

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY CONTROL A TOOL FOR ENHANCING ORGANIZATIONAL PERFORMANCE

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Abstract:

Organizational performance is a major issue of concern to stakeholders in any business. Stakeholders are of keen interest on the positive performance of the business enterprise they have interest in. Boosting performance however does not start during regular activities of the organization, but before the regular activities commence through budgeting and during the regular business activities of the organization towards the attainment of the organizational objectives. This research dealt with the impact of employee participation in budgeting as well as the adoption of effective budgetary control in the improvement of organizational performance of medium and large scale enterprises in Nigeria. The data used for this research was collected through the administration of research questionnaire to employees of medium and large scale enterprises in Nigeria. The research hypotheses were tested using regression analysis and correlation. At the end of the research, it was found out that employee participation and in budgeting as well as effective budgetary control are essential tools for the enhancement of organizational performance. The research therefore recommends that medium and large scale companies should adopt the bottom up budgeting system by allowing employees participate in budget formation, as well as the use of periodic budgetary control method.

KEYWORDS:

Budgeting, Organizational Performance, Employee Participation, Budgetary Control, Organizational Objectives

1.INTRODUCTION

Modern businesses are personification of uncertainty and complexity. Over time, this uncertainty and complexity in business has led to the development of various managerial tools, techniques and procedures, which are useful in managing businesses successfully. Of all the techniques, budgeting is the commonest and widely used standard device for planning and control. Budgeting is not a new thing in the existence of mankind; it is an age long development. It is used practically in all human activities. Budgeting is most pronounced, in a structured social, political and economic system, the function of budgeting cannot be neglected. Owners of business and managers for example need to budget the use of their resources that is everything from raw materials to human resources to facilitate the best and most advantageous use of what they have to work with.

Budgeting is viewed as the plan of the dominant individuals in an organization expressed in monetary terms and subject to the constraints imposed by other participants and the environment indicating how the available resources may be used to achieve whatever the dominant individuals agree to be the organization's priorities (Omolehinwa, 2000). As a document used for planning, a budget enables business

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EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

owners, governments, private enterprise to set goals and monitor the progress towards predetermined goals. Budget is generally used as an instrument to formulate quick decisions on the management and growth of a business venture. Advocates of budgeting argue that the practice of budgeting makes a manager to become a better administrator and place planning in the fore-front of the manager's mind. Horngren (1999), states that most people misconstrue the use of budget for limiting spending and that many people associate the word "budget" with the approving, rejecting, or arguing over various estimates. However, Lucey (2000), states that the process of preparing and agreeing budget is a means of translating the overall objectives of the organization into a detailed, feasible plan of action. This important use of budgets for converting organizations objective to a realistic plan of action is a major achievement against the normal use of budgets for reducing cost and apportioning scarce resources. Budget involves a distinctive pattern of decision making in an organization which is competent of formulating its objectives, purposes or goals, and how these goals are achieved by establishing key policies and plans.

However, the inability to recognize the problem concerned and fixing a limit off investigation creates an obstacle for the successful implementation of budgeting. 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 favor of today's problems thereby making the problems of tomorrow more severe (Steward, 1993). The foregoing reflects on the need for organizations to set up a formal mechanism for scanning its environment for opportunities and give early signs of future problems, this course of action will improve the system of budgeting and control, resulting in an priori expectation of improved performance, in the medium and large scale enterprise as seen in this study. Therefore, it is expected that this study would stimulate interest in the usefulness of budgeting in improving organizational performance of the medium and large scale companies in the Nigerian economy as this sector often account for a considerable portion of total economic activities of a nation.

Medium and large scale companies is one of the prominent business enterprise and still they are unsuccessfully managed as a result of not implementing proper management tools such as budgeting, this is because the managers have refused to recognize the importance of budget. This research is intended at appraising the importance of a well developed and designed electronic budgeting system in medium and large scale companies. Having viewed the meaning of "budgeting" which is important to this study, there is need to put into consideration some of the problems that are connected with organizational performance, so that organizations who wants to continue to exist in the complex economic environment will be acquainted with these likely problems and apply essential budgetary tools in other to by-pass them so as to experience progress in their organizations performance. In other to be competitive, organizations need to associate themselves with budgetary participation, monitoring, preparation and control systems.

Most companies continue to blunder and not succeed because they have flawed budgetary planning and control systems, which they apparently fail to recognize. Some firms sense weakness of their budgetary analysis but viewed them as individual problems rather than systematic deficiencies. They misdirect efforts and produce greater frustration. As a result, corporate strategy become misaligned and remain so, notwithstanding disapproving financial performance. The low level employees know little or nothing about budgeting, due to this they are not involve in vital participation of budget. This is one of the factors that reduces the realization of the set goals and objectives of medium and large scale companies. Another area of concern is ineffective control of budgeted operation leading to ineffective coordination and plans, as a result budget will not be monitored properly or use for its purpose. These usually hinder the functionality of the budget in the long run. A general knowledge of the effectiveness of budget goes a long way in improving organizational performance.

The primary objective of this study is to determine how to improve organization performance by means of a budget. This study will however focus on the following objectives:

1. To ascertain if employee participation in budget preparation is vital for enhancing organizational performance.
2. To determine the effectiveness of budgetary control in improving organizational performance.

Which led to the following research questions:

1. To what extent can employee participation in budgeting enhance organizational performance?
2. How does budgetary control improve organizational performance?

The following research hypotheses are thus put forward:

Hypothesis 1

H0: Employee participation in budgeting does not have a significant impact on organizational

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

performance.

Hypothesis 2

H0: Budgetary control does not have a significant impact on the organizational performance of medium and large companies in Nigeria.

2.REVIEW OF LITERATURE

Following the uncertainties existing in the Nigerian business environment today, managers and other stakeholders must be poised and prepared to compete favorably under these rapidly shifting conditions. In order to survive under these environmental complexities and vagueness managers and stakeholders of the medium and large scale companies need sharp tools, proven management techniques to forecast the major changes which are likely to affect the business while they choose future direction and dimension of resources needed to attain selected goals (Ishola, 2008).

The primary aim of every management team is to provide a evenhanded quantity and quality of goods and services at the lowest cost. Management in an attempt to achieve this primary objective discovers that it is simultaneously achieving other objectives such as profit, survival, growth, prestige and so on. A number of this goals are long term while others are short-term. For an organization to accomplish this goals, it requires regular planning, organizing, controlling and decision-making by its management. It has been generally recognized that budget and budgetary control form the bed-rock for achieving most of the objectives of an organization (Okoye, 1997). Budgeting is not a new thing since the existence of mankind; it is an age long exercise. A budget is explained as the formal representation of plans, goals, and objectives of management that covers all aspects of operations for a selected time period. The budget is a tool providing targets and direction (Cotter, 2005).

Budget is a financial plan to control future operations and outcome, budget is used by companies in other to operate effectively and efficiently. Budgeting expedite control and communication and also provides motivation to employees. This research work will explain that though the budgetary system is not perfect, its usefulness cannot be over emphasized. It is used for almost all human activities. Budgeting is used mainly, in an organized economic, social, and political system. Business owners and managers for instance need to budget their resources, which includes everything from raw materials to human resources to facilities and to make the best and most profitable use of the resources they have to work with. Recent surveys show just how valuable budgets can be (Horngren, 2008; Dugdale and Lyne, 2006; Anand, 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 ostensibly 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, 2008).

IMPORTANCE OF BUDGETING IN AN ORGANIZATION

Every organization, small, medium or large, at every point in time, as well as individuals is expected to have budgets that guide their day to day operations. The need for the preparation and maintenance of budgets is based on some of the importance, which the preparer and the keeper of the budget is expected to get. Some of the importance includes:

- a. It provides clear guiding principle for managers and supervisors and is the major way in which organizational objectives are translated into specific tasks and objectives related to individual managers.
- b. The budgeting process can help management recognize and deal with potential bottlenecks or constraints before they become major problems (Jackson and Sawyers, 2001).
- c. It helps managers to have better understanding of their business and it provides a "yardstick" by which business performance can be measured by others. If negative deviations are discovered, it permits quick corrective action before things get worse (Borja and Lombeida, 2002).
- d. The budgetary process is an essential method of communication and coordination both vertically and horizontally. Because of the 'exception principle', which is at the heart of budgetary control, management time can be saved and attention aimed at areas most concern (Lucey, 2009). Budget can help aid goal congruence, goal congruence refers to making sure that the personal goals of managers are closely aligned with the goals of the organization (Jackson and Sawyers, 2001)
- e. The integration of budgets makes probable better cash, working capital management and better control of current operations which is helped by regular, systematic, monitoring and reporting activities, provided there is appropriate participation, goal congruence is encouraged and motivation is increased (Lucey,

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

2009). Budgeting gives an in-depth understanding of where a company's money is being spent.

f. Removes the cloud of indecision that exist among level of management, in term of company objectives. It helps to promote coalition of interest and to increase motivation (Adeniji, 2008).

g. Budgeting has to do with forecasting and estimating the future profitability of the company for that reason the budgeting process forces management to focus on the future and not to be agitated by daily crisis in the organization (Jackson and Sawyers, 2001).

HUMAN ASPECT OF BUDGETING (BUDGET PARTICIPATION).

Budgeting is most useful when lower-level managers actively participate and meaningfully engage in the budgeting process. Participation adds reliability to the budgeting process and creates greater commitment and accountability toward the budget. However participation requires "honest" communication about the business from subordinates and lower-level managers to their bosses (Horngren, 2009). Budgets are set by management but the people to realize the budget standards are the staff. This explains why any mechanical control which does not recognize human nature and its requirements may be counterproductive. In most cases, the operational reports or feedback received by higher management tend to overlook the emotional aspect of the staff such as working condition, state of mind, personal objective and aspirations etc. Such reports serve as pressure on staff to attain the target or objective of the organization at the expense of their own objectives and aspirations (Okoye, 1997). The central behavioral issue is the degree of participation in the preparation of the master budget that upper-level management is willing to entrust to middle- and lower-level managers. This has become one of the most important aspects of the budgetary process because in reality the approved budget represents a consensus and bargained commitment among many people in the organization. Agreement among these individuals reflects a self-imposed dedication to attain the budgeted goals that have been collectively derived (Polimeni, 1991).

BUDGET COMMITTEES

These are groups of people that create and maintain fiscal responsibility for an entity or organization. In a company, this committee usually comprise of the top management and the Chief Financial Officer (CFO). To implement the strategy decisions, a budget committee will be formed, consisting of the senior managers who are responsible for designing the strategy. The budget committee receives the initial budgets from the functional managers. If the initial budget is based on unrealistic targets, then the functional manager will be asked to adjust the budget within the organization's overall targets (Weetman, 1996). Budget committees play a key role in the success or demise of a company or other corporate entity. Committees that are able to keep their organizational budgets on track guarantee smooth operation and financial solvency; those that cannot will soon encounter financial problems. Budget committees normally review and approve departmental budgets that are submitted by the various department heads. The budget committee should consist of high-level executive who represent the major segments of the business. Its major task is to ensure that budgets are practically established and that they are coordinated satisfactorily. The normal practice is for the functional heads to present their budget to the committee for approval (Drury, 2008). The duties of budget committees are:

1. Budget committee members create priorities, make financial policies and monitor implementation of those policies, on a periodic basis.
2. Budget committee members also optimize the funds accessible by making the best use of those funds. The committee evaluates any necessary changes throughout the life of the budget, increasing and decreasing fund designation as crucial, and always making sure the budget is balanced.
3. Budget committee members need not set workers salaries, benefits or contract prices. The goal of the members is to take the salaries, benefits and contract prices already established and allocate funds properly (Teter, 2010).

BUDGETARY PROCESS

A sound budget process communicates organizational goals, allocates funds, provides feedback, and motivates employees. The budgetary process determines the planned level of most flexible costs (Terry, 2003). The budgetary process ought to be standardized by using budget manuals, budget forms, and formal procedures. The budgetary process establishes goals and policies, formulates limits, enumerates resource needs, examines definite requirements, provides flexibility, incorporates assumptions, and considers constraints. The process takes a longer time as the complexity of the operations increase. The

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

principal stages of budget process are:

1. Communicate the details of objectives and strategy to those liable for preparation of budgets;
2. Communicate the details of budget preparation procedures to those liable for preparation of budgets;
3. Discover the limiting factor which restricts overall budget flexibility and forms the focus of the budget cascade;
4. Prepare preliminary set of budget;
5. Discuss budgets with line managers;
6. Organize and review budgets;
7. Accept budgets in absolute form;
8. Carry out ongoing appraisal of budgets as they are implemented (Weetman, 1996).

PERFORMANCE MEASUREMENT

Performance measurement is a vital building block of total quality management and a total quality organization. Historically, companies have always measured performance in some way through the financial performance, be its success by profit or failure through liquidation. An organization desires to develop its own set of metrics, using any existing metrics as a starting point in understanding current performance. For the sake of this study, productivity will be used in measuring organizational performance. Productivity = Outputs which can be quoted as: actual productivity = Actual output

Inputs

Resources actually consumed

3. RESEARCH METHODOLOGY

The research methodology used in this research is the descriptive research design and explorative design, both of which are cross sectional designs under the survey research design. The research work was put forward to proffer solutions to the problems medium and large scale companies are encountering that are impeding the success of budgeting.

Research questionnaire was administered to selected medium and large scale companies in the south-western part of Nigeria to solicit information on the subject matter, with the location of study as Lagos and Ogun state. These locations are selected because majority of the headquarters of the medium and large scale companies in Nigeria are situated in them. The response of the 209 respondents that filled the research questionnaire were selected using the judgmental sampling method, based on certain criteria. The data gathered were analysed using regression and correlation analysis tool.

4. DATA ANALYSIS

The following research hypotheses will be tested in this section:

Hypothesis 1:

H0: Employee participation in budgeting does not have a significant impact on organizational performance.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.451(a)	.203	.192	.932

- a. Predictors: (Constant), Employee involvement in budget resolves the problem of unattainable targets, low level employees are allowed to participate in budget, Participation in budgets reduces wastage.
- b. Dependent Variable: Budget participation increases performance.

Analysis

The analysis shows how much of variance in the dependent variable (Budget participation increases performance) is explained by the independent variable. In this case the R square is 0.203, expressed by a percentage, this means that the model explain 20.3% of the variance in the independent

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

variable. In this case, the adjusted R-squared indicates that about 19.2% of the variability of budget participation increases performance is accounted for by the model, after taking into consideration several number of predictor variables in the model.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.397	3	15.132	17.436	.000
	Residual	177.914	205	.868		
	Total	223.311	208			

- a. Predictors: (Constant), Employee involvement in budget resolves the problem of unattainable targets, low level employees are allowed to participate in budget, Participation in budgets reduces wastage
- b. Dependent Variable: Budget participation increases performance

Analysis

The analysis shows the statistical significance of the result. This tests the null hypothesis to determine if the null hypothesis should be rejected or not. The model in this table is statistically significant (sig=.000, this really means p < .05) hence the null hypothesis should be rejected.

F_{calc} > F_{tab} Reject the null hypothesis and accept the alternative hypothesis
 F calculated = 17.436
 F tabulated = 2.64
 Hence 17.436 is greater than 2.64, therefore the null hypothesis should be rejected.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients Beta	T B	Sig. Std. Error
		B	Std. Error			
1	(Constant)	1.798	.313		5.736	.000
	low level employees are allowed to participate in budget	.039	.045	.054	.868	.386
	Participation in budgets reduces wastage	.235	.068	.238	3.460	.001
	Employee involvement in budget resolves the problem of unattainable targets	.288	.069	.287	4.188	.000

- a. Dependent Variable: Budget participation increases performance

Analysis

t and Sig. - These are the t-statistics and their associated 2-tailed p-values used in testing whether a given coefficient is significantly different from zero. Using an alpha of 0.05

The coefficient of low level employees are allowed to participate in budget is 0.039. This shows that for every increase in low level employees participation in budgeting there will be a 3.9% increase in production, holding all other variables constant. The coefficient for low level employees participation in budgeting (0.039) is not statistically significant because its sig-value of 0.386 is definitely larger than 0.05. The coefficient of participation in budgets reduces wastage is 0.235; this shows that for every increase in participation in budgets there will be 23.5% increase in organizational performance by reducing wastage in production, holding all other variables constant. The coefficient for participation in budgets reduces wastage (0.235) is statistically significant because its sig -value of 0.01 is less than 0.05.

The coefficient of employee involvement in budget resolves the problem of unattainable targets is 0.288. This shows that for every increase employee involvement in budgeting there will be a 28.8% increase in production through resolving the problem of unattainable targets. The coefficient for employee involvement in budget resolves the problem of unattainable targets (0.288) is statistically significant because its sig -value of 0.00 is less than 0.05. In this case the largest beta coefficient is 0.287, which suggest

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

that employee involvement in budget resolves the problem of unattainable targets. This means that this variable makes the strongest contribution to explaining the dependent variable that is budget participation increases performance.

With the t- statistics value above (t-value= 4.188 and a p-value of 0.000) we therefore reject the null hypothesis.

Correlations

		Budget participation increases performance	low level employees are allowed to participate in budget	Participation in budgets reduces wastage	Budget participation motivates employees to increase their output
Budget participation increases performance	Pearson Correlation	1	.103	.362(**)	.129
	Sig. (2-tailed)		.138	.000	.064
	N	209	209	209	209
low level employees are allowed to participate in budget	Pearson Correlation	.103	1	.107	.279(**)
	Sig. (2-tailed)	.138	.122	.122	.000
	N	209	209	209	209
Participation in budgets reduces wastage	Pearson Correlation	.362(**)	.107	1	.264(**)
	Sig. (2-tailed)	.000	.122	.000	.000
	N	209	209	209	209
Budget participation motivates employees to increase their output	Pearson Correlation	.129	.279(**)	.264(**)	1
	Sig. (2-tailed)	.064	.000	.000	.000
	N	209	209	209	209

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

From the table above, it can be deduced that there is a significant positive relationship between budget participation by low level employees and the reduction of wastages. Also there is a significant positive relationship between low level employees participation in budgeting and the motivation of employees to increase output. In summary, this table shows that employees participation in budgeting serves as a motivating factor as well as a factor for increasing in organizational output.

Decision: From the various analyses above, it is expedient to conclude at this stage that the null hypothesis is rejected and the alternate hypothesis accepted to conclude that employee participation in budgeting has a significant impact on organizational performance.

Hypothesis 2:

H0: Budgetary control does not have a significant impact on the organizational performance of medium and large companies in Nigeria.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.579(a)	.335	.322	.655

a Predictors: (Constant), Improve value/worth is only achieved through budgetary control, Budgetary control improves the utilization of resources, Budgetary control helps in achieving set targets, Budgetary control enables deviations in performance to be corrected.

b Dependent Variable: Budgetary control is positively correlated with improved performance.

Analysis

The analysis shows how much of variance in the dependent variable (Budgetary control is positively correlated with improved performance) is explained by the independent variable. In this case the R square is 0.335, expressed by a percentage, this means that the model explain 33.5% of the variance in the independent variable. In this case, the adjusted R-squared indicates that about 32.2% of the variability of budgetary control is positively correlated with improved performance is accounted for by the model, even after taking into account the number of predictor variables in the model.

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	44.105	4	11.026	25.684	.000(a)
	Residual	87.579	204	.429		
	Total	131.684	208			

- a. Predictors: (Constant), Improve value/worth is only achieved through budgetary control, Budgetary control improves the utilization of resources, Budgetary control helps in achieving set targets, Budgetary control enables deviations in performance to be corrected
- b. Dependent Variable: Budgetary control is positively correlated with improved performance.

Interpretation

The table above shows the statistical significance of the result. This tests the null hypothesis to determine if the null hypothesis should be rejected or not. The model in this table is statistically significant (sig=.000, this really means p = 0.000) hence the null hypothesis should be rejected.
 $F_{calc} > F_{tab}$ Reject the null hypothesis and accept the alternative hypothesis
 $F_{calculated} = 25.684$
 $F_{tabulated} = 2.42$

Hence 25.684 is greater than 2.42, therefore the null hypothesis should be rejected and the alternate hypothesis accepted.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	.703	.342		2.056	.041
	Budgetary control improves the utilization of resources	.226	.071	.205	3.177	.002
	Budgetary control enables deviations in performance to be corrected	.212	.073	.200	2.921	.004
	Budgetary control helps in achieving set targets	.302	.071	.278	4.237	.000
	Improve value/worth is only achieved through budgetary control	.104	.049	.126	2.118	.035

- a Dependent Variable: Budgetary control is positively correlated with improved performance

Analysis

The coefficient of budgetary control improves the utilization of resources is 0.226. This shows that for every increase in budgetary control in improving the utilization of resources there will be a 22.6% increase in production, holding all other variables constant. The coefficient for budgetary control improves the utilization of resources (0.226) is statistically significant because its sig-value 0.002 is less than 0.05.

The coefficient of budgetary control enables deviations in performance to be corrected is 0.212 this shows that for every increase in budgetary control there will be a 21.2 increase in performance by correcting deviations, holding all other variables constant. The coefficient for participation in budgets reduces wastage (0.212) is statistically significant because its sig -value of 0.004 is less than 0.05.

The coefficient of budgetary control helps in achieving set targets is 0.302. This shows that for every increase budgetary control in achieving set targets there will be a 30.2% increase in production. The coefficient for budgetary control helps in achieving set targets (0.302) is statistically significant because its sig - value of 0.00 is less than 0.05.

The coefficient of improve value or worth is only achieved through budgetary control is 0.104 this shows that for every increase in budgetary control there will be a 10.4% increase in production by improving value or worth, holding all other variables constant. The coefficient for improve value or worth is only achieved through budgetary control (0.104) is statistically significant because its sig - value of 0.035 is less than 0.05.

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

In this case the largest beta coefficient is 0.278, which suggest that budgetary control helps in achieving set targets. This means that this variable makes the strongest contribution to explaining the dependent variable that is budgetary control is positively correlated with improved performance. From the above analysis we therefore accept the alternative hypothesis. With the t- statistics value above (t-value= 4.237 and a p-value of 0.000) we therefore reject the null hypothesis.

Correlations

		Budgetary control is positively correlated with improved performance	Improve value/worth is only achieved through budgetary control	Budgetary control improves the utilization of resources	Budgetary control helps in achieving set targets
Budgetary control is positively correlated with improved performance	Pearson Correlation	1	.274(**)	.402(**)	.466(**)
	Sig. (2-tailed)		.000	.000	.000
	N	209	209	209	209
Improve value/worth is only achieved through budgetary control	Pearson Correlation	.274(**)	1	.151(*)	.260(**)
	Sig. (2-tailed)	.000		.029	.000
	N	209	209	209	209
Budgetary control improves the utilization of resources	Pearson Correlation	.402(**)	.151(*)	1	.323(**)
	Sig. (2-tailed)	.000	.029		.000
	N	209	209	209	209
Budgetary control helps in achieving set targets	Pearson Correlation	.466(**)	.260(**)	.323(**)	1
	Sig. (2-tailed)	.000	.000	.000	
	N	209	209	209	209

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

* Correlation is significant at the 0.05 level (2-tailed).

From the table above, it can be deduced that there is a significant positive relationship between budgetary control and improved value or worth. Also there is a significant positive level of relationship between budgetary control and improved utilization of resources.

Decision: From the analyses above, it is expedient to conclude at this stage that the null hypothesis is rejected and the alternate hypothesis accepted to conclude that effective budgetary control has a significant impact on the organizational performance of medium and large companies in Nigeria.

5. EMPIRICAL FINDINGS

As a result of the analyses carried out on the responses and the testing of the hypotheses, the following key findings have been deduced:

1. In relation to the testing of the first hypothesis which seeks to test if budget participation is vital for enhancing organizational performance. The testing has proved that the alternate hypothesis should be accepted. In this respect, budget participation is vital for enhancing organizational performance.
2. In relation to the testing of the second hypothesis which seeks to test the efficacy of budgetary control in improving organizational performance. The testing has proved that the alternate hypothesis should be accepted. In this respect, budgetary control improves organizational performance.

6. CONCLUSION

Despite the benefits associated with budgeting most companies according to the research carried out have abandoned the implementation of budgeting in running their operation. During the course of the research it was found out that the performance of medium and large scale companies in Nigeria, leaves much to be desired, as a result of factors such as; epileptic power supply, collapsing infrastructures, unfavourable sectoral reforms, among other factors, which in total have resulted in low capacity utilization. In spite of the criticisms that have come from practitioners, budgeting has been very helpful in analyzing specific problems and providing significant solutions relating to the budgeting system. The use of budgeting is not out of date but evolving, what one must realize that the need for planning, forecasting, coordinating and controlling activities will never be left out therefore instead of incremental exercises done only once in a year for the business year in advance and then rigidly used to evaluate employees, budget should be flexible and constantly updated quarterly in a business year in other to correct variances.

Thus, budgets are not figures but a deliberate preparation for the future. The process of budgeting is the only process that makes people in an organization to think and talk with reference to factors

EMPLOYEE PARTICIPATION IN BUDGETING AND EFFECTIVE BUDGETARY.....

influencing the future performance of the company. Also it is the budgeting process that qualifies management's visualization and strategy making them operational and therefore realistic and attainable. Only when managers and other participants in the budgeting process understand that the thinking process is more significant than the figure itself, will budgets and their benefits be utilized fully.

7. RECOMMENDATIONS

Based on the analysis carried out and the findings deduced in addition to the review of relevant literature and responses of respondent to the questionnaire, the following recommendations are therefore proffered:

1. Management should involve low level employees in the budgeting process. This is because most companies from the assessment of questionnaire do not allow low level employees to participate in budgeting which leads to unattainable standard of performance.
2. Budget committees of medium and large scale companies should employ the use of rolling budgets instead of fixed budgets so as to keep up with changes in the level of activities when compared with standards and correct any deviations.
3. Managers and business operators should pay more attention to their budgetary control systems, while those without any should endeavour to set-up a budget system as it goes a long way in repositioning businesses and organizations from their creeping performance level to an enhanced and high capacity utilization point.

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