

# Effect of Budget Monitoring and Control on Financial Performance of Manufacturing Firms in Kenya

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**Abstract:** Recently, manufacturing companies faced numerous difficulties, such as incurring losses, failing to meet their financial obligations, and struggling to align actual expenses with planned budgets, despite extensive use of budgetary control measures. Several efforts were made to enhance the financial performance of manufacturing firms, such as government reducing production costs and providing budget allocations such as subsidies. However, these issues continue to persist. The purpose of this study was to establish the effect of budget monitoring and control on financial performance of manufacturing firms in Kenya. As demonstrated over the five-year period from the years 2018 to 2022, the financial performance of some manufacturing companies has continued to decline and fluctuate unpredictably even after implementing budgetary control. The four specific objectives were; to examine the effect of cost control on the financial performance of manufacturing firms in Kenya, to determine the effect of variance analysis on financial performance of manufacturing firms in Kenya, to establish the effect of risk management on financial performance of manufacturing firms in Kenya, and to find the effect of profit maximization on financial performance of manufacturing firms in Kenya. The study was anchored on two theories, resource-based view (RBV) and goal setting theory. Research hypotheses were evaluated at a significance level of 0.05. The study employed a descriptive survey design and the target audience was seven hundred forty-one (741) manufacturing firms operating in Kenya. The study used both primary and secondary data. Descriptive statistical methods were applied to describe the application of budget monitoring and control in the sampled manufacturing firms. Inferential statistical techniques such as correlation analysis and regression analysis were applied to test the hypotheses of association and differences. The collected data was processed using the statistical package for social science (SPSS). The study findings revealed that budget monitoring and control ( $\beta=0.679$ ,  $p\text{-value}=0.000$ ), have significant positive effect on the financial performance of manufacturing firms in Kenya. The findings from the study have shown that budget monitoring and control has a positive and significant effect on the financial performance. This implies that budget monitoring and control makes it easier for the organizations to plan and control finances. The findings also recommends that effective budget monitoring and control identifies variances between actual and budgeted costs, enabling management to take corrective actions to control costs.

**Keywords:** Budget monitoring and control, variance analysis, financial performance

## I. Introduction

Budget monitoring and control is the process of utilizing the available resources, minimizing expenses, and aligning planned activities to actual results. Manufacturing firms' resources are limited, and budgetary control allows adopting measures that effectively utilize resources and provide returns. Budgetary control is important in the organization since it helps analyse variances and take corrective action (Katana, 2022) Manufacturing firms' budgetary control includes liquidity control, debts which enhances the capability of the manufacturing firm to meet daily expenses and finance daily operations. Implementing budgetary control in the manufacturing firms includes benefits like increased profits and ensuring a company's business continuity (Akeem, 2014).

In Kenya, there has been underperformance of manufacturing firms over the last five years. Structural adjustment and liberalization have been made in the manufacturing sector since the early 1980s and 1990s in order to strengthen competitiveness and reduce excess capacity in industrial sector with an aim of maximizing performance, financial stability

and efficiency. Nevertheless, the manufacturing firms have been recording inconsistent average profit before tax. From 2013 to 2017, the average increase in profit before tax has always been below 20 percent. This is not remarkable given that structural adjustments and liberalization including the new millennium policies since 2000s have been implemented with an aim of improving the performance of the manufacturing firms in Kenya (Adhaya, 2023). Budgeting is very essential regulating to day-to-day operations of any business (Pimpong & Laryea, 2016). It is a framework for ensuring achievement of programmes concerned with business goal and objectives, under a given time period, by use of specific availed resources. The budget outlines the available resources as well as the future required resources (Smith & Lynch, 2004). The budget framework incorporates firm activities that are essential to the wellbeing of the organization (Koech, 2015). The components of the framework include budget control, budget planning, budget implementation and budget review. According to (Okumu, 2021) budgetary control involves continuous planning and control after which the relevant information on the real results is passed to managers for comparison purposes against the planned budget. A developed and broad system of budget control is increasingly being recognized by many organizations as it ensures minimal differences between the planned budget and the outcome as well as increasing firm efficiency and reducing cost (Adembesa, 2020).

According to Jones (2016), companies in the United Kingdom mostly make budgets to facilitate planning, assessment of performance, and control. (Mgobhozi, 2012), states that manufacturing firms in US indicated that a positive association that exists between capital budgeting practices such as budget identification, development of capital investments, and budget control, and their financial performance are the main reasons why they create budgets. According to Qi (2015) Chinese SMEs adopt formal budgeting planning processes as they associate them with higher sales revenues.

Agbenyo, Danquah and Shuangshuang (2018) on Ghana Stock Exchange evaluated the association between budgeting and financial performance of publicly listed firms and found a positive association between them. Pimpong and Laryea (2016) observed that budget planning and budget monitoring had positive relationship with the performances of Ghanaian firms, which was statistically significant. In Uganda, Kabayaga (2013) indicates that budgeting contributes to organizational performance in terms of time management as way of appropriate time planning and proper distribution of resources which helps manufacturing firms to generate profits in time, and also gives direction on future progress.

Sebastian (2018) conducted research in Tanzania to investigate the impact that budgeting has on the financial performance of a number of different industrial companies located in the Kinondoni District of Dar es Salaam. Onduso (2013) studied firms in Kenyan capital of Nairobi and found out that formal budgeting process had a strong positive association with financial performances of manufacturing firms that was measured by return on assets (ROA).

## **II. Statement of the Problem**

Over-time, manufacturing companies have made several efforts to enhance their budgetary control in order to strengthen financial discipline (Rhodes, 2020). These firms have brought in experts to design budgetary control systems that align with the changing environmental conditions. Even with the extensive implementation of budgetary controls, many manufacturing companies continue to face liquidity issues. The Kenya National Bureau of Statistics Report (2022) indicates that these firms operate with negative working capital, have unpaid creditors, and are unable to meet all their short-term liabilities necessary for smooth business operations. The overall growth rate of manufacturing firms has decreased, dropping from 6.2% in 2016 to 4.9% in 2022, posing a risk to achieving the Big Four Agenda and Vision 2030. There is considerable empirical evidence on the link between budgetary control and performance. Akintoye (2018) investigated the relationship between budgeting, budgetary control, and the performance of selected food and beverages companies in Nigeria, finding a significant correlation. Similarly, Pimpong and Laryea (2016) explored the impact of budgeting on financial performance of non-bank financial institutions in Ghana and discovered a positive relationship between the two.

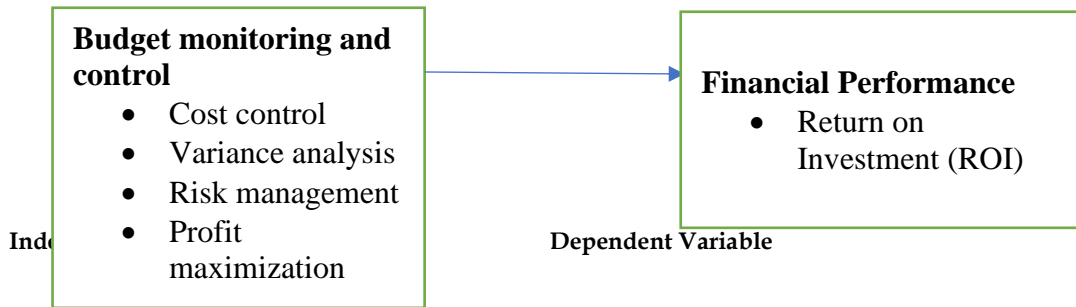
In Kenya, numerous studies have examined the relationship between budgetary control and performance of commercial banks (Koech, 2015; Onduso, 2013; Munene, 2010; Kipkemboi, 2013). Koech (2015) specifically investigated the effect of budgetary control on the performance of companies listed on the NSE, concluding that budgetary control influences firm performance. Despite these findings, the existence of such a relationship in commercial banking sector is not clear, which highlights the need for the current study. Onduso (2013) evaluated the impact of budgeting on firm performance in Nairobi, Kenya, and found that budgeting and management influenced performance. However, since this study focused on manufacturing firms, its findings cannot be generalised to commercial banks. Consequently, given the gaps identified in these studies, there is limited empirical evidence on the link between budgetary control and performance, which motivates this study.

### III. Purpose of the Study

The study sought to examine the effect of budget monitoring and control on the financial performance of manufacturing firms in Kenya

### IV. Hypothesis of the study

1. H<sub>0</sub>: Budget monitoring and control has no significant effect on the financial performance of manufacturing firms in Kenya
1. Conceptual framework



### V. Theoretical Review

#### a. Resource Based View Theory

Resource-based theory (RBT), also known as the resource-based view (RBV), has its proponents in various influential scholars and has experienced substantial development over the years. This theory was initially introduced by Birger Wernerfelt in his 1984 paper, "A Resource- Based View of the Firm", is often credited with laying the groundwork for RBT. He argued that firms should look at their internal resources to comprehend how they can attain a competitive edge. In 1991, Jay Barney further developed the theory, identifying specific criteria that resources must meet to provide a competitive advantage: they must be valuable, rare, inimitable, and non-substitutable. This theory posits that a company's resources and capabilities are key to its competitive advantage. Budget monitoring ensures optimal allocation and utilization of financial resources, enabling the company to strengthen its core competencies.

In conclusion, resource-based theory provides a robust framework for understanding the strategic importance of a firm's internal resources. Its proponents have laid the groundwork for its development, making it a pivotal concept in strategic management. The theory's application varies with firm size, offering insights into how different organizations can leverage their unique resources for sustained competitive advantage. Monitoring budgets can prevent resource wastage and focus spending on high-impact areas. This theory therefore, supports the budget monitoring and control.

#### b. Goal Setting Theory

This study employs goal-setting theory to enlighten the correlation between budget monitoring and control, and financial performance of manufacturing firms. According to Locke (1975), argue that goals which are clearly defined, realized and understood by groups within an organization will generate higher levels of achievement if it is go together with the acceptance of the goals set. Further, (Locke & Latham, 2013) also suggest that the presence of clear goals and objectives can ease ambiguity and insufficiency of direction for organization staff. Goal-Setting theory accentuates the robust connection between goals, commitment, performance and the development of strategies to motivate and guide individuals towards accomplishing goals. This theory asserts that clear and specific goals lead to better performance. Budgets act as financial goals for a company, providing targets for revenue generation, cost control, and investment. Monitoring ensures alignment with these goals.

### VI. Budget Monitoring and Control, and financial Performance

Budgetary control is a system that helps organizations manage costs by setting and adhering to budgets. It involves comparing actual performance against the budgeted figures to identify and address any deviations. This process includes analysing the causes of these differences and implementing recommendations to minimize gaps between planned and actual outcomes. Key objectives of budgetary control include improved financial performance, profit maximization, decision making, promote transparency and financial accountability (AL Mahroqi, 2021), budgetary control is closely tied to the responsibilities of decision-makers, who must align the budget's targets with the company's growth objectives. By monitoring budgetary goals against actual achievements, the organization can ensure its activities are on track, making

budgetary control a critical financial and administrative function (Gunawan et al., 2023). According to (Etale<sup>1</sup> & Idumesaro<sup>2</sup>, 2019) that explained the internal control system of the organization is the one that manages the financial side of the organization, and budgetary controls fall within the scope of this system. The management of the organization works to control its efforts and budget to achieve its financial and organizational goals, as it assesses its budget to use it effectively to achieve the goals through controlling the management of resources and reducing costs, but it is not possible to achieve the goals set within the plans of the organization unless the budgetary control is properly implemented. Budgetary control is linked to the development of planning, and via planning, the work team develops solutions to the expected financial problems, which helps reduce costs and achieve the goals of the organization.

According to (Prasad et al., 2023) budgetary control is a cornerstone of financial management for businesses, widely utilized by CEOs globally for planning, monitoring, and managing financial resources. It plays a critical role in establishing regulations and aligning strategies. By adopting comprehensive budgetary control methods, organizations can allocate funds effectively, monitor expenditures, and maintain financial oversight. Serving as a tool for informed decision-making, it helps mitigate financial risks, optimize resource use, and ensure organizational stability and financial well-being.

Grossi & Argento, (2022) emphasize that the budget control process helps companies address inefficiencies, particularly in managing costs and finances. Beyond defining resources and expenses, budgeting plays a critical role in overseeing an organization's financial operations. It involves setting goals, imposing resource limitations, monitoring progress, assessing performance, and managing risks, all of which support the effective allocation and use of resources. This enables organizations to maintain operational stability and control costs efficiently. According to (Pebrianti & Aziza, 2019) , accounting controls are essential for maintaining accurate financial records and minimizing the risk of errors. Most organizations utilize budget control as a key mechanism to enforce internal controls. As (Mohamed et al., 2015) point out, this approach provides a robust management framework that ensures resources are allocated efficiently and effectively. The processes of budgeting and budget control are indispensable for overseeing and managing organizational finances. Budgeting supports goal-setting, resource allocation, and performance evaluation while fostering transparency in expenditures. Together, these processes establish benchmarks for comparing actual performance with plans, identifying inefficiencies, and ensuring accountability. The integration of budgeting and budget control is crucial for promoting efficiency and ensuring the financial sustainability of an organization.

In Kenya, (Shitanda Nyongesa et al., 2016) research has explored the relationship between budgetary control and financial performance in various organizations. One study focused on public higher education institutions in Western Kenya, utilizing a descriptive survey and regression analysis. This research found a positive relationship between budgetary control practices and institutional performance. Similarly, (Keng'Ara & Makina, 2021) investigated the influence of budgetary control on the performance of the East African Portland Cement Company. Another study by (Adongo & Jagongo, 2013) analysed the link between budgetary control and the financial performance of state-owned enterprises in Kenya. Their research aimed to identify the critical aspects of budgetary control in these organizations, examine the role of human factors in the budgeting process, assess the implementation of budgetary control in public entities, and identify the challenges faced. The study employed a descriptive survey design, gathering data from managers in selected state corporations. Out of 138 corporations, 14 were selected, and purposive sampling was used to choose 42 participants, including corporate services managers, finance managers, and budget officers. Data was collected through a questionnaire, whose validity was ensured through expert review and reliability confirmed via a test-retest method.

The results revealed a significant positive relationship between budgetary control and the financial performance of state corporations. Key budgetary features demonstrated an ability to predict organizations' financial achievements. Human factors, such as managerial commitment, employee motivation, training, competence, and attitude, were found to influence the budget control process. The budgetary control process significantly impacted financial performance by shaping financial objectives, fund allocation, and investment activities. The study recommended raising awareness among management and employees about the importance of budgetary controls, avoiding political interference in the budget process, and using budgets as tools to improve management efficiency (Adongo & Jagongo, 2013).

**VII. Research Methodology**

**7.1 Research Design**

Research design involves structuring the conditions for collecting and analysing data to achieve a balance between the study’s objectives and operational efficiency (Kerlinger, 2011). It acts as a strategic plan for gathering, measuring, and interpreting data. This study adopted a mixed-methods research design (Creswell, 2003). According to John W. Creswell, the mixed-methods approach integrates qualitative and quantitative techniques within a single framework, providing a comprehensive perspective on research questions. By combining the strengths of both methods, this approach also addresses their individual limitations. Specifically, the study employed a cross-sectional design alongside the mixed-methods framework. Cross-sectional studies collect and analyze data at a specific point in time, while the mixed-methods approach unites qualitative and quantitative strategies to deliver a deeper and more holistic understanding of the research issues (Creswell, 2003). The study’s target population were 741 manufacturing firms operating in Kenya. The respondents were; the chief finance officers, and accountants of manufacturing firms registered with KAM. The study used purposive sampling to select the 259 managers of departments from a target population of 741. The data spanned five years, from 2018 to 2022, and was sourced from the financial statements of the manufacturing firms.

**7.2 Data Collection Instruments**

Parahoo (2014) defines a research instrument as a tool utilized for data collection. It serves as a structured system for assessing perceptions, attitudes, and abilities. Primary data was gathered through a self-administered, semi-structured questionnaire. The questionnaire consisted of closed-ended questions and a customized five-point Likert scale to measure the study variables based on responses from departmental heads. A secondary data collection template was employed to gather quantitative data. Kothari (2011) emphasizes the importance of establishing a robust data collection method to facilitate effective data gathering.

**VIII. Study Findings**

**8.1 Descriptive Results on Budget Monitoring and Control**

Budgetary control is a system that helps organizations manage costs by setting and adhering to budgets. According to (Prasad et al., 2023) budgetary control is a cornerstone of financial management for businesses, widely utilized by CEOs globally for planning, monitoring, and managing financial resources. It plays a critical role in establishing regulations and aligning strategies. By adopting comprehensive budgetary control methods, organizations can allocate funds effectively, monitor expenditures, and maintain financial oversight. Serving as a tool for informed decision-making, it helps mitigate financial risks, optimize resource use, and ensure organizational stability and financial well-being.

**Table 1: Descriptive Results on budget Monitoring & Control**

Opinion Statement	SD	D	N	A	SA	Mean	Std. Deviation
	%	%	%	%	%		
1. Ensures expenses are kept within budget limits	0	52	5.9	41.2	2	4.028	.07608
2. Revenue and expenses supports profit targets	2.9	8.8	54.9	14.7	18.6	4.000	.06996
3. Track spending to hold departments accountable	0	3.9	30.4	54.9	10.8	3.782	.10100
4. Funds are used responsibly and for intended purpose	2.9	30.4	41.2	24.5	1	3.718	.09996
5. Ensure that spending align with the firms’ revenue and cash flow	8.8	4.9	34.3	36.3	15.7	3.493	.09726
6. Prevents financial inefficiencies and unnecessary expenses	2	15.7	21.6	39.2	21.6	3.514	.08643
7. Provide timely data to guide management reallocating resources	2	38.2	37.3	8.6	3.9	3.415	.08891
<b>Average</b>						<b>7.71</b>	

**Key, scale: 1-1.8 strongly disagree, 1.8-2.6 disagree, 2.6-3.4 neither agree nor disagree, 3.4-4.2 agree, 4.2-5 strongly agree.**

The highest mean score was registered by expenses are kept within budget limits with a mean of 4.028 and the second was revenue and expenses supports profit targets with a mean of 4.00. The third was track spending to hold departments

accountable with a mean of 3.782 while the fourth was funds are used responsibly and for intended purpose with a mean of 3.718. The fifth was ensure that spending align with firms’ revenue and cash flow with a mean of 3.493. The sixth variable was preventing financial inefficiencies and unnecessary expenses with a mean of 3.514. The last variable was provided timely data to guide management reallocate resources with a mean of 3.415.

The mean scores imply that the higher the mean the higher the effect of the construct on participative budgeting. The overall mean score for all the measures was moderate at 3.176. The mean scores differed from one manufacturing firm to another with the highest difference being noted in ensuring expenses are kept within budget limits. The least variance was provided timely data to guide management reallocate resources. The results imply that most respondents felt that expenses are kept within budget limits with the highest mean of 4.0282 while opinions relating to timely data to guide management reallocate resources had the least effect at 3.415.

**8.2 Inferential Results of Budget Monitoring and Control on Financial Performance**

To find out the factors that were driving budgetary control in manufacturing firms, KMO and Bartlett’s tests were performed. KMO measures sampling adequacy which explains the extent to which indicators of a construct belong to each other. The results of the factor analysis are shown in Table 1.2

**Table 1.2: Budget Monitoring and control Measures KMO and Bartlett’s Test**

Kaiser-Meyer-Olkin		Measure of Sampling Adequacy
Adequacy		.772
	Approx. Chi-Square	377.728
Bartlett’s Test of Sphericity	df	36
	Sig.	.000

KMO measures on budgetary control had 0.772 which represented great acceptability of the use of factor analysis and sufficient intercorrelations.

Bartlett’s test of Sphericity is significant (chi-square=377.728, p<0.000). Bartlett’s test checks if the observed correlation matrix diverges significantly from the identity matrix. The total variance explained in the budgetary control constructs is explained in Table 4.42.

**Table 1.3: Total Variance Explained for Budget monitoring and Control Measures**

Component	Initial Eigen Values			Extraction Sum of Squared Loadings			Rotation Sum of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.981	49.812	49.812	4.981	49.812	49.812	4.968	49.685	49.685
2	2.112	21.124	70.937	2.112	21.124	70.937	2.125	21.252	70.937
3	.980	10.890	81.827						
4	.682	7.580	89.407						
5	.489	5.434	94.841						
6	.247	2.749	97.590						
7	.115	1.279	98.870						
8	.066	.736	99.606						
9	.035	.394	100.000						

Extraction Method: Varimax Rotation

The analysis of variance identified the Eigen values are the elements that describe the degree of change in each variable in relationship to the total overall variables. In the analysis of variance other elements include the percentage of variance and also the cumulative percentages which were explained by the extracted factors before and after the rotation. The nine measures of budgetary control were subjected to factor analysis and the results show that there were two important factors driving budgetary control use in manufacturing firms which accumulated to 70.937% of the total variance.

Factor I had the highest variance of 49.812% while factor two had 21.124%. These two factors had the greatest influence on budgetary control and hence the financial performance of manufacturing firms. This is because they all had Eigen values of more than 1.0. The analysis of variance identified the Eigen values which is the variance of each factor or component in comparison with the total variance of all the items in the construct. from the Variance matrix, two variables had Eigen values of more than 1.0 which meant that these were the budgetary control variables that had the highest influence on the manufacturing firm’s performance.

**8.3: Linear Regression Model of Budgetary Control and Financial Performance.**

Data on independent variables were regressed on the aggregate mean scores of financial performance (dependent variable) and the results were presented in Table 4.44. The coefficient of determination (R<sup>2</sup>) and correlation coefficient (R) show the degree of association between budgetary control and the financial performance of manufacturing firms in Kenya.

**Table 1.4: Regression of Budget Monitoring and Control and Financial Performance**

Model	R	R Square	Adjusted R Square	Std. Error of Estimates
1	.679 <sup>a</sup>	.461	.457	.76670

a Predictors: (Constant), Budgetary Control

The results showed that budgetary control had moderate explanatory power on financial performance as it accounted for 46.1% percent of its variability (R square = 0.461). This means that about 46.1% of the variation in financial performance is explained by the results. Additionally, 53.9% of the variation in financial performance is unexplained by the model. Adjusted R<sup>2</sup> is a modified version of R<sup>2</sup> that has been adjusted for the number of predictors in the model by less than chance. The adjusted R<sup>2</sup> of 0.457 which is slightly lower than the R<sup>2</sup> value is a precise indicator of the relationship between the independent and the dependent variable because it is sensitive to the addition of irrelevant variables.

The adjusted R<sup>2</sup> indicates that 45.7% of the changes in the financial performance are explained by the model and 54.3% are not explained by the model. Therefore, budgetary control has a low influence on the financial performance of manufacturing firms in Kenya. Rahaman (2023) supported this study by establishing a moderately positive relationship between budgetary control and financial performance. The results are also supported by a study by Olaniyi and Abubakar (2018) which established a moderate relationship between budgetary control and financial performance.

**Table 1.5: ANOVA F-Test of Budget Monitoring and Control and Financial Performance**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	70.345	1	70.345	119.668	.000 <sup>b</sup>
Residual	82.297	140	.588		
Total	152.642	141			

a Dependent Variable: Financial Performance

b Predictors: (Constant), Budgetary Control

In Table 4.45 Stepwise ANOVA was done to test the significance of the independent variables on the dependent variable and the existence of variable variations within the model. The ANOVA test results on budgetary control revealed an F-statistic of 119.668 which was significant at 0.05 (P < 0.05). ANOVA test revealed that budgetary control has a significant effect on the financial performance of manufacturing firms. The P value was 0.000 which was less than 5% level of significance. The P value was 0.000 implying that the model was significant. The study therefore rejected the third null hypothesis.

Ho: Budgetary control does not significantly affect the financial performance of manufacturing firms in Kenya.

**Table 1.6 Model of Coefficients on Budget Monitoring and Control**

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
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	B	Std. Error	Beta		
(Constant)	.474	.234		2.031	.002
Budgetary Control	.794	.073	.679	10.939	.000

a Dependent Variable: Financial Performance

The regression constant is also significant; therefore, the fitted equation is;

The null hypothesis is rejected since  $\beta \neq 0$  and  $p\text{-value} < 0.05$ . The regression model is summarized by equation 4.6.

$$Y = \beta_0 + \beta_3 X_3 + \varepsilon$$

$$= 0.474 + 0.794 X_3 \dots \dots \dots \text{Equation 4.6}$$

Where,

Y – Financial Performance, X3 – Budget Monitoring and Control

From the regression model, it is clear that budget monitoring and control had a higher influence on financial performance.

**4.10.3 Correlation Results of Budgetary Control and Financial Performance**

A correlation test was conducted to test the relationship between budgetary control and the financial performance of manufacturing firms in Kenya. The correlation results are presented in Table 1.7.

**Table 1.7: Correlation Results of Financial Performance**

Variable		Budget Monitoring & Control	Financial Performance
Budgetary Control	Pearson Correlation	1	.679**
	Sig. (2-tailed)		.000
	N	141	141
Financial Performance	Pearson Correlation	.679**	1
	Sig. (2-tailed)	.000	
	N	141	141

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

A correlation test was conducted to test the relationship between budgetary control and the financial performance of manufacturing firms in Kenya. The correlation results are presented in Table 4.47. The results indicate that there is a relationship between budgetary control and financial performance with a coefficient of 0.679. This confirms that there is a positive and significant relationship between budgetary control and firms' financial performance.

**IX. Conclusions and Recommendation**

The findings from the study have shown that budget monitoring and control has a positive and significant effect on the financial performance. This implies that budgetary control makes it easier for the organizations to plan and control finances. The organization can predict future financial needs and the performance based on historical data, thereby making it easier to prepare for upcoming financial challenges and opportunities. However, majority of the managers in the manufacturing firms strongly agreed that they had not been embracing salient budgetary control features. For instance, no better decision-making, no cost control and efficiency, neither did they have performance evaluation. Managers agreed that regulatory compliance and reporting were not adhered to in totality. This has contributed to the dwindling of profitability of most manufacturing firms.

The findings also recommends that effective budgetary control identifies variances between actual and budgeted costs, enabling management to take corrective actions to control costs. This was found to lead to significant cost savings and improved profitability. Budgetary control assign responsibility for financial performance to managers and departments. This accountability encourages managers to adhere to budgetary constraints and make prudent financial decisions.



**Suggested Areas for Further Research:**

Future Research study should explore additional variables that influence financial performance. These variables could include external factors such as government policies, market conditions, and climate change as well as internal factors such as financial management, variance analysis, and risk management. By investigating a broader range of variables, future studies can provide a more comprehensive understanding of budgetary control on financial performance of manufacturing firms.

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