ASSESSING THE ROLE OF BUDGETING, PLANNING, AND CONTROL IN ENHANCING COMPANY PERFORMANCE

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ABSTRACT

The main thrust of the study was to investigate the impact of budgeting, planning and control on performance of manufacturing companies. The focus was on the analysis of the effectiveness of budgeting in the manufacturing industry. The research was prompted by the fact many authors contradict on the fact that budgeting presents organizations with perfect opportunity to control cost and maximize profits It is believed that budgetary controls are corroborated lines of action which enhance effective optimization of scarce financial resources through mobilization of resources towards an efficient attainment of the set financial and operational objectives. This study employed a desktop research methodology. We have located the research of this paper within a qualitative approach (Gay 1992; Babbie 1998; Leedy & Ormrod 2013). This decision was informed by the fact that this paper is not interested in the quantification of data. But its main interest lies in the painting of qualitatively rich picture of the phenomena being studied within the context of limited respondents (Hall 2007; Maserumule 2011; Baugh & Guion 2016). To this end, the problem of this study is explained descriptively and theoretically for the purpose of generating a crispy understanding of the extent to which Budgeting, Planning and Control influence the Performance of Manufacturing Companies. In terms of data collection, the authors sourced and reviewed literature on the topic. Among others, this source included journal articles, books, magazines and newspapers. The study found that budgetary control influences financial performance of MMFs as findings showed that most of the companies practice budgeting in most transactions they make, it was therefore concluded that budgeting provides basis for planning, controlling of expenditures, reduces of wastage of resources hence it increases profits. The significance of this study is that it will provide valuable and significant information on the effects of budgeting, planning and control on financial performance of companies that is required by the company to make effective decision making to improve financial performance.

Keywords: Budgeting, Planning, Control, Performance, Manufacturing Companies.

Jell Classification: M41, M49

1. INTRODUCTION

According to economic theory, it is generally acknowledged that human needs are numerous but the resources to meet them are inadequate and there is a significant chance that human factors involved in the production of goods and services would waste and underuse those available resources. To maintain the production cycles and generate enough revenues for stakeholders, organisations must produce at the lowest possible cost. Research shows that budgetary controls can eliminate significant adverse variances by giving a road map that illustrates the anticipated expenses and commitments. budgetary control process creates a system which uses budget as a tool for planning and controlling production and expenditures. In addition, the financial performance of an organization is highly determined by the extent to which the company can plan, budget and control organisational activities. managers can employ a range of strategies and techniques to make capital budgeting processes easier. However, capital budgeting methods vary from business to business in practice, and occasionally from management to manager.

This research seeks to provide detailed information for decisions concerning the impact of budgeting, planning and control on profitability of manufacturing companies. Much emphasis will be placed on the background of the study which is the first part of the paper after the introduction. The background of the study shall discuss the problem statement, rationale, and research. After giving the background of the study, the paper shall look at the theoretical framework underpinning the study. This shall be followed by the conceptual framework of the study whose purpose shall be to understand our research problem and guide the development and analysis of this study. The theoretical framework is the "blueprint" for the entire paper inquiry. It serves as the guide on which to build and support our study and provides the structure to define how we will philosophically, epistemologically, methodologically, and analytically approach the manuscript. This shall be followed by a detailed literature review on the extent to which Budgeting, Planning and Control influence the Performance of Manufacturing Companies. The last segment of the paper comprises of a detailed discussion of the extent to which Budgeting, Planning and Control influence the Performance of Manufacturing Companies.

1.1 Background

The process of budgetary control involves continuous comparing actual performance to the budget to make sure the desired objectives are achieved or to serve as a foundation of budget changes (Nwanyanwu and Ogbonnaya, 2018). "Budgetary control can be regarded as a cost control system that involves setting a budget, planning, coordinating departments, establishment of roles, comparing actual performance to the budget and acting on the results to maximise profitability" (Frow, Marginson and Ogden, 2019). "Budgetary control process creates a system which uses budget as a tool for planning and controlling production and expenditures" (Chaudhary, 2018).

The ability of a business to plan, budget and manage organisational activities has a significant impact on how profitable the business is. The amount of cost must be cut to its minimum to maximise profit. According to Alireza and Mahdi (2012) "the process of budget is a strategy of planning on how to spend money in advance. Its objectives are to cut cost, improve efficiency and effectiveness, and confidence level. It entails creating a budget, taking note of actual costs and quantities, and analysing performance variances". Fortune (2021) conducted a research and find out "there is a link between effective budgeting practices and improved business success". Imegi and (Nwokoye, 2015) "conducted a study on the effects of capital budgeting on determining the profitability of a projects. In that study, they discovered that taxes have negligible to no significant effects on project evaluation. They then recommended that risky and uncertain environments, traditional capital budgeting methods are less effective in evaluating profitability of a given project; therefore, there is need to adjust for risk using discount rates".

Gupta and Deena, (2021) researched on the impact of budgeting, planning and control on profitability, they found that there is high correlation between budgeting and management function, management control and competitive advantage, they concluded that effective budgeting is an instrument for management of profitability. The findings of Pimpong and Laryea (2016) "revealed a link between budgetary evaluation and performance of the company that was positive". "Budgeting and its influence on the financial performance of listed manufacturing companies in Ghana were the subject of a paper" by Agbenyo et al. (2018). Budgeting has a significant role in manufacturing organizations, according to their study. It is remarkable that there is a strong correlation between budgeting and financial performance.

1.2 Main research objective

- To assess the impact of budgetary control on profitability of manufacturing companies

1.3 Research sub-questions

- What are the impacts of budgetary controls on the financial performance of manufacturing companies?

- What are the inherent factors which affects effective budgeting, planning and controlling in the manufacturing industry?
- What are the challenges faced by manufacturing companies in the implementation of budgetary control measures.
- What are the possible ways of mitigating challenges faced by manufacturing companies in the implementation of budgetary control measures?

1.4 Research Methodology

We have located the research of this paper within a qualitative approach (Gay 1992; Babbie 1998; Leedy & Ormrod 2013). This decision was informed by the fact that this paper is not interested in the quantification of data. But its main interest lies in the painting of qualitatively rich picture of the phenomena being studied within the context of limited respondents (Hall 2007; Maserumule 2011; Baugh & Guion 2016). To this end, the problem of this study is explained descriptively and theoretically for the purpose of generating a crispy understanding of the extent to which Budgeting, Planning and Control influence the Performance of Manufacturing Companies In terms of data collection, the authors sourced and reviewed literature on the topic. Among others, these sources included journal articles, books, magazines and newspapers.

1.5 Signifinace Of The Study

This is a topical issue, and it is anticipated that the study will provide thorough understanding of the several budgetary management practices that can be used to increase profitability. Additionally, the results will provide critical and valuable information of the effects of budgeting, planning and control on financial performance that is required by companies in order to make effective decision making as to improve financial performance.

2. THEORETICAL REVIEW

The Economic based theory on budgeting, the theory of priority-based budgeting and the real option theory were used in this research study.

2.1 Economic Based Theory On Budgeting

The underpinning of economic theory is the production, distribution, and consumption of commodities and services. Research examines how organizations and individuals utilize resources to meet needs and desires while coordinating efforts to realize full potential (Kenno,et al, 2018). Research by Jensen and Meuckling (1976) and Ross (1973) "found that agency theory was frequently applied in accounting studies. An economic theory called agency theory sees the corporation as a network of relationships between self-interested people. It focuses on the typical agency relationship, in which the principal provides assignments to the agent, who ultimately completes them. Examining budgeting and budgetary management procedures for specific individuals in accordance with the employees is often how this employer-employee relationship is streamlined".

According to agency theory, the main goal is to regulate the agent's behaviour. Budgets are therefore utilized for control. The other frequent use of budgeting when employing economic theories is motivation because the concept of motivation is also a prevalent issue within agency theory, according to Oseifuah (2014). "Additionally, decision-making and planning are also used" (Kenno, et al, 2018). Additionally, Puni and Anlesinya (2020) and Mishra et al. (2021) added that "agency theory improves an organization's performance by helping to solve agency problems. The interest of shareholders may be compromised when the management makes investment decisions because managers are opportunistic agents who may focus on maximizing their well-being at the expense of shareholders". "Agency theory focuses on managerial incentive issues that are prompted by the separation of ownership and control" (Jensen and Meckling, 1976). "Because managers are opportunistic agents who may prioritize maximizing their own well-being at the expense of shareholders, the interest of shareholders may be compromised when the management makes decisions about investments" Oseifuah (2014).

2.3 Conceptual Framework

According to Meyer and Meyer (2020), budgetary controls are corroborated lines of action which enhance effective optimization of scarce financial resources through mobilization of resources towards an efficient attainment of the set financial and operational objectives. Furthermore, the concept of budgeting was first coined in the early 1803 by Minch August who created a scale of preference and ensure that, goods and services were acquired, used and monitored using a calculated line of action. According to Kamative (2020) "the concept of budgetary controls gained momentum in the early 1990s when different individuals and companies were complementing the early findings of different researchers and scholars who were devising various ways of managing both the financial and non-financial items of the company". Koleosho et al (2022) "attested to the notion and alluded that, budgetary controls have been on every person's mouth since they were striving to maximize scarce financial resources through effective rationalization". On the same note, according to Mazanza (2020) "the propensity to plan both financial and non-financial resources require effective communication, co-ordination and control of financial resources towards the attainment of set financial goals and objectives".

Clarke et al (2020) further illuminated that, financial planning can be effective when a firm made sound computations of its budgets from material budgets to master budgets. Furthermore, Nyati-Jokomo (2020) postulated that, "corporate profitability is excess of revenue over expenses. Therefore, corporate entities make estimated budgets of costs and revenue to minimize unplanned costs and maximize revenue. Budgets varies from material, production, sales, and cash, master among a raft of others. These budgets strive to provide a road map with which corporate entities can use to effectively manage financial resources". According to Eke (2019) "variance in budgets can either be favorable or adverse variances baring on the actual performance of an entity against what was budgeted. Since researchers and scholars have been unable to come to a consensus regarding the relationship between budgetary controls and the profitability of manufacturing companies, there has been a persistently incomplete and inconclusive debate in the literature. This caught the researcher's attention and created the need for this academic research inquiry".

2.4 Empirical Literature Review

Budgetary restrictions have a considerable impact on financial performance, according to Tembo (2019). "These investigations used a descriptive study design and a mixed research technique. By using the triangulation approach and an inferential pilot run to focus research studies on 400 different manufacturing enterprises operating in Ghana". Ekum (2020) additionally assumed that "there is a positive correlation between the implemented variables". The results of empirical investigations that Mubaiwa (2020) "focused on 212 industrial firms operating in Ghana and Togo show a strong association between planning and corporate profitability". "Using the triangulation method and pilot approach, Angela et al. (2019) "sampled 45 manufacturing enterprises operating in West Africa and asserted that there is a positive connection between the implemented factors".

There is a correlation between the capital budgeting process and the operational performance of manufacturing organizations, according to Otombo (2020). Further research studies which were panelled by Makanga (2020) "using the Dutch approach and the thematic qualitative data analysis also unveils that, the organizational performance of distinct manufacturing companies and solidly depends on the effectiveness of the investment's appraisal strategies put in place by the firm". "In that light, Kim (2020) conducted a decisive research inquiry on 23 manufacturing companies operating in Uganda and results of the study revealed that, capital budgeting techniques as the methods and techniques used to evaluate and select an investment project help managers to select projects with the highest profits at an acceptable risk" Oseifuah (2014).

Xuan (2019) claimed that there is a positive relationship between the engaged variables after sampling 22 Chinese manufacturing companies applying the triangulation method and pilot approach. Besides this, Mega (2019), "who employed a case study and a mixed research design, postulated a positive relationship between budget restraints and financial performance". "Budgeting has an impact on financial performance", according to Tembo (2019). Considering this, Mcman (2020) "used the triangulation approach to focus research investigations on 15 multiple manufacturing enterprises operating in Spain and asserted that there is a positive association between the enacted variables".

Budgetary controls have a considerable impact on financial performance, according to empirical research studies conclusively done by Xuan (2019) on 230 manufacturing enterprises operating in Asia. These investigations used a descriptive research design and a mixed research technique. In this context, Chun (2020) "also focused research studies on 400 different manufacturing companies operating in China, using the triangulation method and inferential pilot run, and hypothesized that a positive correlation exists between the enacted variables." "Planning and business profitability have a good relationship" according to Zhan (2020). Taylor (2019), "who selected 45 manufacturing enterprises operating in Spain using the triangulation method and pilot approach, asserted a positive linkage exists between the enacted variables".

2.4.1 The impact of budgetary controls on the financial performance of manufacturing companies

Budgetary controls and the profitability of various manufacturing enterprises have a favorable relationship, Obrien (2020) utilizing a stratified random sampling strategy and the triangulation data validation approach. To illuminate on the notion, Makanga (2020) aired "that, budgetary control is a process of preparing an expenditure plan periodically comparing pre-determined cost against actual to determine whether spending needs some adjustments in order to stay on the track". Therefore, "firms rely heavily on budgeting and budgetary control process to manage their spending, and the technique is applied in the private and public sectors" (Make, 2019).

To further shade light on the notion, O'Brien (2019) alluded that, budgetary control process creates a system which uses budget as a tool for planning and controlling production and expenditures. Shumba (2020) asserted that, "the financial performance of an organization is highly determined by the extent to which the company can plan, budget and control organisational activities". Mwenda (2020) shared the same sentiments "by attesting to the notion that, to maximize profit, cost must be cut to barest minimum". Makanga (2020) further alluded that, "budgeting itself is a planning tool that assist one on how to manage scarce financial resources, control costs, and improve efficiency and effectiveness and increase revenues".

To that end, research by Kateguru (2019) showed that managers can employ a range of strategies and techniques to make capital budgeting processes easier. Capital budgeting methods vary from business to business in practice, and occasionally from management to manager. Numerous empirical studies on the application of capital budgeting approaches in both large and small enterprises have been done. Pinto (2020) projected that, "considering the discussion, discounted cash flow has evolved into the predominant way of evaluating and ranking proposed capital investments". Furthermore, Makanga (2020) examined "the significance of capital budgeting approaches such as payback period (PP), average rate of return (ARR), internal rate of return (IRR), and net present value (NPV) on business performance and value metrics. The study's findings showed that companies that evaluated every initiative had on average, greater share prices than those that did not. The findings indicated that to maximize a company's worth, organizations should not rely on a single capital budgeting strategy but rather should employ a variety of methods for project evaluation".

2.4.2 Factors which affects effective budgeting, planning and controlling in the manufacturing industry

2.4.2.1 Financial illiteracy

Ngwenga (2019) and Ekun (2020) successfully narrowed down empirical research investigations, which indicated a variety of elements that affect an organization's ability to properly budget, plan, and control both financial and non-financial things. Considering this, Alajekwu and Ezeabasili (2020) focused research studies on various manufacturing firms operating in Africa and theorised “that financial illiteracy plays a crucial role in impeding effective budgeting, planning, and control of financial resources because a sizeable portion of manufacturing industry experts are well-versed in process engineering without the necessary financial knowledge”. Furthermore, Kateguru (2020) averred that, “financial illiteracy is a major impediment in the manufacturing industry since, employees who are charged with the mandate of projecting the expected financial or non-financial flow of items may not have the requisite knowledge of how to budget in a real time fast changing global environment”. Shumba (2020) cited the case of Zimbabwe and averred that, “in a turbulent and fast changing business environment like that of Zimbabwe corporate entities should engage financial experts with sound knowledge of real time discounting factors so that, they can consult inferential statistics to circumvent economic oscillations which can affect effective budgeting”.

2.4.2.2 Political interference and economic instabilities

Ekom (2019) assets that hypothesized that political instability can have a major impact on budgeting and budgetary constraints. On the same vein, empirical research studies that were specifically focused on western Africa by Akenda (2019) reveal that, “because of the high levels of political instability in developing nations, political leaders use their political clout to evade established laws and regulations in order to continue to meet their own personal needs that were not budgeted by a company”. Furthermore, Makanga (2020) averred that, “firms in underdeveloped countries are subject to political instability, which is associated with protests, shutdowns and looting of shops which can distract the strategic plans of an entity. Furthermore, economic turbulences and market oscillations can significantly affect manufacturing firms from exhaustively budgeting financial resources”. In that light, make (2020) asserted that, “economic changes can cause macroeconomic changes such as inflation, unemployment and recession which erodes the value of money leading to distortion of the budgeted amounts”.

2.4.2.3 Technological changes

According to Amazile (2020), technological advancements can seriously impair an entity's ability to plan, budget, and manage its resources. Utete (2021) backed up Amazile (2020)'s claims by pointing out that “businesses in the manufacturing sector might be skeptical that changes in technology can affect budgeting for financial resources because accounting systems are regularly updated and upgraded, which can unexpectedly increase variable costs and skew the initial budgets”. Furthermore, Hekule (2019) further aired that, “updates and updates of budgets using accounting software’s can be subjected to lose of financial data in the data base through system updates and upgrades. Furthermore, corporate plans and control measures can be exposed to cyber threats since the firm will be connected to a real time digital operating interface”. However, “technology also have positive effects on budgeting and budgetary controls in manufacturing companies since it boosts speed and allow bulk processing of transactions in a traceable and real time operating interval”, (Kwenda, 2020).

2.4.2.4 Legal constraints

Kuhlan (2018) assessed 320 different manufacturing enterprises operating in Southern Africa using a scientific sampling technique, and Aqua (2020) agreed with his preliminary findings. According to the study's findings, “legal considerations could have a huge impact on how well corporate organizations can plan their budgets and implement sensible budgetary controls”. Considering this, Makanga (2020) “believed that strict requirements for adopting a budget could prevent businesses from enacting solid budgets since they would be required to regularly interact with other stakeholders prior to implementation. However, due to diverging interests of stakeholders the budget can fail to sail through”. Furthermore, Brown (2020) “attested to the notion that, changes in legal fees can also affects the efficiency of budget since firms will be obliged to regularly change their budgeted amounts in compliance with the changes in legal costs and policies”.

2.4.2.5 Economic oscillations and market turbulences

Tonto (2020) carried out empirical research investigations on 23 different banks operating in Togo utilizing a mixed research approach and a descriptive study design. Results of the study reveals that, unstable economic environments significantly limit financial managers when using capital budgeting processes for making capital expenditure decisions. For instance, in a fast-changing economic environment which is associated with market turbulences and unpleasant macro-economic conditions such as high unemployment rate, high inflationary rate, recession, multi-tier pricing among others the value of money and its purchasing power can be easily eroded and can limit financial managers when using capital budgeting processes for making capital expenditure decisions. Studies by Make (2020) on 32 steel manufacturing companies operating in Malawi using a linear regression and coefficient of correlation revealed that, "economic changes and market instability are the major components of the macro-economic environment which can limit financial managers when using capital budgeting processes for making capital expenditure decisions".

2.5 Challenges faced by manufacturing companies in the implementation of budgetary control measures

Studies by (Ezeabasili, 2020) reveals that, there are many challenges which are encountered by manufacturing companies in the implementation of budgetary control measures. These challenges stream from both internal and external factors such as lack of the requisite trend analysts who can decisively speculate changes in the business environment and make real time and reflex budget decisions, llimited financial resources, legal declarations and annual proclamations by the government, lack of certified, skilled and experienced professionals with the requisite knowledge on how to effectively budget funds among a plethora of other factors.

In that light, Otombo, (2020) effectively narrowed down research inquiries on distinct manufacturing companies operating in Africa and alluded that, financial illiteracy ias a major impediment which affects effective budgeting, planning and control of financial resources since a substantial proportion of experts in the manufacturing industries are inclined to the engineering section without the requisite financial knowledge. Furthermore, Mannered (2020) averred that, "financial illiteracy is a major challenge in the manufacturing industry since, employees who are charged with the mandate of projecting the expected financial flow of items may not have the requisite knowledge of how to budget in a real time fast changing global environment".

In concurrence, Shumba (2020) averred that, due to technological changes the business environment is gradually becoming more and more complicated to manage with just a fair knowledge of market changes and economic transitions so, there is a need for corporate entities to consider engaging financial analyst and budget masters with the requisite information technology skills. Furthermore, (O'Brien, 2020) "alluded that, many corporate entities do not have the required information technology architecture or the operational background since most of their computers are outdated and absolute." In support, (Dai, 2020) also averred that, "employees in manufacturing company's companies are sceptical of accepting new information communication technology because they be afraid of the unknown and some are resistant to change".

2.6 Ways of mitigating challenges faced by manufacturing companies in the implementation of budgetary control measures

Manufacturing companies can use a variety of ways to alleviate the challenges that arise naturally while attempting to implement budgetary controls. Makanga (2020) asserts that these factors change depending on whether they are internal or external. Additionally, Utete (2020) agreed with the claim and hypothesized that the applicability of these challenges varies depending on the type of firm, the nature of budgets, and the type of adoption. Furthermore, Kateguru (2020) averred that, "financial illiteracy is a major impediment in the manufacturing industry since, employees who are charged with the mandate of projecting the expected financial or non-financial flow of items may not have the requisite knowledge of how to budget in a real time fast changing global environment. The case of Zimbabwe and averred that, in a turbulent and fast changing business environment like that of Zimbabwe corporate entities should engage financial experts with sound knowledge of real time discounting factors so that, they can consult inferential statistics to circumvent economic oscillations which can affect effective budgeting. However, to circumvent the impediment corporate entities should send its employees on workshops, seminars and trainings on budgeting and budgetary controls. Furthermore, firms should hire financial experts with the requisite budgetary skills required in a fast-changing digital environment".

Furthermore, Makanga (2020) averred that, firms in underdeveloped countries are subject to political instability, which is associated with protests, shutdowns and looting of shops which can distract the strategic plans of an entity. Furthermore, economic turbulences and market oscillations can significantly affect manufacturing firms from exhaustively budgeting financial resources. In that light, Make (2020) asserted that, "economic changes can cause macroeconomic changes such as inflation, unemployment and recession which erodes the value of money leading to distortion of the budgeted amounts. However, at parliament and other political gatherings, politicians should be warned about the huge negative effects of breaking business norms, laws, and processes to counteract the negative effects. Furthermore, the form should hedge its financial assets to shield the firm from economic turbulences".

Amazile (2020) citing that, firms in the manufacturing industry may by technological changes. Furthermore, Hekule (2019) further aired that, "updates and updates of budgets using accounting software's can be subjected to lose of financial data in the data base through system updates and upgrades. However, manufacturing companies should make it a point to strive hard to keep up with advancements in technology in order to improve the nature of budgets and their applicability in order to offset this effect".

Makanga (2020) averred that, legal constraints can affect budgeting and budgetary controls., since stringent terms and conditions of adopting a budget can affect firms from effectively enacting sound budgets because, firms will be obliged to make regular inquiries and consultations with other stakeholders before implementation. Furthermore, Brown (2020) "attested to the notion that, changes in legal fees can also affects the efficiency of budget since firms will be obliged to regularly change their budgeted amounts in compliance with the changes in legal costs and policies". According to Shumba (2020), "the government should enact legislation and other restrictions to safeguard the rights of manufacturing firms who want to implement digitalization".

3. DISCUSSION OF THE FINDINGS

The findings from this literature review indicated that manufacturing companies practice budgeting in most transactions they were making it was therefore summarized that the firms rely heavily on budgeting and budgetary control processes to manage their spending. This concurred with O'Brien (2019) and Makanga (2020) who conducted their research on manufacturing on budgeting. They concluded that budgetary control process creates a system that use budgets as a tool for planning and controlling production and expenditures. Furthermore, it was summarized that budgeting is used a tool for management of scarce financial resources to reduce unnecessary cost. In an attempt to control cost through budgeting the research found that there are factors that affect effective budgeting and planning. This was alluded by Ngwenga (2019) and Ekun (2020) supported by Kateguru (2020) who reviewed that financial illiteracy is a major impediment in the manufacturing companies. More, so technological changes is another factor and it is in line whith what was found by Hekule (2019). He aired that updates and updates of budgets using accounting soft wares can lead to loss of financial data. It was also found that Eeconomic oscillations and market turbulences affects effective budgeting as most of the studies reviewed show that and this had been highlighted by Make (2020) who said macroeconomic changes such as inflation erodes the value of money leading to distorting of budgets. Research also found that financial illiteracy affects effective budgeting, in the case of minerals manufacturing firms most of the workforce might be engineers who might have little or no knowledge of finances and budgeting processes

The study established that manufacturing companies were affected by both internal and external factors that in the process of implementing budgetary control measures. This is because most literature examined strongly agreed that these challenges exist. The findings revealed that limited resources, lack of skilled and experienced professionals, legal declarations are the challenges faced

4. CONCLUSION

The research analysed the impact of budgeting as a cost control method to enhance financial performance of manufacturing companies taking into account the impact of budgeting, planning and control, factors affecting effective budgeting, challenges faced during the implementation of budgetary control measure and measures put in place to overcome those challenges. The research findings conclude that companies were failing to provide effective budgeting due to challenges faced such as lack of requisite knowledge, high inflation, lack of skilled personnel, limited financial resources. The study concludes that budgeting had become a culture that is practised in the manufacturing industries. Most of the companies' practice budgeting in most transactions they make. Budgetary control process creates a system that uses budgets as a tool for planning and controlling production and expenditures. Furthermore, it is concluded that budgeting is used as a tool for management of scarce financial resources to reduce unnecessary cost. It was evident that budgeting provides basis for planning, controlling of expenditures, reduces of wastage of resources hence it increases profits. The paper concludes that economic oscillations and market turbulences, technological changes, financial illiteracy and legal constrains are the factors that affect effective budgeting, planning and control.

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