Budgeting and Budgetary Control and Corporate Performance

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Abstract

This research explored the relationship between budgeting, budgetary control, and corporate performance, highlighting their crucial importance in financial management and strategic achievement within Nigeria, a nation characterized by economic fluctuations, infrastructural difficulties, and regulatory challenges. Utilizing Management Control Theory, Contingency Theory, Agency Theory, and the Resource-Based View, this study analyzed the impact of these financial management practices on organizational results across diverse sectors, such as hospitality, manufacturing, and public administration. The most of empirical studies' findings revealed a significant positive relationship between budgeting, budget control, and corporate performance across different sectors in Nigeria.

Keywords: Budgetary Control, Management Control Theory, Contingency Theory, Agency Theory, Resource-Based View

1.0 Introduction

Budgeting and budgetary control serve as essential management instruments that assist organizations in planning, coordinating, and regulating their financial and operational endeavors to fulfill strategic goals. The process of budgeting encompasses the formulation of a financial plan that quantifies anticipated revenues and expenditures over a designated timeframe, whereas budgetary control involves the methodical com parison of actual performance against budgeted objectives to detect variances and enact corrective actions (Oyebode, 2018). These procedures are vital for ensuring efficient resource allocation, cost management, and overall organizational effectiveness, especially in dynamic and resource-limited contexts such as Nigeria. In Nigeria, a developing economy marked by environmental instability, including economic shifts, policy alterations, and infrastructural difficulties, budgeting and budgetary control are crucial for corporate performance. The Nigerian business environment, characterized by elevated inflation rates, exchange rate fluctuations, and regulatory intricacies, necessitates strong financial management practices to guarantee organizational sustainability (Patrick & Nkiru, 2018). Corporate performance, frequently assessed through financial indicators such as profitability, return on investment, and operational efficiency, is significantly impacted by the efficacy of budgeting systems. Research indicates that organizations with well-organized budgeting and budgetary control frameworks are more likely to achieve superior financial results and competitive advantages (Oyewo & Adyeye, 2018). Recent empirical investigations in Nigeria underscore the importance of budgeting and budgetary control across diverse sectors, including manufacturing, hospitality, and public institutions. For example, a study conducted by Patrick and Nkiru (2018) revealed that budgeting practices, such as budget emphasis and participation, considerably improve managerial performance in hospitality enterprises in Nigeria. Likewise, studies focusing on small and medium enterprises (SMEs) in South-West Nigeria have shown similar trends.

Similarly, research on small and medium enterprises (SMEs) in South-West Nigeria revealed that effective budgetary control, coupled with digital transformation, positively impacts financial performance (Investigating the influence of digital transformation, budgeting and budgetary control, 2024). These findings underscore the relevance of budgeting as a tool for strategic

planning and performance evaluation in the Nigerian context. The Nigerian corporate sector faces unique challenges, including inadequate infrastructure, high operational costs, and limited access to capital, which necessitate stringent financial management practices. Budgeting and budgetary control provide a framework for organizations to allocate scarce resources efficiently, monitor performance, and adapt to changing economic conditions. However, the effectiveness of these practices varies across industries and organizational types, prompting the need for context-specific research to understand their impact on corporate performance in Nigeria. Olaniyan and Efuntade (2020) revealed that budgetary control systems in tertiary institutions contribute to improved financial accountability, although challenges such as bureaucratic inefficiencies often hinder their effectiveness. Moreover, the integration of digital technologies in budgeting processes has emerged as a transformative factor, with evidence suggesting that digital transformation enhances the accuracy and efficiency of budgetary control in Nigerian small and medium enterprises (SMEs).

These findings highlight the dynamic nature of budgeting practices and their significant influence on organizational outcomes in Nigeria. The theoretical basis for this research is grounded in management control theory, which asserts that budgeting and budgetary control function as tools to align organizational activities with strategic objectives (Anthony & Govindarajan, 2019, as referenced in Oyewo & Adyeye, 2018). This theory underscores the importance of budgets in enabling planning, coordination, and performance assessment, especially in contexts characterized by high uncertainty.

Moreover, contingency theory offers a framework to comprehend how environmental elements, such as economic volatility and regulatory shifts, affect the efficacy of budgeting practices in Nigeria. By integrating these theoretical viewpoints, this research aims to investigate how budgeting and budgetary control practices influence corporate performance within the Nigerian setting. Despite the acknowledged significance of budgeting, numerous Nigerian organizations encounter difficulties in executing effective systems. Challenges such as insufficient stakeholder engagement, inadequate budget oversight, and external pressures like policy inconsistencies frequently result in budget discrepancies and less-than-optimal performance (Olaniyan & Efuntade, 2020). Additionally, the limited use of technology-driven budgeting tools in certain sectors restricts firms' capacity to adapt to real-time fluctuations in the business landscape. These

obstacles underscore the necessity for context-specific investigations to analyze the intricacies of budgeting and budgetary control in Nigeria and their effects on corporate performance. Budgeting entails the methodical formulation of a financial plan that quantifies expected revenues, expenditures, and resource needs over a specified timeframe, acting as a framework for attaining strategic goals (Oyebode, 2018).

Budgetary control enhances this process by tracking actual performance in relation to budgeted objectives, pinpointing discrepancies, and executing corrective measures to maintain financial discipline and operational efficiency (Patrick & Nkiru, 2018). These methodologies are essential for effective financial management, allowing organizations to maximize resource use, reduce risks, and align their operations with long-term objectives. In both advanced and emerging economies, budgeting and budgetary control are acknowledged as vital components of corporate performance, affecting crucial indicators such as profitability, return on investment, and operational efficiency (Oyewo & Adyeye, 2018).

In Nigeria, a developing country marked by economic instability and structural issues, the significance of budgeting and budgetary control is especially evident. The Nigerian business landscape is characterized by high inflation, fluctuations in exchange rates, infrastructural shortcomings, and regulatory inconsistencies, all of which contribute to a challenging environment for corporate activities (A critical examination of government budgeting, 2024). This study is particularly relevant in light of Nigeria's current economic reforms and the growing focus on financial discipline within both the public and private sectors.

2.0 Conceptual Review

2.1 Budgeting

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Budgeting presents several challenges in Nigeria. Factors such as unrealistic assumptions, insufficient data, and a deficiency in managerial expertise frequently hinder the effectiveness of budgeting processes (Olaniyan & Efuntade, 2020). Additionally, external elements like policy inconsistencies and economic instability further complicate budget planning, necessitating organizations to implement flexible and adaptive budgeting strategies. In spite of these obstacles, budgeting continues to be a fundamental aspect of financial management, offering a framework for organizations to maneuver through the complexities of the Nigerian business landscape.

2.2 Budgetary Control

Budgetary control denotes the organized approach of overseeing actual performance in relation to budgeted objectives, recognizing discrepancies, and executing corrective actions to maintain financial and operational effectiveness (Patrick & Nkiru, 2018). This process encompasses the establishment of performance benchmarks, the assessment of actual results, the evaluation of variances, and the implementation of corrective measures to ensure that operations are in line with the goals of the organization. Budgetary control is an evolving process that necessitates ongoing feedback and modifications to adapt to fluctuating internal and external circumstances.

In Nigeria, the significance of budgetary control is paramount for the management of limited resources and for alleviating the effects of economic instability. For example, Oyewo and Adyeye (2018) discovered that robust budgetary control frameworks within public sector entities improve financial accountability and enhance managerial effectiveness. Nevertheless, the success of budgetary control in Nigeria frequently faces obstacles such as insufficient monitoring systems, a shortage of trained staff, and external influences including corruption and policy instability. These issues are particularly pronounced in areas like education and public

administration, where bureaucratic inefficiencies result in considerable budget discrepancies (Olaniyan & Efuntade, 2020).

Recent technological advancements have significantly altered budgetary control practices in Nigeria. Digital instruments, including enterprise resource planning (ERP) systems and data analytics, facilitate real-time monitoring and variance analysis, thereby enhancing the precision and promptness of control measures For instance, small and medium-sized enterprises (SMEs) in South-West Nigeria have reported enhanced financial performance as a result of implementing technology-driven budgetary control systems, which promote improved cost management and informed decision-making. However, despite these advancements, the uptake of such technologies is still limited in numerous Nigerian organizations, primarily due to financial constraints and a shortage of technical expertise.

2.3 Corporate Performance

Corporate performance denotes the degree to which an organization fulfills its financial and non-financial goals, typically evaluated through metrics such as profitability, return on investment (ROI), operational efficiency, and market share (Oyewo & Adyeye, 2018). In the context of Nigeria, corporate performance serves as a vital indicator of organizational success, particularly in a competitive and resource-limited environment. Financial performance indicators, including net profit margin and return on assets, are frequently employed to evaluate corporate performance, while non-financial indicators, such as customer satisfaction and employee productivity, are increasingly acknowledged as significant measures (Patrick & Nkiru, 2018).

In Nigeria, corporate performance is shaped by both internal elements, such as management practices and resource availability, and external influences, including economic conditions, regulatory frameworks, and infrastructural obstacles. For example, the hospitality industry in Nigeria faces challenges with low profitability due to elevated operational costs and ineffective budgeting practices, which restrict its contribution to the national GDP. Likewise, small and medium-sized enterprises (SMEs), which represent a substantial segment of Nigeria's economy, frequently encounter performance difficulties stemming from limited access to capital and insufficient financial management systems (Olaniyan & Efuntade, 2020).

Recent research highlights the connection between sound financial management practices and corporate performance. For instance, Patrick and Nkiru (2018) discovered that an emphasis on budgeting and active participation positively affects managerial performance within hospitality firms, resulting in enhanced financial results. In a similar vein, Oyewo and Adyeye (2018) illustrated that engaging in budgetary processes boosts accountability and performance in public sector entities. Furthermore, the integration of digital technologies has been proven to enhance corporate performance by facilitating more precise budgeting and control mechanisms, especially in rapidly evolving industries such as manufacturing and financial services.

2.4 Interrelationship between Budgeting, Budgetary Control, and Corporate Performance

Budgeting establishes the groundwork for defining financial and operational objectives, whereas budgetary control guarantees that these objectives are achieved through ongoing monitoring and corrective measures (Oyebode, 2018). Collectively, these practices form a feedback mechanism that enhances performance by aligning resources with strategic goals and promptly addressing any discrepancies. In Nigeria, the connection between these elements is especially crucial due to the difficult business landscape. Effective budgeting allows organizations to allocate resources effectively, prioritize investments, and reduce financial risks, all of which lead to enhanced corporate performance (Patrick & Nkiru, 2018). Budgetary control supports this by offering real-time insights into performance deficiencies, allowing managers to implement corrective actions and improve operational efficiency (Oyewo & Adyeye, 2018). For instance, research conducted by Olaniyan and Efuntade (2020) revealed that tertiary institutions with strong budgetary control systems attained superior financial performance, despite facing challenges such as bureaucratic inefficiencies. Nevertheless, the effectiveness of this relationship is influenced by contextual factors in Nigeria. Environmental instability, including economic fluctuations and regulatory shifts, can compromise the precision of budget forecasts and the efficacy of control measures.

Furthermore, the absence of stakeholder involvement in budgeting procedures frequently results in opposition and ineffective execution, which adversely impacts performance (Patrick & Nkiru, 2018). Recent research also emphasizes the significance of digital transformation in enhancing the connection between budgeting, budgetary oversight, and corporate performance, as technology facilitates more precise forecasting and real-time monitoring.

2.5 Review of Theories

2.6 Management Control Theory

Management Control Theory was developed by Robert Anthony in 1960. As explained by Anthony and Govindarajan (2019, as cited in Oyewo & Adyeye, 2018), this theory suggests that organizations implement control systems, including budgeting and budgetary control, to ensure that operational activities are aligned with strategic goals. The theory highlights the significance of budgets as tools for planning and coordination, which direct resource allocation, establish performance targets, and assess outcomes. Budgeting creates a structure for goal setting, while budgetary control guarantees that actual performance corresponds with these goals through ongoing monitoring and corrective measures. The theory emphasizes the necessity of feedback loops, where discrepancies between planned and actual performance are examined to guide managerial decisions and enhance organizational efficiency.

In the context of Nigeria, Management Control Theory holds considerable relevance due to the intricate and unpredictable business landscape marked by economic fluctuations, regulatory uncertainties, and resource limitations. Organizations in Nigeria depend on budgeting to prioritize limited resources and fulfill strategic objectives, such as profitability and operational efficiency. For instance, Oyewo and Adyeye (2018) discovered that public sector organizations in Nigeria utilize budgetary control systems to improve managerial accountability, aligning their activities with organizational objectives. Nevertheless, the effectiveness of these systems is frequently compromised by bureaucratic inefficiencies and insufficient monitoring mechanisms, underscoring the necessity for robust control processes (Olaniyan & Efuntade, 2020). Recent research also indicates the changing role of technology in fortifying management control systems in Nigeria. Digital tools, including enterprise resource planning (ERP) systems and data analytics, facilitate real-time performance monitoring and variance analysis, thereby enhancing the implementation of Management Control Theory. For example, small and medium-sized enterprises (SMEs) in Nigeria that implement technology-based budgeting systems observe enhanced coherence between their financial strategies and operational results, which contributes to improved corporate performance. Consequently, Management Control Theory offers an essential framework for comprehending how budgeting and budgetary oversight promote strategic alignment and performance assessment within Nigeria's resource-limited context.

2.7 Contingency Theory

The Contingency Theory, introduced by Burns and Stalker in 1961 and further developed by Lawrence & Lorsch in 1967, posits that there is no singular method for management practices, including budgeting and budgetary control. Its effectiveness is contingent upon various contextual factors such as organizational structure, environmental conditions, and industry dynamics. This theory advocates for organizations to modify their budgeting and control systems to align with the specific circumstances they encounter, including economic fluctuations, regulatory environments, and technological advancements. In the context of Nigeria, the relevance of Contingency Theory is pronounced due to the nation's distinct environmental challenges, such as elevated inflation rates, exchange rate volatility, and infrastructural inadequacies, which profoundly affect financial management practices (The Assessment of the Effect of Public Budget, 2025). Empirical research conducted in Nigeria underscores the significance of environmental factors in influencing budgeting results. For instance, A critical examination of government budgeting (2024) revealed that inconsistencies in policy and economic instability frequently result in budget variances, necessitating organizations to implement adaptable budgeting strategies, such as rolling budgets or zero-based budgeting, to maintain effectiveness.

Furthermore, Olaniyan and Efuntade (2020) observed that tertiary institutions in Nigeria face challenges in budgetary control due to external factors like delayed funding and changes in regulations, highlighting the necessity for context-specific control systems. Consequently, Contingency Theory stresses the importance of customizing budgeting practices to Nigeria's unpredictable environment to improve corporate performance. Additionally, the theory considers the influence of organizational characteristics, such as size and industry type, on the effectiveness of budgeting. For example, larger manufacturing enterprises in Nigeria may necessitate more advanced budgeting systems compared to small and medium-sized enterprises (SMEs), which typically depend on simpler, less formalized processes.

Recent developments in digital technologies have underscored the significance of Contingency Theory, as organizations are required to modify their budgeting systems to utilize tools such as cloud-based accounting software in order to stay competitive. By taking these contextual elements into account, Contingency Theory offers a framework for comprehending how

organizations in Nigeria can formulate budgeting and budgetary control systems to enhance performance.

2.8 Agency Theory

Agency Theory, as articulated by Jensen and Meckling in 1976, examines the dynamics between principals (such as shareholders or owners) and agents (like managers), along with the strategies employed to harmonize their interests, diminish information asymmetry, and alleviate conflicts (Patrick & Nkiru, 2018). In this framework, budgeting and budgetary control are pivotal mechanisms that establish performance benchmarks, oversee managerial conduct, and guarantee accountability. The concept of participatory budgeting, which involves both managers and employees in the budgeting process, is particularly highlighted within Agency Theory as a strategy to bolster commitment, curtail opportunistic behavior, and enhance performance results. In the context of Nigeria, Agency Theory holds significant relevance due to the widespread existence of hierarchical organizational frameworks and the imperative for accountability in resource management.

Research by Patrick and Nkiru (2018) indicates that participation in budgeting within hospitality enterprises improves managerial performance by cultivating a sense of ownership and aligning personal objectives with the broader organizational goals. Nonetheless, issues such as corruption and insufficient transparency in certain Nigerian organizations may intensify agency dilemmas, thereby compromising the efficacy of budgeting systems. For instance, within public sector organizations, the misalignment of interests between managers and stakeholders frequently results in the improper allocation of budgets, which adversely affects performance (Olaniyan & Efuntade, 2020).

Recent research emphasizes the significance of technology in mitigating agency issues in Nigeria. Digital budgeting tools facilitate increased transparency and accountability by offering real-time insights into financial performance, thereby diminishing the chances of managerial opportunism. Agency Theory serves as a framework to comprehend how participatory budgeting and effective control systems can harmonize interests and improve corporate performance in Nigeria, especially in sectors that demand high levels of accountability, such as financial services and public administration.

2.9 Resource-Based View (RBV) Theory

The Resource-Based View (RBV), as articulated by Wernerfelt (1984) and Barney (1991), asserts that organizations can attain a competitive edge by utilizing distinctive resources and capabilities that are valuable, rare, inimitable, and non-substitutable (Barney, 1991, as referenced in Investigating the influence of digital transformation, budgeting and budgetary control, 2024). Budgeting and budgetary control systems serve as essential organizational resources that facilitate effective resource allocation, cost management, and strategic decision-making, thereby improving corporate performance. In the context of Nigeria, where resources are frequently limited, the RBV emphasizes the necessity of establishing robust budgeting systems as a means of gaining competitive advantage.

Empirical research conducted in Nigeria corroborates the relevance of the RBV in the realm of budgeting and budgetary control. For example, Oyewo and Adeyeye (2018) discovered that organizations with well-structured budgeting systems attain superior performance by maximizing resource utilization and enhancing managerial decision-making. Likewise, the implementation of digital budgeting tools, including ERP systems and data analytics, has been demonstrated to improve the financial performance of SMEs by offering a rare and valuable capability for real-time financial management. These technological resources empower Nigerian firms to distinguish themselves in competitive markets, aligning with the RBV's focus on unique capabilities.

Nevertheless, the RBV also points out challenges faced in Nigeria, such as restricted access to technological resources and managerial expertise, which may impede the establishment of effective budgeting systems (Olaniyan & Efuntade, 2020). For instance, small and medium-sized enterprises (SMEs) frequently do not possess the financial resources necessary to invest in sophisticated budgeting tools, which restricts their capacity to utilize these assets for gaining a competitive edge. Consequently, the Resource-Based View (RBV) offers a conceptual framework for comprehending how organizations in Nigeria can develop and maintain competitive advantages via efficient budgeting and budgetary control, especially through investments in technological and human capital resources.

2. 10 Integration of Theories and Relevance to Nigeria

The amalgamation of Management Control Theory, Contingency Theory, Agency Theory, and the Resource-Based View (RBV) establishes a thorough framework for examining the interplay between budgeting, budgetary control, and corporate performance within Nigeria. Management Control Theory accentuates the significance of budgeting as a mechanism for planning and control, while Contingency Theory stresses the necessity of adapting budgeting practices to the unpredictable environment of Nigeria. Agency Theory highlights the critical role of participatory budgeting in aligning stakeholder interests, and the RBV emphasizes the utilization of budgeting systems as a means of gaining competitive advantage. Collectively, these theories tackle the complex nature of financial management in Nigeria, taking into account both internal organizational dynamics and external environmental influences, as well as resource limitations.

Recent research underscores the applicability of these theories in the Nigerian context. For instance, studies by Patrick and Nkiru (2018) and Oyewo and Adyeye (2018) illustrate how participatory budgeting and effective control systems can enhance performance, which aligns with the principles of Management Control and Agency Theories. Furthermore, a critical analysis of government budgeting 2024 and an investigation into the impact of digital transformation on budgeting and budgetary control 2024 underscore the necessity for context-specific budgeting practices and technological resources, thereby supporting the tenets of Contingency Theory and the RBV. By leveraging these theoretical frameworks, this study seeks to offer a detailed understanding of the ways in which budgeting and budgetary control affect corporate performance in Nigeria.

3.0 Empirical Review

3.1 Budgeting and Financial Performance in Manufacturing Firms

Numerous studies have explored the influence of budgeting and budgetary control on the financial performance of manufacturing companies in Nigeria, a sector beset by issues such as excessive dependence on crude oil, inconsistent power supply, and adverse sectoral reforms. Research conducted by Agbenyo et al. (2018) investigated the impact of budgeting processes on the financial performance of publicly listed manufacturing firms on the Ghana Stock Exchange, which holds implications for Nigeria due to the similarities in their economic environments. Utilizing Pearson correlation coefficients, the study revealed a strong positive correlation ($r = 0.970$, $p < 0.01$) between budgeting processes (including planning, monitoring, control, and

evaluation) and financial performance, indicating that effective budgeting systems contribute to increased profitability and operational efficiency. While the research concentrated on Ghana, its conclusions are pertinent to Nigeria, where manufacturing firms encounter analogous infrastructural and economic challenges.

In a similar vein, Shehu (2017, republished in 2020 on Research Gate) employed Cadbury Nigeria Plc. as a case study to evaluate the effects of budgeting and budgetary control on the performance of manufacturing firms. By utilizing a descriptive research design and chi-square analysis, the study concluded that budgeting plays a significant role in helping firms achieve their objectives by optimizing resource allocation and meeting stewardship responsibilities. The results underscored the importance of effective budgetary control mechanisms, such as variance analysis and corrective actions, in ensuring that plans are executed, thus enhancing financial performance. Nevertheless, the research indicated that external elements such as interruptions in power supply and inconsistencies in policy frequently obstruct effective budget execution within Nigeria's manufacturing industry.

Abubakar (2012, republished in 2020) investigated budgeting and budgetary control at Dala Foods Nigeria Limited, a food and beverage enterprise located in Kano. By employing Pearson's Product Moment Correlation Coefficient, the research established a robust positive correlation between budgeting practices and corporate performance, especially when budgets undergo regular reviews and corrective measures are implemented. The research underscored the significance of participatory budgeting, wherein the involvement of stakeholders in budget reviews improves decision-making and performance results.

3.2 Budgeting Practices in Small and Medium-Sized Enterprises (SMEs)

Small and Medium Enterprises (SMEs) play a vital role in the economy of Nigeria, and numerous studies have investigated the impact of budgeting practices on their performance, especially regarding profitability and operational efficiency. Susuawu et al. (2020) explored the implementation of budgets and budgetary control within Nigerian SMEs, concentrating on manufacturing companies. Through a descriptive research design and quantitative analysis, the research established a positive correlation between budgeting practices such as planning, coordination, and control and financial performance. The authors observed that SMEs with well-structured budgeting systems were more adept at resource management and achieving

sustainable growth. Nonetheless, the study highlighted a prevalent absence of formal budgeting systems in many SMEs, often attributed to the limited education and experience of operators, which adversely affects performance.

Abiji et al. (2024) examined budgeting practices in small healthcare enterprises located in Ogoja, Cross River State, Nigeria. This research utilized an ex-post facto design and surveyed 61 employees, both in management and non-management roles, across three healthcare facilities. The results indicated a significant positive relationship between budgetary planning and performance metrics, including profitability and service delivery. However, the interaction of budgets (stakeholder involvement) demonstrated a weaker link to performance, implying that many SMEs lack participatory budgeting processes. The study advocated for improved training for SME operators to enhance budgeting practices. Nso (2020) investigated fundraising and budgeting practices among Nigerian SMEs, highlighting the importance of budgetary control in financial performance. The findings revealed that SMEs with robust budgetary control systems, which included regular monitoring and variance analysis, achieved greater profitability and operational efficiency. Nevertheless, the research underscored difficulties including insufficient financial literacy and limited resources, which hinder the implementation of effective budgeting systems in small and medium-sized enterprises (SMEs).

3.3 Budgetary Control and Performance in the Hospitality Sector

The hospitality industry in Nigeria, despite its minimal contribution to GDP (0.55% according to the National Bureau of Statistics, 2013), has been the subject of various studies focused on budgeting and performance. Jain (2019) evaluated the significance of budget target setting within the Nigerian hotel sector, utilizing a survey conducted with 50 participants from hotels located in Kaduna State. The research applied chi-square analysis and revealed that budgeted production and sales had a substantial impact on budgeted profit, with a coefficient of variation recorded at 44.6%. The results highlighted that effective budgetary control, which encompasses responsibility accounting and variance analysis, plays a crucial role in enhancing performance assessment and profit maximization within hospitality enterprises.

Nevertheless, the study pointed out that inadequate budgeting practices and insufficient internal controls hinder the sector's overall contribution to GDP. In a separate investigation, Egbunike

and Unamma (2017, republished in 2022) explored budgeting and budgetary control at Tahir Guest House in Kano State. Their findings indicated that budgeting serves as an essential mechanism for profit maximization in the hospitality sector, especially when bolstered by dedicated expertise and active stakeholder involvement. The authors stressed that performance evaluation grounded in empirical data significantly affects budget costs and controls, resonating with Mabel Walker's progressive theory of expenditures.

4.0 Issues on Budgeting and Budgetary Control

Economic Volatility and Policy Inconsistencies Nigeria's economy, which is heavily dependent on oil revenue, is vulnerable to fluctuations in global oil prices, resulting in considerable uncertainty for budgeting processes. Shehu (2020) pointed out that the excessive dependence on crude oil exports, which constitute over 80% of Nigeria's foreign exchange earnings (Central Bank of Nigeria, 2023), results in unpredictable revenue streams for both public and private sector entities. This volatility hampers budget planning and execution, as companies find it challenging to accurately forecast revenues and expenses. For example, Abubakar (2020) observed that at Dala Foods Nigeria Limited, abrupt changes in foreign exchange rates escalated the costs of imported raw materials, rendering budgets ineffective mid-cycle and adversely affecting profitability. Moreover, frequent alterations in policy, such as changes in import tariffs and monetary regulations, further complicate budgeting efforts.

Ugbomhe and Egbunike (2025) discovered that inconsistent government policies, including sudden hikes in customs duties, disrupted corporate investment strategies, compelling firms to revise their budgets multiple times within a fiscal year. This instability undermines the reliability of budgets as strategic instruments, resulting in suboptimal resource allocation and diminished financial performance. The research highlighted that companies in capital-intensive industries, such as manufacturing, are particularly susceptible, as they depend on stable economic conditions to meet budgeted performance objectives. Agbenyo et al. (2018) emphasized that the erratic power supply in Nigeria raises operational costs for manufacturing firms, which rely on costly alternative energy sources like diesel generators. This unpredictability complicates adherence to budgeted expenses, as unexpected costs diminish profit margins. For instance, Shehu (2020) reported that Cadbury Nigeria Plc faced substantial cost overruns due to power

outages, which disrupted production timelines and caused discrepancies between budgeted and actual expenditures.

In a similar vein, inadequate transportation infrastructure hampers the efficiency of supply chains, thereby complicating the execution of budgets. Susuawu et al. (2020) observed that small and medium-sized enterprises (SMEs) in Nigeria encounter logistical difficulties, including delays in deliveries attributed to substandard road networks, which escalate operational expenses and disrupt budget schedules. These infrastructural limitations hinder firms' capacity to meet performance objectives, as resources are redirected to tackle unexpected operational issues instead of focusing on strategic goals.

Sabili et al. (2023) discovered that within Nigerian tertiary institutions, the budgeting processes frequently lack inclusivity, with significant stakeholders such as department heads and staff being excluded from the budget formulation. This exclusion results in unrealistic budgets that do not accurately represent operational conditions, leading to inefficiencies and dissatisfaction among stakeholders. In the private sector, Abiji et al. (2024) reported that small healthcare enterprises in Ogoja, Cross River State, demonstrated insufficient stakeholder engagement in budgeting, which diminished accountability and obstructed performance results. The research highlighted that budgets created without the contributions of operational personnel often overlooked practical challenges, resulting in ineffective implementation and subpar service delivery. Moreover, the lack of transparency breeds mistrust and diminishes commitment to achieving budgetary objectives.

The research indicated that budgets created without the involvement of operational personnel frequently overlook practical difficulties, resulting in ineffective execution and subpar service delivery. Furthermore, the lack of transparency breeds distrust and diminishes commitment to budgetary objectives. For example, Egbunike and Unamma (2022) pointed out that employees at Tahir Guest House in the hospitality industry were less inclined to follow budgets due to their exclusion from the budgeting process, which adversely impacted cost management and profit optimization.

This absence of participatory budgeting diminishes the efficacy of budgetary control systems, as stakeholders are less inclined to take ownership of performance objectives. Susuawu et al. (2020)

discovered that small and medium-sized enterprise (SME) operators in Nigeria frequently lack the necessary education and experience to create and execute effective budgeting systems. Consequently, this leads to poorly organized budgets that do not align with strategic goals, resulting in inefficiencies and diminished financial performance. For instance, the study observed that numerous SMEs depend on informal budgeting methods, such as spontaneous expense tracking, instead of systematic budgeting and variance analysis, which restricts their capacity to optimize resources.

Abiji et al. (2024) further highlighted that in small healthcare enterprises, the lack of qualified financial personnel resulted in mistakes in budget formulation, such as underestimating expenses or overestimating income. This deficiency in expertise obstructs effective budgetary control, as companies find it challenging to monitor performance against budgeted goals or to implement corrective actions. Nso (2020) advocated for capacity-building initiatives to improve financial literacy among SME operators, asserting that enhanced budgeting capabilities could significantly increase profitability and operational efficiency. Jain (2019) found that in the hospitality sector, insufficient internal controls, including a lack of responsibility accounting and irregular variance analysis, resulted in budget discrepancies and diminished profit margins.

For instance, hotels located in Kaduna State faced challenges in enforcing accountability regarding budget discrepancies, which led to cost overruns and inefficiencies. In a similar vein, Shehu (2020) observed that at Cadbury Nigeria Plc, insufficient internal controls, such as a lack of proper segregation of duties, permitted unauthorized spending, thereby disrupting budgetary compliance and adversely affecting financial performance. In the context of SMEs, this issue is intensified by the scarcity of resources necessary to establish effective control systems. Susuawu et al. (2020) indicated that numerous SMEs do not possess the infrastructure required for effective budget execution monitoring, including software for expenditure tracking or adequately trained personnel for conducting audits. This deficiency undermines their capacity to identify and rectify variances in a timely manner, resulting in financial losses and diminished corporate performance.

Resistance to Technological Integration: The gradual adoption of contemporary budgeting tools and technologies represents a considerable constraint in Nigeria. While developed economies are increasingly utilizing software such as SAP, QuickBooks, or Oracle for budgeting and control

purposes, many firms in Nigeria continue to depend on manual processes, which are susceptible to errors and inefficiencies. Abiji et al. (2024) highlighted that small healthcare enterprises in Nigeria seldom employ budgeting software due to prohibitive costs and a lack of technical know-how, leading to inaccurate budgets and postponed performance assessments. Likewise, Susuawu et al. (2020) discovered that the reliance of SMEs on manual budgeting systems restricts their capacity to conduct real-time variance analysis, thereby impeding timely decision-making.

Resistance to the integration of technology is frequently influenced by financial limitations and a lack of understanding regarding the advantages of digital tools. Ugbomhe and Egbunike (2025) emphasized that even within larger organizations, the implementation of integrated financial management systems progresses slowly due to substantial implementation costs and pushback from employees who are used to conventional methods. This situation hampers the efficiency of budgetary control processes and constrains firms' capacity to meet performance objectives in a competitive landscape. Sabili et al. (2023) pointed out that in public sector entities, bureaucratic cultures and reluctance to change often obstruct the adoption of contemporary budgeting methodologies, such as zero-based budgeting or performance-based budgeting. Employees may view budgets as limiting rather than empowering instruments, which can lead to non-compliance or manipulation of budgetary figures.

Egbunike and Unamma (2022) noted similar challenges in the hospitality industry, where managers occasionally inflated budgets to obtain larger resource allocations, thereby compromising the integrity of the budgeting process and resulting in inefficiencies. Implications for Corporate Performance These obstacles have profound implications for corporate performance in Nigeria. Economic instability and infrastructural shortcomings elevate operational expenses, diminishing profitability and competitiveness. The absence of transparency and stakeholder engagement results in misaligned budgets, leading to ineffective resource utilization and decreased operational efficiency. Insufficient financial literacy and inadequate internal controls exacerbate budget variances and financial losses, while resistance to technological integration obstructs real-time decision-making and performance assessment. Together, these limitations restrict firms' ability to fulfill strategic goals, sustain financial stability, and compete effectively within Nigeria's challenging economic environment.

Conclusion

Budgeting, budget control, and corporate performance are essential components of effective financial management and the enhancement of corporate performance. A well-organized budget acts as a guide, aligning the organization's resources with its strategic goals, while budget control guarantees compliance with financial plans through ongoing monitoring and corrective measures. These processes facilitate efficient resource allocation, cost management, and the achievement of objectives, which directly influence profitability, operational efficiency, and long-term sustainability. Effective budget control promotes accountability, transparency, and informed decision-making, allowing organizations to respond to evolving economic conditions and reduce risks. Additionally, it improves corporate performance by fostering financial discipline, optimizing resource use, and supporting strategic initiatives. Nevertheless, achieving success relies on the formulation of realistic budgets, active participation from stakeholders, and the establishment of robust performance evaluation systems.

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