Budgeting and Budgetary Control in the Manufacturing Sector of Nigeria

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ABSTRACT
Budget and budgetary control, both at management and operational level looks at the future and lay down what have to be achieved. Control checks whether or not the plans are realised, and put into effect corrective measures where deviation or shortfall is occurring. This study examines how budget and budgetary control can have impact on the performances on the selected manufacturing companies in Nigeria, as considered in this study, being a sample of the entire population of the firms in the Nigeria manufacturing industry.

The research reviewed the performance of the Nigeria manufacturing industry in previous and recent times. We found out that the performance of this industry leaves much to be desired due to factors such as neglect of the industry due to over dependence on crude oil, epileptic power supply, collapsing infrastructure, unfavourable sectoral reforming among others and have resulted in low capacity utilization of the manufacturing industry.

An empirical investigation was undertaken, using the chi-square test. 300 questionnaires were administered but were only able to gather 250 which left 50 questionnaires irrecoverable. Tables and simples percentages were used in data presentation. Three hypotheses were formulated. Following the findings, managers and business operators are advised (not only in the manufacturing industries) to pay more attention to their budgetary control system, for those without an existing budgetary control system, they should put one in place, and those with a dummy and passive budgetary control system, it is time they re-establish a result-oriented budgetary control system as it goes a long way in repositioning the manufacturing industry from its creeping performance level to an improved high capacity utilization point.

Keywords: budget, budgetary control, performance, control, responsibility centre, budgeting

1.0 INTRODUCTION
A budget is a financial and a quantitative statement prepared prior to a defined period of time of the policy to be pursued for the purpose of attaining a given objective. Also according to Nwezes (2004) in his profit planning, Budget is a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objective. Furthermore a budget is an attempt made at the beginning of each financial year to plan the profit and loss account for the year and to aim for a definite balance sheet. This profit planning must be a well thought-out operational plan with its financial implication expressed as both long and short range profit plans.

In any organization where budget is used as a means of profit planning many alternative plans have to be considered and the most profitable one will be adopted, because where the plan chosen in great expectations, then the best use has been made of the available resources. On the other hand budgetary control is the establishment of policies and the periodic review or comparison of the actual result with the budgeted performances either to secure approval for individual action or to serve as a remedial course of action. Budgetary control whereby actual state of affairs can be compared with that planned for by the management, so that appropriate action may be taken to correct adverse situation that may occur before it is too late. It is also used to fix responsibility.

A budget systems serve the needs of management in respect of the Judgments and decisions it is fruited to make and to provide a basis for the management functions of planning and control. Developing a budget is a critical step in planning any economic activity. This includes business, governmental agencies and individuals. Therefore businesses of all types and governmental units at every level must make financial plans to carry out routine operations, to plan for major expenditures and to help in making financial decisions. On this back ground, every organization no matter nature
has a plan for the future, simply because the success of any organization depends on the level of plan that is put into the organization.

This study examines five (5) companies in Nigeria, being a sample of the entire population of the firms in the Nigeria Manufacturing Industry. Their various histories are given below: Nestle Nigeria Plc, Cadbury Nigeria Plc, Flour Mills Nigeria Plc, 7UP Bottling Company Plc, and Eminite Nigeria Limited.

Budgetary control entails a distinct pattern of decisions in an organization which is capable of determining its objectives, purposes or goals, and how these goals are achieved by establishing principal policies and plan. However, the inability to recognize the problem concerned and fixing a boundary off investigation creates an obstacle for the successful implementation of budgeting and control. Some organizations only look for narrow ranges of alternatives which they arrive at from their past expenses and present situation, other management levels even avoid long-term planning and budgeting in favour of today’s problems thereby making the problems of tomorrow more severe (Steward 1993).

The main objective of this study is to examine the effect of budgeting and budgetary control in the performance of manufacturing sector in Nigeria. Other specific objective is to investigate the impact of effective budgeting and budgetary control on the performance of the selected manufacturing companies in Nigeria.

The above objectives are guided by the following questions:
(1) Are there linkages between budgeting and budgetary control and performance of manufacturing sector in Nigeria?
(2) What are the problems associated with budgets and budgetary control in the manufacturing sector of Nigeria?
(3) How can organization performance be improved through the use of budgetary control?

Budgeting and budgetary control has been a part of management control system of the organization. This control encourages managers to plan, consider the stakeholders involved, provides information for improved decision making, increases and enhances communication and coordination among departments, and for evaluation.

Many researchers highlighted that effective contribution of budgeting and budgetary control helps to improve the overall performance of the organization. Over time, several studies provide critical evaluation of different aspect of this contingency literature on budgeting budgetary control in the manufacturing sector of Nigeria (Omolehinwa, 1989; Abdulla, 1998; Hartmann & Moers, 1999; Raili, 2000; Otley, 2001; Welmillia, 2001; Hartmann & Moers, 2003; Hansen, Otley & Van der stede, 2003; Gustafsson & Parson, 2010; Caleb, 2011; Collins, 2011).

Budgetary control as proven management tool (Chandler, 1990) helps organization management in different ways. Its primary function is to serve as a guide in financial planning operators; it also establishes limits for departmental excesses. It helps administrative officials to make careful analysis of all existing operations, thereby justifying expanding, eliminating or restricting present practice. (Musselman and Hughes, 1981).

2.0 LITERATURE REVIEW
Budgeting is an important concept in finance that cannot be over emphasized. Today, uncertainties are prevalent in Nigeria business environment so much that most of the products which are categorized as consumer goods are not in the market all through the year and if they are found, at varied prices. According to equity research report (2009), the consumer goods sector is a major part of the manufacturing sector in Nigeria but what we see in Nigeria are processors who process imported raw materials into finished products, with very little value added.

Multinational companies operating in this industry import concentrates from their parent companies, which they convert into finished products with minimal value added. The manufacturing sector in Nigeria faces many challenges caused by the environment in Nigeria such as poor infrastructure, poor standards of education, and high levels of corruption and a generally low level of disposable income of the population. In Nigeria today, there are few manufacturing companies, many manufacturing
companies that are supposed to be in existence have collapsed due to such factors as poor management, unfriendly government policies, and total neglect by both the government and the private owners. There is more merchandising companies than manufacturing companies. The reason is that Nigeria depends too much on importation of finished goods. Even the few manufacturing companies in existence import raw materials and component parts used in producing their final products, due to fluctuations in exchange rates; prices of both locally produced and imported goods are not stable (Equity Research Report on Nestle, 2009). With the prevalent business environment in Nigeria, Managers and Stakeholders of manufacturing companies must be prepared to compete favorably and in order to survive they need modern skills like budgeting processes in its entirety to forecast the major changes which are likely to affect the business while they plan future directions and dimension of resources needed to attain selected goals. The minute contribution of manufacturing companies to the economy is not unconnected with the inability of many organizations including food and beverages manufacturing companies to adequately plan and control their finances. Notable players include Cadbury Nigeria Plc., Nestlé Nigeria Plc., UAC Foods, WAMCO Nigeria Plc. (Equity Research Report on Nestle, 2009).

The term budget refers to a plan, quantified in monetary terms, prepared and approved by appropriate authorities prior to the defined period of time usually showing planned income to be generated and/ or expenditure to be incurred during that period and the capital to be employed to attain a given objective (Orebiyi and Ugochukwu, 2006). On the other hand, Performance can be defined as the outcome of a firm's activities over a given period. Thus, a firm could experience a poor as well as a good performance. The determinant or measure of performance varies across industries and companies. Measurement of performance includes: customer satisfaction, employees and/or shareholders satisfaction, sales growth, market share, return on capital invested (Amalokwu and Ngoasong, 2008).

The inability of many organizations to adequately plan has led to various problems they are facing today. Some of these problems are low profitability, poor liquidity which of course would have negative effect on shareholders wealth. It is as a result of this, that this study is based on budgeting and budgetary control of manufacturing companies in Nigeria.

Yucel and Gunluk (2007) in their research on effect of budgetary control and justice perception on the relationship between budgetary participation and performance discovered that budgetary control and justice perception affected performance positively. In addition, performance was affected negatively in an environment where rigid budgetary control was practiced. Managers consider budget participation more effective in an environment where justice perception is higher than where the justice perception is low (Yucel and Gunluk, 2007). Parker and Kyj(2006) claim that budgetary participation affects vertical information sharing, organizational commitment, role ambiguity and performance directly and indirectly.

Akintoye (2008) in his work on budgetary control and its effect on firms' performance, tested the association using turnover as one of the variables with the assumption of turnover as the budgetary control indicator and Dividend per share, Earning per share and Net asset per Share as the indicators for firms' performance.

They discover that there is a significant relationship between the two categories of variables mentioned above. Wijewardena and De Zoysa (2001) argue that the impact of budget planning and budgetary control on performance may vary from firm to firm depending on the extent of its use. They assert that the greater extent of the formal budgeting process should have a positive impact on the performance of SMEs. In their study, performance is measured by two financial indicators: sales growth and returns on investment. Data were collected from 2,000 manufacturing SMEs in Australia. The results show a positive and significant relationship between budgeting planning and sales growth, and between budgetary control and sales growth. However, no significant relationship is found between budgeting planning and return on investment, nor between budgetary control and return on investment.

Amoako-Gyampah and Acquaah (2008) classify performance under two dimensions: market share and sales growth. Where market share is the firm's portion in the entire industry and sales growth is the increase in sales in money value. High performance will mean high market share and high sales growth. Hake and Krishnan (2005) examine the firms' performance by the interaction of budget type
and environment uncertainty, they found that when the environment is highly uncertain, relative to traditional budget, rolling budget can help in coping with the uncertainty and improve the performance. In the same vein, in this research, where there is existence of dividend per share year after year, increase in earnings per share and net asset per share, there is firms’ performance. They further said that a strategy that allows a firm to achieve either: high design and conformance quality or improvements in production efficiencies will lead to either: a higher reputation in the market place, cost reduction, and higher productivity or low-pricing possibility which could be translated into higher sales growth and increased market share. This study seeks to investigate the relationship between budgeting processes and the performance of manufacturing companies in Nigeria using primary data.

2.2 THEORETICAL FRAMEWORK

Budgets were first introduced in the 1920s as a tool to manage cost and cashflows in large industrial organization. Johnson (1996) states that it was during the 1960s that companies began to use budgets to dictate what people needed to do. There is a consensus among authors that, in order to avert business failure, an enterprise must have a vision of where it wants to be in near future and accordingly draws up a strategic business plan.

A.W Wills More is of the view that budgeting is a service functions and that budgets do not replace management. Wills more also observes that planning goes from top down whereas budget formulation flows from bottom to up. Isaac Reynolds agree with Wills More but noted that “budget planning is the key to survival in today highly technical and competitive environment and that failure to plan results, for many firms in a business failure that might have been avoided by profit planning. Reynolds also listed the outcome of the reliability to establish and use a formal budget structure as follows;
1. Lost sales due to under production.
2. Excessive inventory costs due to over production.
3. Excessive personnel turnover.
4. General lack of control over the outcome of business operations in terms of profit.

J.F Weston (1978) and E.F Brigham are in agreement with Reynolds. But are guides so submit that the budget is not a means of limiting expenditure. Rather, it is a method to improve operations, a tool for obtaining the most productive and profitable uses of the companies resources through careful planning and controlling.

All authors examined agreed that budgeting have some benefit and as follows;
1. Budget induces managers to plan ahead. Interns are the key to business success. The budgeting process also provides for the co-ordination of the activities and departments of the organization so that each fact of the operation contributes towards the overall plan.
2. Budget set a control framework, which helps expenditure to be kept within the agreed limits and points out deviation so that corrective action can be taken.
3. Budget clarifies the responsibilities of each manager who has a budget and thus enables management by objectives.
4. Budget enables communication between top and middle management regarding the firm’s objectives and the practical problems of implementing these objectives.

T. Lucy (1989), while disputing the earlier submissions, has listed some of the typical problems of budgeting.
1. Variance is just often due to changing circumstance and poor forecasting as due to changing circumstance and poor forecasting as due to managerial performance.
2. Budget tends to hide inefficiencies by basing estimate on past performance which may not be appropriate for current conditions.
3. The existence of well documented plans may cause inertia and level of flexibility in adopting a change hence over budgeting can be unduly cumbersome and expensive.

Budgetary control, Walter Scott asserts, is the use of the budget as an instrument for the guidance of business operations. In that case, budgets serve as a yardstick for executive control of operation, to determine the extent to which planned goals and objectives are being attained and to arrest off-line drifts on time. While agreeing that budgetary control follows budget preparation, lucky opined that
budgets require not only top managerial support but that control is assisted as well by “participation of budget holders into the investigation of solution to the problems which arise”.

B.C Osisioma, concurs with the above views but stated that budgets fulfill two basic requirements in the overall control process.

- **Feed forward**- To provide a basis for control at the point of action that is at the decision point.
- **Feed back**- To provide a basis for measurement in the effectiveness of central after the point of action.

Morgan (1997) opines that the budget had grown beyond a financial tool. It is above all managerial tools; in essence, it is the best tool for making sure that key resources, especially performance resource are assigned to priorities and results. It is a tool that enables the manager to know when to review and revise plans, either because results are different from expectation or due to environmental, economic conditions, market conditions or technologies change, which no longer correspond to the assumptions of the budget. Morgan emphasized that budgets should be used as a tool for planning and control.

According to Hudson and Andrew (1996), control involves the making of decision based on relevant information which leads to plans and actions that improve the utilization of the productive assets and services available to organizations management. Effective control is said to be based on standards with which actual performance can be compared. If there are no standards, then there can be no effective measure of attainment. Hudson and Andrew identified and elaborated on five categories into which standards fall, they are: quantity, quality, time, complaint and value.

Recent surveys show just how valuable budgets can be (Horngren et al., 2008; Dugdale&Lyne, 2006; Anand et al., 2004). Advocates of budgeting claim that the process of budgeting forces a manager to become a better administrator and puts planning in the fore-front of the manager’s mind. Many seemingly healthy businesses have died because managers could not identify problem in advance or because they failed to monitor and adjust budgets to changing conditions (Horngren et al., 2008).

Therefore, it is expected that this study would awaken interest in the efficacy of budgeting within the manufacturing sector of the Nigerian economy as this sector often account for a substantial portion of total economic activities of a nation.

Broadly, CIMA’s official terminology of management accounting defines budget as: “Quantitative statement for a defined period of time which may include planned revenues, assets, liabilities and cash flows. A budget provides a focus for the organization aids the coordination of activities and facilitates control.”

### 2.3 EMPIRICAL STUDY

Horngren et al., (2008) state that, recent surveys show just how valuable budgets can be. They assert that, a study of more than 150 organizations in North America listed budgeting as the most frequently management tools and it was also the tool with the highest value to the organization. Furthermore, they show that, study after study has shown the budget to be one of the most widely used and highest rated cost management tools for cost reduction and control. Highlighting one of the usefulness of budgeting to the users, they maintain that, advocates of budgeting claim that the process of budgeting forces manager to become a better administrator and puts planning in the fore-front of managers’ mind. In the same book, Horngren et al., (2008) also point out that the result of a survey carried out in the same place (North America) shows that most managers still agree that budgeting, correctly used has significant value to management. They reported that over 92% of the 150 companies in North America use budget and remarked budgeting as the top among the top three cost management tools. In the same view, in a round table discussions organized by CIMA and ICAEW in 2004 on “The traditional role of budgeting in organization”, it is stated that budgeting and the accompanying process are indispensable and that, research in organizations seems to suggest that this is a commonly held view. It was further stated that, traditional budgeting remains widespread. Some claim that as many as 99% of European companies have a budget in place and no intention to abandon it.

Consistent with this, Anandet al., (2004) in a survey carried out in India found out that the use of budgets as a part of management control system is wide spread. Precisely, 88.7% of the respondents in their study prepared budgets. They assert that nearly all the companies in Australia, Japan, UK, and USA prepare budgets (see for detail, Chenhall&Langfield 1998; all cited in Anand et al., 2004). On the
contrary, research also shows that over 60% of companies claim they are continuously trying to
Accenture’s finance and performance management service line to undertake a large worldwide review
of planning and budgeting. They focused on 15 companies in the US and Europe which had already
made adjustments to their budgeting practice. In addition, the researchers reviewed over 100 academic
and practitioner books on the subject. The result showed a widespread dissatisfaction with the
budgeting process (Bourne, 2004).

Contrary to this conclusion, Dugdale&Lyne (2004) also argue that there is little or no evidence to
support the view mentioned above that there is a widespread dissatisfaction with budgeting process.
They affirm that, there seems to be no widespread dissatisfaction with traditional budgeting. Instead,
managers generally see budget as important, especially for planning, control and evaluation. More so,
one of the criticisms held against the traditional budgeting is that, budgets are rarely strategically
focused, but contrary to this opinion, Anand et al.,(2004) in an investigation carried out in India, find
out that the respondents as a matter of fact used more than one goal in formulating the master budgets.
However, empirical evidence from Nigeria on this debate is documented in the later part of this work.

Professor Ishola Rufus Akintoye(2008), reviewed the budget and budgetary control for improved
performance in Nigeria manufacturing companies in previous and recent times. He found out that the
performance of this industry leaves more to be desired due to factors such as neglect of the industry
due to over dependence on crude oil, epileptic power supply, collapsing infrastructures, unfavorable
sectoral reforming among others and have resulted in low capacity utilization of the manufacturing
industry. An empirical investigation was undertaken, using the simple analytics technique specifically
the Pearson product movement correlation coefficient. Following his findings, he advised managers
and business operators(not only in the manufacturing industry) to pay more attention to their budgetary
control system, for those without an existing budgetary control system, they should put one in place,
and those with a dummy or passive budgetary control system, it is time they re-established a result-
oriented budgetary control system as it goes a long way in repositioning the manufacturing industry
from its creeping performance level to an improved high capacity utilization point.

Amalokwu Obiajulum John (2008), from his study he have been able to describe the budgeting practice
in manufacturing companies and it is clear how firms seek competitiveness by adopting appropriate
management control system. Literatures as well as data he collected have proven a positive
relationship between firm’s management control system and performance. That’s, designing
management control system in the light of strategic issues (pattern, mission, position) should enhance
competitiveness which when attained is translated as high performance. His study has adopted the
practices of integrating strategic management and budgeting which enables it to be competitive. It is
clear from the analysis how budget could facilitate the creating and sustaining of competitive
advantage by enabling the following management functions: forecasting and planning; communication
and coordination; motivational device; evaluation and control; and decision making.
Also, he presented a model which in our opinion will help the management of manufacturing
companies. This model could be valid for all manufacturing company operating in Nigeria.

In his conclusion, he said it was worth pointing out that the company’s budgetary practice is up to date
though there are lacking issues such as: its low use of IT system and its practice of using previous year
as the base to project the current years.

This study was concerned with Nigerian manufacturing. Therefore, the model he presented best fit the
context. Generalizing the model to other context (beyond Nigeria) and also other sectors such as
financial sectors, service sectors etc. could require testing its validity.

3.0 RESEARCH METHODOLOGY

This section focuses on the research techniques adopted and used for study with the aim of achieving
the research objectives. Descriptive research design is adopted. The study considers the use of non-
probability sampling methods (purposive sampling) to grant any element of the population an equal
and an independent opportunity to be selected. Data collected from the questionnaire were analysed,
summarized and interpreted with the aid of descriptive statistical technique such as total score, simple
percentages and chi-square test.
Descriptive research design is adopted. Descriptive research design involves the use of scientific method and procedure to collect raw data and create data structure that describes the existing characteristics of a define target market structure or population. 

Data were collected (i.e. from questionnaire administered to the workers of the selected manufacturing companies in Nigeria); to determine the relationship between budgeting and budgetary control (the dependent variable) and the manufacturing sector in Nigeria (the independent variable). To arrive at a conclusion at the end of the study the use of primary data was employed. 

A sample size of 300 respondents was selected from the total population for the study. Purposive technique was adopted to select the respondents from the study population. This method makes use of typical cases among the population to be studied, which the researcher considers will provide him with the needed data. The method was used especially because of its efficiency in maximizing the required time. Following the instructions on the instrument, the questionnaires were filled and returned. 

One important way of ensuring that we have used the right instrument and have taken correct measurement is that our outcome must be in consonance with two major criteria for measuring quality known as validity and reliability (Ojo, 2003). To ensure the validity and reliability of the questionnaire used for the study, a pilot study was conducted by introducing odd number of experts to look at the questionnaire items in relation to its ability to achieve the stated objectives of the research, level of coverage, comprehensibility, logically and suitability for prospective respondents. To determine the reliability of the instrument the researcher used the test re-test technique. 

Data collected were analysed, summarized and interpreted. Tables were formulated for easy understanding of the information that was acquired from questionnaires. Descriptive statistical techniques involving total score and simple percentage will be employed. Each table was followed by logical explanations or interpretations of the result of the table. 

Hypotheses were formulated and were tested using statistical tools such as chi-square test, and correlation analysis, which were computed with the help of Statistical Packages for Social Sciences (SPSS). 

The detailed procedure and computations required in chi-square test would be presented step by step as the hypothesis is tested. The data to be used in testing the hypothesis will result from the analysis of questionnaires. The simple percentage method data analysis is used to analyze the questionnaires, the formula for it is, 

$$A\% = \frac{a}{N} \times 100$$ 

When 

- \( n \) = Total number of response to a question. 
- \( a \) = Number of respondents ticking a particular answer option to the question. 
- \( A\% \) = “a” expressed as a percentage of \( N \).

### 4.0 DATA PRESENTATION, ANALYSIS AND INTERPRETATION

Data presentation, analysis and interpretation are important aspect of any research work serving as the deciding point of any research effort and giving meaning and shape of the raw data collected. In the course of this research work, data were collected from personnel in the selected manufacturing companies through administering 300 copies of questionnaire to sampled respondents. In essence, the hypotheses formulated for this study will be tested based on the information gathered from the questionnaire administered. This will be done with the aid of tables using simple percentages (%), chi square test. 

#### TABLE 4.1 STATISTICAL ANALYSIS OF QUESTIONNAIRE DISPERSSED

<table>
<thead>
<tr>
<th></th>
<th>No of questionnaire dispersed</th>
<th>No of returned questionnaires</th>
<th>No of unreturned questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondents</td>
<td>300</td>
<td>250</td>
<td>50</td>
</tr>
</tbody>
</table>

**SOURCE: FIELD SURVEY, 2014**
Table 4.2 NAME OF COMPANY

<table>
<thead>
<tr>
<th>NAME OF COMPANY</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cadbury Nig. Plc.</td>
<td>50</td>
<td>20.0</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Flourmills Nig. Plc.</td>
<td>50</td>
<td>20.0</td>
<td>20.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Nestle Nig. Plc.</td>
<td>50</td>
<td>20.0</td>
<td>20.0</td>
<td>60.0</td>
</tr>
<tr>
<td>7up bottling company Plc.</td>
<td>50</td>
<td>20.0</td>
<td>20.0</td>
<td>80.0</td>
</tr>
<tr>
<td>Emenite Nig. Ltd</td>
<td>50</td>
<td>20.0</td>
<td>20.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: FIELD SURVEY, 2014

According to table 4.2, 50 (20%) respondents each were interviewed in Cadbury Nig. Plc., Flourmills Nig. Plc., Nestle Nig. Plc., 7up Bottling Company Plc. and Emerite Nig. Ltd.

4.3 Analysis and Presentation of Data According to the Research Objectives

Table 4.3.1 which type of budget do you use?

<table>
<thead>
<tr>
<th>Type of Budget</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Static</td>
<td>42</td>
<td>16.8</td>
<td>16.8</td>
<td>16.8</td>
</tr>
<tr>
<td>Flexible</td>
<td>208</td>
<td>83.2</td>
<td>83.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: FIELD SURVEY, 2014

Table 4.3.1 shows that 42 (16.8%) respondents said their companies use static budgets and 208 (83.2%) use flexible budgets. This implies that, most of the manufacturing industry in Nigeria uses flexible type of budget.

Table 4.3.2 who are responsible for preparing a budget for your particular department?

<table>
<thead>
<tr>
<th>Responsible</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget committee</td>
<td>234</td>
<td>93.6</td>
<td>93.6</td>
<td>93.6</td>
</tr>
<tr>
<td>Yourself</td>
<td>16</td>
<td>6.4</td>
<td>6.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: FIELD SURVEY, 2014

Table 4.3.2 shows that 234 (93.6%) respondents say the budget committees of their respective companies prepare their budgets while 16 (6.4%) say they do by themselves. This implies that the budget committee prepares budget in most manufacturing companies.

4.3.3 Why does your company use budget?

<table>
<thead>
<tr>
<th>Purpose of Budget</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>To plan profit</td>
<td>63</td>
<td>25.2</td>
<td>25.2</td>
<td>25.2</td>
</tr>
<tr>
<td>To keep proper account</td>
<td>187</td>
<td>74.8</td>
<td>74.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>250</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

FIELD SURVEY, 2014

Table 4.3.3 shows that 63 (25.2%) respondents says that the use of budget is to plan profit while 187 (74.8%) says it is used to keep proper account. This implies that, the main purpose for preparing budget in most manufacturing companies is to keep proper account.

4.3.4 Why do you think budget help to achieve target profits?
Table 4.3.4 shows that 231 (92.4%) respondents says that budget helps to achieve target profits because they motivates employees, while 11 (4.4%) says it is because the targets are low and 8(3.2%) says it is because it makes the managers relax. This implies that, budget helps to achieve target profits because it motivates employees.

4.3.5 Which of the following problems do you encounter in budgetary control?

Table 4.3.5 shows that 203(81.2%) respondents says that they encounter the problems of uncooperative staff in budgetary control, 20(8%) says that they encounter the problems that managers do not understand budget goals, 27(10.8%) says that they encounter the problems that managers pursue individual goals instead of corporate goals. This implies that, the problems encountered in budgetary control by most companies are the uncooperative staff.

4.3.6 Are there linkages between budgeting and budgetary control and performances of your company?

Table 4.3.6 states that 233(93.2%) respondents says there are linkages between budgeting and budgetary control and performances of their companies, while 17(6.8%) disagrees. This implies that, there are linkages between budgeting and budgetary control and performances in manufacturing companies.

4.4 TEST OF HYPOTHESES USING CHI SQUARE
HYPOTHESIS ONE
The hypothesis states that “there is no significant relationship between the type of budget used and the reason for budgeting”.

SOURCE: FIELD SURVEY, 2014

<table>
<thead>
<tr>
<th>Source</th>
<th>ROW</th>
<th>Motivates employees</th>
<th>Targets are low</th>
<th>It makes managers relax</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>231</td>
<td>92.4</td>
<td>11</td>
<td>4.4</td>
<td>8</td>
</tr>
<tr>
<td>Valid Percent</td>
<td>92.4</td>
<td>4.4</td>
<td>3.2</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Cumulative Percent</td>
<td>92.4</td>
<td>96.8</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: FIELD SURVEY, 2014

<table>
<thead>
<tr>
<th>Source</th>
<th>ROW</th>
<th>Uncooperative staff</th>
<th>Managers do not understand budget goal</th>
<th>Managers pursue individual goals instead of corporate goals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>203</td>
<td>81.2</td>
<td>20</td>
<td>8.0</td>
<td>27</td>
</tr>
<tr>
<td>Valid Percent</td>
<td>81.2</td>
<td>8.0</td>
<td>10.8</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Cumulative Percent</td>
<td>81.2</td>
<td>89.2</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SOURCE: FIELD SURVEY, 2014

<table>
<thead>
<tr>
<th>Source</th>
<th>ROW</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>233</td>
<td>17</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Percent</td>
<td>93.2</td>
<td>6.8</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Valid Percent</td>
<td>93.2</td>
<td>6.8</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Cumulative Percent</td>
<td>93.2</td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Which type of budget do you use? * Why does your company use budget?

Cross tabulation

<table>
<thead>
<tr>
<th>Why does your company use budget?</th>
<th>To plan profit</th>
<th>To keep proper account</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Which type of budget do you use?</td>
<td>Static</td>
<td>14</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Flexible</td>
<td>49</td>
<td>159</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>63</td>
<td>187</td>
</tr>
</tbody>
</table>

**SOURCE:** FIELD SURVEY, 2014

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Exact Sig. (2-sided)</th>
<th>Exact Sig. (1-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>1.772a</td>
<td>1</td>
<td>.183</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuity Correctionb</td>
<td>1.291</td>
<td>1</td>
<td>.256</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>1.688</td>
<td>1</td>
<td>.194</td>
<td></td>
<td>.241</td>
</tr>
<tr>
<td>Fisher's Exact Test</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>1.764</td>
<td>1</td>
<td>.184</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Association</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>250</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

X² calculated = 1.772, X² table = 3.841, df = 1, p = 5
Since calculated value is less than table value at 0.05 level of significance (i.e. 1.772 < 3.841), the hypothesis is accepted.

**HYPOTHESIS TWO**

The hypothesis states that “there is no significant relationship between position of respondents in their companies and the person responsible for preparing budget in any particular department”

Who is responsible for preparing a budget for your particular department? Cross tabulation

<table>
<thead>
<tr>
<th>Who is responsible for preparing a budget for your particular department?</th>
<th>Budget committee</th>
<th>Yourself</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>Manager</td>
<td>69</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Senior Staff</td>
<td>143</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Junior Staff</td>
<td>22</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>234</td>
<td>16</td>
</tr>
</tbody>
</table>

**SOURCE:** FIELD SURVEY, 2014

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>1.662a</td>
<td>2</td>
<td>.436</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>3.063</td>
<td>2</td>
<td>.216</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>.546</td>
<td>1</td>
<td>.460</td>
</tr>
<tr>
<td>Association</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>250</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

X² calculated = 1.662, X² table = 5.991, df = 2, p = 5
Since calculated value is less than table value at 0.05 level of significance (i.e. 1.662 < 5.991), the hypothesis is accepted.
HYPOTHESIS THREE
The hypothesis states that “there is no significant relationship between working experience of respondents and the reason why their companies use budget”

**Working Experience * Why does your company use budget?**

Cross tabulation

<table>
<thead>
<tr>
<th>Working Experience</th>
<th>To plan profit</th>
<th>To keep proper account</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>1</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>6-10 years</td>
<td>38</td>
<td>123</td>
<td>161</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>24</td>
<td>53</td>
<td>77</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>187</td>
<td>250</td>
</tr>
</tbody>
</table>

**SOURCE: FIELD SURVEY, 2014**

Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>3.484</td>
<td>2</td>
<td>.175</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>3.870</td>
<td>2</td>
<td>.144</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td>3.212</td>
<td>1</td>
<td>.073</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>250</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

X² calculated = 3.484, X² table = 5.991, df = 2, p = .05
Since calculated value is less than table value at 0.05 level of significance (i.e. 3.484<5.991), the hypothesis is accepted.

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

**SUMMARY**
This research reviewed the performance of the Nigeria manufacturing industry in previous and recent times. We found out that the performances of this industries leaves more to be desired due to factors such as neglect of the industry due to over dependence on crude oil, epileptic power supply, collapsing infrastructures, unfavorable sectoral reforming among others and have resulted in low capacity utilization of the manufacturing industries. It is also clear how firms seek competitiveness by adopting appropriate management control system.

It will be apparent from the foregoing that budget serves various purposes and in some cases these purposes can be in conflict and have a consequent effect on management behavior. There can be tensions and conflicts between budget used for different purposes and management needs to have some strategy and methods of dealing with this.

**CONCLUSION**
This study examined the relationship between budget and performances of the selected manufacturing companies considered. We reviewed previous literature and contributions to this study, the problems associated with budgetary control, performance of the Nigerian manufacturing industries in previous and recent times, among other salient issues relevant to the subject of study. However an empirical investigation was undertaken, using the chi-square test to aid easy understanding of the layman who is also expected to maximize the advantage of the result-oriented budgetary control system. In most of the cases, considered, the result established the presence of a strong relationship between turnover as a variable and performance indicators.
REFERENCES

JOURNALS AND PUBLISHED BOOKS OR WORKS