



**MUNHUMUTAPA SCHOOL OF COMMERCE  
DEPARTMENT OF ACCOUNTING AND INFORMATION SYSTEMS**

**THE RELATIONSHIP BETWEEN LEADERSHIP SKILLS AND BUDGETARY  
CONTROL ON FINANCIAL PERFORMANCE OF SMES: A CASE OF SMES IN  
EPWORTH**

**DISSERTATION**

**BY**

**TAWONEHAMA NYAMUGONEKA  
(M201956)**

**IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR A MASTER'S  
DEGREE IN PROFESSIONAL ACCOUNTING AND CORPORATE  
GOVERNANCE/GRAD ICGZ, SUBMITTED TO GREAT ZIMBABWE  
UNIVERSITY**

**MASVINGO, ZIMBABWE**

**YEAR 2023**

## RELEASE FORM

**NAME OF AUTHOR:** Tawonehama Nyamugoneka

**TITLE OF DISSERTATION:** The Relationship Between Budgetary Control and Leadership Skills on the Financial Performance of SMEs: A Case Study of SMEs in Epworth.

**PROGRAMME FOR WHICH DISSERTATION WAS PRESENTED:** Master of Commerce Degree in Professional Accounting and Corporate Governance/GRAD ICGZ

**YEAR GRANTED:** 2023

Permission is hereby granted to Great Zimbabwe University to reproduce single copies of the research project and to lend or sell such copies for private, scholarly, or scientific research purposes only. The author reserves the right for other publications of this research project. No extracts from it to be printed or otherwise reproduced without the author's written permission.

**SIGNED:**

..........

**PERMANENT ADDRESS:**

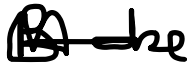
4 Dima Close, Msasa Park, Harare

**DATE:**

22 December 2023

**APPROVAL FORM**

The undersigned certify that they have read and recommended to the Department of Accountancy for acceptance, a dissertation entitled: “The Relationship Between Budgetary Control and Leadership Skills on the Financial Performance of SMEs: A Case Study of SMEs in Epworth” submitted by Tawonehama Nyamugoneka in partial fulfilment of the requirements of the the Master of Commerce Degree in Professional Accounting and Corporate Governance/Grad ICGZ.



.....  
**SUPERVISOR(S)**

.....  
**CHAIRMAN**

.....  
**EXTERNAL EXAMINER**

**DATE**.....

## DECLARATION

I, Tawonehama Nyamugoneka, hereby declare that this project is a presentation of my own work, with the exception of the amounts mentioned in the report's body, acknowledgments, and references. I also declare that it hasn't been submitted in whole or in part to any other university or other higher education establishment.



.....

**Student signature**

.....22/12/2023.....

**Date**

## **DEDICATION**

This project is dedicated to my lovely wife Enedy Ngwerume, who has worked incredibly hard to ensure that, despite all the financial hardships the family endured to pay for my education, I can achieve my goal of earning a Master of Commerce degree. I also want to express my gratitude to my friends, coworkers, and business partners for their support.

**“To achieve a doctorate”**

## **ACKNOWLEDGEMENTS**

My first appreciation is to the Almighty God, who provided me with the courage and determination to pursue my education. I am also appreciative of my family's moral and spiritual support during my studies.

I am quite appreciative of my supervisor, Mrs. R. Mandizvidza, who helped me with the whole project writing process, from drafting proposals to finished projects. Her meticulous attention to detail, priceless patience, insightful advice, and unwavering support enabled me to not only complete my research project but also produce a paper that satisfies university requirements. She is undoubtedly deserving of all the praise for her participation.

Lastly my gratitude also go to those who have contributed to this study one way or the other who include Town Secretary Dr W. Mhanda, Director of Financial Services Ms L Munyeza Finance Manager Mr P. Dzivanyika, Administration Manager Ms D. Kaseke and Accounting Officer Expenditure Mr Kadondo. Of course, I deserve special recognition for the many sleepless hours I spent gathering data.

## **ABSTRACT**

The purpose of the research was to evaluate the impact of budgetary control and leadership abilities on the financial performance of SMEs. The investigation was prompted by the many allegations of budget mismatch caused by the global economic slump that have surfaced. The Accounting Theory and the Theory of Balanced Scorecard, which addressed the reasons why management accounting procedures differ from firm to business, served as the foundation for the literature study. The rigorous process of developing hypotheses, conducting empirical tests to test theories, and having the ability to codify the results in a set of rules and predictions are the fundamental components of positivist ideology, which forms the basis of this research. The study used the deductive research methodology, which is often connected to scientific inquiry. The management staff of Epworth Local Board served as the study sample. The researcher used a descriptive approach, which focuses primarily on elucidating how budgetary management affects the relationship between SMEs' financial success and leadership abilities. The study used a quantitative research strategy, which places a focus on objective measurements and numerical analysis of data gathered via surveys, questionnaires, and other methods, as well as through the use of computing tools to manipulate pre-existing statistical data. A cross-sectional time horizon research technique was used in the study, which produces data at a single point in time. Because stratified random sampling can reflect all of the population's subgroups, it was used in this research. Thirty respondents who were purposefully selected were given the questionnaire, which the researcher used to gather primary data. Therefore, simple data presentations were used to represent the information gathered from the inquiry. It was discovered that the budgetary control methods used by SMEs are sufficient for enhancing financial performance, and that Local Authorities employ at least one budgetary control system. The research also showed that, among other things, goal-setting was a key component of leaders' active participation in budgetary management in SMEs. Based on the results, the researcher advised executives in SMEs to advocate for and set clear objectives since forecasting helps with decision-making and helps understand the effects of actions before they are taken.

## TABLE OF CONTENTS

RELEASE FORM.....	i
APPROVAL FORM.....	ii
DECLARATION .....	iii
DEDICATION .....	vi
ACKNOWLEDGEMENTS .....	vii
ABSTRACT.....	viii
LIST OF TABLES .....	vi
LIST OF APPENDICES.....	vi
CHAPTER I.....	7
INTRODUCTION .....	7
1.0 Introduction.....	7
1.1 Background of the Study .....	7
1.2 Statement of the Problem.....	10
1.3 Purpose of the study.....	10
1.4 Objectives .....	11
1.5 Research Questions .....	11
1.6 Significance of the study.....	11
1.6.1 To the student.....	12
1.6.2 To SMEs.....	12
1.6.3 To the University.....	12
1.6.4 To the policy makers .....	12
1.7 Assumptions.....	12
1.8 Delimitations.....	12
1.9 Limitations .....	13
1.10 Definition of key terms .....	13
1.10 Research Outline .....	14
1.11 Summary .....	15
CHAPTER II.....	16
LITERATURE REVIEW .....	16



2.0	Introduction.....	16
2.1	Conceptual framework.....	16
	Figure 2.1 Relationships among concepts.....	17
2.1.1	Methods of budgetary control used by SMEs.....	17
2.1.1.1	Variance Analysis Techniques.....	17
2.1.1.2	Techniques for Budgeting Income and Expenses .....	18
2.1.1.3	Techniques for Accounting Responsibilities .....	18
2.1.2	The role of leadership skills in improving budgetary controls within SMEs .....	19
2.1.2.1	The leadership abilities required for financial controls .....	19
2.1.2.1.1	Outlining precise, dependable performance goals .....	20
2.1.2.1.2	Providing information and resources for success .....	21
2.1.2.1.3	Recognizing actual expenses .....	21
2.1.2.1.4	Honoring superiority .....	22
2.1.2.1.5	Lessen the complexity of the organization .....	22
2.1.2.1.6	Dedication to extensive, knowledge-based participation.....	23
2.1.2.2	The leadership’s contribution to SMEs’ improved financial controls.....	23
2.1.3	The kind of link that exists between SMEs’ performance and budgetary control.....	25
2.1.3.1	Performance of the Organization .....	25
2.1.3.2	Organizational Financial Performance and Budgetary Control.....	26
2.1.4	The most effective methods of budgetary control for enhancing the performance of SMEs .....	27
2.2	Theoretical framework.....	27
2.2.1	The Accounting Theory .....	28
2.2.1.1	Accounting Theory’s Function in Budgetary Control .....	29
2.2.2	The Balanced Scorecard Theory .....	30
2.2.2.1	Budgetary control and the Theory of Balanced Scorecard .....	30
2.3	Empirical review .....	31
2.4	Summary .....	32
	CHAPTER III .....	33
	RESEARCH METHODOLOGY .....	33
3.0	Introduction.....	33

3.1 The Philosophy of Research .....	33
3.2 Research Approach .....	34
3.3 Design of the Research .....	34
3.3.1 Selecting the Right Methods for Quantitative Research.....	35
3.3.2 Time Horizon .....	35
3.4 Target Population.....	35
3.5 Method of Sampling .....	35
3.6 Sample size .....	36
3.7 Research Instrument.....	36
3.8 Sources of data.....	37
3.9 Analysing Quantitative Data.....	37
3.10 Ethical Considerations .....	37
3.10.1 Getting Knowledgeable Consent .....	38
3.10.2 Anonymity and confidentiality .....	38
3.11 Validity and Reliability.....	38
3.11.1 Validity .....	38
3.11.2 Reliability.....	39
3.9 Summary .....	39
CHAPTER IV .....	40
DATA PRESENTATION, ANALYSIS, AND DISCUSSION.....	40
4.0 Introduction.....	40
4.1 Respondent Profile.....	40
4.1.1 Response rate .....	40
Table 4.1 Response rate .....	41
4.1.2 Gender.....	41
4.1.3 Occupation in the SMEs industry .....	42
Figure 4.1 Occupation of respondents in the SMEs sector .....	42
4.1.4 Roles in the workplace.....	43
4.2 The efficiency of SMEs’ budgetary control systems.....	43
4.2.1 Usage of Budgetary controls.....	43
4.2.2 SMEs’ use of control mechanisms.....	44

4.2.3 The degree to which budgetary control methods are effective .....	45
Figure 4.2 Efficiency of budgetary management strategies.....	46
4.3 The contribution of leadership abilities to enhancing SME budgetary controls.....	46
4.3.1 The role of the leadership in enhancing financial controls .....	46
4.3.2 The leadership’s contribution to better budgetary control.....	47
Figure 4.3 Role of leadership in budgetary control .....	48
4.4 The connection between SMEs’ performance and budgetary control .....	49
4.4.1 Techniques for budgetary management and budget alignment .....	49
H1: There isn't a statistically significant correlation between SMEs' performance and budgetary control. .....	50
Table 4.8 Budgetary control and performance of SMEs.....	50
4.5 The best budgetary control techniques for enhancing the performance of SMEs .....	51
4.6 Summary .....	52
CHAPTER V .....	53
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	53
5.0 Introduction.....	53
5.1 Summary of the study .....	53
5.2 Summary of major findings .....	54
5.2.1 The efficiency of Epworth SMEs’ budgetary control mechanisms .....	54
5.2.2 How leadership abilities help SMEs in Epworth enhance their budgetary controls.....	54
5.2.3 How the performance of SMEs in Epworth and budgetary control are related.....	54
5.2.4 The most effective methods of budgetary control for enhancing the performance of SMEs .....	55
5.3 Conclusions.....	55
5.4 Recommendations.....	56
5.4.1 Harare Metropolitan Province Ministry of SMEs Regional Director .....	56
5.4.2 Areas for further study .....	57
REFERENCES .....	58
APPENDX A: QUESTIONNAIRE.....	66

## LIST OF TABLES

Table 4.1 Response rate .....	41
Table 4.2 Respondents' gender.....	41
Table 4.3 Job roles.....	41
Table 4.4 Usage of Budgetary controls.....	42
Table 4.5 Control techniques .....	43
Table 4.6 Leadership involvement .....	45
Table 4.7 Impact of budgetary control techniques on budget alignment.....	48
Table 4.8 Budgetary control and performance of SMEs.....	49
Table 4.9 Recommended techniques .....	51

## **LIST OF FIGURES**

Figure 2.1 Relationships among concepts .....	12
Figure 4.1 Tenure of respondents in the SMEs sector .....	42
Figure 4.2 Effectiveness of budgetary control techniques.....	46
Figure 4.3 Role of leadership in budgetary control .....	48

## **LIST OF ACRONYMS**

EPC – Engineering, Procurement, & Construction.

ERP – Enterprise Resource Planning

IS – Information Systems

IT – Information Technology

NRZ – National Railways of Zimbabwe

SMEs – Small to Medium Enterprises

SOEs – State Owned Enterprises

VUCA – Volatility, Uncertainty, Complexity, and Ambiguity

ZBC – Zimbabwe Broadcasting Corporation

ZPC – Zimbabwe Power Company

ZUPCO – Zimbabwe United Passenger Company

## LIST OF APPENDICES

APPENDIX A: QUESTIONNAIRE.....**Error! Bookmark not defined.**

# CHAPTER I

## INTRODUCTION

### 1.0 Introduction

Management accounting practices assist firms in planning, directing, and controlling operational expenditures to achieve profitability (Albu, and Albu, 2012). According to Mapuranga, Maziriri, Rukuni, and Lose (2021), the development of small and medium-sized enterprises (SMEs) in Zimbabwe is crucial, due to their contribution to the Gross Domestic Product (GDP) and availability of job opportunities. According to Chingwaru, (2015) the high rate of SME failure in Zimbabwe is attributed in part to the owners' and managers' lack of management skills.

Management accounting methods, such as budgetary control, offer a dependable source of information in corporate operations, effecting management choices and performance of SMEs (Cele,ide, and Stainbank, 2022). This chapter also contains the study's overview, delimitation, limitation, explanation of important terms, and rationale.

### 1.1 Background of the Study

Michelon, Paula, Rogério and Bornia (2021) conducted a study in Spain and found that most organisations regard budgets as monetary statements of goals to be achieved in a particular year by a person, business, or nation. According to a research done in India by Mulani, Chi, and Yang (2020), the majority of organizations see budgets as financial declarations of objectives that a person, company, or country must meet in a given year. Furthermore, budgetary control is a conscious endeavor to outperform goals over time utilizing existing and expected resources (Schubert and Kirsten, 2021). Molinaro (2018) discovered in another Italian research that expectations from the company and past experiences had an effect on these kinds of goals. According to Erokhin et al. (2019), 51 percent of respondents who were Chief Executive Officers of comparable SMEs in Russia emphasized that manufacturing SMEs should create a budgetary control strategy that intentionally aims to take into account both financial and non-



financial processes in order to enhance the performance of SMEs as a whole. The fact that these studies don't address how leadership influences management accounting practices like budgetary constraints is encouraging further study in that field.

Poor cost management strategies, such as irrational budgets and insufficient budgetary controls, are one of the primary obstacles to Australian SMEs' financial success, claims Matsuoka (2020). Parker (2019) discovered that managers' and leaders' capacity to coordinate operations with project timelines and budgets is significantly hampered by uncertainty and complexity. Singh (2018) and Salunkhe and Patil (2018) also note that cost overruns are common in construction projects executed by small and medium-sized enterprises (SMEs) in India, noting leaders' resistance to enrolling in cost management courses and implementing customized budgetary constraints. Since the SMEs in the construction industry were the focus of the aforementioned research, it is necessary to take into account other industrial sectors in order to determine how far the findings can be applied generally (Mickenautsch, and Berger, 2019).

According to a study done in Kenya by Njenga (2021), the operating environment for SMEs has changed due to recent developments like e-Commerce, a global market, shorter product life cycles, and fierce competition. This calls for a new strategy for budgeting and budgetary control. Ogah's (2019) research indicates that the business environment in Nigeria has changed as a result of globalization and technological advancement, putting SMEs under more scrutiny for a number of management accounting systems, including budgeting, cost allocation techniques, financial reporting systems, and others. As Ogah (2019) notes, having strong leadership support and good cost management strategies are essential for organizations to maintain their competitiveness.

Nyongesa, Odiambo, and Moses (2021) assert that effective financial planning is essential for Tanzania's successful performance of its operations, as it is necessary for better management of the financial resources of SMEs in the nation. Budgeting enables SMEs, who have limited resources, to allocate those resources among rival businesses (Nyongesa, Odhiambo, and Ngoze, 2021). Due to management's resistance to modern cost control and budgetary methodologies, the majority of Tanzanian SMEs do not effectively use budgetary control approaches to their financial resources (Ter Bogt, 2021). Due to a lack of advanced financial management strategies, many SMEs devote all of their attention to addressing daily needs (Mbumbo, Benedict, and

Bruwer, 2019). Matsuoka (2020) asserts that the budgeting process makes it possible to distribute resources to SME departments where they will be utilized most effectively. The suggested research aims to investigate budgetary controls in depth in order to shed light on a number of difficulties related to budgetary control, since these studies focused mostly on resource management in general.

Cele et al. (2022) state that two of the most important strategies for work planning and control in South African SMEs are budgeting and budgetary management. According to Cele et al., as the budget is thought of as a reflection of the SME's financial situation for a certain time period, the management of the organization should closely monitor and oversee the operation of the budget based on the data contained in it. According to Garwe (2020), budget control looks for reasons why there are differences between the actual performance and the expected budget and suggests ways to reduce the gap.

Wadesango, Kucherera, and Sitsha (2021:24) state that a number of variables influence how management accounting practices develop among SMEs in Zimbabwe. Some Zimbabwean academics speculate that these variations might be the outcome of different cultural and economic contexts (Wadesango et al., 2021; Garwe, 2020). Most studies focused on how to enhance management accounting practices, particularly in Zimbabwe. Gnawali (2020) asserts that management accounting has not changed throughout time. But Ross (2020) was certain that there had been alterations. According to Burns et al. (2019), there is evidence that within the last ten years, management accounting practices have altered in a developing nation like Zimbabwe. The goal of the present study was to establish a connection between management accounting and the performance of SMEs, in addition to the recommendations made by earlier research.

According to Chingwaru (2020), a firm's success in Zimbabwe may be accurately predicted by its leadership approach. While several studies have shown the impact of leaders' leadership styles on organizational performance, it is also known that leaders with an entrepreneurial mindset positively influence the success of their organizations' businesses (Njenga, 2021). According to a study of SMEs in Zimbabwe, entrepreneurship and leadership are closely associated (Mazikana, 2019). Shaku (2021) recommends using management accounting information to influence decisions in order to secure the long-term survival of SMEs in Zimbabwe. According to Maziriri and Mapuranga's (2020) analysis, "management accounting

practices such as budgeting are crucial in increasing the performance of SMEs." The study was conducted in Harare, Zimbabwe.

A few studies exist on the topic primarily as thesis and dissertations at different universities in Zimbabwe (Chingwaru, 2020) and throughout the globe (for example Umelo et al, 2021), a few in local journals in the country and very few, if any, in international journals (for instance Umelo, 2021). Thus, it can be said that, in comparison to other developing nations, the impacts of budgetary restriction on SME performance in Zimbabwe have not been as well studied (Mahmoudian 2021).

## **1.2 Statement of the Problem**

Significant unhappiness with the budgeting process was found in the research of SMEs (Mbumbo et al, 2019). Due to a lack of prudent and effective budgetary management systems and effective and efficient budgets to allocate resources in a way that satisfies organizational objectives and maximizes performance, SMEs in Zimbabwe have not done well lately (Mazikana, 2019). SMEs seem oblivious to the fact that their budgetary planning and control processes are flawed, which is why they keep making mistakes and failing. Among the biggest problems the SME sector faces are inadequate financial knowledge and a lack of planning. Some SMEs see flaws in their budgeting analyses, but because of misguided attempts that lead to more discontent, they see them as individual problems rather than systemic failings. This leads to a mismatch between company strategy and capital allocation even while overall SME performance is disapproved of. The performance of certain SMEs is negatively impacted by their executives' ignorance of the connection between budgetary management and performance. The primary research gap associated with this study is the inability of management in SMEs to connect performance to leadership via budgetary control.

## **1.3 Purpose of the study**

SMEs are forced to adapt their approach to budgetary management due to the changing nature of the business environment. This study's primary goal is to evaluate how leadership abilities, as shown by budgetary control, affect the success of SMEs in Epworth. The three primary areas of investigation for this study are SME performance, budgetary control, and leadership qualities.

## **1.4 Objectives**

The following goals were sought to be achieved by the study while carrying out the research:

- To determine the extent to which SMEs in Epworth use efficient budgetary control systems.
- To evaluate how effective leadership abilities, affect SMEs' financial controls.
- To assess how the performance of SMEs in Epworth and budgetary control relate to one another
- to provide suggestions about the most effective budgetary control techniques that may be used to enhance the performance of SMEs.

## **1.5 Research Questions**

- To what extent do SMEs in Epworth use efficient budgetary control systems?
- What part do leadership abilities play in helping SMEs in Epworth improve their financial control?
- What kind of link exists in between the performance of SMEs and budgetary control?
- Which budgetary control techniques work best for enhancing the performance of SMEs?

## **1.6 Significance of the study**

Mbogo (2021) claims that the importance of budgetary control and research arises from the ability it provides management to appropriately monitor the performance of the SME. According to McGrath (2018), this kind of monitoring ensures that any discrepancy between the SME's actual and budgeted performance is continuously tracked and may be addressed before it's too late. The relationship between financial control, leadership abilities, and SME success was highlighted by the research. The following are the research study's beneficiaries:

### **1.6.1 To the student**

This study is very significant to the researcher since it improves the author's knowledge of leadership responsibilities, SME performance, and budgetary control systems. Other academics and researchers will be able to easily access this study thanks to its internet availability.

### **1.6.2 To SMEs**

The research made it possible to identify the budgetary management techniques that are crucial to the overall functioning and decision-making of the SME sector.

### **1.6.3 To the University**

The University values this study because it will be useful to other students who want to do research on related subjects.

### **1.6.4 To the policy makers**

The study will improve the way regulators and policy makers formulate suitable regulations that improve overall performance, sound decision-making, and budgetary management.

## **1.7 Assumptions**

The following presumptions guided the research's execution:

- All of the participants' responses to the questions would be accurate.
- There are budgetary control systems being implemented by SMEs in Epworth.
- There are no hidden agendas; participants are genuinely interested in taking part in the study.
- There would be no economic changes during the period of the research.

## **1.8 Delimitations**

The study examined the relationship between strong leadership abilities and business success in Zimbabwe's SMEs. Budgetary controls were the mediating variable in this research because

leadership abilities influence organizational performance even though budgetary control procedures rely on them. In order to extrapolate the results to other contexts, SMEs in Epworth were the subject of a thorough examination. SMEs in every economic sector are included in the research. To attain relevance, the research focused on accounting staff members and upper management positions in SMEs.

## **1.9 Limitations**

- Some of the study's participants had trouble understanding concepts like transactional leadership and management accounting procedures. Even though time was of the essence, the researcher still had to devote more of his time to educating the respondents on the study's scope and necessary technical terms in order to build a shared understanding.
- The last two years have seen an increase in data tariffs, which may have impacted the study's ability to get material online. The researcher had to access hard copy materials from the university library in order to overcome this drawback.
- The researcher was under pressure to complete the study before deadlines, thus he had little time. Since quantitative analysis of the data was quicker than qualitative approaches, the researcher was forced to gather data online whenever possible.
- Cholera outbreak issues restricted the researcher's ability to reach every responder. The researcher used online methods for data gathering and analysis wherever it was practical to address this difficulty.

## **1.10 Definition of key terms**

### **Analysis of Variance**

Variance analysis is the study of differences between expected or planned behaviour and actual behaviour in budgeting or management accounting. It is mainly focused on how the difference between actual and planned behaviour reveals how SME performance is influenced (Adu-Gyamfi, and Chipwere, 2020).

### **Budgetary control**

The technical word for managing revenue and spending is budgetary management, which involves regularly comparing actual income and expenses to planned income and expenses to assess the need for corrective action (Albu, and Albu, 2019).

### **Financial performance**

It is a measure of how well a firm can use its assets from its primary mode of business and generate revenues. It is also a measure of a firm's overall financial health over a given period.

### **Leadership skills**

These are the traits and strengths that people demonstrate to aid them manage processes, guide initiatives, and steer their colleagues toward goal accomplishment (Ali et al, 2020).

### **SMEs**

ZIMRA classified SME businesses as those that employ from 5 to 40 employees with annual turnover and assets from as low as \$50 000 to \$2 000 000.

## **1.10 Research Outline**

The dissertation's first chapter contains the introduction. It includes the importance of the study, the statement of the problem, the research questions and goals, and the justification for the investigation. This chapter also examines the study's organization, definition of important words, and boundaries.

Chapter two focuses on the Literature Review. The extensive body of literature identifies research gaps in the field and indicates if any comparable studies have been conducted in the past. The results of the present research were influenced by the evaluation of case studies on related investigations.

Chapter 3 contains Research Design and Methodology, which describes the data presentation, research area, methodology, and information-gathering techniques. This chapter includes further information on the study technique and choice philosophy. A comprehensive discussion and review of several topics, including study methodology, research plan, data collecting techniques, and data analysis, were included in the chapter summary.

The study's fourth chapter includes the findings and an explanation of them. This chapter's main emphasis was on data analysis and interpretation. The effect of leadership abilities on SMEs' performance was the main area of interest.

The last chapter includes conclusions and recommendations. The chapter gives an overview of the whole research and made the essential suggestions about how budgetary restrictions and leadership abilities affect the success of the company.

### **1.11 Summary**

The introduction, study background, problem statement, study purpose, study significance, study goals, research questions, and definitions of operational terminology were all covered in this chapter. The study's literature review was reported in the next chapter.



## **CHAPTER II**

### **LITERATURE REVIEW**

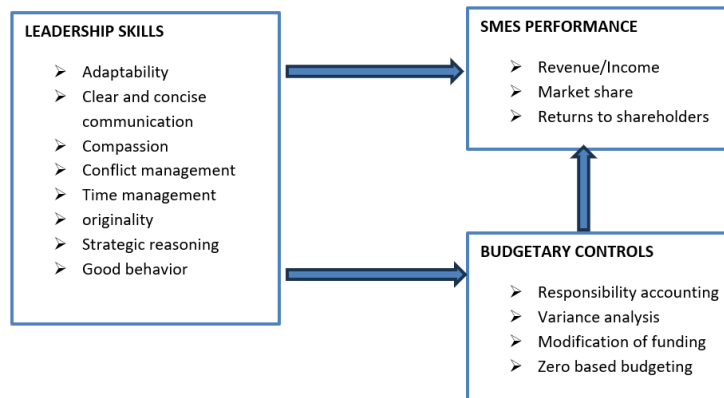
#### **2.0 Introduction**

The preceding chapter, which also included background data and the problem that spurred the investigation. The relevant literature for the subject is examined in this chapter. Fink (2018) states that the purpose of literature reviews is to show readers how the researcher's work fits within a broader area of study and to provide an outline of the sources the researcher would have looked at when studying the problem. The present research was grounded on the foundation models of the Accounting Theory and the Theory of Balanced Scorecard, which examined the reasons behind the variations in management accounting methods across different businesses (Burns and Stalker, 2021).

This chapter contains an empirical review on the function of budgetary management in moderating the link between leadership potential and SME performance, as well as a literature review that summarizes the theoretical background. The headings within this chapter are structured based on the goals of the research and the Theoretical Framework.

#### **2.1 Conceptual framework**

The study focused on how budgetary restrictions mediate the association between SME success and strong leadership abilities. Here, the performance of SME's (the dependent variable) and leadership abilities (the independent variable) are being correlated via budgetary restrictions. Figure 2.1's graphic illustrates the relationships between the intrinsic variables.



**Figure 2.1 Relationships among concepts**

**Source: Isaac et al (2020)**

### **2.1.1 Methods of budgetary control used by SMEs**

According to Mbogo (2021), two of the most important methods for organizing and supervising work in enterprises are budgeting and budgetary management. The budget is considered a statement of the SME’s financial situation for a certain time period, thus the organization’s management should closely monitor and supervise the work of the budget based on the data contained in it (Isaac et al 2020). The technique by which an organization sets budgets and manages its expenses is known as budgetary control. The budgetary control strategies used by SMEs are covered in more detail in the subsections that follow.

#### **2.1.1.1 Variance Analysis Techniques**

McGrath (2018) asserts that a SME’s dedication to variance analysis results in the achievement of certain cost-related financial objectives. According to Mickenautsch and Berger (2019:58), by controlling these expenses, the company is able to accomplish its objectives at a cheap cost. Moreover, Kabiru and Adah (2019) think that variance analysis is a useful tool for examining differences and comparing the organization’s goals with actual results. To keep the SME’s management aware of any changes to the company’s finances, the finance team is always looking into budget deviations. The goal of the present research was to shed light on the role that leadership abilities play in variance analysis. Budget variance analysis provides information on

the areas in which a SME exceeded and fell short of expectations, according to Niknejad et al. (2021)'s support.

#### **2.1.1.2 Techniques for Budgeting Income and Expenses**

Njenga (2021:51) said that the SME will use this technique to identify times when sales would double and times when they will be low. By doing this, the firm will be able to manage its cash flow and be ready for times when cash flow will be poor. According to Matsuoka (2020), the company will adjust expenditures as necessary and will tie its income to spending depending on what it anticipates from sales. In agreement with Matsuoka (2020), Shitanda et al. (2021) said that as sales is one of the organization's primary sources of income, SMEs depend on what they anticipate from it. The SME's dependence on yearly or monthly revenue to cover operating expenditures in order to turn a profit and keep spending under control (Shitanda et al 2021).

The revenue and expenses approach, as mentioned by Mbumbo et al. (2019), may be said to assist in the monitoring and control of spending by evaluating and observing periods of high income and low income, which are then associated to costs. This approach tracks revenues and utilizes money to discover and manage expenses.

#### **2.1.1.3 Techniques for Accounting Responsibilities**

Mohamed (2020) asserts that the accounting responsibility technique is the organization's core, and that specialized financial officers occupy and oversee its functions. These officers are tasked with managing profit and investments in a way that aligns with the organization's goals and objectives, ultimately resulting in favorable financial performance. Then it was said that, in accordance with Epstein and McFarlane (2021), the accounting responsibility approach seeks to maximize profit, make the best investments for the company, and modify the financial performance of SMEs. Premarathna, (2021) is of the same perspective as Epstein and McFarlane as he felt that accounting responsibility, which is the distribution of functional areas within the company, is among the most important elements of financial and administrative control in businesses. Its job focuses on the financial outcomes in the designated departments or centers. Consequently, higher management sets spending guidelines and assesses divisions according to

their ability to control costs. The leadership will establish the objectives and performance metrics. Following this, the performance will be evaluated against the objectives, any discrepancies will be examined, and any required actions will be put into place (Koech 2020).

### **2.1.2 The role of leadership skills in improving budgetary controls within SMEs**

By allocating money, budget management methods contribute significantly to improving financial outcomes and corporate profitability. They also assist in determining the best capital investments for the organization (Nafisatu 2018).

Since they provide effective budgetary management, budgetary control techniques are utilized to apply budgetary control in an efficient manner. Using organizational resources to ensure objective attainment, budget control techniques aim to support budget planning. Due to the fact that it illustrates the financial impact of the company's operational goals and, by aligning the sum of revenues with expenditures, reflects the amount of resources required by the SME as well as the timing of resource delivery (Harelimana 2020). Since the purpose of its work is to provide advantages via investment, it demonstrates its efficacy in determining the best ways to invest money. The optimal method of allocating cash is determined by using budgetary control techniques. If the accounting staff has a solid understanding of budgetary control approaches, addressing the financial challenges of the SME will be easier (Shitanda et al 2021). The senior management makes the choice to construct units that will operate under its oversight by the organization's aims. The units' controls involve scheduling and budgetary control (Kimani 2018).

Budgetary control is crucial since it makes it possible for management to more accurately monitor the SME's performance. With continual monitoring, any discrepancy between the SME's actual and planned performance may be addressed before it's too late.

#### **2.1.2.1 The leadership abilities required for financial controls**

The primary measure of SME leadership responsibility is effective fiscal management (McGrath, 2018). Budgetary control necessitates not only the execution of an effective plan but also the

availability of funds and operational integrity to enable and ensure the best level of quality, dependability, and efficiency at an economically feasible total cost. On the other side, performance optimization is the process of budgetary control. Mbogo (2021) points out that it is both operational and strategic. When fervently adopted and implemented, the following seven concepts provide a strong business model and the core of a cost-control mindset.

#### **2.1.2.1.1 Outlining precise, dependable performance goals**

According to Matsuoka (2020), setting clear and consistent expectations is the first stage in every business endeavor. This is especially true for budgeting, as a lot of managers only have expertise with cost-cutting measures including staff reductions, facility and product rationalization, and capital budget reductions (Mapuranga et al., 2021). However, Njenga (2021) discovered that although budgetary methods are sometimes necessary, effective cost management can be found in a daily process discipline that tackles the root causes of excessive staff, unproductive and overextended product lines, and the implementation and justification of control systems that are only marginally effective. As also said by Umelo et al. (2021), effective cost management takes care of the underlying systems that need such structural cost elements.

Production schedule, maintenance effectiveness, product offers, and technical competence are the four primary cost variables in an industry where low costs are the primary driver of company success (Cele et al., 2022). Each might be the main source of poor value costs or a tool for decreasing costs. According to McDonald, the first step to effective cost management is realizing the differences (2018:36).

According to Molinaro's contribution, the second factor—aligned expectations—is as important (2018:23). An ambitious, well-meaning sales and marketing staff might jeopardize its hard-earned top-line successes, even with defined revenue targets, by introducing products, packaging options, and distribution strategies that add much more cost than anticipated sales gains.

In a similar vein, Mickenautsch and Berger (2019) discovered that there can be a trade-off in costs between management's contractual cost-cutting measures and the need for manufacturing process stability and variation reduction. This is particularly true, according to Ogah (2019:79),

in the biopharmaceutical, complementary and alternative medicine, dietary supplement, and food processing businesses, where success depends on product uniformity and purity. Performance goals and objectives must be connected for effective cost management so that expenses in one area do not overshadow successes in another (Ogah, 2019).

#### **2.1.2.1.2 Providing information and resources for success**

Ter Bogt, (2021) indicated that good budgeting management is the key measure of SME leadership responsibility. Budgetary control necessitates not only the execution of an effective strategy but also the supply of means for processing integrity to enable and ensure the best level of quality, dependability, and efficiency at the lowest feasible total cost. However, since it is both strategic and operational, budgetary control is the process of optimizing performance, according to Mohd Harif, Osman, and Hoe (2020).

#### **2.1.2.1.3 Recognizing actual expenses**

According to Cele et al. (2022), standard cost is a crucial factor in the vast majority of company choices, including strategy creation, pricing, budgeting, variance reporting, and outcomes incentive systems. This was backed by Gnawali (2020) who noted that the bulk of new pricing, promotion, marketing, and capital investment choices are based on standard cost data consequently, the value of exact standard cost data cannot be stressed.

Wadesango et al. (2021) claim that when traditional costing's average applied overhead methodologies are used, the costs of big volume products are overstated and the costs of small volume products are underestimated. What is less understood, or at least acknowledged, is that low volume product costs in such systems are commonly undercharged by up to tenfold as also reported by Burns et al. (2019). Acknowledging and embracing the need for accurate product pricing has always been a challenging administrative endeavor.

It is very difficult to believe that the foundational data utilized for years of decision-making might be the primary cause of many company failures, according to study by Maziriri and

Mapuranga (2020: 22). In agreement with Maziriri and Mapuranga, Umelo (2021) said that this is particularly true for product prices and costs as well as for the introduction and explanation of new items.

Mahmoudian (2021) reports that a number of studies have discovered that just under five percent of the total sales and labor productivity is accounted for by the standard applied cost evaluation, which concentrates on the lowest fifty percent (in quantity) of all things sold.. As a result, it accounts for less than 5% of all overheads, but 20% to 30% of all non-material costs. If this cost distortion is not identified and corrected, it will be very difficult to verify major management decision processes, especially long-term plan development (Martin, 2020). According to the research of Lent and Brown (2021), accepting such a reality has been almost impossible for the majority of top executives.

#### **2.1.2.1.4 Honoring superiority**

According to a research by Marunda and Marunda (2018), companies used to base performance improvements on a simple comparison of past and present performance—a practice known to most as continuous improvement. As stated by Affes and Ayadi (2018), who also emphasized that establishing the benchmark for excellence is one of the most important elements to successful cost management, customers nowadays do not anticipate or tolerate performance defects; instead, they demand performance perfection. A performance culture, or an ethos of cost control behaviour, is influenced by technical proficiency, well understood and integrated performance systems, and complete data integrity (Albu and Albu, 2019).

#### **2.1.2.1.5 Lessen the complexity of the organization**

According to McGrath (2018), the term "high-value" can only be used to describe the most basic of required processes nowadays. Lent and Brown (2021) concurred with McGrath, pointing out that most organizations in many sectors can only afford to engage in the most valued operations.

The most effective cost management companies consistently and aggressively apply the relevance and value test to all aspects of daily operations.

#### **2.1.2.1.6 Dedication to extensive, knowledge-based participation**

Martin (2020) argues that it is important to prioritize interaction and knowledge for two reasons. First, there is the obvious truth that uncommitted individuals will not quickly become devoted. True leadership is not positional, which brings us to our second principle. It must be acquired by respect and instruction. According to Mbumbo et al. (2019:23), establishing cost-effective greatness requires these two success factors: devotion and leadership.

Njenga (2021) conducted a study utilising the Contingent Theory of Accounting. The study revealed that standard cost, complexity reduction, and the upkeep of a credible and valued performance system are all driven by knowledge-driven involvement. These findings are consistent with those of Martin (2020). Future organizational success can only be determined by personnel who possess the necessary information and chances to make well-informed choices.

#### **2.1.2.2 The leadership's contribution to SMEs' improved financial controls**

Chaudhary (2018) argues that an organization's financial performance is a true indicator of its capacity to carry out its operations and the efficacy of its execution since it serves as a system. In line with Chaudhary's perspective, Shaku (2021) stated that an organization's ability to execute its operations will depend on the effectiveness, experience, and skill of its workforce, as well as the management of the SMEs's support of these workers and the role played by upper management in initiating and monitoring the use of budgetary control measures within the organization.

Senior leadership's efforts to manage the organization's resources and implement policies and procedures will inspire all staff members to work toward achieving the organization's financial goals and plans, which will lead to excellent financial performance (Nafisatu 2018). In many organizations' budget control systems, middle-level managers are delegated certain tasks and



responsibilities by senior management, which frees them up to concentrate on budgetary violations (Kimani 2018). In his research, Kimani (2018) discovered that most organizations utilize budgetary control as a tool for internal controls, which manage resource allocation with high efficiency using budget control techniques. Throughout its work, the leadership team creates plans for the future to ensure budget management and that operations are carried out as planned (Lent and Brown, 2021).

The budgeting approach of a firm is determined by its type and leadership style. Budgets established via participatory or negotiated techniques are usually regarded to garner stronger support from company workers and management (Kyei, Kwaning and Francis, 2020). To be involved, one must do more than just confer with management or staff before setting financial objectives. Plans that do not allow for real budgetary involvement are not recommended. A culture of good sportsmanship should be fostered at every stage of the budgeting process, including goal-setting, system design, variance analysis, and corrective action (Chong and Chong, 2022).

Chong and Chong (2022) state that organizational culture, personality, and history all influence the effect of engagement. Therefore, the degree to which a performance management system aligns well with the goals of the company determines how effective it is. McGregor classifies management styles into two groups, X and Y. The main motivation of people in business, according to Theory X, is money. As a result, they are unable to make meaningful contributions to the decision-making process of the company. Contrarily, Theory Y maintains that people are motivated to work because they have a stable employment and the possibility of progressing. Although these ideas could have beneficial effects, they might impede workers' personal growth. Workers who are not committed to the success of the budgeting process, for instance, can look for methods to get out of it.

### **2.1.3 The kind of link that exists between SMEs' performance and budgetary control**

#### **2.1.3.1 Performance of the Organization**

Des-Wosu (2018) claims that yearly financial reports provided by SMEs, which link a monetary report to a SME's financial success over a predetermined period of time, are used to assess the financial performance of companies.

The SME's expenses, loans, working capital, and cash flow are all monitored to see if they align with revenue or cash outflow, as well as any other factor that highlights the SME's financial performance (Chaudhary 2018). Therefore, the SME's capacity and effectiveness in achieving its objectives are assessed based on its financial performance (Nafisatu 2018). According to Adongo and Jagongo (2019), an organization's work style and revenue adjustment serve as indicators of how well its assets are employed, and financial success is considered a gauge of these factors.

The aim of preserving fiscal stability via budgetary management measures is to allow the organization to receive adequate resources to improve its financial status (Needles 2021). According to Chaudhary (2018), organizational performance is the system that determines how well an organization can carry out its operations. This system is based on how well its employees use budgetary control techniques, emphasizing the importance of budgetary control in raising the level of achievement of SMEs and their ability to implement changes through monitoring. This was reaffirmed by Nafisatu (2018), who said that an organization performs as long as its people, procedures, and resources come together to accomplish the goals and plans it has established in its budget, treating them as activities. This is because, as opposed to only showing a respectable return on sales, ROA demonstrates how successfully a SME utilizes its assets to create profit, making it a more accurate measure of a SME's financial performance (Martin, 2020).

Financial success of a company may be recorded in three ways: as surveys showing expected financial performance, as an accounting measure indicating business efficiency level, and as a market measure expressing stakeholders' happiness in the market (Javed, Younas and Imran, 2018). Consequently, financial performance aids different corporate stakeholders in responding to the following two crucial concerns, as proposed by Iavorskyi (2019): What is the organization's present financial situation? What has been the company's long-term financial performance? Financial analysis is the process of answering these questions by using the

company's financial statements. Pratheepkanth (2021) defines accounting information as a set of data that is usually analyzed using certain accounting procedures in order to illustrate particular financial aspects of a small and medium-sized enterprise.

In order to assess a SME's financial soundness, financial performance analysis entails looking at financial accounts (Akingunola et al, 2018). A company's entire productivity performance is often scrutinized by its financial performance. A company's overall liquidity, competitiveness, fixed asset performance, capital management, cash flow performance, and social performance are all considered components of its whole business performance. Therefore, before making an investment in a company, creditors may evaluate its creditworthiness using liquidity performance metrics. Similarly, as it may be used to predict a SME's potential for future development, cash flow performance may be important to shareholders (Nasimi, 2021).

#### **2.1.3.2 Organizational Financial Performance and Budgetary Control**

According to Kimani's (2018) viewpoint, budgetary control is the process through which a corporation achieves the monetary and administrative goals it has set for itself for a specific period in its budget, whilst budgeting is how a company achieves its optimum economic performance. Mbumbo et al. (2019:23) concurred and pointed out that if a company has good planning and effective financial oversight, it may integrate the tracking efforts. According to Nasimi (2021), the corporation's internal control system, which includes budgetary controls, is in charge of monitoring the business's finances. Controlling its efforts and budget helps the business's leadership reach its monetary and corporate goals. It evaluates its budget to determine how best to use it to achieve the goals through cost-cutting and resource management. However, as Lent and Brown (2021) also point out, without effective budgetary control, it is impossible to meet the objectives set forth in the organization's plans. Planning is a key component of budgetary management; with planning, the work team addresses upcoming financial issues and reduces costs while advancing organizational objectives (Koech 2020).

#### **2.1.4 The most effective methods of budgetary control for enhancing the performance of SMEs**

According to Chingwaru (2020), forecasting and budgeting must be kept flexible since rigidity may be quite limiting. As advised by Umelo (2021), things are always changing, therefore you need to be able to take these changes into consideration and assess how they will affect your budget and company. A company runs the danger of making unwise and expensive business choices if it keeps deciding on its budget using out-of-date data. According to Mazikana (2019), including flexibility into forecasting and budgeting enhances accuracy and improves the organization's overall performance.

According to Shaku (2021) and Maziriri and Mapuranga (2020: 22), you may update your budgets and estimates to reflect current outcomes rather than depending on outdated data. With this technique, budget forecasting is done on a periodic basis as opposed to a yearly one (Shaku, 2021). Mapuranga and Maziriri (2020: 22). Rolling forecasts improve budget alignment and modification while boosting the accuracy of subsequent projections for a firm.

Making a strategy and then budgeting around it is a superb method to progress as mentioned by Cele, et al (2022). As also said by Gunawan et al (2020), budgeting in accordance with your strategy entails making spending selections based on real and present income rather than chances and additional revenue that such expenditures may or may not create. Rather to merely spending and then dealing with the implications later, budgeting encourages the organization to examine the prospective effect of expenditures on the company (Wadesango et al, 2021). Addressing possibilities that were not initially accounted for might be greatly benefited by putting this budget management strategy into practice.

Forecasting and budgeting affect every aspect of the organization, therefore as advised by Gnawali (2020), executives should stay in constant touch with every division throughout the process. This lessens issues and ensures that the operational and organizational strategies of the SME are aligned.

## **2.2 Theoretical framework**

Two significant related theories, The Accounting Theory and the Contingency Theory of Management Accounting, which examined why management accounting methods varied

throughout organizations, provide support for the present research (Burns and Stalker, 2021). The two main ideas that are the focus of the investigation are explained below.

### **2.2.1 The Accounting Theory**

Accounting theory is the study of the legal framework that governs financial statements and financial reporting, as well as the historical roots of accounting practices (Dugdale, 2018:07). It was Pacioli who first proposed the hypothesis. According to Barton (2018), accounting is not a precisely defined discipline nor a particular area of projectional practice; rather, it substantially crosses other domains, and the boundary between accounting and other fields is debatable (Mazikana, 2019:23). Accounting may be better understood and its purpose recognized by using a system approach. This approach may be thought of as a company consisting of many interconnected systems. According to Dugdale (2018), there are several types of systems, such as the operating system, financial system, people system, and marketing system. The accounting system serves as a connection between all of these systems.

The research of Mahmoudian et al. (2021) was based on accounting theory. Mahmoudian et al. discovered that the accounting system gives an overview of the organization to leadership and other information consumers. In order to allow the data generated by these systems to be represented in monetary terms and assist goal-achieving strategies, it also links other critical information systems including marketing, personnel, research and development, and production (Martin, 2020). For an organization's information system to effectively support decision-making and provide relevant information, accounting theory must be a well-developed product. A "coherent and reciprocally consistent combination of concepts, presumptions, and parts of speech linked by logical reasoning that helps to explain how stated objectives can be realized in given circumstances" is what accounting theory, according to Barton et al. (2018), is.

Accounting theory offers a theoretical framework for integrating information goals with the realities of supplying that information. Wolk et al. (2021) define accounting theory as the "basic rules, interpretations, ideas, and concepts that drive the composing of accounting standards and how they are clarified."

### **2.2.1.1 Accounting Theory's Function in Budgetary Control**

After going over the idea, goal, and procedure of budgeting control in detail, along with how it relates to accounting theory in terms of the accounting system and the need for budget and control, this section now focuses on the particular advantages that these theories provide with respect to the philosophy of budgetary management and planning.

Accounting theory helps to articulate and direct management and leadership activities in obtaining and identifying relevant information for budget formulation, according to Nwanyanwu & Ogbonnaya (2018). Njenga (2021) claims that the accounting idea of money measurement has greatly aided in providing a benchmark for measuring, converting, and translating a variety of inputs related to the supplies and equipment needed for budget preparation. According to Luther & Longden (2021), accounting theory directs the choice of duties and tenets to be applied in certain circumstances. Several models of analysis, such as standard costing, cost volume profit analysis, and others, have been created by accounting theory and are used as default formulas in budgeting (Souza & Lunkes, 2021). According to accounting theory, a company is seen as an independent entity with activities that are different from those of its owners. These ideas support the idea that the budget is a tool for effective management in general (Parker, 2021). Budgets use a number of accounting principles in their standard-setting and performance-evaluation processes. (For example, cost - revenue - profit, etc.) Furthermore, accounting theory has provided strategies for setting standards. Otley (2020) asserts that management accounting theory offers a variety of control metrics, such as variance analysis.

Accounting theory has built a framework for delivering feedback to management on budget execution by highlighting historical data, which works as an input for forecasting (Luther & Longden, 2021). Early in the 20th century, Wedgwood's cost accounting theory—which placed a strong focus on expenditure identification, allocation, and revenue maximization—offered a foundational framework and guide for organizational budgeting and management. Dugdale (2018) asserts that the accounting concept of matching also functions as a reference point for budget analysis.

### **2.2.2 The Balanced Scorecard Theory**

In a research using a balanced score card, Mapuranga et al. (2021) discovered that return on investment, profitability, revenue growth, and cost reduction are key financial metrics. Market share, customer acquisition, customer retention, customer profitability, and customer happiness are examples of core customer metrics. Key performance indicators for learning and development include worker productivity, retention, and satisfaction (Kaplan & Norton, 2020). According to Burns and Schneider (2019), a well-designed balanced scorecard uses the selected goals and measurements to explain a company's strategy. It is necessary to clearly define the link between different metrics in order to manage, monitor, and verify them. Budgets are therefore used by businesses to assess financial metrics related to their strategy (Niven, 2021). Organizational members are guided toward company strategy by performance objectives, which also serve as guidelines for allocating effort and motivating work toward performance goals. According to Dekker et al. (2019), policy documents or financial objectives such as budgets are used to convey performance expectations to staff members.

#### **2.2.2.1 Budgetary control and the Theory of Balanced Scorecard**

According to Albu & Albu (2019), planning ahead is more simpler when done a year in advance as opposed to five or ten years later. However, larger SMEs are more aware of the need of long-term planning than smaller ones. According to Albu & Albu (2019), companies should think about how their strategy would change if the economy expanded by 3% or contracted by 5%.

One unique feature of the Balanced Scorecard is that it is a management framework that is adaptable to many other frameworks (Mazikana, 2019). In a research based on the Theory of the Balanced Scorecard, Burns and Schneider (2019) found that many major SMEs have thorough approaches to human resources, customer interactions, and finances. They may help set up these systems using any number of frameworks (such as Total Quality Management or Six Sigma Black Belt).

As Wadesango et al. (2021) point out, larger SMEs have more diverse departments, divisions, and units, and these groupings should all be working toward the same plan. It is possible to make sure that every department recognizes and comprehends the obvious linkages between its own

plan and the organization's overarching strategy by using the Balanced Scorecard. Employees now have a clear view of how their function fits into the larger organization and where departmental commonalities exist. Hundreds of data sources to manage is one of the biggest challenges faced by major organizations (Gnawali, 2020). It might be challenging to gather strategic metrics from throughout the organization in one place since the Balanced Scorecard depends on them.

### **2.3 Empirical review**

Using Mtwara as a case study, Hasunga (2020) examines the effect of budgetary control on budget performance in Tanzania's Mainland LGAs. The results showed that financial constraints were appropriate and effective. On the other side, the results show that the Mtwara region's LGAs saw the budget performance as ineffective since some of the budget deviations were influenced by political pressure, and the whole budget was not obtained. This indicates that while the projects funded for implementation were completed on schedule, budgetary constraints did not directly affect the overall budget performance at LGAs in the Mtwara area.

Using TANESCO as a case study, Joseph (2018) evaluates the role that budget and budgetary management have in improving a company's financial performance. The results of the research showed that the efficiency of the organization is significantly impacted by the budget and budgetary management. Joshi et al. (2021) look at performance assessment, control, and budgetary planning in developing countries. According to his research, most organizations create long-term goals, implement budgetary management, and utilize budget variances to track to quickly discover issues and make improvements to the budget for the next period. Additionally, the findings showed that most organizations use budgeting primarily to predict, aid in maximizing profits, and manage performance by assessing disparities. Ineffective planning and a lack of collaboration are the main reasons for not meeting the needed standard.

Furthermore, Silva and Jayamaha (2019) investigated the impact of the budgeting process on company efficiency as well as if it significantly affects business outcomes. The budgeting process was shown to have a favorable link with the efficiency of organizations in the industry based on information gathered from financial statements, correlate coefficients, and analysis. The fact that SMEs continue to use all available budget management techniques in an effort to



achieve higher performance levels is evidence of the positive association that exists between budgeting procedures and company efficiency.

According to Wadesango et al.'s study from 2021, a company's financial health and budgetary controls are related. The efficacy cannot be improved and goals cannot be met without meticulous planning, ongoing budget tracking, and mistake repair. According to Garwe (2020), in order to achieve objectives and enhance financial performance, all of these processes collaborate with managerial administrative assistance from the company.

According to an Ambetsa (2021) analysis of budgeting practices used by commercial airlines based at Wilson Airport in Nairobi, the problems included deficiencies in the budget review process, incomplete staff engagement in budget creation, and a lack of upper management backing. He continues, "Budgets are used by airlines to plan, manage, and assess the performance of their small and medium-sized enterprises." All organizations utilize budgets to create plans; some do it in an organized, methodical manner, while others are more free-form. However, all businesses employ budgeting and budgetary management procedures. Consequently, the issue now becomes how to create a budget effectively rather than whether or not to do so (Ambetsa, 2018).

## **2.4 Summary**

The theoretical and empirical framework that directs this investigation is covered in this chapter. It is believed that understanding the essence of the intermediary function of budgetary oversight in the relationship involving successful leadership and the success of SMEs requires an understanding of the theories of accountancy and a well-rounded scorecard, as shown by many researches. The following chapter discusses the research approach.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

In order to provide a foundation for discussing the results by tying them to the body of existing knowledge, the preceding chapter focused on reviewing relevant literature for the study. The research process, technique, methods, and study environment are covered in this chapter. A description of the methods and resources used to collect data as well as data for the study are also included in this chapter. This chapter also covers the procedures and techniques used, as well as the reasoning behind the decisions made. The research examined the impact of financial constraints on the performance of small and medium-sized enterprises (SMEs) in Epworth.

#### **3.1 The Philosophy of Research**

The focus of the research was positivism, which alludes to the theories of French philosopher Auguste Comte. Building universal and abstract rules about the processes at work in the social cosmos was its goal (Malhothra et al, 2019). A positivist approach's primary advantages and strengths are its ability to rigorously formulate hypotheses, test ideas via empirical experiments, and codify the results into a set of rules and predictions (Bickman & Rog, 2019). Furthermore, positivists believe that quantitative data is more reliable than qualitative research, which is why positivism depends on it (Briggs & Coleman, 2019). One advantage of using a positivist research strategy was that it allowed the researcher to quickly cover a large variety of scenarios related to management accounting procedures and business performance (Creswell, 2019).

### **3.2 Research Approach**

The research methodology used in the study was deductive, which is often connected to scientific inquiry (Gundlapalli, Jaulent, and Zhao, 2018). The researcher examined what others have done in terms of management accounting approaches and SME performance, examines current management accounting theories such as the Contingency theory, and then evaluates hypotheses that arise from those theories (Goertz, & Mahoney, 2019). The high likelihood of finding causal relationships between concepts of budgetary restrictions and other factors served as the primary motivator for the choice. Furthermore, the technique made it possible to extrapolate study findings beyond of Zimbabwean SMEs (Creswell, 2019).

### **3.3 Design of the Research**

In order to explain the relationship between strong leadership abilities and SME success via budgetary management, the researcher used a descriptive design (Vandebosch & Green, 2019). Data collection, interpretation, and presentation are all part of this theory-based design process, as mentioned by Goertz & Mahoney (2019). A researcher might then describe the motivation behind and methodology of their study. Premarathne (2021) claims that a descriptive design makes it easier for others to understand the need for the study.

A concise overview of events and allows for the observation and recording of circumstances that lack an objective value. Descriptive research was employed in this study because it delivers information on the present state of things and explores the methods through which leadership qualities impact application of budgetary control strategies (Parker, 2019). In addition, it tackles the research topics and provides extensive details on how SMEs may increase their efficiency by using management accounting systems. In this study, the researcher gave a detailed account of how the adoption of budgetary control affected the overall outlook for the SMEs sector.

### **3.3.1 Selecting the Right Methods for Quantitative Research**

The quantitative approach highlights objective evaluations and statistical, numerical, or mathematical evaluation of information assembled by way of surveys, polls, and assessments, or by utilizing computational techniques to manipulate pre-existing statistical information (Premarathna, 2021). Vaus (2021) claims that the decision was driven by the intrinsic data type's relative ease of analysis and its potential for consistency, accuracy, and dependability.

### **3.3.2 Time Horizon**

A cross-sectional time horizon research technique was used in the study, which produces data at a single point in time (Chetty, 2021:15). Shalini (2020) claims that the cross sectional time horizon was chosen by the researcher because it provides an image of the characteristics, actions, or events that the researcher is looking at.

### **3.4 Target Population**

A target population, according to Rahi (2020), is the whole group of employees, stakeholders, and communities inside the industrial facility to whom the researcher hopes to generalize their results. The target population for the study included only 50 SMEs. Most SMEs in Epworth are not formally registered.

### **3.5 Method of Sampling**

Rahi (2020) states that since the stratified random sample technique can correctly represent all of the population's subgroups, it was employed in this study. The sectors that specific SMEs operated in comprised the subcategories of the research. Using stratified random sampling guarantees that each subgroup is represented and allows strata to be compared (Kudejira, 2020). According to Vaus (2021), straightforward random sampling often fails to capture variability, but a varied community yields a representative sample that does. Furthermore, as noted by Rahi (2020), stratified random sampling may enable the researcher to draw statistical inferences from the data gathered.

### **3.6 Sample size**

A sample of ninety (45) SMEs' responses was chosen for the questionnaire. Accountants, top managers, and owners made up the chosen responses. To identify the best sample size for the study, the following (Slovin's,1992) formula for sample size calculation was used:

$$n = N / (1 + Ne^2)$$

Where; n = sample size, N = Total population and e = Error tolerance level (0.05). Given, the target population of 50 and the error tolerance of 5%, the sample size for the study was found to be 45.

A deliberate sample of senior management employees from SMEs in Epworth was selected for the research. Rahi (2020) claims that this sample group is very well-informed, seasoned, easily accessible, and representative of the whole population. This sample was selected due to observations that managers shy away from reading research-based management books, which if they had done so could have provided them with a deeper understanding of the underlying causes of the problems within their department or organization (Creswell, 2019).

### **3.7 Research Instrument**

The researcher used the questionnaires as a means of gathering primary data from 91 respondents who were purposefully selected (Vaus, 2021). Malhotra (2019) defined a questionnaire as a group of pre-arranged questions. She also said that in a questionnaire, respondents are often given the same questions in the same sequence, enabling the collection of identical data from every member of the sample. In this research, primary data collection methods like questionnaires were used. In this research, open-ended questionnaires were employed to acquire primary data. In contrast to interviews and surveys, which demanded precise scheduling of time and location, it placed less pressure on the respondents to react right away so they could do so at their convenience (Creswell, 2018).

### **3.8 Sources of data**

Primary data is information obtained from firsthand observation; in this instance, a questionnaire was used (Creswell, 2018). Plano Clark, et al. (2020) concur with Creswell, (2018) that primary data are those obtained by firsthand experience. According to Patton (2020:77), source data is more reliable, genuine, and unbiased since it hasn't been made public yet. Primary data is more reliable than secondary data as it hasn't been changed or altered by people. The more reliable, real, and unbiased primary data has not yet been made public (Mickenausch and Berger, 2019:3). Primary data is more reliable than secondary data as it hasn't been changed or altered by people.

### **3.9 Analysing Quantitative Data**

Therefore, simple data presentations were used to represent the information gathered from the inquiry. Determining the many meanings of terms, their implications, and their connection to the topic at hand were all part of the data collection process (Gundlapalli et al, 2018). Following a thorough examination of each question, similar themes, patterns, and connections were found in the data (Gundlapalli et al., 2018). Appropriate conclusions could be formed since all of the data was examined and contrasted with the hypotheses mentioned in the literature study. Microsoft Excel, which the researcher used to organize the data, was utilized to help analyze the results using SPSS software version 27.2.1.

### **3.10 Ethical Considerations**

According to Rahi (2020), ethics is the area of philosophy that examines the processes involved in reaching moral conclusions. Ethics, in the words of Patton (2021), is the application of ethical values to be courteous, and just, and preserve good relationships. Moreover, ethics is the study of right and wrong in addition to moral responsibility and duty, according to Chetty (2018). The following ethical guidelines were followed by the researcher:

### **3.10.1 Getting Knowledgeable Consent**

According to Niknejad et al. (2019), informed consent protects a person's independence and truthfulness by guarding against assaults on the responding integrity. The permission form made it clear that the study findings were provided in accordance with the participant's honors.

### **3.10.2 Anonymity and confidentiality**

Parker (2019) argues that there is a close relationship between the entitlements to benevolence, loyalty, and dignity and one's entitlement to confidentiality and anonymity. The researcher addressed the issue of secrecy and guaranteed the participants' identities. This was accomplished by identifying data with codes for respondents rather than names and maintaining an independent database of code-to-name match-ups.

### **3.11 Validity and Reliability**

Conventional standards for evaluating the caliber of research instruments include objectivity, validity, and dependability (Vandebosch, and Green, 2019).

#### **3.11.1 Validity**

To improve the research's validity, the researcher used written materials and interviews. To collect empirical data, self-administered questionnaires were used. More care was taken to choose the right words and phrases for the intended demographic. Uncertainty-causing questions were reworded suitably so that each answer would have the same meaning.

To increase the validity and reliability of the instrument, the participants' understanding of the item clarity was developed. The researcher was able to discover things that needed to be modified and familiarize themselves with research and its administration processes thanks to the pilot study. According to Vandebosch and Green (2019), the data helped the researcher fix mistakes in the instrument and made sure they measured what was intended.

### **3.11.2 Reliability**

An instrument is considered reliable if it can provide the same findings when used again under the same conditions (Beck, 2019). This guarantees that every measurement utilized in the study is consistent. An introductory letter included with the questionnaire informed the respondents of the study's goal, which helped to ease their reluctance to reply. The study used straightforward language and shied away from technical jargon. The researcher steered clear of leading or unclear questions. Anonymity was used in order to ensure transparency and truthfulness while answering private inquiries.

### **3.9 Summary**

The method the researcher used to achieve the goal of the study was described in the chapter. The primary areas of study were the population, sample, sampling methods, equipment, instrumentation procedure, ethical issues, and data gathering strategies. The fourth chapter that followed included data presentation, analysis, and interpretation.



## **CHAPTER IV**

### **DATA PRESENTATION, ANALYSIS, AND DISCUSSION**

#### **4.0 Introduction**

This chapter uses the methodology discussed in the preceding chapter to present, evaluate, and interpret data gathered from field studies. Giving a clear picture of the study's findings and analyzing them in the context of how financial constraints impact the relationship between successful company leadership and budgetary constraints is the aim. Data presentation, as defined by Chambers and Skinner (2021), is a method by which researchers may offer a summary of findings, arrange and display data using tables, pie charts, distribution charts, histograms, and graphs. The investigator made an effort to link findings to the workstation research conclusions covered in chapter 2.

#### **4.1 Respondent Profile**

In order to determine if respondents' age, gender, and country of residency had an impact on their attitudes about budgetary controls, the researcher examined data from demographic and socioeconomic respondents. According to Navaratnaseelan & Elangkumaran (2018), the study's original conclusion was that demographic and socioeconomic factors, such as age and educational attainment, mostly influenced cost management and budgeting abilities. Since the data was essentially what the researcher was looking for, category data on respondents' demographics was also gathered. Data on the response rate, age, gender, industry, and tenure of the respondents in the SMEs sector are shown in this section.

##### **4.1.1 Response rate**

The demographic sample, which comprises of managers and owners of SME businesses in Epworth, received 45 questionnaires. Table 4.1 displays the percentage of respondents to the distributed questionnaire.

**Table 4.1 Response rate**

<b>Variable</b>	<b>Questionnaires administered</b>	<b>Number of Responses</b>	<b>Percentage Number of Responses</b>
<b>Questionnaires distributed</b>	45	40	88

**Source: Field survey**

Table 4.1 displays an impressive 88% response rate, and following up contributed to achieving that objective. A total of five respondents said they couldn't and were either too busy or lacked access to technology to finish the survey. A percentage of respondents of less than 50%, in the opinion of Leedy and Ormod (2021), raises questions about the representativeness of the sample. Wagner (2019) argues that to present and analyze relevant data, there should be a minimum need of 80% response rate. According to Lungree (2020), a higher response rate suggests that more opinions were obtained, which improves research findings. Moreover, this means that even if one decides to heed Wagner's counsel, they will still come to the conclusion that the current study satisfied the respondents' requirements, which expands the extent to which the researcher and academic community may extrapolate the results.

#### **4.1.2 Gender**

In this section, information was gathered on the gender composition of all the sampled SMEs. Table 4.2 below displays the findings of the frequency analysis.

**Table 4.2 Respondents' gender**

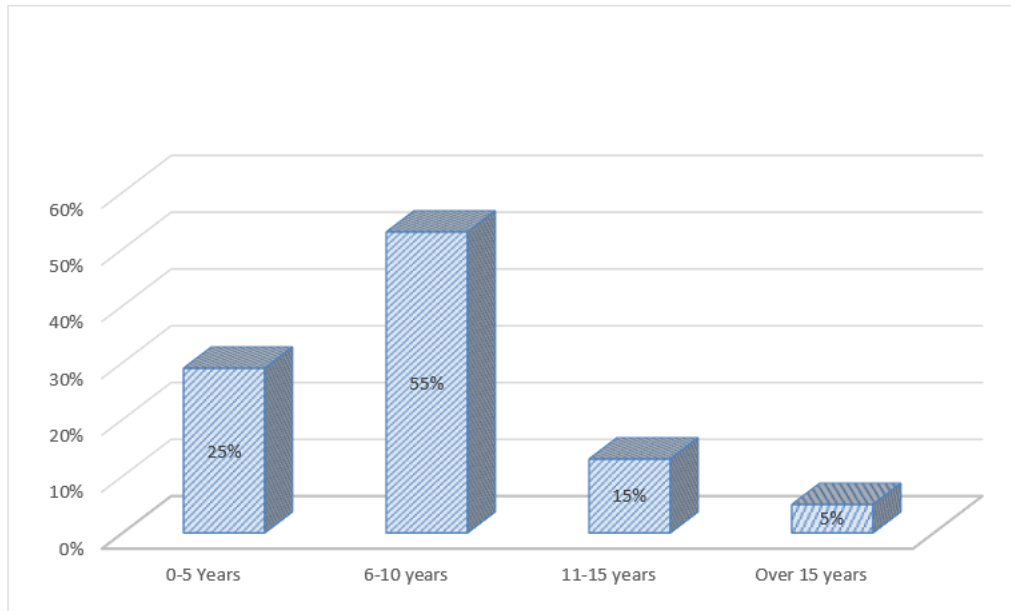
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
<b>Valid</b>	<b>Male</b>	15	37.5	37.5	37.5
	<b>Female</b>	25	62.5	62.5	<b>100</b>
	<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

**Source: Field survey**

Based on the information in Table 4.2, 62.5% of the respondents identified as male, and 37.5% as female, indicating that the respondents were mostly male.

#### 4.1.3 Occupation in the SMEs industry

In order to get information about their experiences and understanding of the industry’s employee performance, respondents from a variety of businesses were then asked how long they had been practicing in the SMEs sector. The details are shown below.



**Figure 4.1 Occupation of respondents in the SMEs sector**

**Source: Field survey**

According to the statistics in Figure 4.1, the majority of respondents—55 percent—had held management or ownership positions in SMEs for six to ten years. 25% of the respondents had worked in the industry for 0–5 years, 15% for 11–15 years, and 5% for more than 15 years, after these respondents. Mbogo (2021) claims that the data shows the respondents had a great deal of expertise and understanding of SME performance and management concerns. Based on their correct answer, it seems that those polled were knowledgeable about implementing budgetary restrictions that complemented company goals.

#### 4.1.4 Roles in the workplace

Respondents were also asked to divulge the level of the companies at which they were employed, so that the extent of sample deviation at each organizational level could be calculated. The results gathered were combined and displayed in Table 4.3 below.

**Table 4.3 Job roles**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accountant	10	25	25	25
	Manager	21	52.5	52.5	77.5
	Other	4	10	10	87.5
	Owner and/or Director	5	12.5	12.5	100
	<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

**Source: Field survey**

Table 4.3 shows that the managers are made up 52.5% of the respondents, followed by Accountants 25%, owners and/or directors 12.5%, and other roles 10%. This suggests that the sample was proportionately made up of the appropriate individuals who, would be engaged in activities related to budgetary management and performance assessment of the company (Isaac et al., 2020).

## 4.2 The efficiency of SMEs' budgetary control systems

### 4.2.1 Usage of Budgetary controls

The researcher developed a questionnaire to ask respondents whether they used budgetary control strategies in their business to achieve budget alignment in order to precisely analyze the efficacy of budgetary control systems used by SMEs. The acquired data was shown in the table 4.4 below.

**Table 4.4 Usage of Budgetary controls**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Maybe	5	12.5	12.5	12.5
	No	3	7.5	7.5	20
	Yes	32	80	80	100
	<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

**Source: Field survey**

The majority of respondents 80% acknowledged that their individual SMEs used at least one budgetary control strategy, as shown in Table 4.4 above. A startling 7.5% of respondents confirmed that their respective organizations did not use any budgetary control techniques, while a significant portion of respondents 12.5% expressed indifference about the availability of budgetary control techniques within their SMEs, suggesting that the techniques were not being used with clarity.

#### 4.2.2 SMEs' use of control mechanisms

In order to evaluate the efficacy of the Control strategies used by the various SMEs, respondents were also requested to disclose them. Table 4.5 provides data in this respect.

**Table 4.5 Control techniques**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Adjustment of funds	15	37.5	37.5	37.5
	Other	5	12.5	12.5	50
	Responsibility Accounting	7	17.5	17.5	67.5
	Variance Analysis	7	17.5	17.5	85
	Zero Based Budgeting	6	15	15	100
	<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

**Source: Field survey**

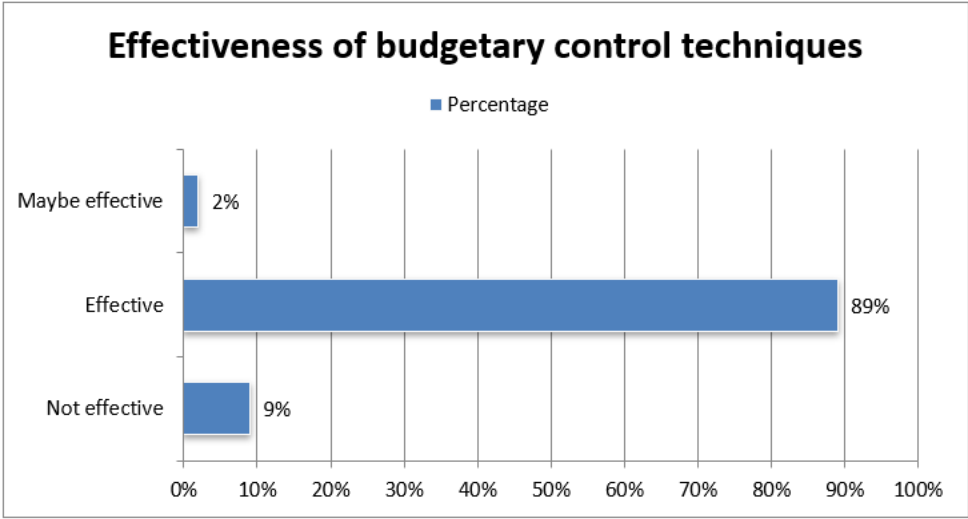
According to data in Table 4.5, responsibility accounting and variance analysis 17.5% are the next most popular budgetary control techniques, after adjustment of funds with 37.5%. There is minimal adoption of other control strategies as shown by the 12.5%, and other control techniques such as zero-based budgeting with 15%.

The results are consistent with the theory put forth by Nyongesa et al. (2021) that an organization creates plans for its yearly and monthly revenues in order to control, monitor, and manage cash flows. In support of this perspective, Njenga (2021) said that the SME would use this technique to identify times when sales will double and times when they will be low. By doing this, the firm will be able to manage its cash flow and be ready for times when cash flow will be poor. According to Matsuoka (2020), the company will adjust expenditures as necessary and will tie its income to spending depending on what it anticipates from sales. In agreement with Matsuoka (2020), Shitanda et al. (2021) said that as sales is one of the organization's primary sources of income, SMEs depend on what they anticipate from it.

Furthermore, this result aligns with that of McGrath (2018), who discovered that a SME's dedication to variance analysis results in the achievement of certain financial objectives concerning the SME's expenses. According to Mickenautsch and Berger (2019), by controlling these expenses, the company is able to accomplish its objectives at a cheap cost. Moreover, Kabiru and Adah (2019) think that variance analysis is a useful tool for examining differences and comparing the organization's goals with actual results.

#### **4.2.3 The degree to which budgetary control methods are effective**

Establishing the efficacy of the budgetary management strategies used in the SMEs sector was one of the study's main goals. Figure 4.2 below provides a summary of the results.



**Figure 4.2 Efficiency of budgetary management strategies**

**Source:** Field survey

According to the statistics shown in figure 4.2, the majority of respondents 89% indicated that SMEs’ use of budgetary management measures is adequate to boost business performance. Also 9% indicated that budgetary management strategies were not effective. Only 2% were not sure. A startlingly high proportion of the sample believes that much work has to be done to advance budgetary management methods used by SMEs.

The results support the findings of Harelimana (2020), who found that since budgetary control solutions provide successful budgetary control, they are employed to execute budgetary control in an effective manner. As further backed by Shitanda et al. (2021), budget control techniques aim to assist in budget planning by using organizational resources to ensure objective attainment.

**4.3 The contribution of leadership abilities to enhancing SME budgetary controls**

**4.3.1 The role of the leadership in enhancing financial controls**

The respondents were questioned on the extent to which the leadership of their individual SMEs actively participated in budgetary control initiatives. Table 4.6 presents the findings in that context.

**Table 4.6 Involvement of leadership**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Maybe	5	12.5	12.5	12.5
	No	2	5	5	17.5
	Yes	33	82.5	82.5	<b>100</b>
	Total	<b>40</b>	<b>100</b>	<b>100</b>	

**Source: Field survey**

According to the information in table 4.6, 82.5% of the respondents said that SMEs' leaders actively participated in budgetary control operations. 20% were not sure therefore they gave maybe as an answer. Nevertheless, 2% of respondents disagreed with the assertion that leaders actively participated in financial control initiatives.

In many organizations' budget control systems, middle-level managers are delegated certain tasks and responsibilities by senior management, which frees them up to concentrate on budgetary violations (Kimani 2018). In his research, Kimani (2018) discovered that most organizations utilize budgetary control as a tool for internal controls, which manage resource allocation with high efficiency using budget control techniques. Throughout its work, the leadership team creates plans for the future to ensure budget management and that operations are carried out as planned (Lent and Brown, 2021).

#### **4.3.2 The leadership's contribution to better budgetary control**

Respondents were asked to list the contribution of leadership to the advancement of budgetary control methods. Figure 4.3 below provides a summary and presentation of the findings.





**Figure 4.3 Role of leadership in budgetary control**

**Source: Field survey**

According to the data in figure 4.3 above, the majority of respondents 40% believe that leaders should focus more on setting performance goals. A sizable portion of the sample 19% indicated that they provide knowledge to succeed and 17% indicated that leadership is recognized for lowering organizational complexity and dispensing information. 15% were of the opinion that leadership values excellence while the remaining 9% indicate that leadership play other roles other than leadership roles indicated above.

According to Matsuoka (2020), setting clear and consistent expectations is the first stage in every business endeavor. This is especially true for budgeting, as a lot of managers only have expertise with cost-cutting measures including staff reductions, facility and product rationalization, and capital budget reductions (Mapuranga et al., 2021). However, Njenga (2021) discovered that although budgetary methods are sometimes necessary, effective cost management can be found in a daily process discipline that tackles the root causes of excessive staff, unproductive and overextended product lines, and the implementation and justification of control systems that are only marginally effective. As also said by Umelo et al. (2021), effective cost management takes care of the underlying systems that need such structural cost elements.

Effective financial management should be the main determinant of SME leadership responsibility, according to Ter Bogt's (2021) recommendation. In order to permit and guarantee the highest level of quality, reliability, and productivity at the lowest possible total cost, budgetary control requires not only the implementation of an efficient plan but also the provision of the means and process discipline. However, since it is both strategic and operational, budgetary control is the process of optimizing performance, according to Mohd Harif, Osman, and Hoe (2020).

#### 4.4 The connection between SMEs' performance and budgetary control

##### 4.4.1 Techniques for budgetary management and budget alignment

Data on budget alignment and budgetary management strategies are presented in this section. We questioned respondents whether they thought budget alignment was affected by budgetary management methods. The results were shown in table 4.7 that follows.

**Table 4.7 Impact of budgetary control techniques on budget alignment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	10	25	25	25
	Agree	20	50	50	75
	Neutral	5	12.5	12.5	87.5
	Disagree	3	7.5	7.5	95
	Strongly Disagree	2	5	5	100
	<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

**Source: Field survey**

The majority of respondents 50% agreed and 10% strongly agreed. Also according to the data shown in table 4.7 above, 7.5% disagreed and 5% strongly disagreed that budgetary management measures have an impact on budget alignment. Only 12.5% were neutral.

Lent and Brown (2021) also point out, without effective budgetary control, it is impossible to meet the objectives set forth in the organization’s plans. Planning is a key component of budgetary management; with planning, the work team addresses upcoming financial issues and reduces costs while advancing organizational objectives (Koech 2020).

**4.4.2 The connection between SMEs’ performance and budgetary control**

Among other things, the research aimed to assess the kind of relationship that exists between SMEs' performance and budgetary control. The following theories were put forth:

H0: The success of SMEs is correlated with budgetary control in a statistically meaningful way.

**Versus**

H1: There isn't a statistically significant correlation between SMEs' performance and budgetary control.

**Table 4.8 Budgetary control and performance of SMEs**

		Performance of SMEs	Budgetary control
<b>Performance of SMEs</b>	Pearson Correlation	1	.540**
	Sig. (2-tailed)		0
	N	40	40
<b>Budgetary control</b>	Pearson Correlation	.540**	-1
	Sig. (2-tailed)	0	
	N	40	40
<b>**.</b> Correlation is significant at the 0.05 level (2-tailed).			

**Source: Field survey**

There is a weak positive correlation between the success of SMEs and budgetary control. This is corroborated by the 0.540 value of the Pearson's correlation coefficient. The probability value of 0.000 being less than 0.01 may be the reason for the association's statistical significance at 1%. These results suggest that the null hypothesis, according to which budgetary control and the performance of SMEs are statistically significantly correlated, is accepted. This suggests that the company's performance improves in tandem with improved budgetary constraints.

Needles (2021) discovered that in order to provide the organization with the resources it needs to enhance its financial status, it is critical to preserve fiscal stability via budgetary management techniques.

According to Wadesango et al.'s study from 2021, an organization's financial performance and budgetary controls are related. SMEs' performance cannot be improved and goals cannot be met without meticulous planning, ongoing budget monitoring, and mistake repair. According to Garwe (2020), in order to achieve objectives and enhance financial performance, all of these processes collaborate with managerial administrative assistance from the company.

#### 4.5 The best budgetary control techniques for enhancing the performance of SMEs

The respondents were asked to share their opinions with the researcher on the best budgetary control strategies that they would suggest to their individual SMEs. Table 4.9 below provides a summary of the replies that were received.

**Table 4.9 Recommended techniques**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Adjustment of funds	12	30	30	30
	Other	8	20	20	50
	Responsibility Accounting	8	20	20	70
	Variance Analysis	9	22.5	22.5	92.5
	Zero Based Budgeting	3	7.5	7.5	100
	<b>Total</b>	<b>40</b>	<b>100</b>	<b>100</b>	

**Source: Field survey**

33.7% of respondents suggested adjusting the money, while 19.8% suggested doing a variance analysis. There is a small portion of the sample (9.3) that believes the best approach is to adopt zero-based budgeting.

Shaku (2021) and Maziriri and Mapuranga (2020), who feel that one should revise estimates and budgets to reflect current findings instead of depending on obsolete data, are directly contradicted by this conclusion. Budget projection is done periodically rather than annually using

this method (Shaku, 2021). Rolling forecasts increase a firm's accuracy of future estimates while facilitating better budget alignment and revision.

#### **4.6 Summary**

The data display, analysis, and comprehension of information from both primary and secondary instruments were covered in this chapter. Frequency tables, bar graphs, and pie charts were used to show survey results. This chapter lays the foundation for the conclusions and recommendations that will be provided in the last and subsequent chapters on the subject.

## **CHAPTER V**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

The prior chapter addressed data analysis and display. The findings of this study have been presented and scrutinized within the confines of this report to provide the reader a true and correct comprehension of the offered statistical and non-statistical data. The study's last portion provides a summary, a conclusion, a generalization, and recommendations based on the findings.

#### **5.1 Summary of the study**

The research focused on how effective budgetary management strategies mediate the link between SMEs' performance and strong leadership abilities. The research also sought to determine how leadership abilities may help SMEs strengthen their fiscal controls. The Accounting Theory and the Theory of the Balanced Scorecard, which studied why management accounting practises vary from one firm to the next, served as the study's foundation models (Burns and Stalker, 2021).

In order to develop abstract and universal rules about the processes at work in the social cosmos, the research focused on positivism (Malhotra, 2019). The research methodology used in the study was deductive, which is often connected to scientific inquiry (Gundlapalli, Jalent, and Zhao, 2020). Furthermore, the researcher adopted descriptive design which is primarily interested with understanding the relationship between effective leadership qualities and SME performance via budgetary management (Vandebosch & Green, 2019).

The study wasn't without its challenges, since the management wanted to make sure the researcher was sincere in her goals, which made it difficult for the researcher to have access to the respondents. This had an effect on the research procedure and, therefore, on finishing this dissertation report. In order to gain the confidence of the chosen SMEs, the researcher needed to reach out to university officials in order to get in touch with each management of the SMEs.

## **5.2 Summary of major findings**

Interesting observations and conclusions were produced in spite of all the limitations outlined in the preceding part, and the results are presented in accordance with the research goals.

### **5.2.1 The efficiency of Epworth SMEs' budgetary control mechanisms**

According to the study, more than 75% of the sample's SMEs used one or more budgetary control systems. The results show that fund adjustment is the most often used method of budgetary management, followed by variance analysis and responsibility accounting. The majority of respondents think that SMEs' usage of budgetary management techniques is sufficient to boost business performance. Surprisingly, a sizable portion of the sample feels that the SME sector's financial management procedures need considerably more improvement.

### **5.2.2 How leadership abilities help SMEs in Epworth enhance their budgetary controls**

The researcher required to evaluate leadership's contribution to strengthening budgetary controls before correctly assessing the function of leadership skills in SMEs. The assessment's results showed that SMEs' leaders were actively engaged in budgetary control operations. The research also found that in order to improve the efficacy of budgetary restrictions, leadership engages in the following actions:

- Establishing performance goals
- imparting information
- Cutting Down on Organizational Complexity
- Putting greatness first

### **5.2.3 How the performance of SMEs in Epworth and budgetary control are related**

Finding out how budgetary restrictions impact corporate performance was the aim here. Most responders agree that budget alignment is impacted by budgetary control methods. The success of SMEs is marginally positively correlated with budgetary control. This implies that SME performance improves along with tighter fiscal limits.

#### **5.2.4 The most effective methods of budgetary control for enhancing the performance of SMEs**

The majority of respondents suggested variance analysis after fund adjustments. A tiny portion of the sample thinks that the ideal approach is zero-based budgeting.

### **5.3 Conclusions**

Below are the conclusions drawn from the objectives and synchronizes with the same:

#### **5.3.1 How budgetary control affects the performance of SMEs**

Since budgets are one of the most useful tools that top management has to assess real organizational performance, it was important to look at how successful the budgetary control tactics used by SMEs in Epworth are. To make sure that the financial, operational, and capital plans created and authorized for adoption as part of the budget procedures are implemented, the budget has to be closely watched. An organization cannot enforce spending responsibility without budget monitoring.

#### **5.3.2 How effective leadership abilities affect SMEs' budgetary controls**

The budgetary control process is actively participated in by leaders in Epworth's SMEs, which is a good practice since it frees up the company owner to concentrate on cash flow, cost management, profit enhancement, and return on investment. Since budgeting supports both corporate strategy and financial management, it is the cornerstone of all company success. Leaders provide strategic direction as well as inspiration and support.

#### **5.3.2 The kind of connection between SMEs' performance in Epworth and budgetary control**



It was essential to measure the connection between budgetary restrictions and company success as it enables them to modify their projections for the future by using the information gathered from monthly reports. The results of the study demonstrated a strong correlation between budgetary control and organizational performance because sound planning, decision-making, and performance measurement all stem from the budget, which is also the basis for budgetary controls, which offer structural support for performance.

### **5.3.3 Suggestions for optimal budgetary control procedures that enhance the performance of small and medium-sized enterprises**

Since budgetary control techniques are utilized to plan and govern numerous company operations, evaluating which ones are optimal to apply to enhance SME performance was imperative.

## **5.4 Recommendations**

Recommendations were drawn from conclusions and they are as follows:

### **5.4.1 Harare Metropolitan Province Ministry of SMEs Regional Director**

- SME regional directors should push for loans and prompt loan disbursements so that SMEs may utilize the funds for their operations.
- The regional director need to support SMES in organizing workshops wherein they impart knowledge on the value of budgetary controls to one another.

### **5.4.2 The SME Leaders**

- SMEs' leaders should make financial planning and controls a collaborative effort by including all members of the business in budgeting and forecasting. Involving everyone makes sure that the needs of all departments are acknowledged and comprehended. Since

having individuals with direct experience and knowledge of many departments helps offer the team with the facts required to develop fair estimates and establish more realistic budgets, the finance team should be significantly engaged.

- Since forecasting helps in decision-making and understanding the repercussions of actions before they are done, leaders should advocate for and set clear objectives. The financial future of SMEs is anticipated with the help of forecasting. When leaders fail to set clear objectives, their ability to provide precise projections is negatively impacted. Companies need a clear objective in order to gather the required data if they are to achieve their goal of having as factual predictions as feasible.
- SMEs need to have sound financial controls. Based on its budgetary allocations, the company is able to reduce costs and improve the quality of its services by implementing appropriate budgetary management planning. This enhances goal attainment and, as a result, improves organizational performance while also lowering expenses.
- SMEs want to set up transparent accounting procedures. Establishing a cash accrual or cash-accounting system is necessary to enable the company to monitor and control its financial operations and to meet its financial commitments.
- The financial accounts of the company, such as the profit and loss statements and balance sheets, need to be examined often to spot any potential future errors.

#### **5.4.2 Areas for further study**

It is advised that in the future, researchers look at variables other than financial restrictions that affect performance, such as employee motivation and the amount of money spent on staff development. To make the findings more broadly applicable, a research should be conducted to ascertain how budgetary constraints affect the performance of SMEs in other industries without concentrating on SMEs specifically.

## REFERENCES

- Adamuthe, A.C., Salunkhe, V.D., Patil, S.H. and Thampi, G.T., 2020. Cloud computing—A market perspective and research directions. *International Journal of Information Technology and Computer Science (IJITCS)*, 7(10), pp.42-53.
- Adongo, K. O., & Jagongo, A. (2019). Budgetary control as a measure of financial performance of state corporations in Kenya. *International Journal of Accounting and Taxation*, 1(1), 38-57.
- Affes, H. and Ayadi, F., 2018. The impact of new management accounting practices on strategic buyer–supplier relationship within the supply chain: An empirical analysis within the Tunisian context. *Int. J. Acad. Res. Account. Financ. Manag. Sci*, 4, pp.185-200
- Akingunola, R. O., Olawale, L. S., & Olaniyan, J. D. (2018). Capital structure decision and firm performance: Evidence from non-financial SMEs in Nigeria. *Acta Universitatis Danubius. Œconomica*, 13(6).
- Akintoye, I. (2021). Budget and budgetary control for improved performance: A consideration for selected food and beverages SMEs in Nigeria. *Akintoye, IR (2021). “Budget and Budgetary Control for Improved Performance: A Consideration for selected Food and Beverages SMEs in Nigeria”*. *European Journal of Economics, Finance and Administrative Sciences, University of Baltimore*, (12).
- Albu, N. and Albu, C.N., 2019. Factors associated with the adoption and use of management accounting techniques in developing countries: The case of Romania. *Journal of International Financial Management & Accounting*, 23(3), pp.245-276.
- Albu, N., & Albu, C. N. (2019). Factors associated with the adoption and use of management accounting techniques in developing countries: The case of Romania. *Journal of International Financial Management & Accounting*, 23(3), 245-276.

Ali, G.A., Hilman, H. and Gorondutse, A.H., 2020. Effect of entrepreneurial orientation, market orientation and total quality management on performance: Evidence from Saudi SMEs. *Benchmarking: An International Journal*, 27(4), pp.1503-1531.

Alvi, M. (2021). A manual for selecting sampling techniques in research.

Ambetsa, W. O. (2021). *A survey of the budgeting practices by Commercial Airlines operating at Wilson Airport, Nairobi* (Doctoral dissertation, University of Nairobi).

Béal, V., Epstein, R., & Pinson, G. (2019, August). Policy mobilities and power: insights from the French case. In *International Sociological Association (ISA)–Research Committee 21 Conference, Berlin* (pp. 29-31).

Beck, R. (2019). Blockchain research in information systems: Current trends and an inclusive future research agenda. *Journal of the Association for Information Systems*, 20(9), 14.

Briggs, A., & Coleman, M. (2019). Research methodology in educational leadership and management. In *Oxford Research Encyclopedia of Education*.

Burns and Stalker, (2021). Management systems for exploration and exploitation. In *Carnegie goes to California: Advancing and Celebrating the Work of James G. March*. Emerald Publishing Limited.

Burns, H. and Schneider, M., 2019. Insights from alumni: a grounded theory study of a graduate program in sustainability leadership. *Sustainability*, 11(19), p.5223.

Cappola, A.R., Desai, A.S., Medici, M., Cooper, L.S., Egan, D., Sopko, G., Fishman, G.I., Goldman, S., Cooper, D.S., Mora, S. and Kudenchuk, P.J., 2019. Thyroid and cardiovascular disease: research agenda for enhancing knowledge, prevention, and treatment. *Circulation*, 139(25), pp.2892-2909.

Cele, S., Nyide, C.J. and Stainbank, L.J., 2022. Use of management accounting practices and factors affecting its use: A survey of small and medium-sized enterprises in Durban. *Journal of Economic and Financial Sciences*, 15(1), p.11.

Gundlapalli, A. V. (2018). Assailant identity and self-reported nondisclosure of military sexual trauma in partnered women veterans. *Psychological trauma: theory, research, practice, and policy*, 10(4), 470.

Gundlapalli, A. V., Jaulent, M. C., & Zhao, D. (Eds.). (2018). *MEDINFO 2020: Precision Healthcare Through Informatics: Proceedings of the 16th World Congress on Medical and Health Informatics* (Vol. 245). IOS Press.

Gundlapalli, A.V., Jaulent, M.C. and Zhao, D. eds., 2018. *MEDINFO 2020: Precision Healthcare Through Informatics: Proceedings of the 16th World Congress on Medical and Health Informatics* (Vol. 245). IOS Press.

Harelimana, J. B. (2020). The effect of internal audit on budget management of local government of Rwanda. *Journal of Internet Banking and Commerce*, 22(3), 1-21.

Iavorskyi, M. (2019). The impact of capital structure on firm performance: Evidence from Ukraine. *Kyiv School of Economics*, 36.

Isaac, L., Lawal, M., & Okoli, T. (2020). A systematic review of budgeting and budgetary control in government owned organizations. *Research Journal of Finance and Accounting*, 6(6), 1-11.

Islam, M.S. and Trigunarsyah, B., 2020. Construction delays in developing countries: a review. *Journal of Construction Engineering and Project Management*, 7(1), pp.1-12.

Jedy-Agba, E.E., Oga, E.A., Odutola, M., Abdullahi, Y.M., Popoola, A., Achara, P., Afolayan, E., Banjo, A.A.F., Ekanem, I.O., Erinomo, O. and Ezeome, E., 2020. Developing national cancer registration in developing countries—case study of the Nigerian national system of cancer registries. *Frontiers in public health*, 3, p.186.

Joseph, M. L. (2018). *An assessment of the budget and budgetary control in enhancing financial performance of an organization the case of Tanesco* (Doctoral dissertation, Mzumbe University).

Joshi, P. L., Al-Mudhaki, J., & Bremser, W. G. (2021). Corporate budget planning, control and performance evaluation in Bahrain. *Managerial Auditing Journal*.

Mahroqi, R. M. A. A., & Matriano, M. T. (2021). Examining the Effect of Budgetary Controls on the Financial Performance of Oman Telecommunication SME. *Advances in Social Sciences Research Journal*, 8(6).

Mahroqi, R.M.A.A. and Matriano, M.T., 2021. Examining the Effect of Budgetary Controls on the Financial Performance of Oman Telecommunication SME. *Advances in Social Sciences Research Journal*, 8(6).

Malhotra, S., Mandal, S., Meena, R., Patel, P., Bhatia, N.K. and Duggal, N., 2020. A treated case of rhinocerebral zygomycosis with aspergillosis: a case report from India. *Access Microbiology*, 2(8).

Malhotra, T., Gupta, A., & Singh, A. (2019, June). Methodology for interval-valued matrix games with 2-tuple fuzzy linguistic information. In *International Conference on Numerical Computations: Theory and Algorithms* (pp. 154-168). Springer, Cham.

Mapuranga, M., Maziriri, E.T., Rukuni, T.F. and Lose, T., 2021. Employee Organisational Commitment and the Mediating Role of Work Locus of Control and Employee Job Satisfaction: The Perspective of SME Workers. *Journal of Risk and Financial Management*, 14(7), p.306.

Martin, E., & Ali, A. (2020). Enhancing hospitality business performance: The role of entrepreneurial orientation and networking ties in a dynamic environment. *International Journal of Hospitality Management*, 90, 102605.

Martin, M.A., 2020. An evolutionary approach to management control systems research: A prescription for future research. *Accounting, Organizations and Society*, 86, p.101186.

Martin-Sardesai, A. (2020). Contemporary challenges in public sector reporting. In *New Trends in Public Sector Reporting* (pp. 1-14). Palgrave Macmillan, Cham.

Marunda, E. and Marunda, E., 2018. Enhancing the micro and small to medium size enterprise operating environment in Zimbabwe. *Journal of Business and Management*, 16(11), pp.113-116.

Matsuoka, K., 2020. Exploring the interface between management accounting and marketing: a literature review of customer accounting. *Journal of Management Control*, 31(3), pp.157-208.

Mickenautsch, S., & Berger, V. W. (2019). The role of the randomised controlled trial in restorative dentistry and the correct purpose of observational data. *British Dental Journal*, 226(2), 95-97.

Mickenautsch, S., & Berger, V. W. (2019). The role of the randomised controlled trial in restorative dentistry and the correct purpose of observational data. *British Dental Journal*, 226(2), 95-97.

Mohamed, I. A., Evans, K., & Tirimba, O. I. (2020). Analysis of the effectiveness of budgetary control techniques on organizational performance at Dara-Salaam bank headquarters in hargeisa Somaliland. *International Journal of Business Management and Economic Research (IJBMER)*, 6(6), 327-340.

Mohd Harif, M.A.A., Osman, H. and Hoe, C.H., 2020. Financial management practices: An in-depth study among the CEO of Small and Medium Enterprise (SMEs). *International Review of Business Research Papers*, 6(6), pp.13-35.

Molinaro, A., Pizzi, S., & Rinaldi, F. (2021). Opportunistic Federation of CubeSat Constellations: a Game-Changing Paradigm Enabling Enhanced IoT Services in the Sky. *IEEE Internet of Things Journal*.

Mulani, J., Chi, G., & Yang, J. (2020). Effects of the budgetary process on SME's performance: An Exploratory study based on Selected SME's in India. *Research Journal of Finance and Accounting*, 6(14), 135-153.

Muleri, M. A. (2022). *A survey of budgeting practices among the major British Non-Governmental Development Organizations in Kenya* (Doctoral dissertation, University of Nairobi).

Nafisatu, A. D. (2018). *Effect of Budget and Budgetary Control on SMEs Performance: A Case Study of the East African Portland Cement SME Limited* (Doctoral dissertation, United States International University-Africa).

Needles, B. E., Powers, M., & Crosson, S. V. (2019). *Principles of accounting*. Cengage Learning.

- Nickson, J., & Mears, S. (2019). Budgetary Control and Performance. *Journal of Finance*, 7(3), 78-98.
- Niknejad, N., Hussin, A. R. C., & Amiri, I. S. (2019). Developing of Service-Oriented Architecture (SOA) Adoption Framework and the Related Hypotheses. In *The Impact of Service Oriented Architecture Adoption on Organizations* (pp. 53-70). Springer, Cham.
- Niknejad, N., Hussin, A.R.C. and Amiri, I.S., 2019. Quantitative Research Methodology for Service-Oriented Architecture (SOA) Adoption in Organizations. In *The Impact of Service Oriented Architecture Adoption on Organizations* (pp. 43-51). Springer, Cham.
- Niven, D. (2021). Throwing your hat out of the ring: Negative recruitment and the gender imbalance in state legislative candidacy. *Politics & Gender*, 2(4), 473-489.
- Njenga, A.N., 2021. *Public Financial Management Reforms and Economic Growth: a Critical Literature Review* (Doctoral dissertation, university of nairobi).
- Nwanyanwu, L. A., & Ogonnaya, A. N. (2018). Budgetary control and financial performance of small and medium sized enterprises in Rivers State. *International journal of Economics and financial management*, 3(1), 66-73.
- Nyongesa, A.S., Odhiambo, A. and Ngoze, M.L., 2021. Budgetary control and financial performance in public institutions of higher learning in Western Kenya.
- Parker, L. D. (2019). Qualitative management accounting research: Assessing deliverables and relevance. *Critical perspectives on accounting*, 23(1), 54-70.
- Parker, L.D., 2019. Qualitative management accounting research: Assessing deliverables and relevance. *Critical perspectives on accounting*, 23(1), pp.54-70.
- Patton, K., Parker, M., & Tannehill, D. (2020). Helping teachers help themselves: Professional development that makes a difference. *NASSP bulletin*, 99(1), 26-42.
- Petty, N.J., Thomson, O.P. and Stew, G., 2019. Ready for a paradigm shift? Part 2: Introducing qualitative research methodologies and methods. *Manual therapy*, 17(5), pp.378-384.



Ross, A., 2020. Job related tension, budget emphasis and uncertainty: a research note. *Management Accounting Research*, 6(1), pp.1-11.

Roux, D.J., Stirzaker, R.J., Breen, C.M., Lefroy, E.C. and Cresswell, H.P., 2020. Framework for participative reflection on the accomplishment of transdisciplinary research programs. *Environmental Science & Policy*, 13(8), pp.733-741.

Saunders, M., Lewis, P.H.I.L.I.P. and Thornhill, A.D.R.I.A.N., 2018. Research methods. *Business Students 4th edition Pearson Education Limited, England*.

Schubert, H. and Kirsten, S.M., 2021. Effect of budgeting control on the financial performance of SMEs in Germany. *Journal of Finance and Accounting*, 5(2).

Shaku, M. D. (1988). *The Gap in Management Accounting Skills Required by Venture Capital Providers and Those Possessed by Small and Medium Enterprises in the Craft Industry* (Doctoral dissertation, University of South Africa).

Shitanda, V. A. (2019). *The Strategic Management/Marketing Challenges That Have Impacted On Poor Growth of SMEs: A Case of Telkom Kenya, Nairobi County* (Doctoral dissertation, United States International University-Africa).

Silva, L. M. D., & Jayamaha, A. (2019). Budgetary process and organizational performance of apparel industry in Sri Lanka. *Journal of emerging trends in economics and management sciences*, 3(4), 354-360.

Sobero (2018). Technological innovation inputs, outputs and family management: evidence from Spanish manufacturing SMEs. *Innovation*, 20(4), 299-325.

Souza, P. D., & Lunkes, R. J. (2021). Capital budgeting practices by large Brazilian SMEs. *Contaduría y administración*, 61(3), 514-534.

Swaine, S., 2020. Equality Budgeting: Proposed Next Steps in Ireland.

Ter Bogt, H.J., 2021. Management accounting change and new public management in local government: a reassessment of ambitions and results—an institutionalist approach to accounting change in the Dutch public sector. *Financial Accountability & Management*, 24(3), pp.209-241

Umelo, N. D., Ibanichuka, E. A. L., & Ignatius, U. (2021). Strategic Management Accounting Practices and Return on Equity of Quoted Manufacturing SMEs in Nigeria.

Umelo, N.D., Ibanichuka, E.A.L. and Ignatius, U., 2021. Strategic Management Accounting Practices and Return on Equity of Quoted Manufacturing SMEs in Nigeria.

Vandebosch, H. and Green, L. eds., 2019. *Narratives in research and interventions on cyberbullying among young people*. Cham, Switzerland: Springer International Publishing.

Vandebosch, H., & Green, L. (Eds.). (2019). *Narratives in research and interventions on cyberbullying among young people*. Cham, Switzerland: Springer International Publishing.

Vimalraj, M.M., Shalini, M.M. and Manjunath, M.T., DFHCI Based Islanding Detection through Wavelet Lifting Scheme. *International Journal of Applied Engineering Research*, 10(55), p.2020.

Wadesango, N., & Nhubu, T. (2021). Nexus between financial accountability or transparency and corruption in parastatals in Zimbabwe. *The Journal of Accounting and Management*, 11(3).

Wadesango, N., Muzvuwe, F.T., Malatji, S., Sitsha, L. and Wadesango, O., 2021. Literature review of the effects of the adoption of data analytics on gathering audit evidence. *Academy of Accounting and Financial Studies Journal*, 25(5), pp.1-7.

Wisker, G., & Robinson, G. (2019). Encouraging postgraduate students of literature and art to cross conceptual thresholds. *Innovations in Education and Teaching International*, 46(3), 317-330.

Younas, W., Javed, T., Kalimuthu, K. R., Farooq, M., Khalil, F., & Raju, V. *The Journal of Social Sciences Research*.

Yucel, R., & GÜNLÜK, M. (2018). Effects of budgetary control and justice perceptions on the relationship between budgetary participation and performance. *Journal of global strategic management*, 1(2), 82-94.

## APPENDIX A: QUESTIONNAIRE

### THE RELATIONSHIP BETWEEN LEADERSHIP SKILLS AND BUDGETARY CONTROL ON SMES FINANCIAL PERFORMANCE: A CASE OF SMES IN EPWORTH.

#### SECTION A: DEMOGRAPHIC DATA AND SME BACKGROUND

##### INSTRUCTIONS

*Mark only one oval by an x where appropriate.*

1. What's your gender \*

Male

Female

2. For how long have you been working in the SMEs sector? \*

0-5 Years

6-10 years

11-15 years

Over 15 years

3. What's your position in the SME? \*

Owner and/or Director

Manager

Accountant

Other

#### SECTION B: EFFECTIVENESS OF BUDGETARY CONTROL SYSTEMS USED BY SMES

4. Does your company apply budgetary control systems? \*

Yes

No

Maybe

5. Which budgetary control techniques does your company use most? \*

Variance Analysis

Responsibility Accounting

Adjustment of funds

Zero Based Budgeting

Other

6. What's your view of the budgetary control techniques used by your organisation?

Effective

Not effective

Maybe

Better not say

**SECTION C: THE ROLE OF LEADERSHIP SKILLS IN IMPROVING BUDGETARY CONTROLS IN SMES**

7. Do you think the leadership is taking part in improving budgetary controls? \*

Yes

No

Maybe

8. The leaders really know what budgetary controls are all about \*

Strongly agree

Agree

Neutral

Disagree

Strongly disagree

**SECTION D: THE NATURE OF RELATIONSHIP BETWEEN BUDGETARY CONTROL AND PERFORMANCE OF SMES**

9. Budgetary control has significant impact on performance of the firm \*

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

10. There is a positive correlation between budgetary control and firm performance \*

- Strongly disagree
- Disagree
- Neutral
- Agree
- Strongly agree

**SECTION E: RECOMMENDATIONS ON THE BEST BUDGETARY CONTROL PRACTICES THAT CAN BE USED TO IMPROVE SME PERFORMANCE**

11. In your own view which one is the best budgetary control technique you would recommend to your firm?

- Variance Analysis
- Responsibility Accounting
- Adjustment of funds
- Zero Based Budgeting
- Other