organization while 3.21% believe that it can be achieved by applying management by exception and no respondents agreed that budgeting can be used as an instrument of control by not setting any target at all.

**Table 13: Extent of Achieving Target in Organization**

S/N	Response Option	Number of Response	Percentage
A	Large	53	33.97
B	Moderate	90	57.69
C	Small	13	8.33
	Total	156	100

Source: Researcher’s Survey, 2020

In table 13 above, 57.69% believe that the target is achieved hereby moderate, 33.97% agreed large extent while 8.33% says small.

**Table 14: Proper budget Planning make ways for profit and make Losses unnecessary Large in relation to their Budget Estimate**

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	113	72.44
B	Agree	12	7.69
C	Strongly Disagree	20	12.82
D	Disagree	5	3.20
E	Undecided	6	3.85
	Total	156	100

Source: Researcher’s Survey, 2020

From the table above (14), 72.44 % strongly agree, 7.69 % agree, 12.82% strongly disagree, and 3.20% disagree and 3.85% undecided.

**Table 15: The Types Of Budgeting in Some of the Manufacturing Business Concern In Nigeria Is Efficient**

S/N	Response Option	Number of Response	Percentage
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A	Strongly Agree	112	71.79
B	Agree	21	13.46
C	Strongly Disagree	20	14.74
D	Disagree	-	-
E	Undecided	-	-
	Total	156	100

Source: Researcher’s Survey, 2020

The table above (15) shows that 71.79% strongly agree, 13.46 % agree, 14.74% strongly disagree while disagree and undecided have no respondents

Table 16: Manufacturing Business Organizations do Control their Levels of profit making and the Means used to achieve It

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	78	50
B	Agree	40	25.64
C	Strongly Disagree	14	8.97
D	Disagree	20	12.82
E	Undecided	4	2.56
	Total	156	100

Source: Researcher’s Survey, 2020

From table 16 above, 50% of respondent strongly agree, 25.64% agree, 8.97% strongly disagree, and 12.82% disagree and 2.56 % undecided

Table 17: Extent of the Degree of Breakdown from the Budget

S/N	Response Option	Number of Response	Percentage
A	Too Much	15	9.62
B	Moderate	76	48.72
C	Small	65	41.66
	Total	156	100

Source: Researcher’s Survey, 2020

Table 17 above shows that 48.72% of respondents believe that the degree of breakdown from the budget was moderate, 41.66% believe that it is small while 9.62% believe it was too much.

Table 18: Management of the Organization Strategies to Control this Event

S/N	Response Option	Number of Response	Percentage
A	Having a budgetary control officer	129	82.69
B	Not having any controller	18	11.54
C	Depending on the need of the organization	9	5.77
	Total	156	100

Source: Researcher’s Survey, 2020

Above table (18) shows that 82.69% are of the opinion that management can control this phenomenon by having a budgetary control officer, 11.54% says it is not by having any control officer while 5.77% agree by depending on the need of the organization

Table 19: Duties of Controllers in this Organization

S/N	Response Option	Number of Response	Percentage
A	Having a budgetary control officer	76	48.73
B	Not having any controller	7	4.48
C	Depending on the need of the organization	73	46.79

	Total	156	100
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Source: Researcher’s Survey, 2020

In the table above (19), 48.73% of respondents believe that the reporting any adverse situation are the duties of controllers in this organization, 46.79% of respondents believe that the duties of controllers in this organization is only the favorable situations should be reported while ;4.48% believe that the duties of controllers in this organization are not reporting any situation.

Table 20: Assessment of the Budgetary Control and Execution Towards the Achievement of the Set Out Objectives

S/N	Response Option	Number of Response	Percentage
A	Excellent	124	79.48
B	Moderate	24	15.38
C	Poor	8	5.13
	Total	156	100

Source: Researcher’s Survey, 2020

Table 20 above shows that 78.49% of respondents agree that the budgetary control and execution towards the achievement of the set out objectives was excellently carried out, 15.38% believe that it is achieved moderately while 5.13% believe that it is achieved poorly in this organization

**Test of Hypotheses**

In testing these hypotheses, the questions whose responses had been presented and analyzed were utilized.

**Hypothesis I**

H0: Manufacturing firms do not control their levels of profit making and the means used to achieve it

H1: Manufacturing firms do control their levels of profit making and the means used to achieve it

The researcher makes use of the chi-square method. This method states that if the calculated chi-square value is more than the value of chi-square in the table at 5% or (0.05) level of significance, the null hypothesis will be rejected.

Formula for calculating chi-square

$$X^2 = \sum (O_i - E_i) / E_i$$

Where:

X<sup>2</sup> = Chi-square value

O<sub>i</sub> = Observed frequency

E<sub>i</sub> = Expected frequency

∑ = Summation sign

Level of significance 5% or (0.05)

Degree of freedom = R × C

Row = (R-1)

Column = (C-1)

We shall use the responses in the table below

Table 21a: H1 Manufacturing firms do control their levels of profit making and the means used to achieve it

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	78	50
B	Agree	40	25.64
C	Strongly Disagree	14	8.97
D	Disagree	20	12.82
E	Undecided	4	2.56
	Total	156	100

Source: Researcher’s Survey, 2020

Degree of freedom = (5-1) (2-1) = 4×1=4

Expected frequency (Ei) = 156/5 = 31.2

Table 21b: H0 Manufacturing firms do not control their levels of profit making and the means used to achieve it

S/N	Response Option	O <sub>i</sub>	E <sub>i</sub>	O <sub>i</sub> -E <sub>i</sub>	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup>	(O <sub>i</sub> -E <sub>i</sub> ) <sup>2</sup> /E <sub>i</sub>
	Strongly Agree	78	31.2	46.8	2190.24	70.2
	Agree	40	31.2	8.8	77.44	2.482
	Strongly Disagree	14	31.2	-17.2	295.82	9.48
	Disagree	20	31.2	-11.2	125.44	4.02
	Undecided	4	31.2	-27.2	739.84	23.71
	Total	156				109.892

The calculated value is 63.154 while the critical value X<sup>2</sup> for 4d.f. at 0.05 chi-square table is 9.49. The calculated value X<sup>2</sup> of is higher than the table value

**Decision**

Computed is 109.892 and is greater than the chi-square table value at 5% level of significance using four (4) degree of freedom (v) which is 9.49; based on the decision rule, we reject the null hypothesis. In other words, we accept the alternate hypothesis H1 which states that manufacturing business organization do control their levels of profit making and, the means used to achieve it.

**Hypothesis 2**

H0: Manufacturing firms in Osun State do not plan their profit hence their losses are unnecessarily large in relation to their budget estimate.

H1: Manufacturing firms in Osun State do plan their profit hence their amount of losses are not unnecessarily large in relation to their budget estimate.

Table 22a: H1 Manufacturing firms in Osun State do plan their profit hence their amount of losses are not unnecessarily large in relation to their budget estimate.

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	113	72.44
B	Agree	12	7.69
C	Strongly Disagree	20	12.82
D	Disagree	5	3.20
E	Undecided	6	3.85
	Total	156	100

Source: Researcher’s Survey, 2020

Formula for calculating chi-square

$$X^2 = (O_i - E_i) / E_i$$

Where:

$X^2$  = Chi-square value

$O_i$  = Observed frequency

$E_i$  = Expected frequency

$\Sigma$  = Summation sign

Level of significance 5% or (0.05)

Degree of freedom =  $R \times C$

Row = (R-1)

Column = (C-1)

Degree of freedom =  $(5-1)(2-1) = 4 \times 1 = 4$

Expected frequency ( $E_i$ ) =  $156/5 = 31.2$

Table 22b: H0 Manufacturing firms in Osun State do not plan their profit hence their losses are unnecessarily large in relation to their budget estimate

S/N	Response Option	$O_i$	$E_i$	$O_i - E_i$	$(O_i - E_i)^2$	$(O_i - E_i)^2 / E_i$
	Strongly Agree	113	31.2	81.8	6691.24	214.463
	Agree	12	31.2	-19.2	368.64	11.815
	Strongly Disagree	20	31.2	-11.2	125.44	4.021
	Disagree	5	31.2	-26.2	686.44	22.001
	Undecided	6	31.2	-25.2	635.04	20.353
	Total	156				272.653

The calculated value is 272.653 while the critical value  $X^2$  for 4d.f. at 0.05 chi-square table is 9.49. The calculated value  $X^2$  of is higher than the table value

**Decision**

Computed is 272.653 and is greater than the chi-square table value at 5% level of significance using four (4) degree of freedom (v) which is 9.49; based on the decision rule, we reject the null hypothesis.

In other words, we accept the alternate hypothesis H1 which states that manufacturing business organization do control their levels of profit making and, the means used to achieve it.

**Hypothesis 3**

H0: The type of budgeting in some of the manufacturing firms in Osun State is not efficient.

H1: The type of budgeting in some of the manufacturing firms in Osun State is efficient.

Table 23a: H1 Type of budgeting in some of the manufacturing firms in Osun State is efficient.

S/N	Response Option	Number of Response	Percentage
A	Strongly Agree	112	71.79
B	Agree	21	13.46
C	Strongly Disagree	20	14.74
D	Disagree	-	-
E	Undecided	-	-
	Total	156	100

Source: Researcher’s Survey, 2020

Formula for calculating chi-square

$$X^2 = \sum (O_i - E_i)^2 / E_i$$

Where:

$X^2$  = Chi-square value

$O_i$  = Observed frequency

$E_i$  = Expected frequency

$\sum$  = Summation sign

Level of significance 5% or (0.05)

Degree of freedom =  $R \times C$

Row = (R-1)

Column = (C-1)

Degree of freedom = (5-1) (2-1) = 4×1=4

Expected frequency ( $E_i$ ) = 156/5 = 31.2

Table 23b: H0 Type of budgeting in some of the manufacturing firms in Osun State is not efficient

S/N	Response Option	$O_i$	$E_i$	$O_i - E_i$	$(O_i - E_i)^2$	$(O_i - E_i)^2 / E_i$
	Strongly Agree	112	31.2	80.8	6528.64	209.251
	Agree	21	31.2	-10.2	104.04	3.335
	Strongly Disagree	20	31.2	-11.2	125.44	4.021
	Disagree	-	31.2	31.2	973.44	31.2
	Undecided	-	31.2	31.2	973.44	31.2
	Total	156				279.007

The calculated value is 279.007 while the critical value  $X^2$  for 4d.f. at 0.05 chi-square table is 9.49. The calculated value  $X^2$  of is higher than the table value

## DECISION

Computed is 272.007 and is greater than the chi-square table value at 5% level of significance using four (4) degree of freedom ( $\nu$ ) which is 9.49; based on the decision rule, we reject the null hypothesis.

In other words, we accept the alternate hypothesis H1 which states that the type of budgeting in some of the manufacturing business concern in Nigeria is efficient.

## 5. CONCLUSION AND RECOMMENDATION

### 5.1 Summary of Findings

The synopsis of the result of findings is highlighted as follows:

- i. Adequate planning are both made in budgeting and budgeting control in selected manufacturing business concerns in Osun State
- ii. Budget execution procedure were followed according to the laid down procedure thus resulting to favorable variances

- iii. When the variances occur, the causes were traced to determine what and who were responsible for the variances in selected manufacturing firms in Osun State
- iv. Manufacturing firms in Osun State maximize their profitability and minimize losses because of the use of budget controllers
- v. Manufacturing firms in Nigeria plan their profit and limit the amount of losses involved in the business
- vi. Manufacturing firms in Nigeria employ educated staff as their business

## 5.2 Conclusion

A budget is seen as an effective tool for management in coordinating the affairs of the organization. However, to prepare a budget, an organization must know where it is heading to. Budget is futuristic in nature, it states what an organization wants to achieve in the future. A system of budgetary control compels management to look into the future and use all techniques that can be used to shape the future. The budgeted figures must be compared with the actual results on a timely basis throughout the year to ensure that management knows where deviations are occurring and to take corrective measures. The budget should be seen as a guide that reflects management's thinking at the time it was prepared. However, the budget should be flexible in nature so that it will be able to accommodate necessary changes. The objectives of manufacturing companies should be to satisfy the needs of their customers as well as making profit. Budget is indeed an effective tool for cost control in manufacturing industries. It is not only good to have a good

Manufacturing concerns actually do plan their profit such that losses are unnecessarily large in relation to budget estimate. Manufacturing business organizations do control their levels of profit making and the means used to achieve it. The types of budgeting in some manufacturing business concerns in Osun State are efficient. Manufacturing concerns follow the laid down procedure of their organization. Manufacturing firms in Nigeria do investigate the variance and the actual cause(s) if the situation Manufacturing concerns in Nigeria do have budgeting committee established by the company.

The study revealed that, all the respondents of the firm indicated the existence of an established budget process at the Company. Thus, an indicator that the firm's budgetary process goes through the standard stages of budget planning, budget control, budget coordination and budget evaluation.

## 5.3 Recommendation

Based on findings of this study, the following recommendations are made to the management of various manufacturing firms in Osun state for improved budget performance:

- i. Government should establish a board concerning budget planning of manufacturing business in Nigeria and make sure that manufacturing industries follow their budget plan.
- ii. They should map the procedures that all the manufacturing business in Nigeria should follow in budgeting planning
- iii. Because of the importance of the job of a budget controller in any manufacturing concern, it then becomes necessary to employ a qualified accountant to take responsibility of this area of the job of a controller
- iv. All the organizations should make sure that budgets are made within the procedures set out for the planning of a budget. Budget plan should be approved and authorized by the officer responsible for each section
- v. Employers of any manufacturing business should make sure that he/she employs a qualified staff for various positions in the business
- vi. Management should establish a budget committee who are expertise in the field in order to help plan and investigate any variances that may occur

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