KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

BUDGETING AND BUDGETARY CONTROL PRACTICES AT MULTI CREDIT SAVINGS AND LOANS COMPANY LIMITED

BY

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DECLARATION

I hereby declare that the ideas, results, analysis and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also declare that the dissertation is original and has not been previously submitted for any other award, except where otherwise acknowledged.

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DEDICATION

This work is dedicated to my sweet husband, Mr. Gabriel Kwame Ankrah, my sweet son Eliel Yaw Ofori Ankrah and my wonderful family for the support provided during my academic period of study.

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ABSTRACT

It appears that many business entities including Savings and Loans Companies have performed poorly of late due to the fact that they lack an efficient and effective Budget and Budgetary Control system to adequately allocate resources to reach the attainment of their goals and maximize performance. It is against this that the researcher carried out an investigation into the Budgeting and Budgetary Control Practices of Multi Credit Savings and Loans Limited. The study considered such issues as the budgeting technique the company has in place, their level of compliance to Best Standards as well as the problems they are faced with the use of the budget and budgetary control. Empirical literature in related field was reviewed. Questionnaire and interview guide were the prominent apparatus used to gather data. Data gathered were analysed with SPSS and ANOVA (for inferential analysis). The study revealed that Multi Credit Savings and Loans Company Limited have a budgeting and budgetary control system in place and they do not downplay on its importance helping the company to keep pace with the changing business complexities and gain competitive advantage. Their budgeting and budgetary control system complies to a large extent with best standards. However, not all the employees are involved in the budget development process and it is recommended that Multi Credit Savings and Loans Company Limited involve all staff in their budget development system and also run regular training on the use of the budget and its benefits to their operations. Additionally, the budget should be realistic and also the budget review should be strengthened. Furthermore, internal controls must also be strengthened and there should also be application of information technology tool in the budgeting system.

TABLE OF CONTENT

LIST OF FIGURES

LIST OF TABLES

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

One means to manage and control companies including Savings and Loans Companies is through the use of the traditional budgeting system (Bergstrand and Olve, 1996). Budgeting has the purpose of easing distribution of responsibility and also assessing employee and organisational performance, plan and coordinate the activities and operations within Savings and Loans entities and also serve as a tool for resource allocation (Libby and Lindsay part 1, 2003).

As a result of the changing business and environmental intricacies and instability surrounding Savings and Loans operations currently, it behoves on management to get well prepared to favourably keep pace with these swift changing circumstances and for them to sail through these changes, they need to adopt strong and proven management control techniques which will help them to achieve their organisational goals and objectives as well as gain a competitive edge. Budgeting and Budgetary Control plays a very critical role as a proven control technique which Savings and Loans Firms' management employ in ensuring their success and helping them to achieve a competitive edge. The success and failure of any business entity, Savings and Loans Firms inclusive hinges greatly on its aptness to combine available resources, whether human or material, and consolidate them in the most efficient and productive manner.

Financial institutions generally fall under the domain of enterprises, basically because they are agents who provide financial services to their customers. Thus, financial institutions can be described as the organized units, which has as its primary operational structure, procurement of financial intermediary services by mobilizing and moving funds from investors and all surplus economic entities and channeling these funds to under-surplus economic units for productive activities . Common types of financial institutions in the global economy include building societies, credit unions, stock brokers, Savings and Loans and similar businesses.

But marked sub-sector in the Ghanaian financial sector is basically Insurance, Capital Markets, Asset Management, Banking, Property and Monitoring financial institutions. The governance of these financial institutions rests with the Central Bank (otherwise known as Bank of Ghana), National Insurance Commission, Securities and Exchange Commission and the Ministry of Finance and Economic Planning.

Presently, the banking industry, capital markets and investment management industries seem to have accumulated enough funds. However, competition is on the ascendency within these sub-sectors, but more so obvious in the banking industry. Entry barriers are on the rise for the banking industry.

Banks can simply be viewed as those financial institutions, they act as agents who accept deposits and make out loans. Banks create save havens that store valuable resources for depositors and as anticipated sources of loans for borrowers. The main business of banks is that of financial intermediation between savers and borrowers. This process is simplified by banks by knocking out the need for savers to find the right borrowers and the right time to source for credit directly. As financial intermediaries, they facilitate the creation, sourcing and mobilization of funds from surplus economic units to deficit economic unit, for functional and productive activities. Banks as competitive and profit oriented financial institutions are compelled to plan by developing targets, envisaging problems and pivoting on purpose and direction, since it aims at maximum and efficient use of resources to earn maximum return on investment. One of the most effective tools for achieving this aim is budgeting.

If a bank is going to achieve its objectives, then it is worthy of note that long-term strategies must be developed which are then translated in the end to short-term action plans. The measurability of these objectives into short-term plans is referred to as Budgeting in finance terms. Budgeting involves the planned allocation of available finance to every section within the organization. It permits the authorities within an organization including banks to exercise control over extravagant spending in unproductive areas, and directing the assets of the organization into those productive areas which yield remarkable income and returns as well as good public relations.

Langfield-Smith (1997) referred to MCS as "the process by which managers ensure that resources are obtained and used effectively and efficiently in the achievement of organisational goals." Horngren et al (2008) perceived MCS to be "a logical integration of technique for gathering and using information to make planning and control decisions, for motivating employee behaviour, and for evaluating performance." Budgeting and Budgetary Control (BCS) as a management control technique is deemed to be a very strong control mechanism, performance measurement system and decision support tool within Savings and Loans Institutions.

Budgetary Control can again be said to be a technique used to control and properly monitor the cash inflows as well as cash outflows and tracking any deviation from the pre-planned budget so remedial actions can be taken to align with actual plans. Williamson (1996) also defined a budget as “a plan expressed in terms of values and volumes and it is prepared and approved before a budget period begins.” Budgetary Control is the establishment of budgets that begin with establishing organizational objectives and it has to do with the periodic comparison of actual results and budgets so that the organization's objectives can best be achieved (Williamson, 1996).

The economic reality faced by Savings and Loans Companies is that their resources on one hand are limited whereas their needs on other hand are unlimited. This calls for a planned allocation of scarce resources and their efficient and effective utilization to achieve value for money. In this regard Savings and Loans Institutions, require a managerial tool through which limited resources can be allocated and used economically. This can be achieved through the use of budgets. Adams et al (2003) also reiterated that budgets must be intertwined with the firm’s appropriate strategic planning and performance management processes and should again take into account the systematic techniques which are efficacious, significant and consecutive.

The motive for this work stems again from the studies conducted by Indriani and Herath (2007) with respect to the significance of Budgeting and Budgetary Control techniques. Their deduction was this; Budgetary Control System (BCS) is essentially needed in setting up a coherent system of management control in an organization for maintaining their operational position at an appreciable level within the competitive business environment. They affirmed budgetary control does not operate alone. It can rather be employed more thoroughly by linking it with imminent key located information undertaking. Budgets are believed as being a powerful tool which aid planning (decision making), controlling and coordinating activities, communicating plans, motivating managers and measuring performance (Horngren, 1997).

The budget has received criticism from researchers and other scholars in recent years. Although the budget has received some criticism, organizations continue to use it extensively (Ekholm and Wallin, 2000; Libby and Lindsay, 2010). Studies and other scholars share similar opinion that budgets are invaluable. Others have indicated categorically that they would rather improve the budget process than going Beyond Budgeting because they cannot manage without the budget (Libby and Lindsay, 2007).

Researchers claim new management tools are being adapted by organisations with the aim of refining the budget management and process them (Akesson and Siverbo, 2009). In order to remain in competition, organizations strive to accentuate the strategic objectives rather than short -term budget. Therefore additional tools such as the Balanced Scorecard and Key Performance Indicators (KPIs) are often adopted and implemented in organisations (Fraser and Hope, 2003).

1.1 Statement of the Problem

It appears that many business entities including Savings and Loans Companies have performed poorly of late due to the fact that they lack an efficient and effective budget and budgetary control system to adequately allocate resources to reach the attainment of their goals and maximize performance. In the works of Boquist (2001), it was revealed companies keep on botching due to the fact that they have shortcomings with systems of budgeting which they are unable to discern.

It appears again that many business entities including Savings and Loans Firms lack knowledge about the correlation which exist between budgetary control and performance, and this adversely affect their performance. It can also be said that several business entities ranging from small to corporate entities neglect to acknowledge the significance of budgeting and budgetary control on their operational performance. These entities move on without concentrating on how to refine their performance with their budgets.

Although widely used, the budget is perceived not to be an optimum management control tool (Hansen et al 2003). It has received criticism from researchers as well as other scholars in recent years but the usage of budgets is still widespread in today's organisational operations (Ekholm and Wallin, 2000; Libby and Lindsay, 2010). Other researchers and scholars share similar opinion that budgets are invaluable. Others have indicated clearly that they would make every effort to refine their budget process than would go Beyond Budgeting because they cannot cope without a budget (Libby and Lindsay, 2007).

It appears that the efforts of Senior Executives and Owners of most financial institutions within the Ghanaian territory are concentrated solely on profitability leaving the system of budgeting and budgetary control at the background. However, in the review of relevant literature, it was found out that no study has investigated budgeting and budgetary control practices in firms in the Banking industry in Ghana. Therefore, there is a knowledge gap. This thesis purposes to fill this gap.

1.2 Research Objectives

These include;

1. To identify the Budgeting and Budgetary Control System of Multi Credit Savings and Loans Company Limited
2. To assess the level of compliance of the Budgeting and Budgetary Control System at Multi Credit Savings and Loans Company Limited to Best Standards
3. To find out the problems in the Budgeting and Budgetary Control System of Multi Credit Savings and Loans Company Limited.

1.3 Research Questions

1. What is the Budgeting and Budgetary Control System at Multi Credit Savings and Loans Company Limited?
2. What is the level of compliance of the Budgeting and Budgetary Control Practices of Multi Credit Savings and Loans Company Limited to best standards?
3. What problems do Multi Credit Savings and Loans Company Limited face with the use of Budgeting and Budgetary Control System?

1.4 Significance of the Study

There is the need for savings and loans entities to initiate and put in place an effective strategic plan to enable them keep pace with the changing circumstances and complexities within the business environment. Budget can be a useful tool to validate the fact that the organisation is on the brink of gaining heights in this area of its business. Budgeting has frequently reflected in all spheres of human endeavour and has become of utmost significance in the progress of organizations, whiles its influence on the performances of Savings and Loans Firms is of immense importance and cannot be overstressed.

This study endeavours to investigate the budgetary control as a planning and control tool. Budgeting allows top management of financial institutions including Savings and Loans Companies to exercise control over excessive imprudent spending in unproductive areas, and employ the assets of the entity into areas where they will obtain remarkable earnings, as well as good public relations.

This study will examine various techniques of budgeting, budgetary control, their connection with the organisations master plan, performance management and decision making and will also gain knowledge on the merits and demerits of budgeting and the budgetary control system. The processes involved in budget preparation will also be considered since a budget involves series of processes incorporating several functions or units in the entity, which basically supports effective budgetary control of the organisation.

Since Budgeting is a financial plan, Savings and Loans Companies managing performance through this system would be able to know the exact position in terms of their liquid resources such as cash. Also they could easily identify their weak and best performing areas and in this regard, action plans can be mapped out using those areas where the organisation is excelling to gain competitive edge and remain strong in the volatile business environment by taking corrective actions to improve upon their weak performing areas and make them best. This research work will again add on to the researcher's knowledge and also be a reference document for subsequent research in future into related fields.

1.5 Scope of the Study

This study focused on the budgeting and budgetary control practices at Multi Credit Savings and Loans Company Limited. The study concentrated on the nature of budgeting and budgetary control system; compliance to best standards; and problems associated with budgeting and budgetary controls.

1.6 Limitations of the Study

It is a common phenomenon that every research suffers from some kind of limitation. Nonetheless, researchers always try to counteract these limitations in order to arrive at the most accurate results and findings and also to reach a sound and reasonable conclusion. This study was underpinned by constraints such as limited time, money and distance.

The research is limited to Multi Credit Savings and Loans Company Limited and whether the budgeting and budgetary control system they have in place is in compliance to best standards. The results are not for generalisation. There arose other issues such as:

i. Financial Constraints: The researcher had to incur substantial amount of cost on transportation, communication and logistics. This constraint was curbed by reducing the sample size

ii. Time Constraint: The research was undertaken alongside tedious academic and official schedules. This constraint was overcome by reducing the sample size and not covering the entire population and for that matter the results cannot be generalised.

1.7 Organisation of the Study

This study is patterned into (5) divisions. Chapter one is the introduction and deals with the background to the study, problem statement, research objectives and questions, significance, scope as well as limitation. The second section also made reference to essential works/literature relevant to the study area. The third chapter expatiated on essential methodology employed for this study. It looked at research design, population, sample size and sampling techniques, method and apparatus for gathering data. Chapter 4 then dealt with the data presentation, analysis and discussion of results and the fifth chapter finally outlined the synopsis of research findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the related literature on the study. The focus was on empirical studies and theoretical underpinnings. The literature review was consistent with the research objectives and questions.

2.1 Budgeting: Introduction

The object about every business budget is the effective resource allocation for the attainment of the strategic goals of the business and lays out a plan of action on these allocations. It sets targets and standards against which performance could be measured as determined by the strategy of the firm. The budgeting process is one of the traditional systems of management control which has served as the main measure of internal performance and decision making.

Budgeting offers a channel through which spending limits can be emphasized and variance reporting demonstrated to show compliance with the established standards. Budgeting therefore can be considered as a corporate governance mechanism. This is because superiors communicate rules governing disbursements. Assessment of spending authorities is based on control of cost and compliance with those standards. For employees to better align with the organisation's goals, management use the budget to highlight the organisation's fundamental principles and vital diagnostic control systems. The focal point of budget has moved from being just a basic governance or control mechanism towards a strong tool for adding value to the operations of the business. Lately, a number of multinational firms have integrated non-financial elements into the planning process and are doing away with annual budgeting and are instead embracing rolling budgets (Barsky and Bremser, 1999).

An argument raised by Anthony (1965), was that "the budget became the natural standard of comparison given that control required standards against which performance could be assessed." This gave rise to usage of the budget year as the rudimental component of the control system, partly as a result of the desire to bring the management control system to harmonise with the needs of owners of businesses (Otley, 1999).

2.2 Theoretical Framework

Budgets were presented for the first time in 1920, as a mechanism to control expenses and income of major businesses (Bartle, 2001). The emergence of scientific management emphasized the need for decisions leading to greater evolution of budgeting techniques (Bartle, 2008). In the works of Hindereth (2002), budgeting initially, is focused on the preparation and presentation of reliable information to justify accountability and allow accurate performance appraisal and rewards accordingly. He affirmed that the purpose and focus of budgeting has significantly changed as a result of firms changing the way they operate within their business environment to keep pace with competition and sustain in the long term.

Bartle (2008) reiterated that budgets are essential for organisations as it gives them a sense of focus and direction, facilitates control and assist with the integration of activities across functions within the organisation. True budgeting, at all levels of an organisation centers on planning ahead, communicating those plans and providing a means of achieving those plans. Bartle (2008) stressed that an entity would be susceptible to certain forces (either from within or outside) which can warp its effectiveness, and deprive them from withstanding such forces if they do not put effective controls in place. An organisation which has a budgeting and budgetary control system in place would be in a better position to highlight the responsibility of managers which is associated with the requirement of the firm's overall policies. Constant assessment of the actual outcome with budgeted target would also provide a premise for policy revisions to be facilitated.

The framework provided the basis for development of budget techniques within an organisation from being a mere operational tool to a more intricate tool which management would adopt to provide direction, establish goals and carry out performance evaluation. This framework provided a relevant standpoint in which budgetary control was perceived by the researcher as a tool for impacting organisations' performance, both financial and non-financial.

2.3 Definitions of Budget

According to Slebioda (2008), "a budget expresses the strategic plans of business units or organisations for a defined period of time in quantifiable terms." Atkinson et al (1997) also defined the term as "a statement of cash flows of a firm in quantitative terms to ascertain whether this financial plan will achieve organizational goal." Fredericks (2001) defined it as "a plan that is quantifiable and applied within a specific time period. In the works of Waterhouse and Bruns (1975) budget is "a financial plan which provides the basis for directing and evaluating the performance of individuals or segments of organisations."

Another definition of budget according to Garrison (1991) is that “it is a comprehensive document which outlines how financial resources are acquired and used within a specific time frame. This plan is usually expressed in quantitative terms.” Similarly, Hilton (1997) also shared the same thought as Garrison by defining budgets as “a detailed plan, expressed in quantitative terms which specify the technique or methods for acquisition and utilisation of resources during a specified timeline.”

Again, Lucey (2000) defined the word budget as “a quantitative expression of a plan of action prepared in advance of the period to which it relates.” As stated by him, this plan must be approved prior to the budget period. It must reveal the incremental effects on previous figures or be set at zero. Budgets may be prepared for the entire organisation or a particular department or unit within the organisation taking into account the strategic plan of the organisation.

Three key elements can be pinpointed from the above definitions of budget. The first element we identify is the ***planning (decision making)*** aspect of budget. This is perceived to be a strategy or goal for the organisation. ***Quantifiability*** which is the second element makes it possible for the plan to be measured against actual performance/outcome. The third component which is ***time*** gives the possibility of expected period within which the plan is achieved. Management of savings and loans organisations see budget to be of significance to their operations. One observer stated; “few businesses plan to fail, but many of those that collapse failed to plan (Horngren et al, 2000).”

2.3.1 Features of a Good Budget

Below may characterise the nature of good budgets;

i. participation: it should incorporate as many employees as possible whose work would be impacted by the budget.

ii. comprehensiveness: it should cover the entire organisation.

iii. standards: it should be based on required and acceptable level of performance

iv. flexibility: easily adjustable to suit uncertainties/complexities.

v. feedback: consistently monitor performance.

2.3.2 Budgeting:

Merchant (1981) explained budgeting system as “an integration of the flow of information and managerial activities which is normally an essential aspect of the planning and control systems of an organisation.” Olabode (2005) also explicated budgeting as “year-long statement affirming an organisation’s earnings and cost. It also serves as a tool for accountability and control organisations’ finance, tools for management and proper decision making.”

2.3.3 Purposes/Functions of the Budget

Hilton (1997) description of the fundamental aims of budget summarises the common purposes pointed out by other scholars and researchers. According to Hilton (1997), budgeting systems have five primary purposes namely;

i. Planning

What is considered to be the most apparent purpose of any budget is quantification of an action plan. The budgeting system compels organisational management to plan ahead, establish targets, predict problems and gives the organization a sense of purpose. Budgeting, thus encourage management to be proactive rather than reactive to problems.

ii. Facilitating Communication and Coordination

For co-ordination to succeed, communication is essential. Thus, the budget helps senior executives in communicating their expectations to junior staff so all employees will understand these expectations and work towards achieving them. It is also a formal authority to the various managers to implement what has been planned.

iii. Resource Allocation

Budgets generally provide a means of distributing the limited resources of an organization among competing users. This helps maximum utilization of resources of the organization.

iv. Controlling

The budget is seen as a useful benchmark against which actual outcome is compared with the budgeted and any undesirable deviations are investigated and remedied. Steps are also taken to encourage any desirable deviations.

v. Evaluating Performance and Providing Motivation

Comparison of actual outcomes with set targets also assists management to assess individual employee performance, departments, unit, or whole organization. Taking into account the fact that budgets are used as performance evaluation tool, they can also be utilised as a motivational tool for employees to perform well as it serves as a means of setting target for employees to work harder to achieve organizational goals and also depending on level of participation allowed to the lower level management in the budget preparation.

2.3.4 Practical Findings – Purposes/Aims of Budgeting

Hansen and Van der Stede (2004) have examined the reasons why organisations develop budgets in practice. In their article "Multiple facets of budgeting: an exploratory analysis" they analysed the reasons why organisations employ budgets. They found four significant functions, which agree with the usual purposes. The authors concluded that the four main aims of budgeting are: (1) operational planning; (2) performance measurement; (3) Goal dissemination; (4) strategy formulation

Hansen and Van der Stede (2004) described the reason for the qualities of an organisation to influence the benefits/aims of budgeting. They deduced that performance evaluation often is used in large organisations as well as those with clear and traceable resources.

Atrill and McLaney (2006) also outlined the below as being the five major benefits which budget can offer:

i. encourages <u>forward-thinking</u> and the possible recognition of potential challenges.
ii. helps with the integration of activities between all the units of an organisation.
iii. as a means to motivate managers to work better
iv. provides a platform to check controls
v. establishes a system of authorisation

2.4 Problems Associated With Budgeting In Practice

Despite performing these integrative functions of budgeting, it has several weaknesses which include its long established and oft-researched susceptibility to induce budget *games* or dysfunctional behaviors (Hofstede 1967; Onsi 1973; Merchant 1985; Lukka 1988).

Twelve (12) frequently quoted challenges/problems of budgetary control as reported by Neely et al. (2001), are:

i. It consumes time and also very expensive to put together;
ii. It constrains responsiveness and often seen as an impediment to change;
iii. It is hardly focused and often contradictory;
iv. It does not add commensurate value, especially given the time required to prepare it;
v. It focuses much on how to minimize cost rather than creating value;
vi. It strengthens top-down command-and-control;
vii. It does not show prominent systems/structures that organizations are adopting;
viii. It encourages manipulation, internal politics and awkward(dysfunctional) attitude;
ix. It is prepared and reviewed irregularly, usually annually;
x. It is seen to be presumptuous and speculative;
xi. It stiffens departmental conflicts rather than encourage knowledge sharing;
xii. It causes employees to feel demotivated / belittled.

Adams et al (2003), categorized the above twelve weaknesses associated with Budgetary Control practices under three main headings as follows:

Competitive Strategy:

- **i.** It is hardly focused and often contradictory
- ii. It focuses much on how to minimize cost rather than creating value
- iii. It constrains responsiveness and often seen as an impediment to change
- iv. It does not add commensurate value, especially given the time required to prepare it

Operational Process:

- i. It consumes time and also very expensive to put together;
- ii. It is prepared and reviewed irregularly, usually annually;
- iii. It is seen to be presumptuous and speculative;
- iv. It encourages manipulation, internal politics and awkward(dysfunctional) attitude;

Business Capacity:

- i. It strengthens top-down command-and-control;
- ii. It does not show prominent systems/structures that organisations are adopting;
- iii. It stiffens departmental conflicts rather than encourage knowledge sharing;
- iv. It causes employees to feel demotivated / belittled.

Adams et al (2003) actually stressed the fact that traditional planning and budgeting processes used in businesses are failing to deliver results.

2.5 Budgeting System and Process

Budgeting is a process, thus, a number of activities performed to prepare a budget. The processes employed in the design of a budget constitute a budgeting system (Hilton, 1997). Budgets are tools which organisations employ for decision making and monitoring performance. Budgeting system turns management's perspective forward. This forward-thinking perspective puts managers in a better position to advance opportunities. It also helps them to identify potential bottlenecks and take steps to curb or reduce them.

Budgeting is a continuous process made up of interconnecting activities, which simultaneously interact throughout the budget period. There is therefore no clear-cut beginning nor ending of the process. In any case the process may vary from organization to organization depending upon the details required.

2.5.1 Budget Centre

A budget centre according to Lucey (1996) is "a function or unit of entity for which budgets are prepared and control exercised."

In this context, a budget centre refers to a branch, department, unit or section of the organisation to which cost or revenue can be attributed. It is also referred in the context as responsibility centre or a cost centre. These centers contribute to the preparation and implementation of budgets.

2.5.2 Budget Officer and Budget Committee

This officer is an employee who has been tasked to keep the budget preparation on course. He tells the process by which budget data will be gathered, collates the information, and prepares the overall (master) budget. He develops and disseminates a budget manual in order to inform employees of budget procedure deadlines (Hilton, 2000).

According to Hilton, a budget committee, incorporating key senior executives is often appointed to advice the budget officer during the budget preparation. The authority to give final approval for the master budget usually rests with the board of directors or board of trustees in many non-profit enterprises. The role of accounting staff in the budget preparation is only to provide a substantial advisory and clerical service for the line managers. (Drury, 2001).

2.5.3 Budget Manual

Drury (1996) explains that a budget manual describes the purposes and processes evident in the budgeting system and gives a meaningful point of reference for those who are charged with coordinating and preparing budgets. According to him this document shows a time table which specifies the manner and procedure for preparing the budget as well as the appropriate time it should be delivered to the committee.

2.6 Methods / Techniques of Budgeting

Corporate budget refers to the budget prepared by business organization (profit-making and non-for-profit making). The two have similar characteristics in terms of procedure and benefits offered whilst at the same time differing in content.

For instance, the focus of private budget is profit. Resource allocation is thus based on profit making potential of competing activities.

Below are some of the techniques/methods of budget which will be discussed as follows;

2.6.1 Fixed budget

This budget technique is mostly adopted by companies who place so much reliance on their forecasts. It is the method of budget which once made and accepted cannot be changed; since fixed costs are considered to remain constant and continues despite sales volume (Hofstede, 1968)

One benefit for the use of Fixed budgets is the fact that they are easy to prepare and less cumbersome. Moreover, keeping track is easier with this method of budget because it will not change over time. One relevant setback with the usage of a fixed budget is that it does not account for changes in income and expenditure over time. Thus, in periods of unanticipated economic changes, the real state of the organisation's operations might turn out to differ from what is laid out in the budget.

2.6.2 Flexible Budget

This budget is sometimes, referred to as Variable Budget or Sliding Scale Budget. Flexible budgets are those which are flexible and change based on the variability of the outcome of actions anticipated in the time to come. They are immensely useful for businesses which operate in an ever-changing business environment. Using flexible budget ensures that a firm is prepared to some extent to deal with the unexpected changes in events, and able to better guard itself against losses arising from such events. A possible setback of this budget is that it is cumbersome to prepare, especially when the issues being reviewed are numerous and complex in nature. The flexible budget takes into account fixed, variable and semi fixed operational costs.

2.6.3 Capital Budgeting

This technique of budgeting implies an organisation's decision for investing available monetary resources in long-term projects/activities such as acquisition of new machinery, research and development projects, investment in new product lines which are worth pursuing with the hope that future economic benefits will flow to the organisation within a period of time (Pandy, 1999).

2.6.4 Sales Budget

According to Stanton (1971), the cornerstone of successful marketing planning in a firm is the measurement and forecasting of market demand. The key figure needed is the sales forecasts because it is the basis for all budgeting and all operation in the firm. Radford and Richardson (1963) indicated that the effectiveness of budgetary control depends on the accuracy of sales estimates.

2.6.5 Activity Based Budgeting

Adams *et al* (2003) indicates that ABB actually requires planning and controlling along the lines of activities and processes which add value. It is a budgeting technique whereby those activities which incur costs are recorded and their relationship defined and matched against the departments/functions which incurred the cost. This technique of budgeting gives an opportunity to align activities with objectives, streamline costs and improve business practices.

It is actually a management process, operating at the activity level, for persistent refinement of cost and performance (Wilhelmi and Kleiner, 1995, p.42)

This method of budgeting can help management create more accurate forecast.

2.6.6 Zero-Based Budgeting (ZBB)

According to Hilton (2000), under ZBB, the budget is initially set to zero, that is from scratch for every activity in the organization. Each of the activities needs to be justified in terms of its persistent usefulness. This ZBB technique enjoins management to scrutinise each process of a company's operations before resources are allocated. It can technically be referred to as active balanced budgeting.

It compels the managers to justify their outlays on a regular and systematic basis in the context of future plans and strategy rather than on the past performance.

Like all budgeting techniques, ZBB is designed to be used in setting levels of future expenditure. As all cost-reduction techniques must, by definition, relate to the reduction of future costs (past costs being sunk cost). (Arlita and Dalston 2005).

2.6.7 Incremental Budget

It is a budgeting technique which uses the past period's budget as the base for the new budget period with incremental addition of new amounts throughout the period. This method allows for gradual changes and easier management of multiple budgets. Resource allocation is based upon previous period. This method of budgeting is simple to use, easily understandable and operation-friendly in nature. It aids managers to operate consistently in their individual departments. (Drury, 1996)

2.6.8 Participative Budgeting

According to Hilton (1997), Participative budgeting is the process of allowing employees throughout the organization who are impacted by the budget to be actively involved in the budget development process. This technique of budgeting can result in greater commitment to meet the budget and organisational overall goals.

If employees are allowed to take part of the budget preparation, they will feel they will take the budget as their own rather than seeing it as an imposition on them. While this technique can be very effective, it can also lead to delay due to lengthy discussions. (Arlita and Dalston, 2005)

2.6.9 Functional Budget

This is a budget which applies to a limited area of the organisation such as a function, department, division, project or other specific aspect of the organization. The most commonly used ones are the; Sales Budget, Purchase Budget, Production Budget, Selling and Distribution Expense Budget, Labour Cost Budget, Cash Budget and Capital Expenditure Budget.

2.6.10 Master Budget

This method of budgeting entails all the financial budgets including income statement and balance sheet budget. It basically serves as strategic plan of management for the company. It charts and documents every aspect of the company’s operations future predictions. Management can actually use the master budget to undertake expansion planning decisions.

2.6.11 Cash Flow Budget

It reflects the cash movement of the organisation. The cash inflows comprise cash sales and cash receipt from debtors, etc whilst the cash outflows comprise cash purchases for goods and services, payment to creditors. The cash flow budget reflects the cash position of the organisation at the end of every month or financial year.

2.7 Budgetary Control

It is the procedure for the establishment of budgets which relates to different activities and measuring the budgeted figures against the actual performance for arriving at deviations, if any. Consequently, budgetary control cannot exist without budgets. Budgetary Control is a technique which appropriates budget as a channel for planning and controlling.

A definition of budgetary control as given by the CIMA is “the establishment of budgets relating to the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with the budgeted results, either to secure by individual actions the objectives of that policy or to provide a basis for its revision.”

According to Brown and Howard (2013), budgetary control is “a system of controlling costs which includes the preparation of budgets, co-ordinating the department and establishing responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability.” According to Scarlett (2008), budgetary control refers to “the principles, procedures, processes and practices of achieving a given objective through the use of budgets."

Afore-mentioned meanings of budgetary control reveal the following essentials about the system:

i. it seeks to establish objectives for each unit and section of the firm.

ii. it compares actual performance with budgeted targets.

iii. identifies deviations or variances and evaluating the factors which give rise to such deviations/variances from the budgeted performance.

iv. taking appropriate remedial actions from available alternatives in order to achieve the desired results.

2.7.1. Objectives of Budgetary Control:

Budgetary Control supports the management of an organisation to formulate policies, plan, control and coordinate the overall objectives of the organisation.

2.7.2. Scope and Techniques of Budgetary Control

a. Scope:

i. it is developed for varied units of firms. Actual results are compared with the budgets and control is exercised.

ii. budgets have to cover the entire organisation. Each operation or process is grouped into number of activities.

iii. budgetary control is focused on how cost/expenditure is incurred at all functional levels.

iv. budget is a projection of financial amounts.

b. Technique:

i. budgetary control is managed by putting budgets and actuals side by side.

ii. variances are not normally traced in the accounts.

iii. budgetary control system can be administered in divisions. For example, Advertisement Budgets, Research and Development Budgets, etc

iv. this technique is broad in nature

2.7.3 Essential Requirements for Budgetary Control to be Effective

i. Clear cut objectives and this should be prioritised
ii. Budget Manual
iii. Budget Committee should be established
iv. Full support and acceptance from top management
v. Time frame for the budget
vi. Proper education about the budget and its benefits to all employees
vii. Regular/periodic review of the budgeting system

2.7.4 Benefits of Budgetary Control

Some of the benefits to be derived from operating Budgetary Control include the following:

(1) an effective system of budgetary control facilitates reduction of cost.
(2) provides a basis on which management plan and formulate policies.
(3) provides an easy means for effective integration of activities of the various departments and functions by setting their limits and goals
(4) guarantees profit maximisation via cost control and optimum utilization of resources.
(5) checks the continuous review of performance of different budget centers.
(6) assists in the management of efficient and economic production control.
(7) facilitates corrective actions, whenever there are deficiencies and weaknesses comparing actual performance with budget.
(8) directs management in research and development.

2.7.5 Limitations of Budgetary Control

Budgetary Control is an effective tool for management control. However, it has certain setbacks/constraints which are identified below:

(1) the budget plan is established using estimates or projected values. Forecasting cannot be considered to be an exact science. If the budget plans are made on the basis of inaccurate forecasts then the budget progamme may not be accurate and effective.

(2) uncertainty about the future, and changing circumstances which may develop later on, budget may prove short or excess of actual requirements.

(3) the system can only be effective depending on the level of willingness, co-operation and understanding among employees. The absence of this willingness and co-operation leads to inefficient performance.

(4) Budgeting may be a tedious and time consuming process.

2.7.6 Some identified Ratios for Budgetary Control:

These ratios are used by organisational management to find out if performance of its activities is going on as planned or vice versa. A 100 % or more ratio indicates that performance is considered as favourable and a less than 100% ratio indicates an unfavourable performance. Below are the ratios which are generally calculated for performance evaluation under budgetary control.

1. Capacity Ratio: It shows the extent to which budgeted hours of activity is actually used. The formula to arrive at this ratio is given as;

$$\frac{Actual\ Hours Worked\ \mathrm{Pr}oduction}{Budgeted\ \ Hours} \times 100$$

2. Activity Ratio: It is the ratio which measures the level of activity obtained during the period of the budget. It can be derived as;

$$\frac{Standard\ Hours\ for\ Actual\ Production}{Budgeted\ Hours} \times 100$$

3. Efficiency Ratio: The efficiency ratio reveals the level of efficiency achieved within the budget period. It is given as;

$$\frac{Standard\ Hours\ for\ Actual\ Production}{Actual\ Hours\ Worked} \times 100$$

4. Calendar Ratio: This is usually used to ascertain the proportion of actual working days to budgeted working days within a budget period. It can be derived using the formula below;

$$\frac{Number\ of\ Actual\ Working\ Days\ in\ a\ Period}{Budgeted\ Working\ Days\ for\ the\ period} \times 100$$

2.8 Best Standards of Budgeting and Budgetary Control Practices

According to Andersen (2000) and other authorities such as Drury, best standards of budgeting and budgetary control include the following;

1. **Linking of Budget Development to Corporate Strategy/Goals** Organisations which apply best standards of budgeting never down-play on the importance of top management to champion the establishment and communication of strategic goals. In doing this, they require information about customers, competitors, economic and technological change. Organisations which establish strong communication channels find it

smooth to put in place challenging but achievable targets. Company-wide targets must be set before the budgeting process commences. In this regard, those in charge of preparation and coordination of budgets are able to initiate and come out with budgets which are linked with strategic goals and for that matter require minute revision. Budget preparation and coordination then becomes quicker, less costly and far less frustrating.

2. **Designing Processes for Effective Resource Allocation**

   Competition for resources among various units of an organisation is inevitable. Every unit within the organisation needs cash to undertake capital and operational projects. This makes it very important for organisations to design policies which will ensure best allocation of resources to support key goals of the organisation.

   One of such standard is undertaking effective review of operating and capital budgets. This will help managers in deciding how best they refine and improve these processes through constant monitoring.

3. **Linking Rewards to Performance Measures other than Meeting Budget Targets**

   Most firms continue to evaluate managers basically on how they are able to achieve the budgeted plan. While this may sound reasonable, this type of one-step assessment actually induces managers to strive to reach their targets by intercepting the budget target through dysfunctional behaviour. For best standards and practice, meeting budget targets should not be the main benchmark for performance measures. Companies who follow best standards use a set of performance measures to drive success towards strategic goals, and use the same measures for their reward systems. This emphasises the significance of relevant strategies and defines what results will be rewarded. Some measures may be both financial and non-financial

4. **Align Cost Management Efforts to Budgeting**

   This will give firms the opportunity for improving the quality of information available for managers to use in coming out with their budgets. Relevant cost information is fundamental to budgeting. Firms who use accurate cost management techniques and provide prompt information improve both the accuracy and the speed of their budget processes. Another best practice to be derived from above is the strategic use of variance analysis. Managers can locate where their organization needs to improve its performance through the use of variance analysis as it helps to identify weaknesses. However, they must concentrate on those variances that have a great impact.

5. **Minimise the Budget Complexity and Time**

   Companies who comply with best standards make every effort to minimise the complications and straighten the budgeting process to be smooth. This will enable management to gather information for budget preparation, plan effective resource allocation, and communicates targets within the shortest possible time, at a lower cost, and with less interference with the firm's primary operations. Another issue is that firms which practice best standards, in their efforts to smoothen budgeting, adopt information technology tool to automate budgeting and smoothen work processes. This will aid them to provide management with relevant and timely information at a reasonable cost.

6. **Develop Budgets that can Easily Accommodate Change (Flexibility of Budgets)**

   Firms which develop budgets that are flexible to adjust for changes are able to respond to threats from their competitors or harness opportunities more quickly and with greater precision. Firms essentially review budgets quarterly, monthly, or even weekly. Best practice of budgeting include in these review reports on changes in business conditions, so that managers may be informed that new tactics may be called for.

   A means by which companies build flexibility into budgets is to prioritize according to strategic importance action plans that were rejected due to resource limitations. By doing this, they can act swiftly and decisively if additional resources become available.

2.9 Challenges Faced by Organisations Operating Budgetary Control

Scholars and researchers who have undertaken research in this related field have indicated that several challenges exist that can at times impede the overall function/purpose of budgetary control. One such author Margah (2005), states that many of the outgrowing challenges organizations encounter in their bid to administer their budgetary control procedures have been laid at the door of the budget, presenting a fixed and unchanging target. With respect to the changing circumstances in the business environment, Margah, noted a budget can become outmoded and of no use to the firm.

The major challenge of budget is mapping out the future, something that can never be done with perfect precision. The fast pace of technological change and the complexities of global competition make developing effective budgets both more difficult and more important. Anderson (2000)

Neely (2001) carried out a study on challenges/weaknesses of budgetary controls. This study was primarily based on review of empirical literature from related studies. His findings maintained twelve most cited weaknesses of budgetary control system which pose challenges which have been mentioned earlier in this chapter.

2.10 Budgeting and Corporate Governance

Budgeting serves as a means of stressing boundary systems which looks at financial boundaries and control systems. Budgets regulate spending and variance reporting serves to monitor compliance with these standards. Budgeting therefore is seen to be a technique of corporate governance. This is because top management communicates rules governing spending. Assessment of spending authorities is based on control of cost and compliance with those standards. For employees to better align with the organisation's goals, management use the budget to highlight the organisation's fundamental principles and vital diagnostic control systems. (Barsky and Bremser, 1999)

Review of the budgeting processes is an important aspect of the entire corporate governance system of Multi Credit Savings and Loans Company Limited, and through this, the firm's resource allocation decisions are made and approved within an authorised system to ensure the company's operations are run in the best interest of the owners. The owners appoint the board of directors who are eventually charged with directing and controlling the business. The budgeting process ensures that the board of directors are presented with the revenue and expenditure budget of the business and the available resources and then they allocate these resources and delegates responsibility in the same manner. In Multi Credit Savings and Loans Company Limited nobody spend outside of the approved budget unless approval is sought and given by the board. The quarterly review exercise helps the business to identify possible deviations from the approved company plan/budget target.

2.11 Budgeting as a Competitive Advantage

In the works of Herath and Indriani (2007) on how the budgetary control technique was used to make and maintain upper hand, they supported it with the studies of Porter (1990) who stated that sustaining competitive advantage requires that an organisation's resources are expanded and improved to a more sustainable form. Herath and Indrani (2007) in their study came out with five functions through which budgetary control system can facilitate the creation and sustenance of competitive advantage. These functions comprise: (1) means of forecasting and planning (source of information for decision making); (2) means of communication and co-ordination; (3) as a tool for motivation; (4) means of evaluation and control; (5) source of information for decision making

2.12 Budgeting, Budgetary Control and Performance Management

Performance management deals with all the business processes and day-to-day actions that lead to strategic goals. This entails how management choose a peculiar course of action in a given business environment, as well as how those actions relate to other departments and the overall achievement of company strategy.

A true performance management system involves various processes. It begins with the establishment of an operational plan that is knitted to the organisation's strategy. It permits managers to cooperate with others on developing strategies to which resources can be allocated that will eventually form part of a departmental budget.

Performance management systems permit these strategies to be assessed in various forms so that the best can be selected as part of a consented plan. The system will then go on to track the execution of consented initiatives and caution users and appropriate managers if activities have not been completed or if they are not having the desired effect on strategic goals. Where goals are not attained, a performance management system will enable managers to propose changes and try out alternative means to put the plan back on course. Once these are agreed, the system will adjust any budgets, caution users of those changes and then track the new model.

Performance management systems involve performance measurement systems, but not otherwise. A successful performance management system will ensure that there is a refined control mechanism capable of persistently tracking organizational activities and implore user involvement as required. Briefly, performance management can be said to involve planning, control and decision making so that the performance will improve continuously.

2.13 Budgeting, Budgetary Control and its Role in Decision Making

Budgeting is essential for decision-making, which in turn gives a business a sense of direction. It involves planning for the future.

Atrill and McLaney (2006) supports the above statement with the below points as the planning process of a business incorporating budget;

i. establish the strategic goals/objectives
ii. review available choices/alternatives
iii. analyse or appraise the alternatives and choose the best one
iv. develop the long-term budget (strategy)
v. develop the short-term budget (Short-term plan)

The budget is essentially a formal and comprehensive statement of an organisation's goals for the short term. It is likely to be expressed basically in financial terms, and it's designed to translate the long-term plan into a feasible blueprint for the future. The budget will define precise targets for:

i. sales revenues and expenses;
ii. cash receipts and payments;
iii. short-term credit to be given or taken;
iv. inventories (stock) requirements;
v. personnel requirements;

Organizations which keep a sound system of budgeting develop a master budget, which is the comprehensive financial plan for the organization as a whole and should be broken down into quarterly or monthly budgets. Thus, management can monitor the budget performance by evaluating actual outcome against budgeted outcome and taking corrective measures when discrepancies are noted.

Figure 2.1 pictorial view of the Management Control Process and Budgeting:

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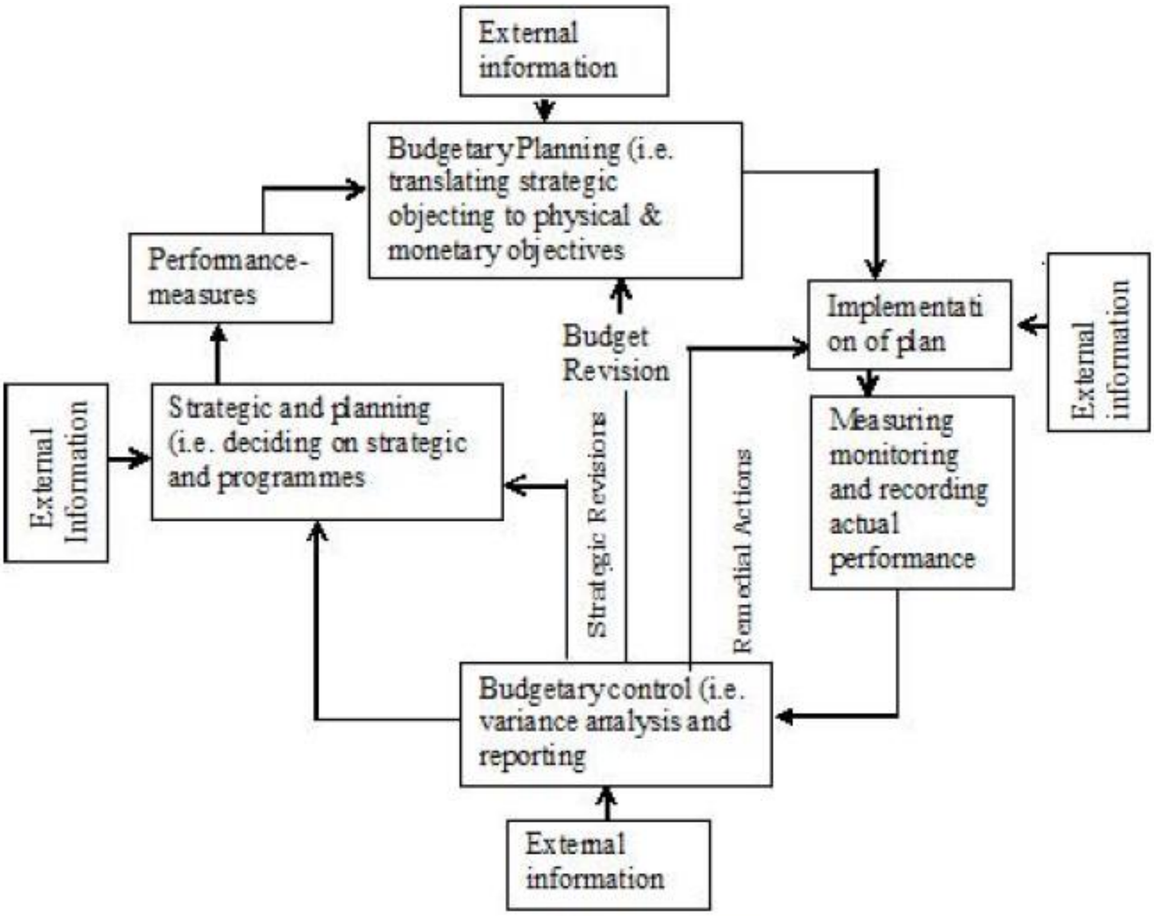


Source: Adapted from Anthony and Dearden, 1980; cited Wickramasinghe and Alawatage, (2007), modified.

2.14 Development of the Microfinance Sub-Sector in Ghana

Microfinance zeros in on the provision and management of financial services through a variety of products and a network of intermediary functions which are aimed at low income-earning customers. It includes loans, savings, insurance, transfer services and other financial products and services. Micro finance, is therefore one of the crucial elements of the broad range of financial tools for the needy.

The Microfinance phenomenon has always been in existence in Ghana as the custom of people has always been about depositing and or accessing small loans from both existing and potential clients for self-support to establish businesses or farming ventures. A sure proof indicates that the first credit union in Africa was set up in Northern Ghana in 1955 by Canadian Catholic missionaries. Nonetheless, susu, which is one of the microfinance schemes in Ghana, is perceived to have started from Nigeria and extended to Ghana in the early twentieth century.

Over the years, the microfinance industry has grown vigorously and developed into its present position as a result of varied financial sector policies and programmes carried out by different governments since independence. Included in these policies and programmes are:

i. supply of subsidized credits in the 1950s;
ii. Setting up of Agricultural Development Bank in1965, specifically to address the financial needs of the fisheries ad agricultural sector;
iii. Setting up of Rural and Community Banks, and the introduction of regulations such as commercial banks being required to set aside 20% of total portfolio, to promote lending to agriculture and small scale industries in the 1970s and early 1980s;
iv. moving from a confined financial sector regime to a liberalized regime in 1986;
v. Promotion of PNDL Law 328 in 1991 to allow the setting up of various classes of non-bank financial institutions, including savings and loans companies and credit unions

The framework led to the development of three broad categories of microfinance institutions namely;

i. Authorized or Licensed providers of finance such as savings and loans companies, rural and community banks, as well as some development and commercial banks;
ii. Semi-formal providers of finance such as credit unions, financial non-governmental organisations, and cooperatives;
iii. Informal suppliers such as susu collectors and clubs, rotating and accumulating savings and credit associations, traders, money lenders and other individuals

Rural and Community Banks are governed under the Banking Act 2004 (Act 673), while the Savings and Loans Companies are presently governed under the Non-Bank Financial Institutions (NBFI) Law 1993 (PNDCL 328).

The legal and administrative framework within which Banks, Non-Bank Financial Institutions operate in Ghana are;

i. Bank of Ghana Act 2002 (Act 612)
ii. Banking Act 2004 (Act 673)
iii. Non-Bank Financial Institutions Act 2008 (Act 774)
iv. Companies Code Act 179, 1963
v. Bank of Ghana Notices/Directives/Circulars/Regulations

2.15 Classification of Financial Institutions / Microfinance Institutions into Tiers by Bank of Ghana

Tier 1 activities comprise those undertaken by Rural and Community Banks, Finance Houses and Savings and Loans Companies. These institutions are regulated under the Banking Act 2004 (Act 673)

Tier 2 activities comprise those undertaken by;

i. susu companies and other financial service providers, including Financial Non-Governmental Organisations (FNGOs) that are deposit taking and profit making
ii. Credit Unions- However, credit unions are not regulated under this notice. A Legislative Instrument under the Non-Bank Financial Institutions (NBFI) Act, 2008 will soon be passed to regulate their activities

Tier 3 Activities- Those undertaken by

i. Money Lenders
ii. Non-deposit taking Financial Non-Governmental Organisations (FNGOs)

Money Lenders and Financial NGOs are encouraged to belong to an umbrella Association. FNGOs desiring to take deposits shall convert from companies limited by guarantee to companies limited by shares

Tier 4 Activities – Those activities undertaken by

i. Susu collectors whether or not previously registered with the Ghana Cooperative Susu Collectors Association (GCSCA);
ii. Individual Money Lenders

CHAPTER THREE

RESEARCH METHODOLOGY AND PROFILE

3.0 Introduction

In this chapter the researcher outlined the technique and methodology which were adopted to carry out the research. It underlines the research design, sources of data (both primary and secondary), data collection methods/instruments (questionnaire and interview), reliability, validity, data analysis and profile of the case study company.

Baserville (1991) defined method as "a systematic procedure or process for attaining some objectives." He indicated again that methodology does not relate to specific methods, but enumerates diverse processes. These procedures comprise a general structure or layout, and may be split into sub-processes which may be integrated otherwise their order may change. He continued to state that methodology denotes simple set of methods or procedures, and may refer to the philosophical assumption which underlies a specific study relative to scientific methods. Two main methods of research are usually applied based on the subject matter and goals of the research; namely quantitative and qualitative methods.

Holme and Solvang (1991) also opined a similar view that quantitative and qualitative are the two main techniques of research which are mostly adopted in research work. Creswell (2003) defined quantitative research method as a "systematic empirical examination of quantitative properties and phenomena and their relationship." According to him, qualitative research is a method of inquiry used in diverse academic disciplines, normally in the social services, but also in market research, with the goal of gathering an in-depth understanding of human behaviour and the reasons that govern such behaviour.

Bryman (2004) also emphasised that qualitative research establishes research approaches and focuses on the use of inductive approaches. According to him, the inductive approach compares the relationship between theory and the research with emphasis made on generation of theories. He again explained the use of quantitative method as a research approach which makes use of deductive approach. According to him, the quantitative method focused on the quantification in the collation and analysis of data and a deduction made between theory and the research.

Bryman (2004) arguments were supported by Saunders et al (2003) who emphasised that deductive approach mostly builds a theory and hypothesis and a research strategy is formulated to test the hypothesis. However, Holmes and Solvang (1991) indicated that this particular method is applied when conducting a statistical research.

In view of the above approaches discussed and for the objectives of this study, it was convenient to adopt the qualitative method (inductive research approach) as results were derived from primary and secondary data and also the fact that it is expedient to fully understand what the organisation is currently doing and what more they can do to improve their budgeting and budgetary control system.

3.1 Research Design

A research design embodies the structure of every study. It induces the selection of analysis as well as sampling technique to adopt. It also alludes to the overall strategy chosen to integrate the various components of the research in a coherent and judicious manner (Vaus, 2001). Three major kinds of research design identified by Saunders et al. (2007) include exploratory, descriptive and explanatory studies.

For the purpose of this study, the researcher adopted a descriptive design. A descriptive research design allows the use of both quantitative and qualitative methods. The use of descriptive design produces rich data that leads to appropriate analysis.

3.2 Sources of Data

The two sources of data which the researcher adopted to gather the information needed for this study were the Primary and Secondary sources of data.

3.2.1 Primary Sources

Primary data are collected for special research. Observations, semi-structured, in-depth, and group interviews and questionnaire are some of the means through which primary data can be obtained (Saunders et al, 2007).

Due to the setup of Multi Credit Savings and Loans Company Limited, the questionnaire and semi-structured interview were found to be the most appropriate mode of gathering information for the study. These are the data collated at the grass root of the study from the company. In more simple terms, primary data implies those acquired from first-hand experience. Primary data has the benefit of allowing the researcher to assemble specific data which addresses the objectives of the research. It is also more dependable compared to secondary data since the researcher has the opportunity to test the validity and reliability of the data gathered.

3.2.2 Secondary Sources

These include both quantitative and qualitative data and are used mainly in both descriptive and explanatory research. Documentary, survey-based, and multiple-source are the three main classes of secondary data revealed by (Saunders et al, 2007). For the purpose of this study information was also gathered from sources like journals, books, business reports, research work and articles related to studies on the subject of budgeting and budgetary control.

3.3 Population

The population of the study covered the Senior and Middle Level Management Team. The study employed non-scientific or judgmental or purposive sampling technique to determine the sample size and respondents. Multi Credit Savings and Loans Company Limited has total staff strength of 1,850 broken down into three levels as follows;

i. Strategic Management Level(Senior Management Team) – 79

ii. Tactical Management Level (Middle Level Staff) – 110

iii. Operational Level (Junior Staff) – 1,661

3.4 Sample Size and Sampling Technique

A total sample size of thirty eight (38) was used for the study. The sample size was reached as follows; Multi Credit Savings and Loans Company Limited has nineteen (19) branches in Ashanti Region. The researcher stratified the branches into Kumasi and outside Kumasi zones. The company has Twelve (12) branches within Kumasi environs and seven (7) branches outside Kumasi. A 60% quota was applied on the total number of branches within Kumasi which gave seven (7) Branches and a 60% quota applied on the total number of branches outside Kumasi gave four (4) branches.

Three (3) key personnel each from the selected branches were chosen based on purposive/judgemental sampling. They were the Branch Managers, Credit Officers, and Relations Officers. The selected branches were;

Within Kumasi	**Outside Kumasi**
Adum	Konongo
Krofrom	Offinso
Suame	Ejisu
Maakro	Kuntenase
Alabar	
Atonsu	
Old Tafo	

In addition, five (5) key executives of the company were also selected based on the purposive/judgemental sampling for the face to face interview. The interview solicited information regarding their budgeting system in reference to objective one (1). They were also given questionnaires to fill to gather information for research objectives 2 and 3. These were the Head of Operations, The Credit (Loans) Manager, Executive Director, Human Resource Manager and Area Manager (these key personnel also form the Budget Committee)

Benefits derived from applying the non-scientific or judgmental or purposive sampling included the following;

i. the researcher has the chance to apply her personal intuition, experience and judgment in coming out with the sample size and the respondents;

ii. limits the application of statistical or mathematical method which requires some form of complex calculations ;

iii. it permits the researcher to look at other social issues and events in the random selection of the sample size, the respondents and drawing conclusions;

iv. this method do away with delays in the establishment of the sample size and who should be a respondent;

3.5 Data Collection Instruments

The instruments which were used to gather information were questionnaires and interview guide. The questionnaires were administered to the Senior Level Management comprising the Management Team, Branch Managers and Functional Heads of the company. The questionnaire was designed using close-ended questions. Semi-structured interview was also used to solicit information from some senior executives of the company. The benefit to be derived from using questionnaire includes among others that it allowed for quantitative analysis and ensured that all respondents are asked the same set of questions. Questionnaires are also marked by high level of confidence and high response rate. Face to face interview was also conducted on the five (5) key Executives of the company.

3.6 Data Analysis

Analysis of data is a process which involves examining, cleaning, converting, and modelling data with the purpose of finding useful information, recommending conclusions, and supporting decision making. Data analysis has many aspects and approaches, consisting of diverse techniques. The data gathered were evaluated and measured against the research objectives and questions to ensure their relevance and reliability. To ensure this was achieved, the researcher engaged the use of Statistical Package for Social Sciences (SPSS) and inferential analysis (a one-way ANOVA). Tables, graphs and pie chart were also used to present data.

3.7 Reliability and Validity

Validity is the extent to which a test measures what it is supposed to measure. The question of validity is raised in the context of the three points, the form of the test, the purpose of the test and the population for whom it is intended (Cronbach, 1990). Reliability is the degree to which a test consistently measures whatever it measures. Errors of measurement that affect reliability are random errors and errors of measurement that affect validity are systematic or constant errors.

Validity ensures that the tests of measuring and the tools used for measurement in the research are measuring correctly. Validity of inferences drawn is also validated under this.

The researcher applied due diligence and extreme carefulness during the data gathering, analysis and presentation in order to avoid or minimise errors. The researcher is therefore convinced that the information provided is to a greater extent reliable and valid.

3.8 Research Ethics

This deals with the rules, principles and standards for right conduct in undertaking the research. It refers to the practices adopted by the researcher to protect the rights of the respondents of the research (Creswell, 2008). It confirms again that the study will be conducted in a more responsible manner (Kumar, 2010).

The researcher sought approval from the Management of the firm to use the company as its case study. The topic, purpose and benefits of the study were communicated to them. The respondents were also assured that all the information will only be used for academic purposes and not for any other purpose and their responses would be treated with utmost confidentiality.

3.9 Profile of Multi Credit Savings and Loans Company Limited

3.9.1 History

MCSL commenced their business as a Community Bank in Kumasi. On the 17th of October, 1998, the company was legally established as a private limited liability company under the Companies Code 1963 (Act 179) and received license from the Bank of Ghana on 5th July, 1999 with the mandate to undertake non-banking financial operations under the Financial Institutions (Non-Banking) Law 1993 (PNDCL 328). After satisfying the requirements of the provisions of Sections 7 and 28 of the Companies Code, it began business on the 9th of August 1999.

Garden City Community Bank, as it was formerly called grew speedily with tremendous boost in the number of customers – particularly, petty traders and service providers wanting to save their monies and take soft loans to expand their businesses.

The Board of Directors of the Bank then decided to expand the operations by way of giving out financial assistance to its devoted clients. To legalize the advance of loans section of their operations, and as stipulated by Bank of Ghana, the Bank had to move into a savings and loans entity – a move which culminated in the change of the Bank's name from Garden City Community Bank to Garden City Savings and Loans Limited (GCSL). GCSL was one of the first non-bank financial institutions to be established in the Ashanti Region and Ghana. Its purpose was to create a profitable financial institution that would contribute to economic growth by creating jobs and extending loans to small and medium scale enterprises to support their growth and expansion.

Garden City Savings & Loans Limited then undertook a re-branding exercise altering the company's name to MCSL in February 2010. This new brand is evident in the variety of unmatchable products and services the Bank now offer to its customers.

3.92. Vision and Mission of Multi Credit Savings and Loans Company Limited (MCSL)

The vision of the Bank is to establish and sustain an outstanding image/goodwill as the giant savings and loans institution in Ghana.

Mission of Multi Credit Savings and Loans Company Limited (MCSL)

The company's aim is to establish demand-driven financial products and services and facilitate their accessibility to their target market.

3.9.3 Location /Operational Area

Multi Credit Savings and Loans Company Limited has its headquarters situated at Bantama-Kumasi, off the Bantama-Abrepo Junction high way

3.9.4 Products and Services

Apart from the main service MCSL offer to its clients; that is, receiving deposit and making cash and cheque payments to customers, they also offer a wide variety of products and services as outlined below;

i. Multi Project Financing
ii. Auto (Car Loans)
iii. LPO Financing
iv. Corporate Loan
v. Special Loan for Drivers
vi. Personal Loan
vii. Home Financing
viii. Guarantees/Leasing
ix. Yenmma Daakye Educational Loan
x. Adepa Loan Scheme
xi. Prestige Susu Loan
xii. Import Financing
xiii. Money Transfer

Their Strengths

i. moving banking to their customers' doorsteps through our well trained sales executives
ii. Mulch a savings habit among their customers, thereby aiding to raise their living standards
iii. provide over 140,000 customers and beneficiaries access to their outstanding and unmatched products and services

iv. inspiring investments by ordinary individuals and giving them access to financial services and products that they would not generally have the capacity to access from conventional banks

3.9.5 Management Structure

The Bank has a 12-member Management Team and also Board of Directors made up of 6 members.

Multi Credit Savings and Loans Company Limited (MCSL) has a total staff strength of 1,850 broken down into three levels as follows;

i. Strategic Management Level(Senior Management Team) – 79

ii. Tactical Management Level (Middle Level Staff) – 110

iii. Operational Level (Junior Staff) – 1,661

The Bank has 54 branches within the national boundaries of Ghana

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.0 Introduction

This chapter places emphasis on the presentation of the findings made in the course of the study. The chapter analyses and interprets the data gathered from the field. The findings are presented in charts and tabular forms for ease of interpretation. The presentation is done in the order of the research questions and objectives. The presentation and analysis of data are followed by discussion of results.

4.1 Background Information

The background information of respondents includes rank, gender, age, educational level, and duration of service in Multi Credit Savings and Loans Company Limited.

4.1.a Age

The distribution of respondents' age is illustrated in the table below.

Table 4. 1: Distribution of respondents by Age

Age		
	Frequency	Percentage
Between 20 -- 30yrs	15	39.5
Between 31 -- 50 yrs	21	55.3
Above 50 yrs	2	5.2
Total	38	100.0

Source: Primary data 2015

From the Table 4.1, 15 of the respondents representing 39.5% were between 20-30 years; 21 of the respondents representing 55.3% were in the age brackets 31-50; whilst the remaining 2 respondents representing 5.2% were above 50 years.

This indicates that the majority of the work force in Multi Credit who are exposed to the company's activities in terms of budgeting is between 30 to 50 years.

4.1.b Rank

The percentage distribution of respondents' rank is illustrated in the table below.

Table 4. 2: Showing distribution of respondents by Rank

Rank		
	Frequency	Percentage
Senior Mgt	5	13.2
Middle Mgt	33	86.8
Total	38	100.0

Source: Primary data 2015

From the Table 4.2, some of the respondents thus 13.2% were in senior management (thus Executive Director, Head of Operations, Area manager, Human Resource Manager and Credit /Loans manager) whilst the remaining 33 representing 86.8% were middle management personnel (thus Branch managers, Assistant managers, Relationship Officers, Credit Officers, and Account Officer). This shows that budgeting as done in Multi Credit Saving and Loans Company is the responsibility of only Middle and Senior Management but not Junior Staff.

4.1.1.a Gender

Out of 38 respondents sampled, 25 representing 65.8% were male whilst the remaining 13, representing 34.2% were female as indicated in the Table 4.3 below

Table 4. 3: Showing the distribution of respondents by Gender

Gender		
	Frequency	Percentage
Male	25	65.8
Female	13	34.2
Total	38	100.0

Source: Primary data 2015

The gender distribution showed that the staffs in Multi Credit Savings and Loans Company Limited are predominantly male. The researcher interpreted this being as a result of the fact that since women have to strike a balance between office work and managing homes, and given that the family well-being takes priority, demanding jobs like bank work tend to be unfavourable for females.

4.1.1.b. Educational Background

Table 4. 4: Distribution of respondents by educational attainment

Educational Background		
	Frequency	Percent
Secondary	1	2.6
Polytechnic	5	13.2
University	22	57.9
Post-graduate	10	26.3
Total	38	100.0

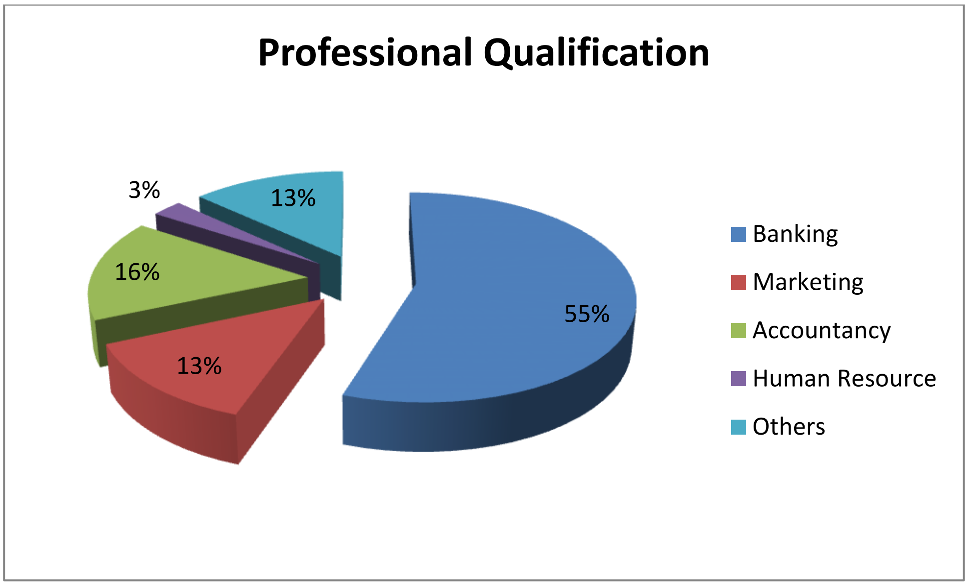
Source: Primary data 2015

Analysis of the level of education attained by the respondents revealed that very few thus 2.6 % of management has secondary education as their highest level of education attained; 13.2% has Higher National Diploma; 57.9% hold First degree; whilst the remaining 26.3% hold Masters' degree. This implies that majority of the workers in Multi Credit's management positions hold at least a first degree.

4.1.1.c.Professional Qualification

The respondents' professional fields of qualification were also assessed. This is presented in the chart below.

Figure 4.1 Percentage Distribution of Respondents by Professional Qualification



Source: Primary data 2015

With reference to the above distribution most of the respondents representing 55% have their qualifications in Banking; 16% are from the Accounting; 13% are from Marketing with only 3% from Human Resource. The remaining 13% are from other fields such as economics, management, sociology and also molecular and biotechnology. This shows that Multi Credit management level staffs are mainly drawn from fields with knowledge in Banking, Accounting and Marketing. Persons from other fields are also given the opportunity to demonstrate their ability to work and comply with financial standards.

4 Years Spent at Multi Credit

The duration in terms of years spent in Multi Credit by respondents was also assessed to ascertain to the extent of their knowledge of the budgeting system in the firm.

Table 4.5: Distribution of Respondents by Years Spent at Multi Credit.

Years Spent at Multi Credit		
	Frequency	Percent
1 to 5 yrs	23	60.5
6 to 10 yrs	8	21.1
11 to 15 yrs	7	18.4
Total	38	100.0

Source: Primary data 2015

From the Table 4.5, about two-thirds of management representing 60.5% have been at the firm between 1 to 5 years whilst the remaining of the staff are evenly distributed between 6 to 15 years of service to the firm.

The analysis shows that the high numbers associated with smaller number of years at the bank might be basically because majority are fresh graduates and young or due to how banking and financial institution workers easily switch firms, thus not allowing workers to spend more time with a particular institution.

4.2 Budgeting and Budgetary Control System at Multi Credit Savings and Loans Company Limited

After the researcher has conducted interviews for some key executives the following information was obtained about the budgetary system at Multi Credit Savings and Loans Co. Ltd.

In order to plan for the future Multi Credit Savings and Loans Co. Ltd has a six member budget committee in place who oversees to the preparation of the budget for the entire organization. They have since 1999 adopted the incremental budget system which is usually prepared on branch basis and later consolidated for the organization, then presented to the board of directors for approval.

Budget targets and strategic goals are communicated to employees through their various branch managers who relay to the sectional head to be communicated to their subordinates. Corrective measures such as promotions, demotions, queries or even dismissals are normally used by management to address deviations/variance that may arise from planned targets.

Review of the budget is done every quarter where conformance is scrutinized and emerging trends are assessed and inculcated by adjusting figures to best suit current trends.

The budget committee, constituted by heads of the various departments, is responsible for the preparation and coordination of budgets but there are also auditors who go round to ensure the right thing is done. Managers are often invited to respond to queries that are raised during the review. They are usually asked about the possible cause for deviation in performance and then the way forward in remedying the situation.

Multi Credit Savings and Loans Co. Ltd usually adapt the use of incentives to reward hard working staff who are able to achieve their targets. Respondents are of the view that budget and budgetary control system has assisted the firm in planning, organizing, directing, controlling and coordinating the activities of the organization. It also helps in the reduction of cost thereby keeping the organization on course in terms of profitability.

The challenges however spotted by respondents in the use of budget and budgetary control are the inaccuracy of information for the preparation of budgets, friction among heads of departments with regards to resource allocation, demotivation of staff since they are not involved in the preparation of budgets and then see it as an imposition on them.

The respondents were also of the view that, there should be involvement of all staffs especially those responsible for the implementation of the budget so that they can see themselves as part of the organization and put in their best to achieve the set targets.

4.3 Compliance of Budget and Budgetary Control at Multi Credit with best standards

Table 4.6A: Analysis of Respondents to the Best standards in Budget and Budgetary Control

	N	$Minimum$	$Maximum$	$Mean$	$Std. Deviation$
Acceptance and Support of Budget and Budgetary Control by Top Management	37	1	5	4.14	1.032
Budget linked to Corporate Strategy	38	2	5	4.11	.649
Corporate Objectives/ targets are communicated to all levels	37	1	5	3.38	1.233
Employees are well trained/ educated about the benefits of the budgeting system	38	1	4	2.58	1.222
Budgeting system facilitates effective coordination of the activities of the entire organization	38	1	5	3.68	.933
Flexibility is built into the budget	38	1	5	3.50	1.033
Staff and Management feel comfortable with the use of budget as a working tool	38	1	5	3.11	1.371
Staff are involved and allowed to have significant influence in the budget process	38	1	5	2.53	1.350
There are practicable controls to ensure that actual outcome conform to budget	37	1	5	3.59	.896
The Budgeting and Budgetary Control practice contribute to improvement of management efficiency and performance	38	1	5	4.00	.805
The Budgeting and Budgetary Control system are used as a benchmark to assess manager's and staff performance	37	1	5	3.86	1.004
The Budgetary Control Practices provides a basis for resource allocation to the various functions/departments effectively	38	1	5	3.61	1.128

From the Table 4.6A, with a mean of 4.14 the respondents agreed that Budget and Budgetary control is accepted and supported by top management. They also affirmed (mean = 4.11) that budget in Multi Credit is linked to corporate strategy. On communication of corporate objectives/targets, the respondents were somehow undecided. They also expressed views between indecision and disagreement with the education of employees by the firm about the benefits of the budgeting and budgetary control system. The mean of 3.68 indicates that they are in affirmation that budgeting systems facilitate effective coordination of activities of the entire organization. In terms of flexibility of budgets prepared by Multi Credit, the respondents barely agreed. They were undecided (mean = 3.11) in their response to staff and management’s comfort with the use of budget as a working tool whilst disagreeing with staff being involved and allowed to have significant influence in the budget process.

They barely agreed (mean = 3.59) with practicable controls to ensure that actual outcome conform to budget whilst totally responding in the affirmative (mean = 4.00) that budget and budgetary control practice contribute to improvement of management efficiency and performance. The respondents also agreed (mean = 3.86) to the fact that budget and budgetary controls are used as a benchmark to assess managers’ and staff performance whilst barely agreeing (mean = 3.61) to budgetary control practices providing means of allocating resources to various functions/department effectively.

In general, respondents agree to top management’s acceptance and support of budget and budgetary controls, corporate strategy being linked to budget, budgeting systems facilitating effective coordination of activities of the entire organization, budget and budgetary control practice contributing to improvement of management's efficiency and performance, the use of budget and budgetary control as a benchmark for assessing performance, whilst barely agreeing with it facilitating effective coordination of activities in the entire firm and the existence of practicable controls for ensuring that actual outcome conform to budgets.

They however disagreed with the involvement and allowance of staff to have significant influence in the budget process and also on the proper education of employees about the benefits of the budgeting system.

Table 4. 6B: Analysis of Respondents to the Best standards in Budget and Budgetary Control

	N	Minimum	Maximum	Mean	Std. Deviation
The Budgeting System helps to uncover potential bottlenecks before they occur	36	1	5	3.64	1.073
Budgeting and Budgetary Control system is employed in decision making	38	1	5	3.92	.969
The budget serves as an effective tool for planning	38	1	5	4.16	.823
The Budget is used as a basis for cost control and optimum utilization of resources	37	3	5	4.22	.584
The Budgetary control system has added competitive advantage to your organization's operations	37	1	5	3.43	1.068
The Company take corrective action to deal with variances/deviations if budget targets are not achieved	38	1	5	3.55	.978
The Budget provides a system of authorization and sets guidelines for spending limits	38	3	5	4.18	.457
The company use information technology to automate budgeting and facilitate workflow	38	1	5	3.29	1.037
The company use other performance measures to chat progress towards strategic goals and also in their incentive programs other than the budget	38	1	5	3.39	.916

From the Table 4.6B above, respondents agree that; budgeting systems help to uncover potential bottlenecks before they occur, the use of budget and budgetary control systems in decision making, budgets serve as an effective tool for planning and it being a basis for cost control and optimum utilization of resources. The respondents also affirmed that budgets provided a system of authorization and sets guidelines for spending limits.

They were however undecided as to budgetary control systems adding competitive advantage, the use of information technology to automate and facilitate work flow and also on the company using performance measures other than budget to chart progress towards strategic goals.

4.3.2 One way Analysis of Variance of Response (ANOVA)

An inferential analysis was conducted to ascertain if there is a statistically significant difference between the responses to the various questions assessing the standard of the budget and budgetary controls of Multi Credit.

The following hypotheses were formulated;

$$H_0\text{: } There\ is\ no\ significant\ difference\ in\ the\ response\ to\ best\ standard$$

$$H_1\text{: } There\ is\ significant\ difference\ in\ the\ response\ to\ best\ standard$$

This inferential analysis is conducted by performing a one way ANOVA test on the various responses. A one way ANOVA was conducted to examine whether there were statistically significant difference among the responses to the various questions posed to the respondents. This was started by first conducting a test for homogeneity of Variances.

Table 4. 7: Test of Homogeneity of Variances

Levene Statistic	$df1$	$df2$	$Sig.$
5.728	21	806	$.000$

From the Table 4.7 above, the Levene statistic is 5.728 with a p-value of 0.000 which is below 0.05. The result indicates that the variances among the various groups cannot be assumed to be equal thus the homogeneity of variance assumption has been violated.

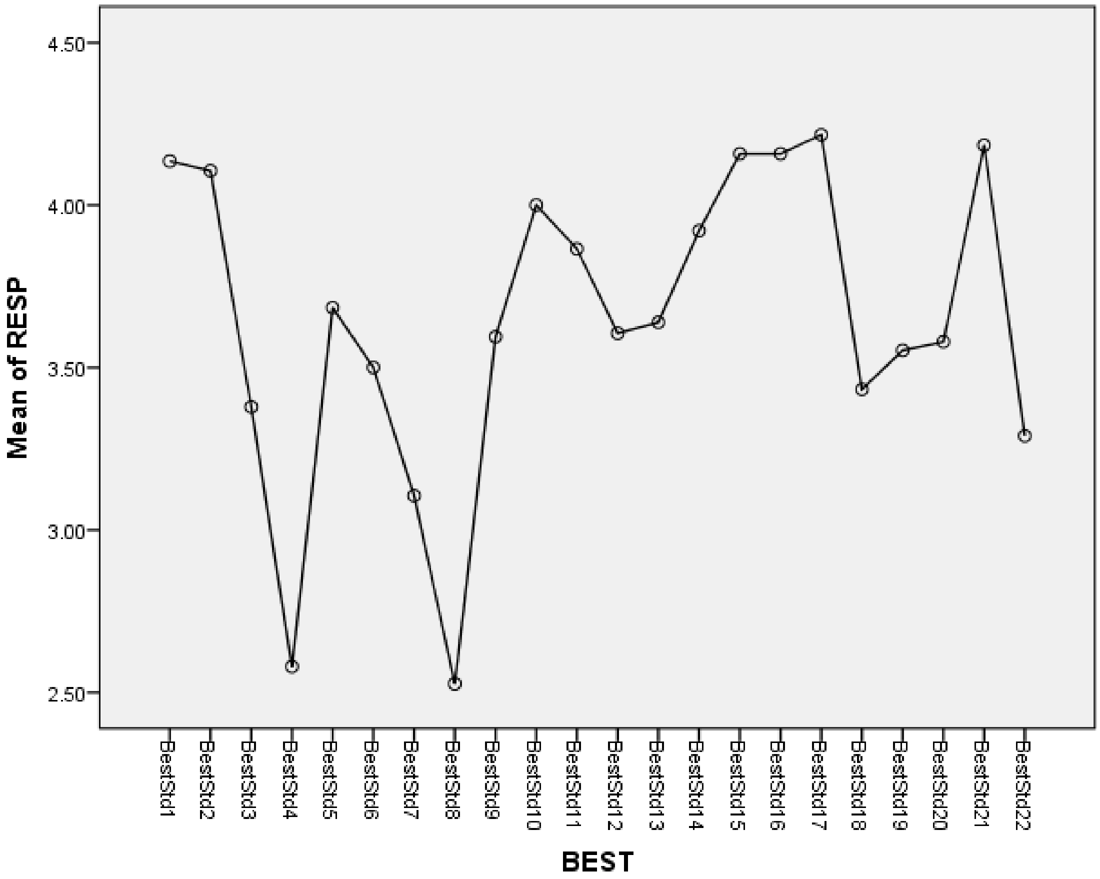
Table 4. 8: Robust Tests of Equality of Means

	$Statistica$	$df1$	$df2$	$Sig.$
Welch	8.387	21	293.792	$.000$
Brown-Forsythe	8.519	21	685.950	$.000$

Welch and Brown-Forsythe tests are considered since the variance in scores is not the same for the groups. Both the Welch and Brown-Forsythe statistics are significant with P-values of 0.000 which is less than 0.05 implying that even with the unequal variance the researcher can still have enough information to reject our null hypothesis that there is no significant difference between the responses to the various questions posed and conclude that the response to some questions generally differ from others.

To better see the difference in mean, the researcher examined the mean plots i.e. a pictorial representation of the various mean responses.

Figure 4. 2 Means Plots



After examining the mean plots, it was realized that the response to Best standard 4, 7 and 8 shows significant difference from the means of the responses to the rest of the Best standards.

This means whilst respondents either barely agreed or agreed that the standards of Budget and Budgetary control conforms to standards, they tend to be undecided about some other issues (that is employees being properly educated about the benefits of the budgeting system, Staff and management feel comfortable with the use of the budget as a working tool and Staff involved and allowed to have significant influence in the budget process).

These responses could be as a result of the fact that the entire staff not educated about the benefits of budget and budgetary control thereby making it difficult for their involvement in the preparation of budgets. This could also be as a result of the fact that the staff are not willing to respond to the question since they are part of the organisation.

4.4: Analysis of Problems/Challenges with budgeting and budgetary control at Multi Credit Savings and Loans Company Limited

Table 4. 9: Analysis of Problems with budgeting and budgetary control at MCSL

	N	Minimum	Maximum	Mean	Std. Deviation
Budgets consume time and it is very expensive to put together	38	1	5	3.11	1.110
Budgets strengthen vertical command and controls	38	1	5	3.79	.741
Budgets encourage gaming (internal politics) and perverse / dysfunctional behaviour	38	1	5	3.32	1.093
Budgets are based on unsupported assumptions and guess work	38	1	5	2.47	1.202
Budgets make people feel undervalued	38	1	5	2.05	1.089
Budgets focus on minimising cost and does not create value	37	1	5	3.00	1.374
Budgets are developed and updated too infrequently	35	1	5	2.94	1.187
Variances arise due to changing circumstances and poor forecasting	38	1	5	3.24	1.173
Budgets are seen as seen as a pressure tool	38	1	5	3.03	1.325
Budgets tend to create departmental conflicts /barriers over resource allocation and blaming each other when targets are not met	37	1	5	3.35	1.086
Managers and staff ignore their budgets because they appear unusable and unrealistic	38	1	5	2.71	1.354

As shown in Table 4.9, the study revealed that respondents were in general undecided (mean=3.11) even though others agreed that budgets are time consuming. Others were of the view that it was not. On budgets strengthening vertical command and controls, the respondents barely agreed (mean=3.79) whilst being undecided (mean=3.32) on budgets encouraging internal politics and perverse/dysfunctional behaviour.

The respondents disagreed on budgets based on unsupported assumptions and guess work (mean=2.47) and also budgets making people feel undervalued (mean=2.05). The respondents were generally undecided on the rest of the questions posed to them: Budgets concentrate on cost reduction and not value-creation (mean=3.00) , Budgets are developed and updated too infrequently (mean= 2.94), Variances arise due to changing circumstances and poor forecasting (mean =3.24), Budgets are seen as a pressure tool (mean=3.03), Budgets tend to create departmental conflicts /barriers over resource allocation and blaming each other when targets are not met (mean=3.35), and Managers and staff ignore their budgets because they appear unusable and unrealistic (mean=2.71).

4.5 Discussion of Results

MCSL has a budgeting system in place which is coordinated and developed by the Head of Operations who serves as the Budget Officer with the support of a committee of 6 members (the Head of Operations inclusive), and the others are the Executive Director, Human Resource Manager, Credit/Loans Manager, Auditor and Area Manager. This agrees with what Hilton (2000) and Garrison (1991) opined that the Budget Officer and Budget Committee have the responsibility of gathering data, coordinating and communicating the budget procedures and deadlines to all employees across the organization through the Budget Manual as confirmed by Drury (1996).

In Multi Credit Savings and Loans Company Limited, when the budget is prepared, it is given to the Board of Directors for approval and authorization to implement it by the various stakeholders within the organization. This is evidenced by what Hilton (2000) stated that the final approval to the Master Budget usually falls within the domain of the Board of Directors.

Multi Credit again employs the Incremental System of Budgeting which uses the previous year's figures as a base for the current year's figures. This technique is simple, understandable and operation-friendly in nature. It also helps the managerial level officials to operate consistently in their individual departments as supported by the works of Drury (1996). The only issue with this budgeting technique in contrast to Zero-Based Budgeting is that there is no justification of the figures / estimates used to arrive at the budgetary figures as evidenced by Adams et al (2003).

The study again found out that the Budgeting and Budgetary Control system operated at MCSL is in conformity, to a large extent, to best standards except for the lack of involvement of staff and proper training / education on the benefits of the budget and its usage. This is supported by the six (6) points which were elaborated by Anderson (2000) on the Best Standards of Budgeting and Budgetary Control Practices

With the issues on the problems faced by MCSL with the budget, it was evident that there are actually some setbacks that the company is faced with such as the considerable amount of time it takes to develop the budget; the budget being perceived as encouraging manipulation, internal politics and awkward behaviour as well as strengthening vertical-command and control. This can be seen from the 12 weaknesses which were outlined by Neely (2001) and Adams et al (2003) in reference to their studies regarding the subject matter.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

This chapter begins with a summary of some of the findings of this research, how the research objectives were achieved, and subsequently followed by contributions to knowledge. The chapter then concludes and some relevant recommendations were made on the conclusions and limitations of the study.

5.1. Findings

This study sought to identify the type of budgeting and budgetary control system at Multi Credit Savings and Loans Company Limited, assess the level of compliance with best standards and find out its problems/challenges. The research used both qualitative and quantitative approaches where in the qualitative, interviews were conducted to establish the type of budget and budgetary control system at Multi Credit Savings and Loans Co. Ltd whilst a questionnaire was also used to gather the other necessary data for the research.

Respondents who participated in the study were top and middle management staff of Multi Credit Savings and Loans Co. Ltd. The data obtained by administration of questionnaires was entered and processed using SPSS. Both descriptive and inferential analyses (ANOVA) were performed.

5.1.1 Budgeting and Budgetary Control System

During the study, it was evidenced that MCSL has a budgeting and budgetary control system in place which the company has been operating since the inception of the company (1999). Specifically, the company operates the Incremental Budgeting Technique. The Head of Operations serves as the Budget Officer who is also part of a committee of 6 key senior executives who are charged with the coordination and preparation of the budget. The budget is then sent to the Board of Directors for final approval after which they are disseminated to the various Branch Managers and then to their functional Heads for implementation.

5.1.2 Compliance to Best Standards

Best Standards requires for some level of compliance and the study revealed that MCSL's Budgeting and Budgetary Control System to a large extent complies with Best Standards in that the budgeting system is approved and accepted by Top Management who do not downplay on the significance of budget. The Budget Committee also meet on quarterly basis to review the performance of Branches and Departments against the set targets to find out if there are any deviations and for that matter what needs to be done to address those deviations. MCSL also has an Audit Team who play a supervisory role by periodically visiting the Branches to ensure they are adhering to the controls in place and also working to meet best standards. Management also communicate strategic and budget targets to Branch Managers and employees. The company does not use the budget as the only management control tool to measure performance but they also measure performance using other management control tools such as Key Performance Indicators (KPIs), adherence to company-wide rules and regulations on general conduct/behaviour.

5.1.3 Problems they face with Budgeting and Budgetary Control

The study again revealed that the major problem MCSL is faced with the budgeting and budgetary control system is lack of involvement of all levels of staff in the budget development process which makes them see it as an imposition on them. They also feel uncomfortable with the use of the budget as a working tool and feel de-valued/demotivated. The lack of proper education/training on the budget and its benefits was also seen as a major problem.

5.2 Conclusion

This study sought to investigate the budgeting and budgetary control practices at Savings and Loans Companies with specific reference to Multi Credit Savings and Loans Company Limited and the following conclusions can therefore be drawn from the findings and analysis revealed in the study.

Multi Credit Savings and Loans Company employs budgeting and budgetary control as one of the management control tools for enhancing its financial management. It is also evident 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; motivation; evaluation and control; and decision making

Furthermore, from all the relevant literature and issues which have been reviewed in this study and based on the findings presented from the analysed data, it is important to stress that budgeting and budgetary control remains an essential management control tool which should not be dispensed with by the management of Savings and Loans institutions but rather employed as a technique of constant appraisal and improvement of overall performance and productivity within these firms. In view of these, the following recommendations are made:

5.3 Recommendations

5.3.1 Periodic Training: MCSL should endeavour to organize periodic/regular training sessions for staff across all levels of the organization regarding the use of Budget and Budgetary Control system. The training can be facilitated by internal staff with well-vest knowledge on the subject matter or they can invite external facilitators to handle the training.

5.3.2 Involvement of all Staff: The management should also ensure that their plan of involving staff in the budget preparation from next year, as clearly pointed out by the Head of Operations come to fruition. This will ensure smooth implementation of the budget and they will also have the feel that it is their own budget. This can enhance communication of top management to lower level management for effective control and operations.

5.3.3 Realistic Budget Targets

The budget should be as practicable, achievable and tailored to suit each sector of the organization. This can be done by soliciting ideas, and information from the various Branches. This will help the staff and organisation to achieve the targets and benefits expected from the budgeting system.

5.3.4 Strengthen Budget Review

The quarterly review of the budget already undertaken by the Committee and Management must be strictly adhered to ensure flexibility in the budget to reflect changing business circumstances and complexities. This will go a long way to enhance the budgeting system of Multi Credit Savings and Loans Co. Ltd. to improve efficiency in operations.

5.3.5 Strengthen Internal Controls

The Audit Team should be well trained and equipped to make sure that the control systems in place are complied with by the various branches and all staff and it's operating effectively. This will also strengthen the corporate governance system of Multi Credit Savings and Loans Limited. Apart from enhancing shareholders value, strong internal control system will enhance risk management which is key for success in the financial service industry.

5.3.6 Information Technology Tool

MCSL should also employ the use of IT in its budget development processes. This will aid in the minimization of mistakes, integrate and disseminate information about their operations more quickly. Additionally, Information Communication Technology has been proven to be the backbone of sustainable growth and development in the financial service industry

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APPENDIX 1

ACCRONYMS AND ABBREVIATIONS

BCS	Budgetary Control System
MCS	Management Control System
ABB	Activity Based Budgeting
ZBB	Zero-Based Budgeting
MCSL	Multi Credit Savings and Loans Limited
GCSL	Garden City Savings and Loans

APPENDIX 2

INTERVIEW GUIDE:

1. Can you give a brief description of the Budgeting and Budgetary Control practices at Multi Credit Savings and Loans Limited?
2. What budgeting technique/method is being employed by Multi Credit Savings and Loans Limited?
3. How long has the company being using this technique/method of budgeting?
4. How does management communicate the budget target and strategic goals to employees?
5. What corrective measures are taken by management to address any deviations/variances that may arise from the planned targets?
6. How does management incorporate changing business circumstances and complexities into the budget preparation process?
7. Who is responsible for the preparation and coordination of budget?
8. Who approves the budget?
9. What systems of control are being put in place by management to ensure adherence to strategic goals and budget targets?
10. What other management control tool is being employed to measure performance at Multi Credit Savings and Loans Limited apart from the budget?
11. Can you mention some of the benefits you think budgeting and budgetary control system has contributed to the operations / performance of your organisation?
12. What are some of the challenges Multi Credit Savings and Loans face with the use of budget and budgetary control?

13. How has the budgeting and budgetary control practice aided in decision making and performance management?
14. What other comments/suggestions would you like to provide regarding the budgeting and budgetary control practices at Multi Credit Savings and Loans Limited?

Thank you

APPENDIX 3

QUESTIONNAIRE

This questionnaire survey forms part of a research conducted by Post-graduate students of KNUST-School of Business as part of our academic programme in partial fulfilment of the requirements for a degree. It aims to investigate the budgeting and budgetary control practices with specific reference to Multi Credit Savings and Loans Company Limited.

The questionnaire is solely for thesis purposes and all responses/information provided would be treated with strict and utmost confidentiality. You are kindly requested to spare me few minutes of your time and respond to all the questions below as honestly and objectively as you can. Please respond by ticking the one you deem appropriate and express your opinion as and when required. Thank you.

Section A:

Demographic/Personal Data:

1. Rank: Senior Management ☐ Middle Management ☐ Junior Staff ☐
   Position/Role Title: ……………………………………………………………

2. Gender: Male ☐ Female ☐

3. Age:

Less than 20 years ☐

Between 20-30 years ☐

Between 31-50 ☐

Above 50 years ☐

4. Educational Background:

4a. **(Please tick your highest academic level):**

Secondary Level ☐

Tertiary: University ☐ Polytechnic ☐ Training College ☐

Post-graduate level ☐

4b. **(Please tick your Professional Qualification):**

Banking ☐ Marketing ☐ Accountancy ☐ Human Resource ☐

Others (please specify)………………………………………………………..

5. How long have you worked with Multi Credit Savings and Loans Limited?

1 -5 years ☐ 6 – 10 years ☐ 11 – 15years ☐ 16 – 20 years ☐

Above 21 years ☐

SECTION B:

6. **Please indicate your level of agreement / disagreement to the following Indicators of Best Standards of Budgeting and Budgetary Control Practices** ***(please tick in the appropriate column)***

	Indicators of Best Standards	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree
a.	Acceptance and support of Budget and Budgetary Control by Top Management					
b.	The Budget is linked to the overall Corporate Strategy/goals					
c.	Overall Corporate objectives/targets are communicated to all levels of employees					
d.	Employees are properly educated about the benefits of the budgeting system					
e.	Budgeting system facilitates effective coordination of the activities of the entire organization by integrating the plans of the various functions/departments					
f.	Flexibility is built into the budget to make room for periodic review to reflect current conditions and complexities					
g.	Staff and Management feel comfortable with the use of the budget as a working tool					
h.	Staff are involved and allowed to have significant influence in the budget process					
i.	There are practical controls to ensure that actual results conform to budget					
j.	The Budgeting and Budgetary Control practice contribute to the improvement of management efficiency and performance					

k.	The Budgeting and Budgetary Control system are used as a benchmark to assess manager’s and staff performance					
l.	The Budgetary Control Practices provides a means of allocating resources to the various functions/departments effectively					
m.	The budgeting system helps to uncover potential bottlenecks before they occur					
n.	Budgeting and Budgetary Control System is employed in decision making					
o.	The budget serves as an effective tool for planning					
P.	The Budget is used as a basis for cost control and optimum utilization of resources					
q.	The Budgeting control system has added competitive advantage to your organisation’s operations					
r.	The company take corrective action to deal with variances/deviations if budget targets are not achieved					
s.	Budget motivate managers and employees to perform better					
t.	The Budget provides a system of authorization and sets guidelines for spending limits					
u.	The company use information technology to automate budgeting and facilitate workflow					
v.	The company use other performance measures to chart progress towards strategic goals and also in their incentive programmes other than the budget					

SECTION C:

7. **Please indicate your level of agreement/disagreement to the Problems/Challenges you face with Budgeting and Budgetary Control Practices** ***(please tick in the appropriate column)***

	Problems/Challenges	Strongly Agree	Agree	Undecided	Strongly Disagree	Disagree
a.	Budgets are time consuming and costly to put together					
b.	Budgets strengthen vertical command and control					
c.	Budgets encourage gaming(internal politics) and perverse dysfunctional behaviour					
d.	Budgets are based on unsupported assumptions and guesswork					
e.	Budgets makes people feel undervalued					
f.	Budgets concentrate on cost reduction and not value-creation					
g.	Budgets are developed and updated too infrequently					
h.	Variances arise due to changing circumstances and poor forecasting					
i.	Budgets are seen as a pressure tool					
j.	Budgets tend to create departmental conflicts/barriers over resource allocation and blaming each other when targets are not met					
k.	Managers and staff ignore their budgets because they appear unusable and unrealistic					

8. What other comments/suggestions would you like to provide on the Budgeting and Budgetary Control Practices at Multi Credit Savings and Loans Limited

a. ……………………………………………………………………………………..
b. ……………………………………………………………………………………
c. ……………………………………………………………………………………
d. ………………………………………………………………………………......
e. ……………………………………………………………………………………
f. ……………………………………………………………………………………
g. ……………………………………………………………………………………
h. ……………………………………………………………………………………..
i. ……………………………………………………………………………………