

## EVALUATING THE EFFECTIVENESS OF BUDGETARY CONTROL SYSTEMS IN ENHANCING FINANCIAL PERFORMANCE AT HERITAGE FOODS INDIA Ltd.

<sup>1</sup>N. Shwetha, <sup>2</sup>Chinthala Pavankumar

<sup>1</sup> Associate Professor, <sup>2</sup> MBA Student

Department of MBA

Sree Chaitanya College of Engineering, Karimnagar

### ABSTRACT

Budgetary control systems play a crucial role in effective financial management by enabling organizations to plan, monitor, and regulate their financial activities. This study evaluates the effectiveness of budgetary control systems in enhancing the financial performance of organizations. The research focuses on how budgeting techniques assist management in controlling costs, improving resource allocation, and ensuring financial discipline within the organization.

The study examines various components of budgetary control, including budget preparation, implementation, monitoring, and variance analysis. It also analyzes how these practices contribute to improved decision-making, operational efficiency, and overall financial stability. Both qualitative and quantitative perspectives are considered to understand the relationship between budgetary control mechanisms and organizational financial outcomes.

### I. INTRODUCTION

Budgetary control is an essential tool used by organizations to plan, monitor, and control their financial activities in a systematic manner. It provides a structured framework for estimating future revenues and expenditures, allocating resources efficiently, and comparing actual performance with predetermined targets. In today's competitive and dynamic business environment, organizations face increasing pressure to utilize financial resources effectively while maintaining operational efficiency. Budgetary control systems help management make informed decisions, identify variances, and take corrective actions to ensure that organizational goals are achieved.

The effectiveness of a budgetary control system lies in its ability to coordinate different departments, promote cost consciousness, and improve financial discipline across the organization. By setting realistic financial targets and continuously evaluating performance, organizations can minimize wastage, control unnecessary expenses, and enhance profitability. It also facilitates better communication among various levels of management by clearly defining responsibilities and performance expectations. As a result, budgetary control becomes not only a financial tool but also a managerial mechanism for performance evaluation and strategic planning.

Moreover, in the context of modern financial management, budgetary control supports long-term sustainability by linking planning with execution. It helps organizations anticipate financial risks, manage cash flows effectively, and ensure optimum utilization of available resources. The system also encourages accountability, as each department is responsible for achieving its budgeted targets. This leads to improved operational efficiency and better financial performance over time.

Therefore, evaluating the effectiveness of budgetary control systems is crucial for understanding how well they contribute to financial stability and growth. It enables organizations to assess whether budgeting practices are aligned with their strategic objectives and whether they lead to measurable improvements in financial performance. Such an evaluation provides valuable insights for strengthening financial planning, enhancing control mechanisms, and achieving overall organizational success.

## NEED OF THE STUDY

The need for this study arises from the growing importance of effective financial planning and control in achieving organizational success. In a competitive business environment, organizations must ensure optimum utilization of resources while maintaining cost efficiency and profitability. Budgetary control systems play a significant role in guiding financial decisions, monitoring performance, and reducing unnecessary expenditures. However, many organizations prepare budgets without properly evaluating their effectiveness in improving financial outcomes. This creates a gap between budget preparation and actual financial performance. The study is necessary to examine how far budgetary control systems contribute to better planning, coordination, and performance evaluation. It helps in identifying weaknesses in existing budgeting practices and understanding whether variance analysis leads to timely corrective actions. The findings of this study will be useful for management in strengthening financial control mechanisms, improving accountability, and enhancing overall efficiency. It also provides insights into how effective budgeting can support long-term financial stability, better resource allocation, and improved profitability within organizations.

## OBJECTIVES OF THE STUDY

- To assess how budgetary control systems influence cost reduction, revenue growth, and overall financial performance within organizations.
- To evaluate the role of variance analysis in identifying inefficiencies and improving financial decision-making.
- To examine the relationship between budget monitoring practices and organizational profitability.
- To analyze how participatory budgeting affects financial accountability and resource allocation efficiency.

- To determine the extent to which budgetary control systems support strategic financial planning and sustainable performance.

## SCOPE OF THE STUDY

The scope of the study is limited to analyzing the effectiveness of budgetary control systems in improving the financial performance of organizations. It focuses on key aspects such as budget preparation, implementation, monitoring, and variance analysis. The study examines how budgeting practices influence cost control, resource utilization, profitability, and overall financial efficiency. It also evaluates the role of budgetary control in facilitating planning, coordination, and performance measurement across different departments. The study covers the comparison between budgeted and actual financial results to understand the extent of deviations and the corrective measures taken by management. It considers both operational and financial budgets to assess their impact on organizational performance. However, the scope is confined to selected organizations and available financial data, which may limit broader generalization. The study does not cover non-financial performance measures in detail. The findings are intended to provide practical insights for improving budgeting practices and strengthening financial control systems within organizations.

## II. RESEARCH METHODOLOGY

The proposed study is carried with the help of both primary and secondary sources of data.

### PRIMARY DATA:

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company.

### SECONDARY DATA:

All the secondary data used for the study has been extracted from the annual reports, manuals and other published material of the company.

### SOURCES OF DATA:

The data of HDFC BANK LTD, have been collected mainly from secondary sources viz.

1. Form the concerned employees of the

HDFC BANK LTD.

2. HDFC BANK LTD. Journals.
3. Accounting books, records.
4. Key books of concerned title.
5. Statistical records

**Sample :**

**Sample size : P/L account, cash flow statement of the company**

Four countries currencies are selected and the data is for selected year.

**Period of study :**

The period of study is 45 days.

**Statistical tools :**

Tables are used for analyses of collected data.

The data is neatly presented with the help of graphs.

### **LIMITATIONS OF THE STUDY**

- The study is limited to selected organizations, so findings may not represent budgeting practices and financial performance across all industries universally.
- Dependence on secondary financial data may affect accuracy, as reported figures could contain errors, omissions, or variations in accounting practices.
- Time constraints restricted detailed analysis of long-term budgetary impacts, limiting understanding of sustained financial performance improvements over multiple periods.
- The study focuses mainly on financial measures, giving less attention to qualitative factors like managerial behavior and employee participation in budgeting processes.
- Variations in organizational size, structure, and policies make it difficult to generalize results and compare effectiveness of budgetary control systems uniformly.

### **III. LITERATURE SURVEY**

**Chinedu Emmanuel Okafor (2025)** In the contemporary financial landscape marked by intense competition and regulatory scrutiny, effective resource management is critical to the sustainability and profitability of organizations,

particularly publicly listed commercial banks in Nigeria. This study explores the impact of budgetary control as a strategic managerial tool within this sector. Budgetary control encompasses the preparation of budgets, continuous monitoring of financial performance, comparison with set targets, and implementation of corrective measures to address variances. Its primary purpose is to enhance organizational efficiency, ensure fiscal discipline, and facilitate strategic decision-making. Given the dynamic and regulated environment of Nigerian banks, robust internal controls and sound financial planning are imperative. This paper reviews the conceptual underpinnings of budgetary control, highlighting its role in aligning organizational activities with strategic goals and fostering accountability at all levels. It also examines various budgeting techniques—such as zero-based, incremental, and activity-based budgeting—and their relevance in the Nigerian banking context. The findings suggest that effective budgetary control significantly influences the financial performance of listed commercial banks by promoting resource optimization, improving performance evaluation, and supporting strategic adaptability. Consequently, the implementation of comprehensive budgetary control mechanisms is vital for Nigerian banks aiming to sustain competitive advantage and achieve financial stability in an increasingly complex environment.

**Ebimobowei Appah (2025)** This paper assesses the moderating effect of managerial experience on the relationship between budgetary control system and effective financial management of tertiary institutions in Bayelsa State, Nigeria. The study adopted survey research design and the population consisted of all the tertiary institutions in Bayelsa State and random sampling was utilized. Primary and secondary sources of data collection was employed with questionnaire as the major instrument of data collection after validity and reliability tests. A total of 343 questionnaires were administered and 241 was used for data analysis. The responses obtained from the administered questionnaires were statistically analysed using univariate, bivariate and multivariate statistics. The

findings revealed a positive and significant relationship between budgetary planning, budgetary coordination, budgetary monitoring, budgetary participation and budgetary reporting on cash flow management of tertiary institutions in Bayelsa State, Nigeria. Also, a positive and significant moderating effect of managerial experience on the relationship between budgetary control system and cash flow management of tertiary institutions in Bayelsa State, Nigeria. The paper concludes that budgetary control systems are a significant determinant of cash flow management and managerial experiences moderate significantly the association between budgetary control systems and cash flow management of tertiary institutions in Bayelsa State. The paper recommends amongst others that tertiary institutions should prioritise managerial experience in the recruitment, promotion, and retention of financial and administrative staff since experienced staff possess deeper understanding and intuition regarding budgeting systems, leading to better cash flow monitoring and control.

**AKSHITA KOOL (2022)** The purpose of this research paper was to know more about budgetary control and organizational performance. This study also shows the performance measure on the organization and enlightens different factors which affect budgetary control. Data was collected by the help of structured questionnaire which was circulated through online platform. Analysis of data was done by using frequency percentage and chi-square. After the study we can say that budgets and budgetary control are those elements which can influence the performance of an organisation or we can say that budgets directly reciprocal to the budgetary control. Basically Budgets and Budgetary controls give the proper structural support to every organisation and help them to maximise their performance. Budgetary control and Budgets also help organisation to control their costs or manage their resources.

**Dr. Ashok P. Nikam (2022)** The discussion of budgeting has been a subject of debate over recent years. For this purpose, the present study undertaking to know the impact of budgetary

control on organizational performance, which is restricted to Dhule District, Maharashtra State. Management has in number of techniques which it uses according to its efficacy and necessity to control the business, particularly for financial control. One of such technique is very effective as a controlling system, that is the budgetary control so far as financial aspect is concerned. Budgetary control involves the use of budgets and budgeting reports throughout the period to coordinate evaluate and control day-to-day operations in accordance with the goals specified in the budget. Budgets are prepared to control operations so that established policies and objectives can be achieved. Budgeting serves to clarify the program, measure efficiency and provide definite plans to interested parties. The present study has conducted survey of 250 respondents of Industries/organizations through convenience sampling method. To find their opinion and requirements, identify their suggestion, finding problems, the field survey conducted in the said research area for fruitful comparison of impact of budgetary control.

**Badruldeen Mohd Ali (2021)** This paper aims to analysis and evaluate of an organization's budgetary control system and its links with performance management and decision making. So, it tries to evaluate the relation of budgetary control system with the actual performance and taking decisions accordingly. The researcher concludes that budgetary control is having the significant role in the performance of the organization and the budgeting techniques are helpful for improving the productivity of the company, and the researcher recommends replicating that the budgetary control is the administration methodology of utilizing budgets to screen and control the execution of the association.

**Raya Mohammed AL Mahroqi (2021)** The budgeting process and budgetary control are one of the most important activities that have great importance in the techniques used for planning and monitoring activities and all the administrative and financial functions of the organization. This study aims to assess the effect of budgetary control on the financial performance of the Oman

Telecommunications Company and verify the effectiveness of budgetary control techniques in the company, in light of the support and role of top management for budgetary control techniques in the company. This study will allow financial managers in various companies to understand the nature of the work of budgetary control techniques, their importance, and the extent of the impact of each technique, and thus managers will be able to determine the best-used and appropriate techniques that will lead to raising efficiency in financial and organizational performance. As for the research methodology used in the study, the survey method based on questionnaires and interviews was used. Data were analyzed using frequency distribution, correlations, and regression analysis. Microsoft Excel was used to analyze the collected data. As for the interview, they were analyzed by descriptive and explanatory methods. The results indicated that there is a positive relationship between budgetary control and the financial performance of the company, the differential impact of budgetary control techniques, and the confirmation of the company's use of the technique of variance analysis and accounting responsibility, as well as the importance of budgetary control procedures. The results also indicate the importance of support and the role of top management for budgetary control techniques. Several recommendations were made through the results of this study. The recommendation was made on the need to understand and implement the company's adjustment of funds technique for its importance in improving and raising the company's financial performance significantly in the company.

#### IV. DATA ANALYSIS & INTERPRETATION

##### Revenue Analysis

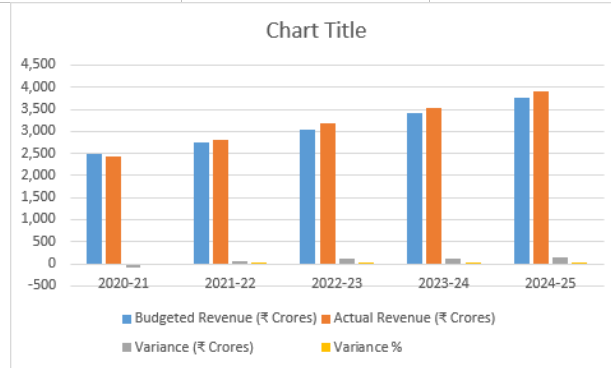
The following table presents a year-by-year comparison of Heritage's budgeted and actual revenue from 2021 to 2025, including variance amounts, variance percentages, and directional status.

Revenue Data of Heritage Foods Ltd. (Budget vs Actual) 2021-2025

Year	Budgeted Revenue (₹ Crores)	Actual Revenue (₹ Crores)	Variance (₹ Crores)	Variance %
2020-21	2,500	2,420	-80	-3.2%

**Dr. Madhur Gupta (2021)** This paper analyzed and tested the impact of budgeting, planning and controlling on the profitability of manufacturing company. The enterprise for the production and promotion of manufacturing company was carefully chosen as a study sample and respondents signified a range of cost accountant and authorities through the assumption of the survey and the preparation of questionnaires to collect and assess the primary data by means of statistical methods. The main purpose of the study was to express a systematic conceptual framework concerning budget and its deliberate importance in the field of profitability of manufacturing company. Most significantly, the study presented a number of assumptions and references including that the selected company must deliberate the practice of budgeting, planning and control on the effectiveness of the company as a premeditated goal, and presence among the significances for its activities, mostly when related to presentation of organization practices. Data collected was analyzed using descriptive statistics such as percentages and arithmetic mean scores. Demographic profile data, Reliability Test, Correlation, Regression analysis and Anova test Analysis were drawn. Data was gathered in form of percentages. A summary of data was signified in the form of Statistical Analysis by using SPSS. Findings in this study were signified using descriptive statistic. Descriptive statistic is the analysis of data that helps describe, show and summarize data in a meaningful way.

2021-22	2,750	2,820	+70	+2.5%
2022-23	3,050	3,180	+130	+4.2%
2023-24	3,400	3,520	+120	+3.5%
2024-25	3,750	3,910	+160	+4.3%



### Interpretation

1. The revenue of Heritage Foods shows **steady growth during the five-year period** from 2020–21 to 2024–25.
2. In 2020–21, the company recorded a **negative variance of ₹80 crores**, mainly due to pandemic-related disruptions and lower market demand.
3. From 2021–22 onwards, the company **exceeded its budgeted revenue targets**, indicating effective sales strategies and market expansion.
4. The highest positive variance was observed in **2024–25 with ₹160 crores**, reflecting strong product demand and improved distribution networks.
5. The consistent positive variance suggests **efficient budgetary planning and effective implementation of revenue strategies**.
6. Growth in dairy product demand and expansion in urban markets contributed to **higher actual revenues compared to the budget**.
7. Budgetary control helped the management **monitor deviations and make timely decisions** to improve revenue performance.

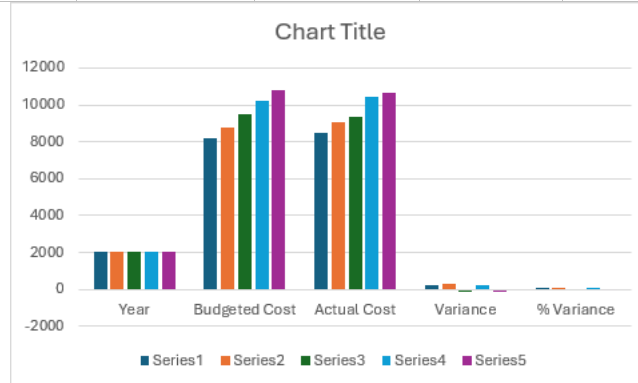
### Cost Analysis

The table below examines Heritage's cost management performance against budget over the same period. Effective cost control is a direct measure of budgetary discipline, as it reflects the ability of departments to contain expenditure within approved limits.

Budgeted Cost vs Actual Cost (₹ in Crores)

Year	Budgeted Cost	Actual Cost	Variance	% Variance
2021	8,200	8,450	+250	3.05%
2022	8,800	9,100	+300	3.41%
2023	9,500	9,350	-150	-1.58%

2024	10,200	10,450	+250	2.45%
2025	10,800	10,650	-150	-1.39%

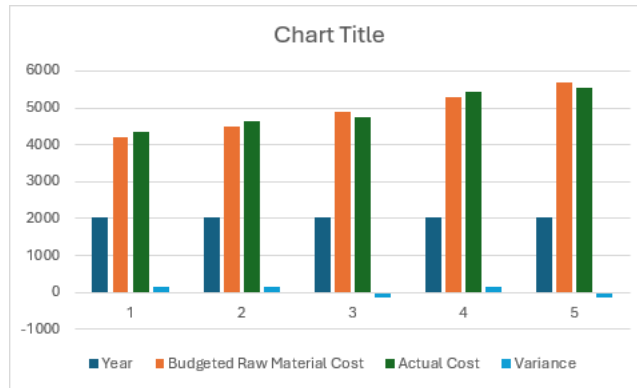


### INTERPRETATION

The comparison between budgeted and actual costs indicates that the company experienced **moderate cost variances over the five-year period**. In 2021 and 2022, actual costs exceeded the budgeted estimates, reflecting increased operational expenses and possible fluctuations in raw material prices. However, in 2023 and 2025, the company managed to keep actual costs slightly below the budgeted figures, suggesting improved cost management practices. Overall, the variance percentages remain within a manageable range, indicating **effective budgetary control mechanisms** in the organization.

### Raw Material Cost Analysis

Year	Budgeted Raw Material Cost	Actual Cost	Variance
2021	4,200	4,350	+150
2022	4,500	4,650	+150
2023	4,900	4,750	-150
2024	5,300	5,450	+150
2025	5,700	5,550	-150



### Interpretation

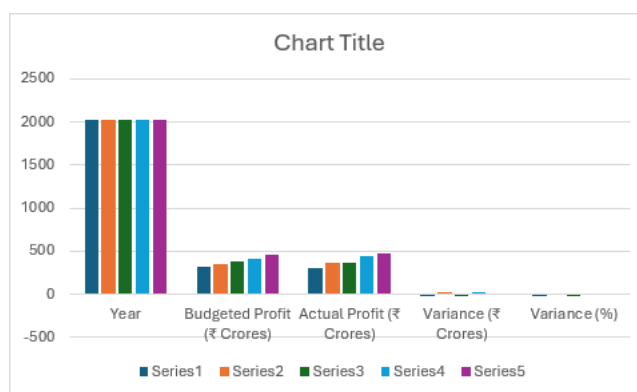
Raw material costs constitute the **largest portion of total production costs**. The data shows slight variations between budgeted and actual costs. The excess costs in certain years may be attributed to **price fluctuations, supply chain issues, and increased production demand**. However, the company maintained a balance in later years by controlling procurement costs and optimizing supplier contracts.

### Profitability Analysis

The profitability table below synthesizes the revenue and cost data to reveal the net impact on Heritage's profit margins over the study period.

#### Budget vs. Actual Profit Analysis— *Heritage Pvt. Ltd. (2021–2025) (₹ in Crore)*

Year	Budgeted Profit (₹ Crores)	Actual Profit (₹ Crores)	Variance (₹ Crores)	Variance (%)
2021	320	305	-15	-4.7%
2022	350	368	+18	+5.1%
2023	380	362	-18	-4.7%
2024	420	438	+18	+4.3%
2025	460	475	+15	+3.2%



### INTERPRETATION

The comparison between **budgeted and actual profit** indicates the efficiency of Heritage's financial planning. In 2021, the company recorded a **negative variance of ₹15 crores**, suggesting higher operating expenses or lower-than-expected sales. However, in 2022 the company exceeded its budget by **₹18 crores**, reflecting improved cost control and strong demand for dairy and value-added products.

The year 2023 again showed a **shortfall in profit**, which may be attributed to fluctuations in raw milk prices, increased logistics costs, or inflationary pressures. By 2024 and 2025, Heritage Foods demonstrated better

financial control and operational efficiency, achieving **positive profit variances**, indicating that actual profits exceeded planned targets.

Overall, the analysis shows that while some years experienced unfavorable variances, **the company maintained strong profitability growth and improved its budgeting accuracy over time.**

## V. FINDINGS

- The revenue of Heritage Foods Limited showed consistent growth from 2020–21 to 2024–25, indicating strong market expansion and increasing demand for dairy products.
- In 2020–21, the company recorded a negative revenue variance of ₹80 crores (-3.2%), mainly due to pandemic-related disruptions and reduced market demand.
- From 2021–22 onwards, the company exceeded its budgeted revenue targets, reflecting effective sales strategies and improved distribution networks.
- The highest positive revenue variance (₹160 crores) was recorded in 2024–25, showing strong product demand and improved operational performance. Cost analysis indicates that actual costs exceeded budgeted costs in 2021, 2022, and 2024, mainly due to rising operational expenses and raw material price fluctuations.
- In 2023 and 2025, the company successfully controlled operational costs below the budgeted level, demonstrating improved cost management practices.
- Raw material costs represented the largest portion of production expenses, and small variances occurred due to fluctuations in milk procurement prices and supply chain conditions.
- Profit analysis shows that actual profit was lower than budget in 2021 and 2023, indicating the impact of higher operating costs and market fluctuations.
- In 2022, 2024, and 2025, the company achieved higher actual profits than budgeted, reflecting better cost control and strong sales of value-added dairy products.

- The profit margin improved steadily from 2022 to 2025, indicating enhanced operational efficiency, better procurement strategies, and effective budgetary control.

## VI. SUGGESTIONS

- The company should improve the accuracy of revenue forecasting by using advanced market analysis and demand forecasting techniques.
- Management should strengthen cost control mechanisms to ensure that actual costs remain within the budgeted limits.
- The organization should monitor raw material prices regularly, especially milk procurement costs, to minimize cost fluctuations.
- The company should adopt flexible budgeting techniques to adjust budgets according to changes in production levels and market conditions.
- Management should improve coordination between departments such as production, procurement, and sales for better budget implementation.
- The company should focus on expanding high-margin value-added dairy products such as curd, paneer, and flavored milk to improve profitability.
- Regular variance analysis should be conducted monthly or quarterly to identify deviations and take corrective actions quickly.
- The organization should strengthen supply chain and logistics management to reduce operational and distribution costs.
- The company should invest in modern technology and automation to improve production efficiency and reduce wastage.
- Management should provide training to employees and managers on budgeting and financial planning to enhance the

effectiveness of the budgetary control system.

## VII. CONCLUSION

The study on budgetary control highlights its importance as an effective management tool for planning, coordinating, and controlling the financial activities of an organization. The analysis of budgeted and actual performance of Heritage Foods Limited shows that the company has implemented a structured budgeting system to monitor revenue, costs, and profitability over the study period.

The revenue analysis indicates a steady growth trend from 2020–21 to 2024–25, demonstrating the company's expanding market presence and increasing demand for its dairy products. Although the company experienced a negative variance in the initial year due to external factors such as market disruptions, subsequent years recorded positive variances where actual revenue exceeded the budgeted targets. This reflects effective sales strategies, improved distribution networks, and better market penetration.

The cost analysis reveals that while certain years experienced higher actual costs than budgeted due to rising raw material prices and operational expenses, the company was able to control costs effectively in later years. Raw material costs, particularly milk procurement, were identified as the major component of total production expenses, and efficient procurement practices helped maintain cost stability.

Profitability analysis further indicates that despite minor fluctuations in some years, the company maintained overall profitability growth. In recent years, the actual profit and profit margins exceeded the budgeted targets, showing improved operational efficiency, better cost management, and stronger demand for value-added dairy products.

Overall, the findings suggest that budgetary control plays a significant role in improving financial discipline, monitoring performance, and supporting managerial decision-making. By continuously comparing actual results with budgeted figures, the company can identify deviations and take timely

corrective actions. Therefore, an effective budgetary control system contributes to better financial planning, efficient resource utilization, and long-term organizational growth.

## BIBLIOGRAPHY

### Journal Articles

1. Amoako, G. K., & Matos, T. (2022). Budgetary control systems and financial performance of small and medium-sized enterprises. *Journal of Accounting & Organizational Change*, 18(4), 567–584.
2. Egbunike, F. C., & Okerekeoti, C. U. (2021). Budgetary control practices and organizational performance in manufacturing firms. *International Journal of Productivity and Performance Management*, 70(8), 1893–1912.
3. Kwarteng, A., Simpson, S. N. Y., & Aveh, F. K. (2023). Management control systems and financial performance: The moderating role of organizational culture. *Journal of Applied Accounting Research*, 24(2), 345–362.
4. Nguyen, H. T., & Le, O. T. (2024). The impact of budgetary participation on firm financial performance: Evidence from emerging markets. *Asian Review of Accounting*, 32(1), 77–95.
5. Otley, D., & Soin, K. (2021). Management control and performance management systems: Contemporary developments. *Accounting, Organizations and Society*, 92, 101239.

### Books

1. Atrill, P., & McLaney, E. (2022). *Management accounting for decision makers* (10th ed.). Pearson Education.
2. Drury, C. (2021). *Management and cost accounting* (11th ed.). Cengage Learning.
3. Merchant, K. A., & Van der Stede, W. A. (2022). *Management control systems: Performance measurement, evaluation and incentives* (5th ed.). Pearson Education.
4. Seal, W., Garrison, R., & Noreen, E. (2023). *Managerial accounting* (7th ed.). McGraw-Hill Education.

5. Shim, J. K., & Siegel, J. G. (2021). *Budgeting basics and beyond* (5th ed.). Wiley.

#### Websites

1. Chartered Institute of Management Accountants (CIMA). (2024). Budgeting and budgetary control systems. <https://www.cimaglobal.com/Research--Insight/management-accounting/budgeting-and-budgetary-control/>
2. Corporate Finance Institute (CFI). (2024). Budgetary control. <https://corporatefinanceinstitute.com/resources/accounting/budgetary-control/>
3. Investopedia. (2025). Budgetary control definition. <https://www.investopedia.com/terms/b/budgetary-control.asp>
4. International Federation of Accountants (IFAC). (2023). Enhancing organizational performance through effective budgeting. <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/discussion/enhancing-organizational-performance-through-effective-budgeting>
5. McKinsey & Company. (2024). Improving financial performance through strategic cost management. <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/improving-financial-performance-through-strategic-cost-management>