

The Impact of Budgetary Management Process on Organizational Performance: Special Reference to Small and Medium Enterprises in Hambantota District, Sri Lanka

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Abstract

The budgetary management process has been a part of management control system of the organizations. This process encourages Owners, Managers and Accountants to plan the stakeholders involved provides information for improved organizational performance. The purpose of this research was to examine the impact of budgetary management process on organizational performance in the Small and Medium Enterprises (SMEs) in Hambantota district. The researcher has collected data by using a structured questionnaire. Owners, Managers and Accountants have been selected as respondents to collect primary data for the research. The study was considered with four hypotheses which were constructed to reveal whether the independent variables of budgetary coordination, budgetary monitoring, budgetary communication and budgetary evaluation are significantly influence on the dependent variable of organizational performance of SMEs in Hambantota district. The regression results revealed that the budgetary coordination and budgetary monitoring have the highest impact level on organizational performance while the budgetary communication has the least impact level. Further regression results showed that budgetary evaluation has insignificant effect on organizational performance, while this confirms budgetary coordination, budgetary monitoring and budgetary communication have positive and significant impact on organizational performance.

Keywords:- Budgetary coordination, Budgetary Communication, Budgetary Monitoring, Budgetary Evaluation and Organizational Performance.

1. INTRODUCTION

Budgetary management practices are an integral part in making decisions in handling the financial resources in an organization. The effective budgetary management system will reduce the difficulties arising in handling sales, production, direct materials, direct labour, manufacturing overheads, selling and administration costs in monetary terms. Thus, improving budgetary management of an organization enhances the financial, managerial and business performance. The goal of budgetary management is utilizing the resources in an efficient and effective manner to achieve the predetermined goals and objectives in an organization. Small and Medium Enterprises (SMEs) are gaining wide acceptance as viable drivers of economic growth. According to Karunananda and Jayamaha (2011) when promoting growth and social development of Sri Lanka, SMEs can be identified as an important sector and SMEs are the major component of the economy in a country. According to Dasanayaka (2009) SMEs of the formal sector generate high income through high productivity and creates a suitable life for workers and owners. Today the Sri Lankan government is facing a critical issue of providing employment opportunities for General Certificate of Education Advance Levelpromi and above. The development and growth of SMEs in Sri Lanka provides a solution to this problem because the rate of

educated unemployment remains proportionally higher than the rate for less-educated workers in Sri Lanka.

Abeygunasekara and Fonseka (2012) mentioned that SMEs are necessary engines for achieving national development goals such as economic growth, poverty alleviation, democratization, economic participation, employment creation, strengthening the industrial base and local production structure. Wickramasinghe (2011) stated that SMEs are considered as an engine of growth and an essential part of a healthy economy. Further researcher discovered that although SMEs role in the economy is important, their failure rate is considerably high due to a number of reasons. The reasons for failures include poor management skills of the owner and managers, poor accounting records, lack of access to credit and information technology, low level of technology and absence of technology. According to Bandara (2016) due to lack of proper budgetary control, inappropriate financial and human capital management, lack of up-to-date reliable accounting data and inadequate commitment of owners for business management, 45% of SMEs are failed. Due to the development and expanding of the business number of transactions increased and it is difficult to run the business without a proper budgetary management system.

Therefore, keeping a proper budgetary management system is essential for SMEs. Today there is a developing world and with the development of technology, intensive competition, global market and e-commerce, the operating environment has been developed. Kimani (2014) mentioned that budgeting includes the formation of predetermined goals, reporting results of actual performance and evaluation of performance. According to Siyanbola and Tunji (2013) with the introduction of proper budgetary system has many advantages such as improving profit and financial position through the improvement of planning and controlling, finding most profitable course of action by directing organization through meeting its primary objectives, managing organization for its survival, preparing effective plans to solve operating and financial problems, translating objectives into actions, coordinating the different factors of production for satisfying all stakeholders and communicating the organizational objectives across the firm can be identified.

Budget is a detailed plan that expressed in quantitative terms, that specifies how resources will be acquired and used during a specified period of time and budget is prepared for the primary purposes of planning, facilitating communication, coordination, allocating resources, control profits and operations, evaluating

performance and providing incentives. Most organizations used the budget as a tool of corporate internal control, it helps to prepare future plans and allocate the comprehensive resources efficiently and effectively. According to John and Ngoasong (2008) budgeting and integrating strategic management practices help to the enhancement of the competition and organizational performance and budget creates competitive advantages through the management functions such as forecasting, planning, coordination, communication, motivation, evaluation, control, and decision making. According to Tanase (2013) through number of proper budgeting benefits can be identified as establishing a good communication and maintaining a useful exchange of information, allocating resources efficiently, helping to obtain more reliable, accurate and relevant budgets, motivating subordinates, increasing employee satisfaction, increasing organizational commitment, determining subordinates to be more dedicated in achieving their objectives and improving individual and entity performance. Neely (2001) stated that although there are a number of benefits can be identified by maintaining a budgetary process, there is a big challenge to implement a proper budgetary management practices in SMEs. Further, due to time-consuming and barriers to change it is somewhat difficult to implement the budgeting process in

organizations. Siyanbola and Tunji (2013) found that due to the poor knowledge of executives and employees and as a result of technical problems in forecasting future, implementing a budgetary process in organization is challengeable.

Silva and Jayamaha (2012) conducted research regarding the budgetary process and organizational performance, but it was limited to the apparel industry. Fonseka and Perera (2014) studied that the impact of planning and control sophistication on the performance of SMEs in Sri Lanka, but it does not cover all the functions of the budgetary process. A number of empirical studies in international context conducted by scholars such as Harelimana, 2017; Koech, 2015; on the impact of budgetary management process on financial performance, but they are related to various sectors except for SMEs. According to the above-mentioned facts in the Sri Lankan context there is a limited number of local researches related to this research area and even though there are number of studies in international context, the budgetary management process on performance is not much clear. This study attempts to fill that gap and contributes to the growing literature on the budgetary management process on organizational performance of small and medium enterprises. The purpose of this study is to investigate the budgetary management process on

organizational performance of SMEs in Hambantota district.

Problem Statement

The main purpose of SME is earning a profit for its owners by depending on day-to-day transactions. Even though most of SMEs are earned a profit, they fail to manage their profit in a proper way. Many business organizations in the world do not give budgetary management the prominence it deserves in spite of its varied importance. The problem of budgetary management has existed for too long. This problem is still continuing. Evidence has found that although SMEs role in the economy is important, their failure rate is considerably high due to a number of reasons. But due to the development and expansion of business number of transactions are increased and it is difficult to run the business without a proper budgetary system. Therefore, keeping a proper budgetary system is essential to SMEs.

Many types of researches have done related to SMEs in Sri Lanka such as Working capital management practices of SMEs in Sri Lanka (Bandara & Rathnasiri, 2016), Financial practices and performance of SMEs (Karunananda & Jayamaha, 2011), Management practices of selected SMEs in Hambantota district (Mangaleswaran, 2015), Financial reporting practices in SMEs (Rathnasiri, 2014) and Determinants of accounting system

in SMEs (Wijewardana, 2018). Though some of these researches discussed on management practices up to some level among these researches there is no any study have been done on the impact of budgetary management process on organizational performance of SMEs in Sri Lanka. Chircir and Simiyu (2017) found that there is a significant positive relationship of budgetary monitoring and budgetary evaluation on financial performance through the study on the influence of the budgetary control system on the financial performance of Almasi beverage group limited, Kenya. But those researches are not covered all the functions of the budgetary process. When considering the above researches which were examined in the Sri Lankan context although there are a number of researches in the SMEs sector, they are not related to the impact of budgetary process on financial performance and even though there are few kinds of researches related to budgetary management process on financial performance they are not in the SMEs sector and all the functions of the budgetary process are not covered.

Researchers have not given attention to the problem of lack of proper budgetary management system in SMEs. Hence this study intends to fill those gaps. This is also one of the issues based on this. There are a number of researches on the impact of the budgetary process on firm performance, but they are not related to the SME

sector. Based on the factors discussed above, the researcher identified an empirical research gap. Though there is a number of studies related to the impact of the budgetary process on organizational performance the level of their impact and the relationship between the functions of the budgetary process and organizational performance is not much clear. Hence the researcher intends to fill this gap by identifying the budgetary management process on organizational performance of SMEs in Hambantota district. Further researcher intends to examine the impact of budgetary management process on organizational performance of SMEs.

When considering the above circumstances, it is clear that there is a problem to identify the impact of budgetary management process on organizational performance of SMEs in Hambantota District of Southern Province. Therefore, the researcher identifies the research problem as “Identifying the budgetary management process on organizational performance of SMEs in Hambantota District”.

The international context although there is a number of researches related to the impact of budgetary management processes on organizational performance, but they are not related to the SME sector. Therefore the researcher intends to carry out research to fill this research gap by identifying the

budgetary management process on organizational performance in SMEs in the Hambantota District.

Objectives

Main objective of the study is to identify the impact of budgetary management process on organizational performance of SMEs in Hambantota District.

To achieve the main objective, the following sub objectives are considered.

- To identify the impact of budgetary coordination on organizational performance of SMEs.
- To identify the impact of budgetary monitoring on organizational performance of SMEs.
- To identify the impact of budgetary communication on organizational performance of SMEs.
- To identify the impact of budgetary evaluation on organizational performance of SMEs.

Priority Based Budgeting Theory

This theory was developed from the work of Kavanagh, Johnson and Fabian (2011). This theory is a modification of Zero-Based Approach. It is suggesting that resources should be allocated due to priorities of corporate events to fulfill the organization's objectives. Further the theory focuses on

organization priorities and allocations to increase growth and savings in budgeting. This is based on through review of services that the budget is intended. This involves the review of the objectives of the services; several thresholds at which the service can operate and the standards that the service is to attain.

Priority Based Budgeting theory suggests that SMEs, just like other organization should prioritize when budgeting to ensure effective budgeting and also let their budgeting process to be guided by proper funding, accountability and transparency at all organizational levels. This theory is relevant to this study for trying to explain how prioritization affects budgeting.

Previous Work

The Impact of Budgetary Management Process on Organizational Performance

A number of empirical studies have been conducted related to the budgetary management process on financial performance. Silva and Jayamaha (2012) researched on budgetary process and organizational performance of the apparel industry in Sri Lanka. 50 companies are selected based on the convenient judgment as the sample and used both primary and secondary data. Based on the regression model researchers revealed that there is a strong positive correlation between the budgetary process and firm

performance. Koech (2015) considered the effect of budgetary control on the financial performance of selected manufacturing companies in Kenya. 50 selected as the sample through the stratified sampling technique and used descriptive research design. Both primary and secondary data used and the researcher found that there is a significant relationship between the budgetary control system and financial performance. Agbenyo et al. (2018) researched on budgeting and its impact on the financial performance of listed manufacturing firms taking evidence from manufacturing firms listed on Ghana Stock Exchange. 51 respondents considered as sample size and primary data used by the researchers. The findings showed that there is a positive relationship between budgeting process and financial performance.

The Budgetary Coordination and Organizational Performance

Silva and Jayamaha (2012) examined the budgetary process and organizational performance of the apparel industry in Sri Lanka selecting 50 companies as the sample. The researcher collected data through primary and secondary sources and organizational performance measured using ROA. Regression analysis results showed that there is a high degree of positively significant correlation between budgetary coordination and ROA. Pimpong and Laryea (2016)

investigated on the budgeting and its impact on financial performance related to the case of non-bank financial institutions in Ghana. As sample seven non-bank financial institutions were considered. Primary data used for the study and through regression analysis researcher found that budget coordination has a statistically significant moderate positive relationship on firm performance. Agbenyo (2018) conducted research on budgeting and its impact on the financial performance of listed manufacturing firms considering the evidence from manufacturing firms listed on the Ghana Stock Exchange also they clearly stated that there is a positive relationship between budgetary coordination and financial performance.

The Budgetary Monitoring and Organizational Performance

Chircir and SImiyu (2017) conducted a research on the influence of the budgetary control system on financial performance of the Almasi Beverage Group Limited, Kenya. 132 sample has consisted of 21 heads of departments and 111 supervisors. The research was conducted three Coca-cola bottling companies in Kenya. Questionnaires and interviews used to collect primary data and financial statements used to collect secondary information. Research findings showed that there is a significant positive relationship between monitoring and financial performance of

ABGL. Agbenyo (2018) conducted research on budgeting and its impact on the financial performance of listed manufacturing firms considering the evidence from manufacturing firms listed on the Ghana Stock Exchange found that there is a significant and positive relationship between monitoring and financial performance.

The Budgetary Communication and Organizational Performance

Pimpong and Laryea (2016) conducted research on budgeting and its impact on financial performance related to the case of non-bank financial institutions in Ghana. The researchers used both primary and secondary methods to collect data and as analyzing tool regression model was used. Seven non-bank institutions selected as the sample. Findings revealed that evaluation has a significant effect on financial performance. Chircir and SIMiyu (2017) conducted a research on the influence of the budgetary control system on financial performance of the Almasi Beverage Group Limited, Kenya. 132 sample has consisted of 21 heads of departments and 111 supervisors. The research was conducted three Coca-cola bottling companies in Kenya. Questionnaires and interviews used to collect primary data and financial statements used to collect secondary information. Research findings showed that there is a significant positive relationship between monitoring and financial

performance of Almasi Beverage Group Limited, Kenya Agbenyo (2018) also identified that there is a significant and positive relationship between evaluation and financial performance.

Research Gap

According to the above-mentioned literature, the researcher could determine that there is a relationship between the budgetary management process and organizational performance. But the impact levels are different according to their studies in various research areas. The relationships between variables are also somewhat varied. Hence there is no clear idea on the impact of budgetary management process on organizational performance and what kind of relationship among variables. According to the available research articles in the Sri Lankan context, there is a limited number of studies that carried out to find the impact of budgetary management processes on organizational performance in SMEs. When considering international context although there is a number of researches related to the impact of budgetary management processes on performance, but they are not related to the SME sector. And also there is a limited number of studies related to the impact of budgetary coordination, monitoring, and communication on organizational performance. Therefore the researcher intends to carry out research to fill this research gap by

identifying the impact of budgetary management processes on organizational performance in SMEs in Hambantota District.

Contribution of the study

Mainly the significance of the research on the impact of budgetary management process on organizational performance can be divided into three areas as theoretical, empirical and managerial significance. The heart of the budgetary management system is budgeting. Always efficient budgetary process will guide for the financial performance improvement and development of overall organizational performance occurs due to the efficient budgetary practices. This study will provide a body of knowledge on the impact of budgetary management process on organizational of SMEs in Hambantota district. Recognizing the importance of SMEs in the Southern province is also one of the significances of this study and the findings of this study will serve as important indicators to face future challenges by adopting a budgetary management process with better forecasts.

Not only for small and medium enterprises but also for the other industries may be benefitted with these research findings. This research includes existing literature and knowledge provided to a better understanding of the budgetary management process on organizational performance. The

research findings will provide many advantages for many parties. This study support to management in the decision-making process and finance controlling process. The study provides knowledge for allocating scarce resources effectively and cost reduction of production in the business sector. Research offers sufficient knowledge for the academic sector and society regarding the impact of budgetary management process on organizational performance in SMEs. This study provides guidance to the policymakers to develop policies, procedures, and programs for increasing customers' satisfaction and employees' satisfaction when preparing the budget. The entire nation is finally benefitted by these research findings. Findings and recommendations may be useful to expand small and medium enterprises. Ultimately, the knowledge further contributes as a useful source for future researchers regarding subject matter.

2. METHODS

The study was conducted to analyze the impact of the budgetary management process on performance of SMEs. Quantitative research approach was used to generate findings. This comprise there are four independent variables such as budgetary coordination, budgetary monitoring, budgetary communication and budgetary evaluation. Organizational performance of SMEs is the

dependent variable. Primary data were collected through the questionnaires to answer the research question. According to Sekaran (2003) entire group of people, events or thing of interest that the researcher wishes to investigate is called population. Considering all the SMEs which are registered in the Hambantota District chamber of Commerce the overall research is conducted. It is nearly about 310 enterprises. There is different category of SMEs in Hambantota District such as textiles and footwear, hotel and restaurant, Jewelry, wood and iron furniture, building materials and paints, book and stationery, electrical items and etc.

Sample of the Study

The researcher used a simple random sampling method to select the sample. Considering the limited time and resources of the research requirements, this study was selected 80 SMEs as sample to collect data, but only 60 SMEs were responded. Since the inabilities to approach to the population which spreads around 100% SMEs that registered in Hambantota District chamber of Commerce.

Method of Data Collection

Primary research is expected to collect data by using questionnaires which are physically distributed to owners, managers and accountants of the selected sample. The questionnaire was designed mainly

in a structured way to determine the impact of budgetary management process on organizational performance of SMEs and it developed both in English and Sinhala languages. It is simple worded questionnaire and consisted of two sections as part A and part B. Part A included general information of respondents such as gender, job position and educational level. Also, it consisted with company details such as the number of employees, nature of the business, the budget covering and reviewing period of the business. The questions that used to measure the independent variables and dependent variable are included in the part B. Here researchers prepared these questions according to 5 points Likert scale order.

Based on literature review following conceptual framework is formed. Budgetary coordination, budgetary monitoring, budgetary communication and budgetary evaluation are independent variables. This framework helps to get an understanding about the study.

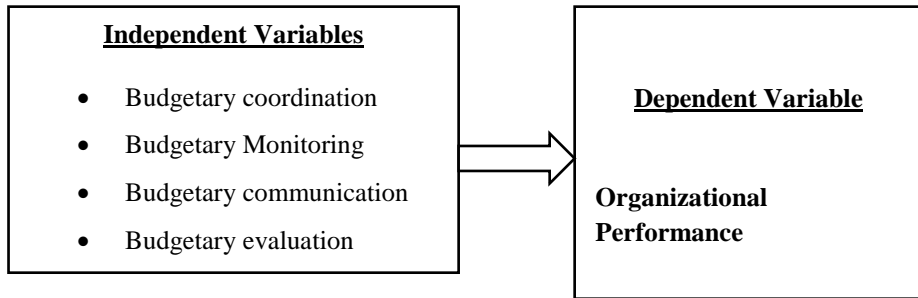


Figure 1: Conceptual Framework

Hypotheses of the Study

Hypotheses of this study can be formulated as follows,

H₁ : Budgetary management process has an impact on organizational performance of the SMEs.

H_{1a} : Budgetary coordination has an impact on organizational performance of the SMEs.

H_{1b} : Budgetary monitoring has an impact on organizational performance of the SMEs.

H_{1c} : Budgetary communication has an impact on organizational performance of the SMEs.

H_{1d} : Budgetary evaluation has an impact on organizational performance of the SMEs.

Regression Analysis

The linear regression model was developed by the researcher for the analyses of the study as given below;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Performance

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$ are the coefficients of each independent variable.

X_1 = Budgetary coordination

X_2 = Budgetary monitoring

X_3 = Budgetary communication

X_4 = Budgetary evaluation

ε = Error term

Table 1: Operationalization Table

Variables	Indicators	Measurement
Budgetary coordination	Activities and functions Follow up on plans Responsibilities	Questionnaire Q.No.07 to Q.No.11
Budgetary monitoring	Supervision Responsibilities Budget Policies	Questionnaire Q.No.12 to Q.No.16
Budgetary communication	Staff contribution Information flow Information sharing	Questionnaire Q.No.17 to Q.No.21
Budgetary evaluation	Operational control Reviewing performance Evaluation reports & regular audit	Questionnaire Q.No.22 to Q.No.26
Organizational Performance	Efficiency of business process Managerial experience Workforce productivity	Questionnaire Q.No.27 to Q.No.30

3 RESULTS

Table 2 represents the summary of the reliability tests.

Table 2: Reliability Analysis

Variable	Cronbach's Alpha	Number of Items
Budgetary Coordination	0.808	5
Budgetary Monitoring	0.808	5
Budgetary Communication	0.924	5
Budgetary Evaluation	0.922	5
Organizational Performance	0.893	4

According to the results of the reliability test, Budgetary Communication had 0.924 Cronbach alpha value and Budgetary Evaluation had 0.922. These values denote that questions relating to independent variables are in excellent position while the questions relating to Budgetary Coordination ($\alpha = 0.808$) and Budgetary Monitoring ($\alpha = 0.808$)

are in good level. Further Cronbach's alpha of questions relating to dependent variable of Organizational Performance also in good level as it has taken the value of 0.893. According to the table 4.7 overall results of reliability test in this research was more than 0.8 and it indicated that all the items are consistent and reliable in this study.

Table 3: Result of Descriptive Analysis

Variable	Mean	Standard Deviation
Organizational Performance	3.3917	0.59369
Budgetary Coordination	3.1467	0.47567
Budgetary Monitoring	3.0533	0.50337
Budgetary Communication	2.9300	0.25992
Budgetary Evaluation	3.0400	0.57496

Multiple Regression Analysis

Regression analysis is a quantitative method used to test the nature of the relationships between dependent variable and two or more quantitative variables. Through regression analysis researcher further investigated the relationship between dependent variable and independent variables.

The impact of budgetary management process on Organizational performance

The main objective of this study is to identify the impact of the budgetary management process on the organizational performance of SMEs in Hambantota district. The regression analysis was performed by the researcher to identify the impact of the budgetary management process.

**Table 4: Coefficients in Regression Analysis for
Budgetary Management Process**

Model	Un standardized Coefficients	Standardized Coefficients		t	Sig.
	B	St. Error	Beta		
1(constant)	-.600	.194		-3.093	0.003
BP	1.312	0.63	.939	20.785	0.000

a. Dependent Variable: OP

In this model, when BP = 0, Y = -.600. It indicates that organizational performance is determined by other factors than the budgetary management process.

Coefficient of BP = 1.312 represents that the impact of the budgetary management process on organizational performance, assuming that other factors are constant. When the budgetary management process increases by one unit, organizational performance will increase by 1.312 units, assuming other factors are constant. Therefore, the budgetary management process has a positive impact on organizational performance.

The sub-objectives of this study are to identify the impact of budgetary coordination, budgetary monitoring, budgetary

communication and budgetary evaluation on the organizational performance of SMEs in the Hambantota district. The regression analysis was performed by the researcher to identify the impact of the budgetary management process.

Table 5: Result of Model Summary in Multiple Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945 ^a	.892	.884	.20191

a. Predictors: (Constant), BE, BM, BCom, BC

Model fit can be evaluated by using adjusted R square. In this model the value 0.884 indicates that nearly 88% of the variation explain by four independent variables such as budgetary coordination, budgetary

monitoring, budgetary communication and budgetary evaluation. Rest of the 12% explained by other factors such as budgetary planning, budgetary control, budgetary participation, budget sophistication and budget goal clarity.

Table 6: Result of ANOVA in Multiple Regression Analysis

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	18.554	4	4.638	113.77	.000 ^b
Residual	2.242	55	.041	2	
Total	20.796	59			

a. Dependent Variable: OP

b. Predictors: (Constant), BE, BM, BCom, BC

Above 6 table mean square value of 18.554 indicates that predictor variables for the test have ability to explain variation of the dependent variable. Therefore, it can be concluded that this regression

model is reasonably fit to the data. Since, F value of 113.772 was significant at 0.000 the assumption that linear relationship between the independent and dependent variables is not violated.

Table 7: Result of Coefficient in Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
1 (Constant)	-1.229	.415		-2.963	.004
BC	.534	.122	.428	4.380	.000
BM	.413	.104	.350	3.989	.000
BCom	.584	.211	.256	2.772	.008
BE	-.010	.151	-.010	-.067	.946

a. Dependent Variable: OP

BC = Budgetary Coordination

BM = Budgetary Monitoring

BCom = Budgetary
Communication

BE = Budgetary Evaluation

According to table result of the coefficient table following equation can be developed.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i$$

Where;

Y = Organizational Performance

$\beta_0, \beta_1 X_1, \beta_2 X_2, \beta_3 X_3, \beta_4 X_4$
are the coefficients of each
independent variable.

β_0 = Constant

X_1 = Budgetary coordination

X_2 = Budgetary monitoring

X_3 = Budgetary communication

X_4 = Budgetary evaluation

e = Error term

$$Y = -1.229 + 0.534X_1 + 0.413X_2 + 0.584X_3 - 0.010X_4$$

In this model, when $BC = 0$, $BM = 0$, $BCom = 0$, $BE = 0$, $Y = -1.229$. It indicates that budgetary management process determines by other factors than budgetary coordination, budgetary monitoring, budgetary communication and budgetary evaluation.

Coefficient of $BC = 0.534$ represents that impact of budgetary coordination on organizational performance assuming that budgetary monitoring, budgetary communication and budgetary evaluation are constant. When budgetary coordination increases by one-unit organizational performance will increase by 0.534 units assuming budgetary monitoring, budgetary communication and budgetary evaluation are constant.

Coefficient of $BM = 0.413$ represents that impact of budgetary monitoring on organizational performance assuming that, budgetary coordination, budgetary communication and budgetary evaluation are constant. When budgetary monitoring increases by one-unit organizational performance will increase by 0.413 units assuming budgetary coordination, budgetary communication and budgetary evaluation are constant.

Coefficient of $BCom = 0.584$ represents that impact of budgetary communication on organizational performance assuming that budgetary coordination, budgetary

monitoring and budgetary evaluation are constant. When budgetary communication increases by one-unit organizational performance will increase by 0.584 units assuming budgetary coordination, budgetary monitoring and budgetary evaluation are constant.

Coefficient of $BE = -0.010$ represents that impact of budgetary evaluation on organizational performance assuming that budgetary coordination, budgetary monitoring and budgetary communication are constant. When budgetary evaluation increases by one-unit organizational performance will decrease by 0.010 units assuming budgetary coordination, budgetary monitoring and budgetary communication are constant.

Hypotheses Testing

According to the results of regression analysis following discussion is made related to the hypothesis which has been established in the study.

H₁ : There is a significant impact of budgetary management process on organizational performance.

According to the regression analysis results, budgetary management process has a positive impact on organizational performance ($\beta = 1.312$) and there is a significant impact of budgetary management process on organizational performance.

Because p value is 0.000 and it is less than 0.05. As a result, H_1 is accepted.

H_{1a} : There is a significant impact of budgetary coordination on organizational performance.

According to the regression analysis results, budgetary coordination has a positive impact on organizational performance ($\beta = 0.534$) and there is a significant impact of budgetary coordination on organizational performance. Because p value is 0.000 and it is less than 0.05. As a result, H_{1a} is accepted.

H_{1b} : There is a significant impact of budgetary monitoring on organizational performance.

According to the regression analysis results, budgetary monitoring has a positive impact on organizational performance ($\beta = 0.413$) and there is a significant impact of budgetary monitoring on organizational performance. Because p value is 0.000 and it is less than 0.05. As a result, H_{1b} is accepted.

H_{1c} : There is a significant impact of budgetary communication on organizational performance.

According to the regression analysis results, budgetary communication has a positive impact on organizational performance ($\beta = 0.584$) and there is a significant impact of budgetary communication on organizational performance. Because p value is

0.008 and it is less than 0.05. As a result, H_{1c} is accepted.

H_{1d} : There is a significant impact of budgetary evaluation on organizational performance.

According to the regression analysis results, budgetary evaluation has a negative impact on organizational performance ($\beta = -0.010$) and there is insignificant impact of budgetary evaluation on organizational performance. Because p value is 0.946 and it is higher than 0.05. As a result, H_{1d} is rejected.

Table 8: Hypotheses testing

Hypotheses	Sig:	Result
H₁ : There is a significant impact of budgetary management process on organizational performance.	.000	Accepted
H_{1a} : There is a significant impact of budgetary coordination on organizational performance.	.000	Accepted
H_{1b} : There is a significant impact of budgetary monitoring on organizational performance.	.000	Accepted
H_{1c} : There is a significant impact of budgetary communication on organizational performance.	.008	Accepted
H_{1d} : There is a significant impact of budgetary evaluation on organizational performance.	.946	Rejected

4. DISCUSSION

The main purpose of the research was to identify the impact of budgetary management process on organizational performance in SMEs of Hambantota district. Researcher used budgetary coordination, budgetary monitoring, budgetary communication and budgetary evaluation as the independent variables and organizational performance as the dependent variable. Initially, the impact of the budgetary management process on organizational performance is tested in the study. Descriptive analysis results indicated that budgetary

coordination has the highest impact and budgetary monitoring is the variable highly affects next while budgetary evaluation is the third. Budgetary communication has the least impact in sample of SMEs.

The study examined the impact of budgetary management process on organizational performance in SMEs. According to Kimungui, Memba & Njeru (2015) the results further indicate a Beta coefficient of 0.419 and a p value of 0.000. Since p value is less than 0.05, the study rejected the null hypothesis and failed to reject the alternate hypothesis. This implies that budgetary process is significant in

explaining financial performance of NGOs in health sector in Kenya. It concludes that budgetary process has a positive influence on financial performance of NGOs in Kenya. According to Silva and Jayamaha (2012), based on R square, 77.4% means the budgetary process strongly effect to the organizational performance in Sri Lankan apparel industry.

Regression result indicated positive and significant relationship between budgetary coordination and organizational performance. According to previous researches, Agbenyo et al. (2018) point out that there is a positive relationship between budgetary coordination and financial performance. A similar result was found by Pimpong and Laryea (2016), budget coordination has a Beta of 0.527 with a significance level of 0.000. Hence it can be concluded that, budget coordination has a statistically significant moderate positive impact on firm performance. And also, this result is similar to findings by Mohammed and Ali (2013). According to Abongo (2017), the study found out that budgetary coordination had a positive and statistically significant effect on the financial performance of top 100 SME firms in Kenya as evidenced by high t- values and p-values of less than 0.05 ($t=3.066$, $p=0.003$). A similar result was found by Silva and Jayamaha (2012), organization performance was influenced by budgetary practice namely budgetary coordination.

In this study, there is a significant impact on budgetary monitoring on organizational performance of SMEs in Hambantota District ($p=0.000$). The researcher found that the majority of SMEs conduct proper budget conferences and meetings, proper budget policies to check the spending and proper additional training to young staff regarding the importance of budget monitoring and more consideration in monitoring budget reports as the reasons for this relationship. Even though most of the previous findings have shown positive significant relationship between budgetary monitoring and organizational performance (Chircir & Simiyu, 2017). According to Agbenyo et al. (2018) budgetary monitoring had p – value (0.0017) which is less than 0.05, therefore it has been shown statistically positive significant impact of budgetary monitoring on financial performance. Based on survey results of Ng'wasa (2017), there was insignificant and positively affects financial performance. Therefore, that result was not accordance with findings of this study. According to Koech (2015) based on coefficient results, budgetary monitoring had 0.032(p value) which is less than 0.05 therefore it was significant impact on financial performance in manufacturing companies.

Further regression result of the study indicated that there is a significant impact of budgetary communication on organizational performance. When considering

the past researches Silva and Jayamaha (2012) investigated that budgetary communication plays an important role in organizations when improving firm performance. According to Abongo (2017), budget communication had a positive and statistically significant effect on performance as evidenced by high t-values ($t = 3.590$) and high p-values ($p = 0.001$) of less than 0.005.

Also, research findings indicated a negative insignificant impact of budgetary evaluation on organizational performance. Because most of the respondents in SMEs of Hambantota district give little effort to prepare evaluation reports. Even though taking corrective actions and upgrading areas is important for an organization and budgetary evaluation helps in advance for that, majority staff of SMEs has no understanding regarding that and it badly affects to maintain a proper budgetary evaluation process. Therefore, that result was not accordance with findings of previous researchers such as Chircir and Simiyu (2017), Kimani (2014). According to Silva and Jayamaha (2012) there was a significant impact of budgetary evaluation on organizational performance in apparel industry. But budgetary evaluation did not much influence the organizational performance in apparel industry. Agbenyo et al. (2018), found the positive significant impact of budgetary evaluation on financial performance, therefore it had p -

value (0.0004) which is less than 0.05. According to Abongo (2017), budget evaluation had a positive and statistically significant effect on financial performance as evidenced by high t-values ($t = 2.942$) and high p-values ($p = 0.004$) of less than 0.005.

5. CONCLUSION

The objective of this study is to identify the impact of budgetary management process on organizational performance in SMEs in Hambantota district. It is an explanatory research that was conducted by using primary data. The data was collected by distributing structured questionnaire to the selected sample of 60 SMEs. The data were analyzed through SPSS version 20.0. The researcher used reliability test, descriptive analysis and regression analysis to analyze the collected data. When studying the Sri Lankan context and international context some studies indicated that budgetary coordination, budgetary monitoring, budgetary communication and budgetary evaluation have significant impact on organizational performance.

The research main objective was to identify the impact of budgetary management process on organizational performance in SMEs in Hambantota district. Budgetary management process consists with four variables. According to Regression analysis, the findings of the study revealed

that budgetary coordination, budgetary monitoring and budgetary communication are significantly affect to the organizational performance of SMEs and budgetary evaluation is insignificantly affect to the organizational performance of SMEs. With acceptance of hypotheses, it can be showed that these factors are affect to the organizational performance. According to the descriptive analysis the mean value of budgetary coordination has the highest impact and it represents the 3.1467 while budgetary communication has the least impact which represents the 2.9300. Hence this study fulfills the objective of this research study.

Based on the research findings, the study provides the following recommendations to SMEs in Hambantota district in order to improve the budgetary management process and organizational performance. The findings of this study suggest that organizations in SMEs sector who plan to improve their organizational performance should give more priority to develop the formality of the budgetary coordination, monitoring and communication. Because they have high degree of positive and significant impact on organizational performance.

When applying budgetary management process for an organization, researcher suggests to pay more attention on budgetary

evaluation. Because to face challenges successfully, entire budgetary process should be in good manner. Here the findings indicate that there are poor budgetary evaluating procedures in SMEs in Hambantota district due to lack of knowledge regarding evaluation reports and evaluation process etc. Therefore, following suggestions can be taken to improve the budgetary evaluation process. Mostly SMEs have owners, but in medium sized SMEs, employees more than 50 should set up a budget committee to manage the potential disagreements of managers and they must review the costs of activities. Due to the dynamic environment, there should be necessary adjustments from time to time. Additional training and motivation are needed. Training must be aimed to help them understanding the importance on how to conduct more efficient control in evaluation. From the findings, it is evident that some respondents had school level qualification. Therefore, it is important to start training and educating more young staff for the near future. The evaluation reports must be prepared frequently and must take corrective actions where necessary and upgrade budgeting process of next years. Also doing a regular audit is important in evaluation process. These procedures help for the organizations to face future challenges.

Descriptive results show budgetary coordination has the highest impact level on financial performance. Hence researcher recommends for the SMEs to create policies, rules and regulations in appointing responsible staff with good coordinating skills. Further there are limited resources such as financial resources, human resources and information resources in the businesses. These research findings indicate that management should pay much attention towards budgetary coordination when allocating resources in their decision-making process.

Further this study provides sufficient knowledge to academics by explaining the impact of budgetary management process on organizational performance in SMEs in Hambantota district. By paying much attention to these recommendations SMEs can enhance their financial performance with the development of the well-organized budgetary management process.

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