

A STUDY ON BUDGETARY CONTROL WITH REFERENCE TO HDFC BANK, KARIMNAGAR

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ABSTRACT:-No system of planning can be successful without having an effective and efficient system of control. Budgeting is closely connected with control. The exercise of control in the organization with the help of budgets is known as budgetary control. The process of budgetary control includes: Preparation of various budgets Continuous comparison of actual performance with budgetary performance, Revision of budgets in the light of changed circumstances. A system of budgetary control should not become rigid. There should be enough scope of flexibility to provide for individual initiative and drive. Budgetary control is an important device for making the organization. More efficient on all fronts. It is an important tool for controlling costs and achieving the overall objectives.

Key Words:- Budgetary control, Budget preparation, Management action and cost control, Master budget, Price and quantity variance. Zero based budgeting.

I.INTRODUCTION

Budget is essential in every walk of our life – national, domestic and Business. A budget is prepared to have effective utilization of funds and for the realization of objective as efficiently as possible. Budgeting is a powerful tool to the management for performing its functions i.e., formulation plans, coordination activities and controlling operations etc., efficiently. For efficient and effective management planning and control are two highly essential functions. Budget and budgetary control provide a set of basic techniques for planning and control.

A budget fixes a target in terms of rupees or quantities against which the actual performance is measured. A budget is closely related to both the management function as well as the accounting function of an organization.

As the size of the organization increases, the need for budgeting is correspondingly more because a budget is an effective tool of planning and control. Budget is helpful in coordinating the various activities (such as production, sales,

purchase etc) of the organization with result that all the activities precede according to the objective. Budgets are means of communication. Ideas of the top management are given the practical shape. As the activities of various department heads are coordinated at the much needed for the very success of an organization. Budget is necessary to future to motivate the staff associated, to coordinate the activities of different departments and to control the performance of various persons operating at different levels.

Budgets may be divided into two basic classes. Capital and operating budgets. Capital budget are directed towards proposed expenditure for new projects and often require special financing.

The operating budgets are directed towards achieving short-term operational goals of the organization for instance, production or profit goals in a business firm. Operating budgets may be sub-divided into various departmental of functional budgets.

Objectives:

The primary objective of budgetary control's to help the management is systematic planning and in controlling the operations of the enterprise. The primary objective can be met only if there is proper communication and coordination amongst different within the organization. Thus the objectives can be stated as:

1. Planning:
2. Co-Ordination
3. Communications
4. Controls And Performance Evaluation

II. LITERATURE REVIEW

The budgeting system of every organization provides those saddled with the responsibilities of managing such organization the basis to determine how to source, allocate and utilize funds to support logical decision making and achieve organizational goal. Through the budgetary system, organizations have planned activities which are effectively quantified into monetary terms and definite periods. One of the emerging issues in today's globalized world is that managers are planning for the future of their organizations in an environment where changes in conditions are experienced at frequent intervals. The value of currencies rise and fall, prices of input materials suddenly fluctuates and there are generally structural imbalances and rigidities in the global economic systems. Amid these conditions, management must make comprehensive appraisals and take critical decisions about the future of the organization in order to remain a going concern and result oriented. According to Lambe (2014), one of the effective ways to prepare for changing conditions is to provide a frame work that contains specific plan that is sufficiently flexible to adapt to unanticipated changes. A comprehensive process of providing such frame work is known as budgeting. It involves the setting of targets, and effectively monitoring of actual performance against those budgeted.

Introducion T Budget Budgeting & Budgetary Control:

The management is efficient if it is able to accomplish the objective of the enterprise. It is effective when it accomplishes the objectives with minimum effort and cost in order to attain long-range efficiency and effectiveness management must chart out its course in advance. A systematic approach to facilitate effective management performance is profit planning and control or budgeting. Budgeting is therefore an integral part of management in a way, a budgetary control system has been described as a historical combination of a "goal setting machine for increasing an enterprises profits and a goal achieving machine for facilitating organizational coordination and planning while achieving the budgeted targets".

Meaning Of Budget:

It is a financial and quantitative statement, prepared and approved prior to a defined period of time of policy to be pursued during that period for purpose of attaining a given objective. It may include income, expenditure and employment capital.

In other words is a pre-determined detailed plan of action developed and distributed as a guide to current operations and as a partial basis for the subsequent evaluation of performance.

Meaning Of Budgeting:

The process of planning all flows of financial resources into with in and from an entity during some specified future period. It includes providing for the detailed allocation of expected available future resources to projects, functions, responsibilities and time periods.

From above definition it is clear that budgeting is the actual act of preparing the budget. It is the process of evolving the final statement. Budget is the end product of budgeting.

Meaning Of Budgetary Control:

It is the process of establishing of departmental budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted

results, either to secure by individual action the objectives of the policy a firm basis for its revision.

First of all budgets are prepared and then actual results are the comparison of budgeted and actual figures will enable the management to find out discrepancies and take remedial measures at a proper time. The budgetary control is continuous process, which helps in planning and co ordination. It provides a method of control too. A budget is a means and budgetary control is the end result.

In the word of J.A Solt “budgetary control is the system of management control and accounting in which all operations are forecast and so as possible planned ahead and actual results compared with the forecast and the planned ones.

Essentials Of Budgetary Control:

Budgeting, or the process of preparing the budget, is the starting point for budgetary control Distribution of budgets pertaining to each function to all the relevant section within organization.

Collection of actual data pertaining to till budgeted activities. Continuous comparison of actual performance with budgeted performance. Initiation of corrective action to ensure that actual performance is in line with budgeted performance Revision of budgeted if it is felt that the budgets prepared are no longer relevant on account of unforeseen developments.

III. REASEARCH METHODOLOGY

Budgetary control is used by most organizations as a tool for proper management of resources in the organization and its activities. A firm with well formulated budgetary controls easily assigns its managers the responsibility for the use of designated financial resources to achieve their assigned operational objectives. Budget controls provides comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors, this is essential is reducing inefficiencies and poor budget practices leading to efficient allocation of scarce resources (Joshi and Abdulla,

Most NGO’s in Kenya have shifted focus to budgetary control as a way of enhancing

effectiveness in their services. Recognizing the role of budget and budgetary control has gained attention which has led some organizations to establish departments for implementation. This has attributed budget monitoring and project implementation committees as an integral part of the administrations to most nongovernmental organizations in Kenya

Studies have been done in relation to budgetary control globally and locally: Carolyn, et al. (2007) examined the association between effects of budgetary control on performance using a sample of large US cities Financial Bonds and found that effective level of budgetary control is significantly and positively related to bond rating. Dunk (2007) carried out a study in Europe on budgetary participation and managerial performance in non profit making firms and concluded a positive correlation between budgetary participation and managerial performance in non profit making organizations. Epstein and McFarlan (2011) carried out a study in Denmark on measuring efficiency and effectiveness of a non profit’s performance, it was found that budgetary control was one of the important tools in achieving efficiency of in non profit making organizations.

Nyageng'o (2014) carried out a study to identify determinants to effective budget implementation among local authorities in Kenya. The results of the study revealed that effective budgetary controlled to improved performance of local authorities. Serem (2013) established that there is a weak positive effect of budgetary control on performance of Non-Governmental Organization’s in Kenya measured by R square at 14.3%. Mwaura (2010) concluded that budgetary participation affects return on capital employed, return on assets to a great extent. Gacheru (2012) in her study of the effects of the budgeting process on budget variance in NGOs in Kenya found out that budget preparation, budgetary control and budget implementation significantly influence budget variance.

IV.CONCLUSION

Every organization has pre-determined set of objectives and goals, but reaching those objectives and goals only by proper planning and executing of the plans economically. The Housing

Development Finance Corporation Limited (HDFC) is objectives of planning promoting and organizing an integrated development of Cement Company. The corporation mission of Housing Development Finance Corporation Limited (HDFC) is to make available and quality service in increasingly large quantities, the company will spear head the process of accelerated development of banking sector by expeditiously. The organization needs the capable personalities as management to lead the organization successfully, the management makes the plans and implement of these plan are expressed in terms of budget and budgetary control. The Housing Development Finance Corporation Limited (HDFC) has budget process in two stages. One is the capital expenditure budget and another is operating maintenance budget, the capital expenditure budget shows the list of capital projects selected for investment along with their estimated cost, operating & maintenance budget refers to the repairs & maintenance budgets, the special budgets are rarely used in the organization like long-term budgets, research & development budget and budget for consultancy. It Is to make available and quality work efficient resources and implementation of sophisticated technology and cement generation and also creating ambience of collective working of its employees.

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