Budgetary Control and the Performance of Publicly Listed Commercial Banks in Nigeria

OKORO Godsday Edesiri PhD
Department of Accounting, Faculty of Management Sciences,
Delta State University, Abraka, Nigeria;
E-mail: egokoro@delsu.edu.ng
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Abstract
The study investigated how budgetary control can improve the performance of commercial banks in Nigeria. The goal was to identify problems associated with budgetary control and ways to improve commercial banks' performance via effective budgetary control. Survey research design was used and a sample of 139 was from the study population. 139 copies of structured questionnaire were administered to respondents and data obtained were analyzed using descriptive (mean, frequency counts, simple percentages and standard deviation), and inferential (regression) statistical techniques. The study found several challenges linked with budgetary control to include poor management supports and commitments, inadequate budgetary control by unqualified staff, irregular budgetary review and analysis, and unclear budgetary guidelines/procedures. Also, the study indicated that with an effective budgetary control, the performance of publicly listed commercial banks can be improved. On the basis of the findings, the study recommends that recruitment and participation of qualified staff in budgeting decisions as well as regular budgetary reviews and analysis in order to facilitate timely identification of grey areas for improvement needed to drive performance of publicly listed commercial banks. Also, clear budgetary guidelines/procedures should be established and communicated to minimize errors and in ensuring robust budgetary control frameworks.

Keywords: *Budgetary control; Commercial banks; Financial performance; Central Bank of Nigeria*
JEL Classification: *G31; M49*

1. Introduction

Budgetary control is one of the imperative components of management control system of corporate organizations, listed commercial banks inclusive. Adegbaju (2020) opined that budgetary control entails establishment of budget, monitoring and control of performance (actual) against budgeted target and taking corrective measures/actions to ensure alignment with organizational goals. Hence, the budgeting process usually commences with goals and objective identification and this is accompanied by budget preparation and review (Hansen, 2021). The preparation of budgets involves several techniques like zero-based, incremental, and activity-based budgeting.

Banks use budgeting software and systems to facilitate the process and enhance accuracy (Ugherughe, Ewiwile, Uzoma & Tennyson, 2022). For commercial banks to engage in effective budgetary control and monitoring, they use metrics such as variance, ratio and trend analyses (Wisner, 2023; Ugherughe & Ewiwile, 2020). Thus, effective budgetary control makes commercial banks to be able to identify and correct deviations, make informed resource allocation, realize strategic goals, manage risks and improve profitability (Amoako, 2018). The budgeting process takes into cognizance, varied dynamics like economic conditions, market trends and regulatory requirements (Adegbaju, 2020). The budgeting process is usually done on yearly basis but some commercial banks may adopt a continuous budgeting method (Akinyomi, 2018).

According to Adams (2018), once a budget is prepared, it is communicated to stakeholders and actual performance is monitored and compared with budgeted outcomes and deviations from budgeted outcomes are corrected and actions are taken to ensure that management is on track to realize its goal. Thus, Baxter (2019) believed that an effective budgetary control could enable commercial banks manage their resources in the most efficient way to be able to realize their strategic goals objectives and improve aggregate performance. Performance as observed by Okoro and Ekwueme (2018); Sinebe and Okoro (2023), is multidimensional because it entails various facets like financial, operational and social. In view of this, Odiri, Aruoren and Okoro (2021) divided performance into two (2) forms - Financial and Non-Financial.

Indicators like return on equity, return on assets, profit margin, earnings per share, liquidity, capital adequacy, among others are useful avenues for describing and evaluating financial performance while customers' satisfaction, employee productivity, social responsibility and others are vital means of describing and evaluating non-financial performance (Ososuakpor & Okoro, 2023; Okoro & Ekwueme,2020). Both forms of performance are vital in assessing overall performance (Imasuen, Okoro & Yahaya, 2022; Imasuen, 2023; Simons, 2023). As opined by Chen (2020), performance measurement is vital to commercial banks because it enables them to evaluate their progress towards realizing strategic goals, identifying areas for improvements and making informed decisions about resource allocation.

Prior studies (Berry, 2020; Mensing, 2021; Fiomgen, 2023) have revealed that budgetary control has significant influence on banks' performance because it enables them improve financial performance via revenue maximization, costs and risks minimization. Similarly, Olowe (2020) buttressed that budgetary control also leads to improvements in asset quality, operational efficiency, loan losses, capital adequacy and the management of insolvency. As noted by Adegbaju (2020), commercial banks with effective budgetary control systems tend to perform better than those without.

Arising from the above discuss, it is imperative to investigate how budgetary control can improve commercial banks' performance in Nigeria by identifying problems associated with budgetary control and ways to improve commercial banks' performance via effective budgetary control. The remaining segment of this paper is sectioned as follows: Review of Related Literature, Materials/Method, Empirical Result, Conclusion and Recommendations.

2. Review of Related Literature

2.1 Budgetary Control

Budgetary control, according to Hansen, Otley and Van der Stede (2003), is the process of ensuring that actual expenditures conform to budgeted expenditures and that budgeted goals are realized. Ahamed (2017) sees budgetary control as a process of establishing budgetary goals, assigning tasks/responsibilities and measuring performance to ensure that budgeted goals are realized. Abdel-Qader (2016) described budgetary control as a system that offers feedback on actual and budgeted performance, thus allowing management to take corrective actions.

Similarly, Adams and Mehran (2017) asserted that budgetary control entails establishment of budgetary standards, measurement of actual performance and taking of corrective actions to ensure that budgeted goals are realized. Thus, budgetary control is an imperative tool for management to realize organizational goals since it aids efficiency in resources allocations. Berger and Humphrey (2017) noted that budgetary control is not only vital for enhancing financial performance, but also for enhancing non-financial performance.

According to Hansen and Mowen (2023), budgetary control involves five-step processes - establishing budgetary goals, assigning responsibilities, measuring performance, comparing actual performance to budgeted performance, and taking corrective actions. Regardless of the processes involved in budgetary control, a clear understanding of the firms' strategy is required. In management literature, several challenges have been identified to be associated with budgetary control; these include but not limited to poor management support systems and commitments, inadequate budgetary control by unqualified staff, irregular budgetary reviews and analyses as well as unclear budgetary guidelines/procedures. Consequent upon the above, budgetary control is a tool that aids management in realizing the goals of a firm

2.2 Commercial Bank Performance (CBP)

Commercial Bank Performance (CBP) is influenced by number of dynamics like corporate governance, regulatory capital requirements, budgetary control, government policies, digital transformation, financial inclusion and other macroeconomic dynamics such as exchange and inflation rates. Regulatory capital requirements for instance require commercial banks to maintain a minimum capital level to ensure financial stability. Financial inclusion implies commercial banks offering access to financial services for undeserved population (Okoro & Egbunike, 2017; Okoro & Egberi, 2019).

Digital transformation involves use of digital technologies to enhance operational efficiency and innovation. On the other hand, macroeconomic dynamics such as inflation, exchange interest rates, poverty level, and unemployment influence performance (Imasuen, 2024). In the views of Okerekeoti and Okoro (2021), performance can be evaluated using return on equity, return on asset, earnings per share (financial) and customers' satisfaction, employee engagement, commitment (non-financial performance), etc.

Kaplan and Norton (2016) as cited in Adams and Mehran (2017) used Balanced Scorecard in assessing performance of firms. In the literature, it has been found that budgetary control and CBP are closely related, as effective budgetary control is imperative for realizing CBP (Eisenhardt & Martin, 2000; Olowe, 2020; Adegbaju, 2020). According to Epstein and Roy (2017), effective budgetary control can result to improved financial performance.

2.3 Theoretical Framework

This study was anchored on the Resource-Based View Theory (RBVT) proposed by Barney (1991) and developed by Peteraf (1993) (cited in Okoro & Egberi, 2020). RBVT suggests that a firm's resources are the prime source of sustainable competitive advantage and better performance. According to proponents of RBVT, a resource is valuable if it enables the firm implement strategies that can improve efficiency and effectiveness. RBVT thus highlights the role of financial resource in realizing increased performance and sustainable competitive advantage.

In the context of budgetary control and CBP, RBV suggests that budgetary control can be a valuable resource which can enable commercial banks to be able to their allocate resources efficiently (Hansen, 2021). Hence, commercial banks with effective budgetary control systems can realize better performance and sustainable competitive advantage by making informed decision about resource allocation, extenuating risks, and enhancing operational efficiency (Hansen & Mowen,2023). RBVT implies that commercial banks must incessantly assess and adapt effective budgetary control systems to remain ahead of competitors and respond to changes in the market and industry (Adams & Mehran, 2017).

Commercial banks must therefore constantly evaluate and update their budgetary control systems to ensure they remain effective and be able to align with strategic goals/objectives of management. Overall, the RBVT offers a valuable framework for understanding the significance of effective budgetary controls in realizing sustainable competitive advantage and enhancing financial performance of commercial banks.

3. Materials/Method

This study employed the survey research design; the study population comprised employees of twenty (20) commercial bank branches in Nigeria, thus resulting to an aggregate size of 439 respondents. Taro-Yamane sample size determination formula was used in obtaining a sample of 209 respondents. The research instrument was the questionnaire which was administered to employees of the selected commercial banks branches in Nigeria.

The questionnaire items were structured in 4-point rating scale of strongly agreed (SA), agreed (A), Disagreed (D) and Strongly Disagreed (SD). The reliability of the instrument was done using Cronbach Alpha; an aggregate of 0.79 was obtained; hence the instrument was considered reliability. Data obtained were analyzed using descriptive statistics and inferential statistics (multiple regression models). The regression model is given as follows:

$$CBP = f(BUDGC, POBDGC, IMBDGC)$$
$$CBP_i = \beta_0 + \beta_1 BUDGC_i + \beta_2 POBDGC_i = \beta_3 IMBDGC_i + \varepsilon_i$$

Where: CBP is commercial bank performance (dependent variable); BUDGC is budgetary control; POBDGC is problems associated with budgetary control; IMBDGC is measures of improvement of budgetary control (measures of independent variables); β_1-β_3 are regression coefficients; i is individual respondents (209); ε is error term.

4. Empirical Results

Table 1: Demographic Variables of Respondents

Parameters	Number of Respondents	Percentage
Male	116	55.5%
Female	93	44.5%
Total	**209**	**100%**
Junior Staff	108	51.7%
Senior Staff	101	48.3%
Total	**209**	**100%**
B.Sc.	89	42.6%
M.Sc.	82	39.2%
PhD	38	18.2%
Total	**209**	**100%**

Source: Compiled by the Researcher (2024)

Table 1 showed the demographic variable of respondents; first, gender outcome revealed that the respondents consist of 116 males (55.5%) and 93 females (44.5). The respondents comprised 51.7% (108) junior staff and 48.3% (101) senior staff, totalling 209 employees; this balanced representation allows for a comprehensive understanding on the subject across different organizational levels with slight majority of junior staff offering insight into entry-level and mid-level experience**.**

Furthermore, the educational attainment of respondents revealed a majority (42.6%) holding a Bachelor of Science (B.Sc) degree, accompanied by 39.2% with Master of Science (M.Sc) degree, and smaller percentage (18.2%) with Doctoral degree (PhD); this implies that the respondents are highly educated, with almost 90% holding academic degrees, suggesting a high level of expertise and knowledge in their field.

Table 2: Budgetary Control and Commercial Bank Performance (CBP)

S/N	Items	Mean	Std. Dev	Remark
1	Budgetary control is effective in managing resource	3.52	3.01	Accept
2	Budgetary control helps achieve strategic goals	3.38	2.91	Accept
3	Budgetary control is effective in managing liquidity	3.30	2.82	Accept
4	Budgetary control process is regularly reviewed/updated	3.17	2.72	Accept
	Grand Mean	**3.34**		

Source: Compiled by the Researcher (2024)

The questionnaire items indicate positive link between budgetary control and commercial banks performance with a grand mean of 3.34. Hence, majority of respondents agreed that budgetary control is effective in managing resources, realizing strategic goals and managing liquidity. In addition, most respondents agreed that budgetary control is regularly reviewed/ updated, aligned with overall business strategy and transparent and well-defined; these results are further supported by the standard deviation values which ranged from 2.72– 3.01.

Table 3: Problems with Budgetary Control and Commercial Bank Performance (CBP)

S/N	Items	Mean	Std. Dev	Remark
1	Inadequate training on budgetary control hinders effective implementation in our bank	3.53	2.99	Accept
2	Lack of clear budgetary guidelines/procedures is a major challenge	3.16	2.73	Accept
3	Lack of management support/commitment hinders effective budgetary control	3.46	2.96	Accept
	Grand Mean	**3.38**		

Source: Compiled by the Researcher (2024)

The questionnaire items suggest relationship between problems with budgetary control and commercial banks performance with a grand mean of 3.38. Thus, majority of respondents agreed that inadequate training on budgetary control, clear budgetary guidelines/procedures, and lack of management support/commitment hinder effective budgetary control via-a-viz, commercial banks performance; these results are further supported by standard deviation values which ranged from 2.73 – 2.99.

Table 3: Improving Commercial Banks Performance (CBP) via Budgetary Control

S/N	Items	Mean	Std. Dev.
1	Encourage employee participation in budgeting decisions	3.08	2.68
2	Involving all departments in budgeting process	3.51	2.97
3	Offering incentives for meeting budgetary targets	3.37	2.86
4	Conducting regular budgetary reviews/analysis	3.08	2.67
5	Implementing a zero-based budgeting approach	3.10	2.68
6	Establishing clear budgetary guidelines/procedures	3.57	3.00
	Grand Mean	**3.28**	

Source: Compiled by the Researcher (2024)

The questionnaire items suggest that there are significant ways of improving commercial banks' performance via budgetary control, with a grand mean of 3.28. Respondents identified encouraging employee participation, involving all departments in the budgeting process and establishing clear budgetary guidelines/procedures as the most effective means of enhancing budgetary control. Other notable strategies entail offering incentives for meeting budgetary target, conducting regular budgetary reviews/analysis and implementing a zero-based budgeting approach; these results are further supported by standard deviation values which ranged from 3.08 – 3.57.

Table 4: Multiple Regression(a)

Model	R-Value	R-Squared	Adjusted R-Squared	Std. Error of the estimate
1	0.483	0.233	0 .231	3.8973

Source: Compiled by the Researcher (2024)

The model summary (Table 4) revealed a moderate coefficient (R) of 0.483; an indication of relatively strong relationship between the dependent and independent variables of the study. The R-squared value of 0.233 indicates that approximately 23.1percent of variation in CBP can be explained by budgetary control. The adjusted R-squared value (0.231) confirmed a significant relationship between the dependent and independent variables of the study. However, the standard error of estimate (3.8973) suggests some variability in the dataset.

Table 5: Regression Model(b)

Model	Sum of Square	Mean Square	F-ratio	Sig.
Regression	108.45	108.45	6.252	0.000
Residual	2411.18	17.347		
Total	2579.63			

Source: Compiled by the Researcher (2024)

The regression result (Table 5) examined the relationship between budgetary control and CBP; the F-ratio (6.252) is significant at 0.05 percent level, indicating a statistically significant relationship between budgetary control and CBP. The high F-value and low p-value indicate that the regression model is a good fit for the data

Table 6: Regression Coefficients

	Unstandardized Coefficient		Standardized Coefficient	t	Sig
Model	**B**	**Std. Err.**	**Beta**		
Constant	2.14	0.102	0.259	9.13	0.000
Budgetary Control	0.176	0.034		5.17	0.000
Problems with Budgetary Control	0.279	0.087		8.44	0.000
Measures to Improve Budgetary Control	0.479	0.048		7.69	0.000

Source: Compiled by the Researcher (2024)

Table 6 presents the regression coefficients for the relationship between budgetary control and CBP; the result revealed significant positive relationships. First, the unstandardized coefficient (β) of 5.17 implies that for every unit increase in budgetary control, CBP increases by 5.17 units. The standardized coefficient (β) of 0.102 indicates a relatively weak but significant relationship. Also, t-values were significant for budgetary control, problems with budgetary control and measures to improve budgetary control; an indication that all the parameters of budgetary control drive CBP. Overall, the results imply that budgetary control has positive significant effect on CBP in Nigeria.

5. Conclusion and Recommendations

In this study, we investigated the extent to which budgetary control improves performance of selected publicly listed commercial banks in Nigeria. The goal of which was to ascertain the associated problems with budgetary control as well as avenues of improving commercial banks' performance through effective budgetary control. The study used survey research design and a sample of one hundred and thirty-nine (139) respondents were drawn from selected publicly listed commercial banks; hence, 139 copies of structured questionnaires were administered to respondents (employees of the selected publicly listed commercial banks). Data obtained in the survey were analyzed via descriptive and inferential statistical tools.

Findings indicated that there are varied challenges linked with budgetary control of publicly listed commercial banks such as poor management supports and commitments, inadequate budgetary control by unqualified staff, irregular budgetary review and analysis, and vague budgetary guidelines/procedures. In addition, it was found that with an effective budgetary control, the performance of publicly listed commercial banks can be improved. In view of the findings, the study recommends the need for the recruitment/participation of qualified employees in budgeting decisions and regular budgetary reviews/analysis so as to facilitate timely identification of grey areas for improvement needed to drive performance of publicly listed commercial banks. Clear budgetary guidelines and procedures should be established and communicated by management to minimize errors and in ensuring robust budgetary control frameworks for publicly listed commercial banks in Nigeria.

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