



## THE ROLE OF BUDGETARY CONTROL IN MANAGEMENT DECISIONS: A STUDY

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### ABSTRACT:

One of the most important tools of modern management accounting is budgetary control, which is a system in which an organization plans, accounts and controls its monetary resources against the overall goals within its organization. The research method used in this study is descriptive and analysis, data obtained from primary data from respondents who are managers, accountants and financial officers of the selected manufacturing and service companies as well as secondary data from published financial reports, academic journals and databases. The results show that there is a statistically significant positive effect of budgetary control on managerial decision quality, organizational performance, and cost efficiency. Variance analysis proved most popular, being used regularly by 78.3% of the organisations surveyed. Additionally, the study proves that firms that have high quality budgetary control system exhibit an average cost efficiency of 23.6% higher than those that have low quality or do not have budgetary control system at all. The study also shows that some of the major setbacks to good management of the budget are lack of staff training, resistance to participation in the budget and information asymmetry. Some of the recommendations are that institutional mechanisms of participatory budgeting processes should be ensured, a budgetary culture of financial accountability should be promoted through all organisational levels, and that the use of real-time variance reporting, based on technological solutions, should be encouraged.

### KEYWORDS:

**BUDGETARY CONTROL, MANAGEMENT DECISIONS, VARIANCE ANALYSIS, ZERO-BASED BUDGETING, ORGANIZATIONAL PERFORMANCE, FINANCIAL MANAGEMENT, COST EFFICIENCY, MANAGEMENT ACCOUNTING, BUDGET PLANNING, RESPONSIBILITY ACCOUNTING.**

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### 1. INTRODUCTION

At a time of tremendous technical advancement, intensifying market rivalry, and growing economic uncertainties, it is more important than ever for businesses to practise sound financial management if they want to stay in business and expand(Nanzala, L., 2021). Financial management and management accounting technologies like budgetary control streamline the once separate processes of planning, coordinating, and managing(Matsoso, M., 2021). Management may set financial goals in the form of a budget with the use of a systematic technique called budgetary control. Then, they can compare their actual performance to these goals and use the disparities to take corrective steps(Stancu, I., 2024). Scientific management, which included budgetary control, was first proposed by Frederick W. Taylor in the early 20th century. Globally, budgetary control has grown into a complex management accounting practice since the

mid-twentieth century, with applications in industry, services, government, and nonprofit organisations(Etale, L., 2019). Fixed budgets, flexible budgets, bottom-up or participatory budgeting, zero-based budgeting (ZBB), activity-based budgeting (ABB), and rolling budgets are just a few of the many fiscal control approaches available today(Chircir, C., 2017).

Managing the budget has a significant impact on managerial decisions at the strategic, tactical, and operational levels. Supervisors are able to re-allocate resources, save costs, enhance processes, and re-direct strategies when they accurately and promptly grasp deviation reports. Instead, poor financial management can lead to ill-informed decision-making, disorganisation, and misallocation of resources, which can eventually lead to the organization's downfall(Dokulil, J., 2022). Bhimani, Sivabalan, Soonawalla, and Wakefield's (2024) in-depth

analysis of the Journal of Management Control data confirms that annual and rolling budgets continue to be the most popular financial planning tools for businesses in the United Kingdom and Australia (Simons, R., 2019). Their findings further demonstrate the relevance of annual budget financial planning in the modern corporate world (Henttu-Aho, T., 2018). Furthermore, research by Isaac et al. (2024) corroborated the importance of budgetary control systems in ensuring responsible financial management in both public and commercial organisations. These systems help keep tabs on spending, identify any abnormalities, and hold people to account (Weygandt, J., 2020).

### SIGNIFICANCE OF THE STUDY

This study has consequences on several levels of relevance. The study's findings are relevant to practitioners because they shed light on how to create and execute a reliable budgetary control system, which in turn supports management decisions supported by evidence. Academics can use the study's empirical data to settle a disagreement over the best way to create a management control system for a company that is always changing. The study's identification of the institutional needs for effective budgetary governance, with a focus on developing markets like India's, makes it very relevant to policy and regulatory makers.

### STATEMENT OF THE PROBLEM

Despite widespread agreement that sound budgetary management is essential, data from both developed and emerging economies shows that many businesses still don't use it to its full potential when making important choices. The systematic review points to multiple causes for many organisations' underutilisation of the budgetary control system, which gives the appearance that these are the bare minimum for budget administration rather than systems to support pre-deliberate decisions (Kalagbor, 2022). The goal of this study is to fill a vital need by increasing the usage of budgetary control systems in management decision-making.

Currently, there is literature accessible on a variety of topics that are connected. One problem is that many companies are reluctant to view their annual budget as more than just a bunch of numbers on paper. This is particularly true of medium and small firms. Following approval, budgets are seldom revisited or adjusted to reflect shifting external circumstances, rendering them more irrelevant in directing management's activities. In unpredictable commercial settings, this inertia hinders adaptive decision-making and the advantages of budgetary management.

Second, many budgetary control management reports are lacking in substance because of insufficient attention to detail in the variance analysis process, which is critical for determining the root causes of unfavourable variances. Although variance reports are often prepared, they seldom influence management's choices for a number of reasons. As stated by Sugiarto (2023), there is a lag between when

deviations occur and when reports are prepared. Additionally, managers lack the necessary training to understand and use variance data.

Third, organisations with hierarchical cultures generally keep budget decision-making power in the hands of upper management, which can be a problem because participatory parts of budgetary control have been repeatedly recognised as a facet of commitment and effectiveness in the study literature. The importance of effective budgetary control in promoting financial transparency, accountability, and fiscal responsibility was highlighted by Dare et al. (2022). However, this is often overlooked when top-down budgets are imposed on users without providing operational managers with an explanation.

Fourth, developments in digital technology, such as cloud-based enterprise resource planning (ERP) systems, real-time data analytics, and forecasting tools based on artificial intelligence, have opened up new possibilities for better control of the finances. However, many organisations lack the necessary resources and expertise to fully benefit from these breakthroughs, particularly in emerging nations. The inadequate financial control and its potential to aid in management decision-making are exacerbated by this technological mismatch.

Nguyen (2024) and Jermias (2023) are only two of many studies that have shown the difficulties of creating and executing budgets in India. According to those research, big firms have invested in complex budgetary management systems, whereas small and medium enterprises (SMEs) have not even begun to tackle the most fundamental difficulties of budget design and implementation. This has fiscal consequences because small and medium-sized enterprises (SMEs) aim to employ over 110 million people and contribute around 45% of India's industrial production (Ministry of MSME, 2023) while having minimal control over corporate budgets.

## 3. RESEARCH METHODOLOGY

This study used a mixed-methods research strategy, combining quantitative and qualitative techniques, to get a comprehensive understanding of the connection between managerial decision-making and budgetary control. If you want to be able to statistically test your study hypotheses and identify contextual factors that can impact the budgetary control system's efficacy, you need to collect data from both the quantitative (survey) and qualitative (in-depth interview) methods.

### 3.1 RESEARCH DESIGN

The study's methodology used both descriptive and analytical techniques. In this section, we will describe the study area's budgetary control procedures, including the types of budgets utilised, the frequency of budget reviews, the methods for analysing deviation, and more. In the analytical section, statistical methods including chi-square tests of association, regression analyses, and correlation analyses are used to analyse the link between budgetary

control variables and the outcome of management decisions.

### 3.2 POPULATION AND SAMPLE

Managers, accountants, and financial officials from central Indian service and manufacturing organisations make up the population of this research. An appropriate representation of organization size (small, medium, and large size) and area of activity (manufacturing and services) was achieved by stratification of the sampling. For management research, descriptive and inferential statistical analysis with a sampling percentage of around 18.5% requires a sample size of 120 respondents from a population of around 650 eligible respondents.

We received 45 replies from firms with a yearly revenue of more than INR 500 crore, 38 from companies in the medium size range (50 crore to 500 crore), and 37 from companies in the small size range (less than 50 crore). There were 64 responders from manufacturing firms and 56 from service businesses, broken down by sector. The sample size was 42 for senior management, 35 for middle management, 28 for accountants, and 15 for internal auditing.

### 3.3 DATA COLLECTION INSTRUMENTS

The following five themes were covered by the 45-item structured questionnaire: (i) demographics and organisational profile; (ii) budgetary control practices: nature and scope; (iii) management decision making: role of budgetary control; (iv) effects of budgetary control on organisational performance; and (v) problems and barriers to effective budgetary control implementation. For the attitude questions, the questionnaire utilised a five-point Likert scale, where 1 meant strongly disagree and 5 meant strongly agree; for the factual and categorisation questions, it employed nominal and ordinal scales. There was high internal consistency (Cronbach's  $\alpha=0.847$ ) in a pre-test using a non-main-sample of 15 respondents.

Fifteen randomly selected senior finance managers and chief financial officers (CFOs) from the participating organisations participated in the qualitative data collection using semi-structured interviews. The interviewees' perspectives on the link between budgetary control and the quality of management decisions, as well as the difficulties and potential benefits of implementing budgetary control, were among the topics covered in the 45-60 minute sessions.

Sources for secondary data included the following: published annual reports of the organisations involved, scholarly journals such as Journal of Management Control, International Journal of Accounting, Finance and Risk Management, and Journal of Accounting and Financial Management, as well as reports from the government of India, Ministry of Finance, and Comptroller and Auditor General (CAG).

### 3.4 DATA ANALYSIS TECHNIQUES

The statistical package for the social sciences, SPSS 26, was

used to analyse the quantitative data. Descriptive statistics, including percentages, means, and standard deviations, are used to display the data of all quantitative variables. The bivariate correlations between the budgetary control variables and the results of management decisions were determined using Pearson's correlation coefficient. Despite the impact of organisational size, industry, and other confounding variables, five independent drivers of management decision quality were established by multiple linear regression analysis. The chi-square test was used to look for correlations between the two sets of categorical variables, which were the organisational performance category and the budget type. The significance threshold of all the inferential tests was set at  $\alpha = 0.05$ .

The data was first "frozen" (that is, familiarised with the data, coded, generated initial codes and themes, searched for themes, reviewed, and finally analysed) before thematic analysis (Braun & Clarke, 2006) was applied to the qualitative interview data. We conducted iterative analysis on the interview transcripts to identify themes and patterns about the managers' decision-making process and the function of budgetary control. We then double-checked these themes with three of the managers we interviewed.

### 3.5 HYPOTHESES

The following null hypotheses were formulated and tested in this study:

**H<sub>01</sub>:** Budgetary control does not have a significant positive impact on management decision quality.

**H<sub>02</sub>:** There is no significant relationship between the type of budgetary control technique employed and organizational performance.

**H<sub>03</sub>:** Participatory budgeting does not significantly enhance the effectiveness of budgetary control in influencing management decisions.

**H<sub>04</sub>:** Technological infrastructure does not significantly moderate the relationship between budgetary control and management decision quality.

## 4. RESULTS AND DISCUSSION

### 4.1 DEMOGRAPHIC AND ORGANIZATIONAL CHARACTERISTICS OF RESPONDENTS

Budgetary control techniques in the selected organisations may be better understood with the help of the demographic and organisational analysis of the respondents. Financial officers, accountants, and internal auditors from central India's industrial and service sectors made up 120 of the study's participants. In the sample, men made up 63.3% and females 36.7%. Respondents' strong financial and management acumen is evident from the fact that 47.5% had graduate degrees, 38.3% held bachelor's degrees, and 14.2% held professional credentials such as CA, CMA, MBA, etc. With an average tenure of 11.4 years, the participants had ample practical knowledge in financial planning and decision-making. While 46.7% of respondents worked for service

organisations, 53.3% were employed by manufacturing enterprises. It was found that most organisations had official Budget Committees and reviewed their budgets regularly, especially monthly and quarterly. This allowed for the timely discovery of variances and the implementation of corrective management actions.

**TABLE 4.1: DEMOGRAPHIC AND ORGANIZATIONAL PROFILE OF RESPONDENTS**

Variables	Category	Frequency	Percentage (%)
Gender	Male	76	63.3
	Female	44	36.7
Educational Qualification	Undergraduate	46	38.3
	Postgraduate	57	47.5
	Professional Qualification	17	14.2
Organizational Sector	Manufacturing	64	53.3
	Service	56	46.7
Organizational Size	Large	45	37.5
	Medium	38	31.7
	Small	37	30.8
Budget Review Frequency	Monthly	53	44.2
	Quarterly	38	31.7
	Semi-Annual	20	16.7
	Annual	9	7.4

The data clearly shows that the respondents possessed the necessary credentials and work experience to provide accurate answers on the budgetary control practice. Respondents' high levels of education and experience in their fields suggest they have a solid grasp of personal finance. The results demonstrate that the distribution of organisations is in line with expectations, with participants hailing from a range of sizes and representing both manufacturing and service sectors. Furthermore, most organisations evaluate their budgets weekly or quarterly, which indicates a rising demand for continuing financial surveillance and management in the current corporate landscape. Organisations may benefit from more efficient and timely decision-making with organised budget review procedures, according to the research.

**4.2 BUDGETARY CONTROL PRACTICES AND TECHNIQUES ADOPTED**

In order to better understand how these businesses' budgetary control practices and methods affect management's decision-making and overall performance, this study analysed a number of these practices and

procedures. According to the findings, variance analysis is the most popular method of budgetary control, followed by responsibility accounting and flexible budgeting. These methods' widespread use demonstrates how important financial monitoring and performance evaluation have grown in modern businesses. The conventional incremental budgeting method was used by most businesses due to its ease of implementation and simplicity. However, new methods became available to large organisations for enhancing operational efficiency and strategic planning. These methods included zero-based budgeting (ZBB), rolling budgets, and ERP-based budget monitoring. The findings also demonstrated that management's response was improved by using technology-based budgeting methods, which improved the speed and accuracy of variance reporting.

**TABLE 4.2: BUDGETARY CONTROL TECHNIQUES ADOPTED BY ORGANIZATIONS**

Budgetary Technique	Number of Organizations	Percentage (%)
Variance Analysis	94	78.3
Responsibility Accounting	77	64.2
Flexible Budgeting	63	52.5
Zero-Based Budgeting	46	38.3
Rolling Budgets	35	29.2
Incremental Budgeting	86	71.7

Two of the most common methods of controlling spending in the businesses polled were incremental budgeting (71.7% of organisations) and variance analysis (78.3%). Companies mainly employ financial aspects when comparing actual performance to target performance and when they want to make sure that financial elements stay consistent. Many companies struggle to implement resource-intensive and dynamic methods, as seen by the low adoption rates of zero-based budgeting (38.3%) and rolling budgets (29.2%). There were also notable variations in technology usage across organisational sizes, according to this study. Enterprise resource planning (ERP) systems and real-time financial reporting tools were more commonly used by large organisations, while spreadsheets were the budgeting method of choice for small organisations.

**TABLE 4.3: TECHNOLOGY UTILIZATION IN BUDGETARY CONTROL BY ORGANIZATIONAL SIZE**

Organizational Size	ERP-Based Budgeting (%)	Spreadsheet-Based Budgeting (%)
Large Organizations	88.9	11.1

Medium Organizations	63.2	36.8
Small Organizations	27.0	73.0

Large organisations (88.9%) were more likely to use ERP-based budgeting systems than small organisations (46.0%), according to the data. Small organisations were more likely to use spreadsheets. The use of sophisticated methods of fiscal management has been influenced by monetary and technical factors, leading to this difference. Employers were able to generate variance reports more quickly, keep more accurate financial records, and make better management decisions with the help of an ERP system. In contrast, businesses that relied on spreadsheets or manual procedures had limited analytical skills, delayed financial reporting, and ineffective systems for controlling their budgets.

#### 4.3 INFLUENCE OF BUDGETARY CONTROL ON MANAGEMENT DECISION-MAKING

This research looked at how big of an effect budgetary control has on management's ability to make decisions in both service and industrial firms. The results showed that budgetary control has a major impact on making better strategic and operational decisions, as well as improving management efficiency and resource allocation. In order to enable managers take prompt action when there is a discrepancy or deviation from the plans, good budgeting systems should provide them with up-to-date information on the organization's finances. Decisions made by companies with strong BC systems were more reliable than those of companies with lax budgeting procedures. According to managers, variance analysis, periodic budget review, and participatory budgeting have improved decision-making in the areas of cost management, investment, personnel, procurement, and pricing. Timely financial reporting also reduced operational waste and enhanced cooperation across departments, according to the results.

The efficacy of budgetary control and the quality of management decisions were shown to have a very significant positive association ( $r = 0.763, p < 0.001$ ) when Pearson's correlation was used. This suggests that management decision-making is enhanced in firms that systematically monitor and analyse variances in their budgets. The findings disprove the idea that financial management has no impact on top-level decision-making, hence rejecting the null hypothesis.

**TABLE 4.4: INFLUENCE OF BUDGETARY CONTROL ON DIFFERENT MANAGEMENT DECISIONS**

Management Decision Area	Respondents Agreeing (%)	Mean Score
Cost Control Decisions	91.7	4.48
Resource Allocation Decisions	86.7	4.32

Investment Decisions	74.2	4.05
Pricing Decisions	66.7	3.89
Staffing Decisions	61.7	3.74
Procurement Decisions	58.3	3.68

**Source:** Field Survey Data, 2026.

Budgeting is the deciding element in cost control choices, as indicated in the table. With 91.7% of respondents claiming that it considerably enhances cost monitoring and expense reduction, it's clear that budgeting works. An average score of 4.32 on the second item—which deals with the organization's resource allocation—suggests that managers benefit from budget information while making these decisions. A large amount of budgetary control was also dependent on investment decisions. Budgeting may have an impact in the fields, as indicated by relatively weaker mean scores on personnel and purchasing choices; yet, operational and human variables are major players in managerial decision-making. Organisational performance, management coordination, and planning are all positively affected by budgetary control systems, according to the findings.

#### 4.4 BUDGETARY CONTROL AND ORGANIZATIONAL PERFORMANCE

The research looked at a sample of manufacturing and service companies to see how their budget control methods correlated with their performance. According to the results, businesses who have a strong budgetary control system and stick to it religiously have far higher levels of operational efficiency, profitability, and financial discipline than those that don't. Companies were able to better manage their finances, cut down on wasteful spending, and bring their planned and actual financial results into harmony with the aid of budgetary control. Compared to organisations that relied just on the conventional fixed budgeting method, those that embraced participatory budgeting, variance analysis, and flexible budgeting showed markedly improved performance. Budgetary control, when done correctly, naturally led to cross-departmental cooperation and timely, useful judgements about cutting costs, allocating resources, and planning for those resources. There was a correlation between the use of ERP-based financial monitoring systems and increased productivity in the workplace, as companies were able to spot discrepancies and take remedial measures more quickly.

**TABLE 4.5: BUDGETARY CONTROL EFFECTIVENESS AND ORGANIZATIONAL PERFORMANCE**

Level of Budgetary Control	Number of Organizations	Average Cost Efficiency Ratio (%)	Average Profitability Growth (%)
Highly Effective	34	98.7	18.4

Moderately Effective	51	109.4	11.2
Weak/Absent Control	35	122.3	4.8

**Source:** Field Survey Data, 2026.

Organisations with strong budget control systems outperformed the others, with a mean cost efficiency ratio of 98.7 percent and an average profit growth of 18.5 percent, as seen in the table. Companies without tight or any budgetary management saw cost inefficiencies increase by 122.3% and a somewhat low profit growth of 4.8%. Overall, the results show that improved financial discipline, less waste, and better managerial decisions are all ways in which effective budgetary control impacts organisational success. Additionally, the results imply that organisations with technological monitoring systems and budgeting practices that are up-to-date have a greater chance of maintaining financial and operational success.

## 5. CONCLUSION

Data from 120 managers in India's central region's industrial and service sectors formed the foundation of this study, which provides an in-depth examination of budgetary control as a tool for knowledge in decision making. The results demonstrated that budgetary control is more than simply an administrative procedure; it is a strategic management tool with a positive correlation with management decision quality (0.763). Those with well-developed control mechanisms for their budgets were able to achieve cost savings of about 23.6% on average. The most widely used method of budgeting was variance analysis, and participatory budgeting greatly improved executive buy-in and decision quality. In order for managers to effectively respond to variances, the study highlights the requirement of technology ERP systems in particular for prompt notification of the deviation. But despite this, most organisations still struggle to effectively adopt budgetary management systems due to reasons including technological limitations, participant reluctance, and environmental unpredictability.

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