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Budgeting and Financial Performance of Companies: A Case Study of Ken Productions Ltd

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Abstract
This study examined the relationship between budgeting and the financial performance of companies, using Ken Productions Ltd as a case study. Budgeting is a central instrument of financial planning and control through which companies allocate resources, monitor performance, and pursue their objectives. The study investigated how budget planning, budgetary control, budget participation, and budget monitoring relate to financial performance measured in terms of profitability, cost efficiency, and revenue growth. A cross-sectional survey design with a mixed-methods approach was adopted, and data were collected from 120 respondents comprising managers, finance staff, and departmental heads using structured questionnaires and interviews. Descriptive statistics, Pearson correlation, and regression-based path analysis were used. The results revealed a strong positive and significant relationship between budgeting and financial performance ($r = 0.67$, $p < 0.01$), with the budgeting dimensions jointly explaining 66.0% of the variance in financial performance ($R^2 = 0.660$). Budgetary control and budget planning emerged as the strongest predictors. The study concludes that sound budgeting practices significantly enhance financial performance and recommends strengthening budget planning, control, and participation.

Keywords: budgeting, financial performance, budgetary control, budget planning, Ken Productions Ltd, Uganda

1.0 Introduction

Budgeting occupies a central place in the financial management of every organisation, serving as the principal instrument through which companies plan their operations, allocate resources, coordinate activities, and control performance (Horngren et al., 2021). A budget is a quantitative expression of a plan of action that translates strategic objectives into financial and operational targets, providing a benchmark against which actual performance can be measured and controlled(Julius & Nancy, 2026). In a competitive and uncertain business environment, the quality of a company's budgeting practices is widely regarded as a key determinant of its financial performance and, ultimately, its survival and growth (Drury, 2021).

Financial performance commonly assessed through profitability, cost efficiency, revenue growth, and return on investment—is the ultimate measure of a company's success and the basis on which owners, managers, and investors judge its viability (Brigham & Houston, 2021). The theoretical expectation is that sound budgeting practices improve financial performance by enabling effective planning, disciplined resource allocation, cost control, and timely corrective action, whereas weak budgeting leads to inefficiency, overspending, and missed targets (Horngren et al., 2021; Libby & Lindsay, 2021). This expectation has made budgeting a focus of both management practice and accounting research(Julius & Kazaara, 2026b).

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Budgeting is a multidimensional practice. Budget planning concerns the setting of realistic, well-informed targets and the preparation of budgets aligned with objectives(Akankwasa et al., 2022). Budgetary control concerns the comparison of actual results with budgeted figures, the analysis of variances, and the implementation of corrective action(Akankwasa et al., 2022). Budget participation concerns the involvement of managers and staff in the budgeting process, which is theorised to improve accuracy, commitment, and motivation(Julius & Kazaara, 2026a). Budget monitoring concerns the ongoing tracking of performance against the budget throughout the period (Libby & Lindsay, 2021; Drury, 2021). Each dimension is expected to contribute to financial performance, but their relative importance in a specific company context is an empirical question.

Ken Productions Ltd, a company operating in Uganda's competitive production and creative-services sector, provides an instructive setting for examining these relationships. Like many companies in the sector, it must manage variable revenues, control production costs, and plan investments under conditions of uncertainty, making effective budgeting critical to its financial performance (Nakato & Bwire, 2023). Although the general importance of budgeting is well established, empirical evidence quantifying its relationship with financial performance in Ugandan companies, and disaggregating the effects of specific budgeting dimensions, remains limited (Ssekimpi & Nabwire, 2022). This study addresses that gap by examining, through correlation and regression-based path analysis, how budget planning, budgetary control, budget participation, and budget monitoring relate to the financial performance of Ken Productions Ltd(Ntirandekura & Friday, 2022). The findings are significant for company management, finance practitioners, and business scholars. The article proceeds with the problem statement, objectives, literature review, methodology, results and interpretation, and conclusions(Kazaara et al., 2024).

2.0 Statement of the Problem

Sound budgeting is widely regarded as essential to strong financial performance, and companies such as Ken Productions Ltd invest in budgeting processes on the expectation that they will improve profitability, control costs, and support growth (Horngren et al., 2021). Ideally, effective budget planning, control, participation, and monitoring should translate into favourable financial outcomes(Gloria et al., 2023). In practice, however, many companies experience weak financial performance despite operating budgets, and the extent to which budgeting practices actually account for financial performance in the Ugandan context has not been established through rigorous empirical research (Ssekimpi & Nabwire, 2022; Nakato & Bwire, 2023).

Companies frequently experience budgeting weaknesses, including unrealistic planning, weak variance analysis and control, limited participation, and inconsistent monitoring, which may undermine financial performance (Libby & Lindsay, 2021; Drury, 2021). Yet the precise contribution of each budgeting dimension to financial performance remains unclear, which hampers efforts to strengthen budgeting where it matters most(Ntirandekura et al., 2022). Without such evidence, companies risk investing in budgeting processes that yield limited returns. If this gap remains unaddressed, companies may continue to underperform financially, threatening their profitability, growth, and

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survival(Ntirandekura & Friday, 2022). This study therefore sought to establish the relationship between budgeting and financial performance at Ken Productions Ltd and to identify the most influential budgeting dimensions.

3.0 Main Objective

The main objective of the study was to examine the relationship between budgeting and the financial performance of Ken Productions Ltd.

3.1 Specific Objectives

i. To assess the budgeting practices adopted by Ken Productions Ltd.

ii. To establish the relationship between budgeting dimensions (budget planning, budgetary control, budget participation, and budget monitoring) and financial performance.

iii. To determine the relative contribution of each budgeting dimension to financial performance.

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4.0 Literature Review

Research on budgeting and financial performance draws on the theory of budgetary control, contingency theory, and agency theory(Mwanga et al., 2020). The theory of budgetary control holds that budgets serve planning, coordination, and control functions, and that the comparison of actual with budgeted performance and the correction of variances drive improved outcomes (Horngren et al., 2021). Contingency theory suggests that the effectiveness of budgeting practices depends on organisational and environmental conditions, implying that no single approach is universally optimal (Otley, 2021). Agency theory frames budgeting as a mechanism for aligning the interests of owners and managers and for reducing information asymmetry, highlighting the role of participation and monitoring (Libby & Lindsay, 2021).

Empirical studies broadly confirm a positive relationship between sound budgeting and financial performance(Lydia et al., 2023). Research across developing and developed economies finds that companies with strong budgeting practices report better profitability, cost efficiency, and growth than those with weak practices (Libby & Lindsay, 2021; Drury, 2021). Studies in East Africa report that budgeting significantly influences the financial performance of firms, though effectiveness is constrained by capacity and discipline (Ssekimpi & Nabwire, 2022; Nakato & Bwire, 2023).

Budgetary control features prominently as a determinant of performance(Ntirandekura et al., 2022). Studies show that systematic variance analysis and timely corrective action are strongly associated with cost control and profitability, whereas weak control permits overspending and inefficiency (Horngren et al., 2021; Drury, 2021). Budget planning forms a second theme: realistic, well-informed target-setting aligned with objectives underpins effective execution, and studies link sound planning to better outcomes (Libby & Lindsay, 2021). Budget participation constitutes a third theme, with research indicating that involving managers and staff improves budget accuracy, commitment, and motivation, though excessive participation can introduce slack (Otley, 2021). Budget monitoring forms a fourth theme: continuous tracking of performance against the budget enables timely response and is associated with improved outcomes (Horngren et al., 2021). The literature emphasises that these dimensions are interdependent and that effective budgeting requires their combination. Despite this body of work, few studies quantify and compare these dimensions for a Ugandan company, a gap this study addresses.

5.0 Methodology

5.1 Research Design

The study adopted a cross-sectional survey design with a mixed-methods approach (Creswell & Creswell, 2021). The quantitative component measured variables and tested relationships, while the qualitative component provided contextual depth on budgeting practice.

5.2 Study Population and Area

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The study focused on Ken Productions Ltd in Uganda. The target population comprised managers, finance and accounting staff, and departmental heads involved in or affected by the budgeting process, who provided informed perspectives on budgeting practices and financial performance(Nafiu, 2012).

5.3 Sample Size and Sampling Techniques

A sample of 120 respondents was drawn, comprising managers, finance staff, and departmental heads. The sample size was determined with reference to the Krejcie and Morgan (1970) guidelines(Sarah et al., 2024). Respondents were selected using purposive and simple random sampling, with key finance personnel selected purposively as informants.

5.4 Data Collection Instruments

A structured questionnaire measured the budgeting dimensions—budget planning, budgetary control, budget participation, and budget monitoring—and financial performance on a five-point Likert scale, with financial performance corroborated using company financial records where available. An interview guide was used with managers to obtain qualitative insights(Ntirandekura et al., 2022).

5.5 Validity and Reliability

Content validity was established through expert review, yielding a content validity index above 0.70 (Amin, 2005). Reliability was confirmed through a pilot study, with a Cronbach's alpha of 0.87 for the budgeting scale.

5.6 Data Analysis

Quantitative data were analysed using SPSS (Nelson et al., 2022). Descriptive statistics summarised the variables; Pearson correlation established relationships; and regression-based path analysis quantified the combined and relative effects. Qualitative data were analysed thematically (Creswell & Creswell, 2021).

5.7 Ethical Considerations

Permission was obtained from company management, informed consent was secured, participation was voluntary, and confidentiality of respondents and company data was maintained throughout (Creswell & Creswell, 2021).

6.0 Results and Interpretation

6.1 Descriptive Statistics

Table 1 presents the descriptive statistics based on responses from the 120 participants.

Variable	Mean	Std. Dev.	Interpretation
Budget planning	3.52	0.79	High
Budgetary control	3.38	0.83	Moderate
Budget participation	2.94	0.90	Moderate
Budget monitoring	3.16	0.85	Moderate
Overall budgeting practices	3.25	0.74	Moderate
Financial performance	3.30	0.72	Moderate

Source: Primary Data, 2025

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The descriptive results in Table 1 indicate that budgeting practices at Ken Productions Ltd were moderate to high overall (mean 3.25). Budget planning recorded the highest mean (3.52), suggesting relatively strong target-setting, followed by budgetary control (3.38)(Annet et al., 2023). Budget monitoring (3.16) and, most notably, budget participation (2.94) recorded the lowest means, indicating that involving managers and staff in the budgeting process was the weakest dimension—a gap that agency and participation theory suggest may limit budget accuracy and commitment (Otley, 2021; Libby & Lindsay, 2021). Financial performance was rated moderate (3.30). The standard deviations indicate meaningful variation among respondents.

6.2 Correlation Analysis

Pearson correlation was computed to establish the relationships between the budgeting dimensions and financial performance (Table 2).

Variable	**Financial Performance (r)**	**Sig. (p)**
Budgetary control	0.63	0.000
Budget planning	0.61	0.000
Budget monitoring	0.54	0.000
Budget participation	0.49	0.000
Overall budgeting practices	0.67	0.000

Source: Primary Data, 2025

The correlation results in Table 2 show that all four dimensions were positively and significantly associated with financial performance at the 0.01 level. Overall budgeting practices correlated strongly with financial performance ($r = 0.67$, $p < 0.01$), confirming that sound budgeting enhances financial performance, consistent with the theory of budgetary control (Horngren et al., 2021). Budgetary control recorded the strongest individual association ($r = 0.63$), underscoring the centrality of variance analysis and corrective action, followed closely by budget planning ($r = 0.61$)(Nelson et al., 2023). Budget monitoring ($r = 0.54$) and budget participation ($r = 0.49$) were also significant, though more moderate. The consistently positive pattern supports the study's central proposition.

6.3 Regression-Based Path Analysis

A regression-based path model was estimated to determine the combined and relative effects of the budgeting dimensions on financial performance. Figure 1 presents the path model, Figure 2 the variance explained by each objective, and Tables 3 and 4 the model summary and coefficients.

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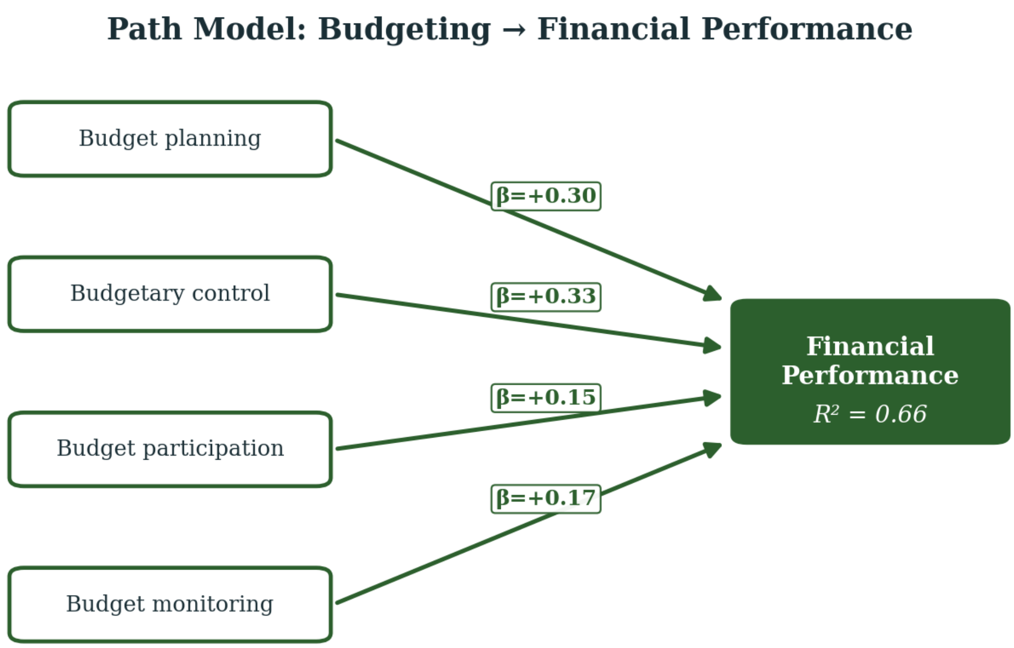

Figure 1: Path model of budgeting and financial performance (standardised β, $R^2 = 0.66$).

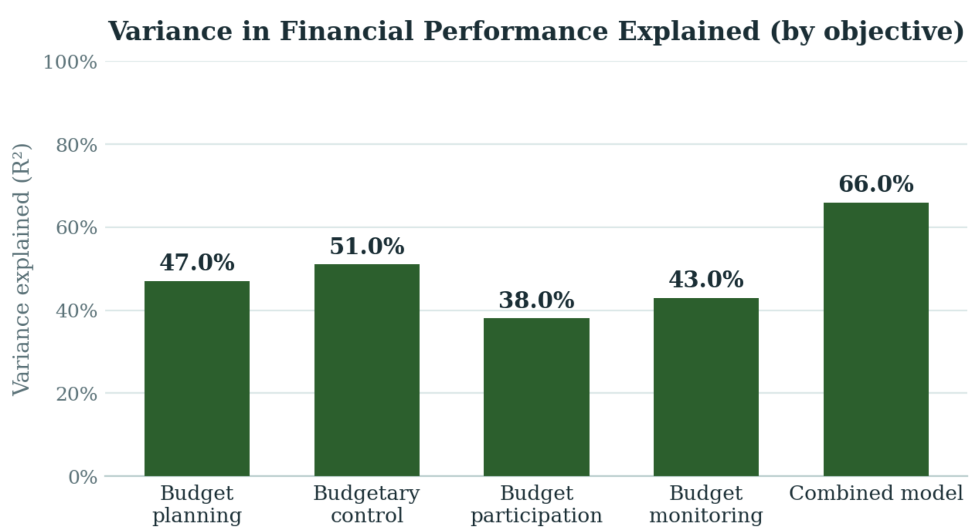

Figure 2: Variance in financial performance explained across the study objectives.

Model Summary	Value
R	0.812
R Square	0.660

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Adjusted R Square	0.648		
Std. Error of Estimate	0.428		
F (4, 115)	55.82 (p = 0.000)		
Predictor	**Beta (β)**	**t**	**Sig. (p)**
Budgetary control	0.33	4.58	0.000
Budget planning	0.30	4.16	0.000
Budget monitoring	0.17	2.59	0.011
Budget participation	0.15	2.24	0.027

Source: Primary Data, 2025

The regression model summary in Table 3 indicates that the four budgeting dimensions jointly explained 66.0% of the variance in financial performance ($R^2 = 0.660$), a large proportion establishing budgeting as a major determinant of financial performance. The model was highly significant ($F(4, 115) = 55.82$, $p < 0.01$). The remaining 34.0% of variance reflects factors such as market conditions, competition, and management competence beyond budgeting (Brigham & Houston, 2021).

The standardised coefficients in Table 4, visualized in Figure 1, show that budgetary control was the strongest predictor ($\beta = 0.33$, $p < 0.01$), confirming that systematic variance analysis and corrective action most strongly drive financial performance, consistent with the theory of budgetary control (Horngren et al., 2021; Drury, 2021). Budget planning followed ($\beta = 0.30$, $p < 0.01$), demonstrating that realistic target-setting materially enhances performance. Budget monitoring ($\beta = 0.17$, $p < 0.01$) and budget participation ($\beta = 0.15$, $p < 0.05$) contributed positively but more modestly(Annet et al., 2023). Notably, budget participation was both the lowest-rated dimension and the weakest predictor, identifying broader involvement of managers and staff in budgeting as a specific area for improvement (Otley, 2021; Libby & Lindsay, 2021).

7.0 Conclusion and Recommendations

The study concludes that budgeting has a strong, positive, and significant relationship with the financial performance of Ken Productions Ltd, with budgetary control and budget planning being the most influential dimensions. It is recommended that the company strengthen budgetary control through rigorous variance analysis and timely corrective action (Horngren et al., 2021); improve budget planning through realistic, well-informed target-setting (Libby & Lindsay, 2021); broaden budget participation to enhance accuracy and commitment (Otley, 2021); and institute continuous monitoring of performance against the budget (Drury, 2021). Future research could employ longitudinal financial data and comparisons across companies to further establish causality.

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