MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN INVESTIGATION ON THE IMPACTS OF BUDGETS AND BUDGETARY CONTROLS ON PROFITABILITY OF AN ORGANIZATION. CASE OF MARSH ZIMBABWE PRIVATE LIMITED.

BY

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(R136580P)

THIS DISSERTATION IS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS OF THE BACHELOR OF COMMERCE ACCOUNTING HONOURS DEGREE

GWERU, ZIMBABWE

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This is to certify that the undersigned have supervised the student Tafadzwa Lennon Chihururu registration number R136580P dissertation entitled: **An investigation on the impacts of budgets and budgetary controls on profitability of an organisation. A Case study of Marsh Zim (Pvt) Ltd.** Submitted in partial fulfilment of the requirements of the Bachelor of Commerce in Accounting Honours Degree (HACC) at the Midlands State University.

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DEDICATION

This piece of work is dedicated to the Almighty, Lord Jesus Christ for the unconditional Love and kindness. Also to my parents and friends who have always supported me in my education since my commencement of this project.

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My greatest gratitude’s goes to the Almighty Father, Lord Jesus Christ for His unmerited favour and unconditional love that kept me and made me excel to the end. This piece of work was never a stand-alone effort but various people were helpful in making this a success. Most importantly sincere gratitude’s and special honour is extended to my supervisor, Ms Nyamwanza who immensely contributed a lot to the success of this project. In addition, I would like to give special credits to my parents, Mr. Kenneth and Mrs Yeukai Chihururu for the unwavering support since my commencement and the whole period of the research. Special mentions also to Nisbert, Kenneth and Yeukai Chihururu who has always supported me through words of encouragement and resources for the project to be a success.

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ABSTRACT

The study sought to investigate the impacts of budgets and budgetary controls on the profitability of Marsh Zimbabwe Private Limited. The increase in the use of budgetary controls to attain profits have moved Marsh Zim (Pvt) Ltd to implement budgetary controls and move away from just a mere operation without budgetary control methods. As a result, it is the objective of this study to investigate the impacts of budgetary control on the operational and financial performance (profitability) of Marsh Zim (Pvt) Ltd. The researcher used the mixed approach research design to collect data and primary data was collected through the use of interviews and questionnaires. Four departments of Marsh Zim (Pvt) Ltd were used to draw the population sample and stratified random sampling technique was used. The results showed that the use of budgetary controls created several benefits, which included the operational performance, workers motivation and an improvement in the coordination of workers. However, these benefits were outweighed by the increase in expenditure, operating costs as well as the decline in the profitability from period 2013-2015. The implementation of budgetary controls did not improve the profitability of Marsh Zim (Pvt) Ltd as expected. Based on the results obtained, the researcher recommended that Marsh Zim (Pvt) Ltd should adopt the use of flexible budgetary controls, also the use of budget software's and the budgetary control techniques, which include strategic management, in-depth variance analysis and forecast.

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CHAPTER 1

INTRODUCTIONN

1.0 Introduction

This chapter serves to presents the aim of the study, which is to assess the impacts of budgets and budgetary controls on profitability. Vital components are included in this chapter and they include the background of the study as well as the statement of the problem, which are the backbone of the study. The research objectives and the research questions provides guideline of the entire research.

1.1 Background of the study

This study aims to investigate the impacts of budgets and budgetary controls on profitability. Linly (2014), Roxy (2012), Thungle (2012), Liyon (2013) propounded that budgets have negative effects on company's profitability in developed countries as management tends to understate actual expenses and overstate revenues so as to match it with the budget. Kolem (2013) also support that in a developed country, unattainable budgets negatively affects profitability and budgets are rigid since they do not allow for initiatives. On the other hand, Ken (2014), Losay (2013) came up with a different perspective that in a developed economy budgets positively affects profitability since they are a road map to attainment of organisational goals. Gareth (2015) also supported that budgets are important on the overall profitability since budgets shows processes and procedures that should be followed which lead to profitability. Rolay (2013), Lavel (2015), Kuwel (2012) were indifferent and they were of the opinion that in a developed economy budget preparations and controls have no direct relationship with the profitability of the company since a budget is only a plan on paper not yet actioned and is based on predictions and estimates thus budgets do not directly affects profitability. The above researchers focused on the impacts of budgets and budgetary controls on profitability in developed countries where there are stable economic environments, hence neglecting the impact of budgets and budgetary control on profitability in developing countries where there is unstable economic environments. Therefore, it is in the best interest of this study to further research the impact of budgets and budgetary control on profitability in Zimbabwe a developing country.

Marsh Zim (Pvt) Ltd, a global insurance company situated in Zimbabwe obtains its revenue from administering of pension contributions. Since inception in Zimbabwe, Marsh Pvt Ltd has been implementing budgets and budgetary control systems in order to attain profitability as one of its major goals. The budgetary control system is a system in which, budgets are prepared and comparisons between the actual and the budgeted figures are made continuously to achieve desired results (profitability). According to the information available at www.marsh.co.zw, Marsh Zim Pvt Ltd have been experiencing a continuous unfavourable revenue and expenditure variance resulting to a continuous decrease in profitability despite the availability of budgets and budgetary controls over the period 2013 to 2015 as illustrated below on Table 1.

Table 1: 1 Budgeted and Actual Income and expenditure.

Year	**2013**	**2014**	**2015**	**Percentage changes %**	
	US$(000)	**US$(000)**	**US$(000)**	**2013-2014**	**2014-2015**
Revenue	1,150	1,120	1,050	(2.6%)	(6.2%)
Expenditure	1,070	1,145	1,200	(6.5%)	(4.58%)
Profit/ (loss)actual	80	(25)	(50)	(68.8%)	(100%)

(Source): MARSH Zimbabwe (Pvt) LTD: Financial statements and budgets for 2013-15

From the Table 1:1 above, revenue decreased from $1,150 000 to $1,120 000 (2.6%) in the years 2013 and 2014 respectively. Also there was a decrease in revenue from $1,120 000 to $1,050 000 (6.2%) from 2014 to 2015 respectively. There was a continual revenue decrease from 2013 to 2015 because of various factors despite the availability of budgetary controls in Marsh. In the same line, expenditure rose from $1,070 000 to $1,145 000 (7%) in 2013 and 2014 respectively. From 2014 to 2015 expenditure increased from $1,145 000 to $1,200 000 (4.58%). The continuous increase of expenditure was because of unexpected events and radical changes that came into place during 2013 and 2015. Moreover, the company recorded a decrease in profit from $80 000 to a negative profit of $25 000 (68.8%) from 2013 to 2014 and a decrease from a negative profit of $50 000 to $100 000 (100%) from 2014 to 2015. The continuous decrease in profit from 2013 to 2015 was because of various components in the company and the company continued to suffer losses despite the implementation of the budgets and budgetary controls. The company recorded profit in 2013 and from there up-to 2015 there was 8.8% decrease in actual revenue, this was because of continual declining in pension contribution (main source of revenue). The actual revenue recorded over the period 2013-2015 was far below the budgeted revenue leading to a gradual decrease in profits that is from $80,000.00 profit to $50,000.00 loss in 2013 and 2015 respectively.

This was caused by inefficient budget, budgetary and cost controls as supported by Tonly (2015) who pointed out that ineffective budget and budgetary controls have a negative impact on the profitability of an organisation. As a result, the researcher seeks to assess the impact of budget and budgetary control on profitability.

1.2 Statement of the problem

Marsh Zimbabwe Pvt Ltd have been experiencing a continuous unfavorable revenue and expenditure variance resulting to a continuous decrease in profitability despite the availability of budgets and budgetary controls over the period 2013 to 2015. This then brings out a controversial question about the effectiveness of budgets and budgetary control on the profitability of an organisation. This research is therefore aimed at assessing the impacts of budgets and budgetary controls on the profitability of an organisation.

1.3 Main Research Question

What are the effects of Budgets and Budgetary Controls on Profitability of Marsh Zim (Pvt) Ltd from the period January 2013 to December 2015?

1.4 Research Objectives

- To examine the impacts of budgetary controls on profitability in Marsh
- To determine the budgetary control techniques that influence the company's profitability.
- To identify weaknesses of budgetary controls on profitability.
- To find out ways that can be implemented in improving budget process to achieve profitability.

1.5 Research Questions

- What are the impacts of budgets and budgetary control on Marsh's profits?
- What are the budgetary control techniques that influences the company's profitability?
- What are the weaknesses of budgetary process in influencing Marsh's Profitability?

- What are the ways that can be implemented to improve the budgetary control and process in maximising profits?

1.6 Delimitations

The research expect to explore the effects of budgeting and budgetary control on the profitability of Marsh Employee Benefits. Although there are a number of companies on which the research can be done, this research is only limited to Marsh Employee Benefits. The research only covers the period 2013-2015. Only one organisation is examined and the research is limited to conditions that exists in Zimbabwe only.

1.7 Significance of the study

- **To the student**

The study is important as it allows for greater understanding on budgetary control and budget processes. In addition, the research study will extend literature on the knowledge of impacts of budgeting on the company’s profitability in developing countries. This will sharpen the research skills of the researcher, problem identification and recommendation of solutions.

- **To Midlands State University**

The research will assist the institution as it provides material for future reference. It will also assist the institution as it provides scholars that researchers will use to carry an investigation on the subject matter.

- **To the organisation**

Moreover, the study will assist management in decision making on the best budgetary process and budgetary techniques to be used in the future.

1.8 Limitations

Respondents may not be willing to disclose all the information that they think is confidential but assurance is given that the information is only for academic purposes and will not be disclosed to anyone else. The researcher might have to resort to other documentaries, which include newspapers, journals and scholarly materials. The research will also be limited to a sample basis and the result may be persuasive instead of conclusive, in that instance a larger sample maybe appropriate.

1.9 Assumptions of the study

The resecher assumes that Marsh Zimbabwe (Pvt) Ltd fairly represents companies in a developing country. The challenges faced by Marsh represents the challenges faced by all companies in a developing country. In addition, there is adequate information and data obtained from financial statements and budgets is free from error and is accurate. The researcher also assumes that the budget and resources needed to carry out this research will be sufficient.

1.10 Definition of key terms

- Budget – a quantitative plan of what will happen financially if certain strategies are implemented. According to Brown and Howard (2015) it is a detailed plan which9sets out, in money terms, the plans for the income and expenditure in respect of a future period of time. It is prepared in advance of that time and is based on the agreed objectives for that period, together with the strategy planned to achieve those objectives.
- Budgetary Control- According to Brown and Howard (2015), budgetary control is a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing responsibility, comparing actual performance with the

budgeted and acting upon results to achieve maximum profitability. It is a technique of comparing actual budgets with budgeted results. (Delroy, 2012)

- Profitability- is the ability of a business to earn a profit or the excess of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities. (Welsley, 2013)

1.11 Summary

This chapter highlighted the background to the problem and it looked at the research questions and the statement of the problem. It also looked on what the research seeks to achieve and how the research is going to be structured to serve its purpose. This chapter gives an overview of the topic under study and the possible limitations, which might compromise the quality of the research. The next chapter will be on literature review.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

In this chapter, research findings and ideas are constituted from various authors discussing the impacts of budgets and budgetary controls on profitability. The arguments between various authors will be cited and be revealed throughout the chapter. Examination of information from company articles, journals, dissertations and books relevant to this study will also be included in the literature review.

2.1 The Impacts of Budgets and Budgetary Controls on Profitability

2.1.1 Cost Effective

According to Wesley et al, (2015) budgetary controls impact profitability as it lead to a reduction in operating costs since resources are channeled to specific activities. Londiley (2014) also stated that budgetary controls positively affect profitability as they reduce operating costs due to continuous checking of the actual results with the budgeted, which gives reliable results. In the same vein, Tony (2012) highlighted that budgetary controls positively affects profitability as they have great influence on reducing costs and enhance correct usage of resources and time. Leccey (2012) supported that budgets and budgetary controls are cost effective and they positively affects profitability as they assists in preparing expenditure variance analysis which deduce areas of variance that increases costs.

However, Lonay (2015) on the other hand pointed out that budgetary controls negatively impacts profitability because budgets do not take into account all costs but rather, they only focus on the variable costs and not the semi variable and fixed costs. Mellin (2015) also supported that budgetary controls negatively affects profitability as they only focuses on the costs that affects output directly in the company. Mellin (2015) further supported that profitability is negatively affected as costs control measures are mainly focused on variable costs and the costs that are attributable in the day-to-day activities and not the fixed costs, which have to be paid regardless of the change in output. Ally (2014), August (2013) were indifferent as they stated that budgets and budgetary controls do not affect profitability due to the fact that costs will always be incurred in the organisation despite the introduction of budgetary controls but rather minimized in the long run as workers get used to the working environment. The above researchers did not come to a consensus regarding the impacts of budgets and budgetary controls on profitability in determining if they are cost effective and therefore the researcher aims to further investigate in Marsh Zim (Pvt) Ltd.

2.1.2 Coordination of Various Activities of the Organisation

Budgetary controls have positive impacts on the profitability of the company as they enhance coordination of various activities of an organisation. Innocent (2015) cited that the presence of budgetary controls positively impacts profitability as it enables the management to fully coordinate various activities of the organisation. Loxiey (2012), Ronald (2013) supported that budgetary controls positively affects profitability, this is because budgets provides insight to the workers and this improves coordination of activities since management and the rests of the organisation have an idea of what to do next and what not to do. Kune (2014) averred that budgetary controls positively affect profitability due to the smooth flow of activities, activities can be done one after the other or they can be done simultaneously at the same time meeting the objectives of the company.

On the other hand, Loray (2013) proposed that budgetary controls negatively affect profitability due to the poor management skills which might exists in the management in budgeting which always cause poor coordination of activities. Loray (2013) further stated that budgetary controls negatively affects profitability due to weak supervisory skills, which cause various activities to be ineffectively coordinated. Tony (2012) also supported that budgetary controls negatively affects profitability when budgetary controls are working independent and with no other inputs, this will lead to poor coordination of activities. The above researchers did not agree on whether budgets and budgetary controls affect profitability due to coordination of various activities in an organisation and therefore the researcher aims at extending literature on this area of study using Marsh Zim (Pvt) Ltd as a case study.

2.1.4 Attainment of Organisation Goals

Brown (2015) stated that budgetary controls have an impact on the profitability of an organisation because budgets assist in the attainment of the organisation overall objectives. According to Metty (2015) budgetary controls positively impact profitability as they enhance coordination of activities which plays a vital role in the attainment of goals thus increasing profits. The positive relationship that exists between budgetary controls and profitability lead to the attainment of organizational goals and this will boost the employee motivation and they work with the aim of achieving profitability. Quezy (2015) supported that budgetary controls leads to goal attainment due to the persistent checkups in the budget process, which assist in reducing errors, and encourage accuracy. In the same line, Alletta (2012) stated that attainment of organizational goals through budgetary controls leads to team spirit and cooperation, this is because the employees feels the sense of achievement and therefore influence the positivity of profitability.

However, Artinkson (2012) contradicted that organizational goals can still be attained by an organisation even if there are no budgetary controls and thus attainment of goals does not affect profitability. Tony (2012) further supported that forecasting can play a role (in place of budgets) that budgets plays and the absence of budgets do not impact the profitability of an organisation and its attainment of objectives. Lastly Edwin (2015) stated that, there must always be ways in which the attainment of organizational goals be achieved besides the budgetary controls and process as they do not directly affect the company's profitability. The researcher aims at investigating if budgetary controls have an impact on the attainment of organizational goals in Marsh Zim (Pvt) Ltd and how it has affected its profitability.

2.1.5 Evaluation of Performance

Grinstein (2015) cited that budgetary controls ensures that the company attains a maximum return on the use of labour employed thus achieving profitability. Furthermore, Grinstein (2015) cited that there is a positive relationship between budgetary controls and profitability as budgets are taken as procedures to set standard costs that are used for comparisons against actual costs thus performance evaluation will assist in measure weather the company has achieved its objectives. Grinstein (2015) goes on to say that the variance that arises at evaluation assist in taking corrective actions as well as to measure workers performance thus impacting the profitability of an organisation. Tonnel et al (2015) averred that an employee who is able to work according to the budget set is an efficient worker and efficient workers plays a vital role in attaining profitability, thus performance evaluation has a positive impact on the profitability of the company. Budgetary control plays a role in motivating employees as they work toward achieving a set goal in the budget thus motivation leads to profitability as workers are not necessarily forced to work effectively and efficiently (Lammeck, 2015). Godwin (2015) stated that budgetary controls affects profitability positively as there is continual evaluation that is performed at every stage of the budget, this continuously keep the firm in the profitability track.

However Mollin et al (2012) proposed budgetary control might negatively affect profitability due to demotivation, which at some point occurs because of their rigidity and hence reducing profitability. Mollin et al (2012) added that budgetary control may negatively affect profitability as employees usually becomes skeptical because of the policies, which might not be dictated by budgetary controls. Garry (2013) was of the opinion that budgetary controls negatively affects profitability because using budgets and budgetary controls as performance evaluation or a measuring tool should not be applied as it does not fall under the jurisdiction of an employee alone but the company as a whole. Allon (2015) stated that a number of factors, which include political, social and economic factors, affect budgetary controls, it is therefore not an effective tool for performance evaluation and therefore it negatively affects profitability. Allon (2015) further supported that a lot of managers and employees do not have perfect knowledge about budgetary controls and budgets and therefore they should not use budgetary controls as means of performance evaluation, as this will also affect profitability. This research will further investigate if budgetary controls are effective for performance evaluation in Marsh Zim (Pvt) Ltd and how it has affected its profitability

2.1.6 Proper Utilisation of Resources

Arnold et al (2014) assert that budgetary control enhances profitability of an organisation through the effective utilisation of resources. Utilisation therefore means resources being used to their maximum possible benefit without waste accumulation (Arnold et al, 2014). Budgetary controls enhances profitability through enabling the organisation to identify waste activities and resources that are being wasted and therefore offer solutions on ways that can be used to effectively improve the profitability of an organisation (Choga et al, 2013). Moses et al (2013) supported that budgetary control ensures the maximum and possible return from the assets employed by the organisation and thereby increasing the firm's profitability. Budgetary control positively affects profitability because it encourages the employees to be cost-conscious, workers will work according to the budget and under limited resources hence not wasteful (Hamilton et al, 2013). Ben (2014) supported the notion that budgetary control positively reduce wastages thus leading to profitability. Osasuni and Malson (2015) supported the same point and alludes that company's equipment and property should be maintained as they play a role in resource utilisation hence ensuring profitability.

Contrary to that, Alpha and Allan (2014) argues that budgets and budgetary controls lead to demotivation of workers, this will result in wastages thus low profits obtained. In support of this, Garry et al (2014) says the management of an organisation is the one that should be accountable for wastage of resources but the accountability is normally placed to subordinates when a huge chunk or resources is consumed by management and this affects profitability as budgetary control will not be effective in playing its role. Arnold et al (2014) argued that budgetary controls do not always lead to proper resource utilisation because management at times do not take into account some external forces in the preparation of the budget. Therefore, budgets have a negative impact on the profitability of an organisation because budgetary controls without effective supervision and effective budgetary control techniques always lead to ineffective resource utilisation. The researcher will also look on proper resource allocation as a budgetary control technique in Marsh Zim (Pvt) Ltd and its effect thereon on profitability.

2.2 What are the budgetary control techniques that influences profitability?

2.2.1 Goal Setting

Weston (2012) cited that the budgeting and budgetary controls are not only about rolling a financial plan containing revenue and costs but also about controlling and monitoring the budgets based on the set goals. Dennis and Linders (2013) was of the opinion that goal setting as a budgetary control technique positively influence profitability as goals communicate to the managers what they intend to achieve over a certain period. In support of this Denvor (2012) cited that goal setting as a budgetary control technique influences profitability due to clarity, goal setting enables clear focus as properly thought out and stated goals set out the intentions and desires of the managers and the company as a whole. Ellis (2013) supported that goal setting as a budgetary control technique enables profitability through optimum use of resources, management have the ability to prioritize resources as to the achievement of goals. In the same vein Delph (2012) stated that goal setting of the budget improves profitability as managers use the goals as a means of performance appraisal and measure how effectively the organisation is moving towards the budget.

However, Wesley (2012) was of the opinion that goal setting as a budgetary control technique negatively affects profitability, as there is too much time used in the preparation of goals. In support of this, Stella (2015) stated that goal setting as a budgetary control technique negatively affect profitability, as there is more uncertainty that arises in the environment and therefore it affects the budgetary control process administration and therefore an organisation operate a loss. In the same line, Godon (2013) supported that goal setting can be biased as some managers may set goals which they think are simple to achieve so as to curb for performance evaluation and this negatively plays a vital role in reducing profitability as workers will be working towards achieving those simpler goals. Delroy (2012) also noted that goal setting as a budgetary control technique may lead to low profitability due to demotivation of workers as and when they fail to achieve a certain objective on which they have to be appraised on, this will then act in a negative way thus reducing profitability. Goal setting as a budgetary control technique negatively affects profitability because some goals may be unattainable and requires more resources; the resources will end up be costly and not properly utilised leading to wastages, which then affects the company's profitability (Obina, 2015). The researcher will further investigate on goal setting as a budgetary control technique in Marsh Zim (Pvt) Ltd and its effect thereon on profitability.

2.2.2 Prior Planning

Stones (2013) states that prior planning as a budgetary control technique affects profitability due to the provision of direction and knowledge on how to proceed in the budget process. Ellis (2013), Fortune (2015) and Felly (2013) supported that planning as a budgetary control technique positively affects profitability as it provides accountability to managers, this is because managers tends to give themselves responsibility of completing each task to the employees. Prior planning as budgetary control technique enhances profitability as it ensures adequate resources, this is because planning requires the management to consider what resources it needs to finish a certain project and therefore there is an elimination of chances of discontinuing a project, which results in losses. Floyd (2014) also supported that prior planning as a budgetary control technique positively affects profitability due to problem anticipation, management has the opportunity to anticipate problems and therefore problems that results in losses are dealt with in the planning process.

Contrary to that, Ellin (2014) were of the opinion that planning as a budgetary control technique negatively affects profitability because plans do not transcend or remove the presence of risk but it only makes managers aware of the risk involved. Sothon (2015) was of the opinion that planning as a budgetary control technique negatively affects profitability as more plans emerge in the planning process and managements tends to fail to recognize the availability of plans thus the planning process becomes ineffective as more plans emerge. Delroy (2012) propounded that planning as a budgetary control technique have a negative impact on profitability because plans are usually rigid as they do not allow for longer periods which are at times risky and wasteful. The above researchers did not come to an agreement on the planning as a budgetary control technique, therefore the researcher aims at extending literature on the subject matter in Marsh Zim (Pvt) Ltd

2.2.3 Auditing expenditure and results

Donald (2015) supported that auditing of expenditure and results as a budgetary control technique positively affects profitability, as it is not sufficient to determine if each program spends according to the budget but also auditing expenditures in different budget lines. Arnold et al (2014) stated that auditing expenditure and results as a budgetary control technique enhances profitability as management study the results achieved based on how a manager spent the budget over the last period. In the same line the auditing of expenditure and results as a budgetary control technique enables profitability as it improves the credibility and reliability of the budgetary information and process, this is because they provide a guarantee of the objectivity of budgetary controls. Tony (2012), Gery (2015), Norah (2012) were of the opinion that auditing expenditure and results as a budgetary control technique positively impacts profitability due to quality accounting policies and internal controls which do have direct impact on the profitability of the company.

On the contrary side, Roberto (2015) was of the view that auditing expenditure and results as a budgetary control technique have a negative effect on profitability as auditing of expenditure and results does not guarantee effectiveness and profitability unless the committee was active. Susan (2012) supported that auditing expenditure and results have a negative impact on profitability because managers are not committed to play their roles and duties and therefore profitability only materialize when they are committed to their auditing duties and roles. Due to the convergence and divergence of the various authors above, the researcher found it necessary to further investigate on the budgetary control techniques that influences profitability in Marsh Zim (Pvt) Ltd.

2.2.4 Direct supervision and observation

Snipes (2015) was of the opinion that direct supervision and observation as a budgetary control technique influence positively in the attainment of profitability because it is an opportunity for management consultation on current practice and debriefing on past practice as they have great impact on the profitability of an organisation. Nkule (2014) supported that direct supervisions and observation as a budgetary control technique influences profitability positively as supervision enhances knowledge and skills through the practice of skills, feedback on performance, discussion on issues and development of self-awareness which plays a vital role in the determination of profits. Ellis, Borely and Fiona (2013) supported that direct supervision and observation as a budgetary control technique positively influence profitability due to valuable time that is spent on reviewing decisions and judgment, considering alternative options and recognizing subjective elements while learning from experience and this wholly affects the overall profitability of the company. Supervision and observation positively influences profitability through budgetary controls as workers performances, supervisee's objectives and motivation can be controlled and monitored by the user in line with the profitability objective.

Contrary to the outlined thoughts above, Theni (2012) was of the opinion that supervision and observation as a budgetary control technique negatively affects profitability due to the reduction in worker initiatives, as workers are not motivated to initiate new their ideas, which might influence profitability. Vincent et al (2015) supported that supervision as a budgetary control technique affects profitability because supervision is time consuming and there is opportunity cost of the time that would have been used for profitability purpose. Above researchers did not agree on weather supervision and observation as a budgetary control technique affects profitability and therefore the researcher aims at further investigation on the subject matter in Marsh Zim (Pvt) Ltd and its effects on profitability.

2.3 Weaknesses of the Budgetary Controls on Profitability

2.3.1 Rigidity

According to Vincent et al, (2015), for budgets and budgetary controls to affect profitability positively, they should be dynamic and continuously deal with the changing environment as well as the circumstances around them. Vincent et al (2015) further added on that, there is a negative relationship between budgetary controls and profitability when there is no revision of budgets whenever there is a change; they tend to lose their usefulness as a means of profit maximization. Luke (2015) stated that budgets and budgetary controls are rigid and they negatively affect profitability as the overall vision and objective of the company is compromised, this is because management tends to concentrate on the short-term budget instead of the long term and hence short term objectives are achieved and not long term. Acknoles and Schacter (2014) also supported that the rigidity of budgets negatively affects profitability as the performance of the managers usually results in promotions, bonuses and increases in salaries, so this pressures will always causes managers to come up with misrepresentations to cover up budget rigidity thus misleading the profitability. Loxy (2015) supported that rigidity of the budget affects profitability because managers tends to manipulate data which affects the profitability.

In contrast, Lesley et al (2012) was of the opinion that budget rigidity does not necessarily affect profitability because there will be an outcome even with budget inaccuracy, because emphasis would have been placed during the budget process. Moreover, Talin (2015) supported that the rigid of budgetary controls does not always negatively affect profitability because if there is greater attention being placed on the budgetary control techniques, which leads to profitability even if the budget is rigid. The above researchers did not conclude on the rigidity of budgetary controls on profitability and therefore the researcher will further investigate on the issue in Marsh Zim (Pvt) Ltd and how it has affected profitability.

2.3.2 Prepared based on estimates

Budgets and budgetary controls affect profitability as they are prepared on the basis of estimates and if estimates are not accurate, they end up misleading (Lorraine, 2012).Westly (2012) noted that, budgetary control negatively affects profitability because the estimates are usually wrong and the success of budgets fully depends on the degree of accuracy of the estimates. Anoy (2012) stated that budgetary controls negatively affect profitability because they are prepared and produced from estimates and therefore they must not be taken and regarded as the exact science. In addition, Lucas (2013) goes on to say budgetary controls negatively affects profitability due inaccurate forecasts, which tend to costs the company resources. In the same line, Costa (2012) noted that budgetary controls affects profitability, as ineffective estimates do not allow for planning and effective control mechanism. Lorraine (2012) also cited that budgetary controls also affect negatively on profitability because estimates are usually prepared on short-term basis which do affects profitability.

In contrast, Ellin (2013) stated that budgetary controls could affect profitability positively if the estimates are detailed, detailed estimate breaks a project down constituted parts and the managers have the ability to examine the individual aspects that are likely to result in significant cost and therefore helps in reducing costs. Rely (2012 also supported that budgetary control positively affects profitability as it allows to create estimates for a wide range and number of activities, this is because estimation for a single unit does not allow for comparisons which assists in controlling profitability. Onil, Gery, James (2012) was of the opinion that budgetary control positively affects profitability because analytical estimates at some point allows for accuracy and error correction as errors in the estimation of a single task are usually offset by errors in those of another task. The above researchers also did not come to an agreement on the estimate as a weakness of budgetary controls on profitability and therefore the researcher aims at extending literature on the subject matter using Marsh Zim (Pvt) Ltd and how it affects profitability.

2.3.3 Time Consuming and Costly

Loxay (2015) was of the opinion that budgetary controls negatively affects profitability, as budgeting can be at times a very consuming exercise. Billy (2012) supported that budgetary control affects profitability negatively as it involves extra labour to get estimates as accurate as possible and this then affects the time that might be needed on profitability to be achievable. Wesley (2013) also supported that budgetary control affects profitability negatively usually in big companies because budgeting exercise takes too much effort. Onill (2015) budgetary controls negatively affects profitability, as it is time consuming. This is because, the time it takes for the firm to control and manage a budget is long, and by the time the organisation reach its year-end financial period the management would have stopped working with the budget as it takes time to re-focus and align to the budget. Ukechukwu (2012), propounded that empirical evidence has shown that by the time the budgets are concluded and ready to be implemented, they might no longer be necessary and applicable since the environment would have changed and also them (budgets) being time consuming thus affecting the companies the profitability of the company. Mollin (2012) stated that budgetary controls affects profitability due to the time it takes for a budget to be finalized, it is difficult to detect as well as reacting to situations and also unpredictable situations cannot be easily be incorporated in the budget thus making the budget more weak. In support of this, Gunholy (2012) stated that budgetary controls negatively affects profitability as it takes 20% to 30% of the management team to come with a budget because of the detailed information that is required. At the same time, bureaucratic decisions that needs to be considered makes the budget costly in time.

Lonay (2013) was of the different opinion that budgets have no impact on profitability because usually the management focuses on the activities that are important and require more attention. Khune (2015) also supported that budgetary control positively affects profitability due to the allocation of resources that comes after the use of budgetary control, the time and costs it takes to prepare a budget are justifiable. The above researchers also did not came to a valid agreement on time consuming and costly as a weakness of budgetary controls on profitability.

2.3.4 Based on Historic Data

Melssy (2012) propounded that budgets and budgetary controls negatively affects profitability as they are based on historic data. Wally (2012) supported that budgets and budgetary negatively affects profitability if there is window dressing or mistakes in the accounting data and this gives a chance that the budget will not become correct. Elliot (2013) was of the idea that historic data on budgetary control affects profitability because historical data only limited to available information, the information provided by the present data may be inaccurate, obsolete and incomplete, and this will affect profitability. Fowly (2012) was of the opinion that historic data on budgetary controls affect profitability because the conditions which would have existed during the historic period may not match with the current period and this affects the current profitability. Thelma (2012) supported that historic data on budgets affects budgetary control on profitability as historic data may mislead because it provides a trend, which might lead to a low profitability as forecasts, became ineffective.

Contrary to that, Hammels (2012) was of the opinion that historic data on budgetary controls positively affects profitability as it provides a room for anticipation basing on the available data and this affects profitability. In the same vein, Shelly (2015) was of the opinion that historic data on budgetary controls affects profitability due to the provision of a trend analysis of the information, which enables the attainment of organizational objectives as profitability. James (2012) also supported that budgets and budgetary controls affects profitability positively because historic data provides a guideline to managers on the future forecasts of profitability. The above researchers did not come to an agreement on historical data influence on budgetary controls so the researcher will investigate more on the subject matter.

2.3.5 Uncertainty

Kulel, (2015) states that budgetary controls affects profitability due to uncertainty because budgets are always prepared based on future predictions, and usually the predictions are not always accurate. Wesly (2012) supported budgetary controls negatively affects profitability because budgets are always affected with various changes in the environment which includes, economic changes, political instability as well as changes in the industry (Acknoles and Schacter, 2014). In support of this, Dawn (2013) noted that the budgetary controls affects profitability due to continuous changes in the outside environment have an impact on budgets and budgetary control certainty and this makes the budget inflexible thus unprofitable. Melcy (2013) supported that budgetary controls affects profitability because uncertainty of the budgets always leads to demotivation of subordinates and during a change, alterations always have a negative impact on the flow of activities.

Nick (2013) was of the different opinion that it does not matter if the future will be uncertain, management ought to keep watch and get to adapt as quickly as possible whenever there is a change in the environment. In support of this, Leny (2015) noted that, uncertainty is not the problem, but the inflexibility of management and them (management) being to poor adapt to the new environments and outside changes. The researchers also did not conclude on uncertainty as a weakness that affects budgetary controls on profitability and therefore the researcher is aimed at extending literature using Marsh Zim (Pvt) Ltd.

2.4 Ways to Improve Budget Process in achieving Profitability

The budgetary control process can be improved through various ways. Some of the ways include setting targets that are strategic, provision of reports and forecasts, training and technological advancements from human resources, realistic timeliness, collaboration and sharing of information. Below are some of the ways that can be implemented by an organisation for it to improve on the budgeting process.

2.4.1 Realistic Timeliness

Roxy (2012) propounded that for budgets and budgetary process to be achievable and reachable they must be realistic in time and calculations thus achieving profitability. Thungle (2012) further supported that a company to improve the budgetary process to achieve profitability it must be quick and effective in the settling realistic budgets with realistic timeliness thereby increasing profitability. Landiley (2014) supported that for a budget to achieve profitability it must continually be able to set budget which are not too far or too near but realistic budgets which assists in the motivation of workers thereby improving the company performance. In support of this Denvor (2012) goes on to say that most businesses fail because of setting higher targets, which will end straining the whole company as well as workers and thus budgetary process budgetary process negatively affects profitability due to unrealistic timeliness. Fortune (2012) was of the opinion that realistic budget have a significant impact on the profitability of the company and therefore it must not be taken very lightly as it has an impact on the cost effectiveness of the company and it determines whether the company will achieve its profitability or not. Ukechukwu (2015), noted that an organisation budget process to positively affects profitability a company should consider the realistic issues when setting budgets, budget analysts should analyze if the budgets set are real and time able so as to reduce the chances of failure. In support of this, Alletah et al (2012) noted that the management as well as the whole budget team should analyze budgets and they should have a discussion on whether the budgets are achievable and realistic before implementing thus reducing the chances of failure and low profits. A budget should not be prepared in a way that makes workers over work and strain subordinates, thus it becomes demotivating, and therefore they should be set in a way that is achievable and realistic thus increasing motivation (Brown, 2015).

On the other hand, Tennis, Belin, Renly (2012) were of the opinion that budgetary controls may positively affects profitability if company are able to keep up with the unrealistic costs and implement costs control techniques, this will act in the positive way to the profitability. Ken (2015) supported that unrealistic budgets may not lead to lower profitability if companies do not focus on the unrealistic of the budget but rather investing on securing the competitive advantage in the market; this will keep the company profitable even the budgets are unrealistic. Moreover, Ken

(2015) added on that, unrealistic timeliness does not always affect profit negatively because budget do not determines profitability. There are cost effective measures that a company should put into action, which includes job-costing, standard costing, and or activity based costing, which do assist in the achievement of profitability despite the unrealistic of the budgets. Lorraine (2012) also noted that unrealistic budgets could be countered when workers embark on effective utilisation of resources despite the budgets being unrealistic; this positively affects profitability of the company. This research will also ascertain how unrealistic timeliness of budgets has affected the profitability of Marsh Zim (Pvt) Ltd.

2.4.2 Setting of targets that are strategic

Westley, (2012) stated that the organisation should be able to set budget objectives as profitability is only met by setting strategic targets in the budgets and the strategic targets are based on short or long term basis which are not only focused on one year plan only. In the setting of strategic goals, the management and the officials should all be in one mind and included in the decision of strategic goals (Vincent et al, 2015). In support of this Kolem, (2013) stated that without strategic goals it is difficult for an organisation to achieve its objectives thus it should set strategic goals for it to accomplish profit maximization. Vincent et al (2015) goes on to mention that a merge of the budget process and the strategic management team should take place, that is, the strategic management should continually include itself in the budget process so as to monitor if those goals are being achieved. Ukechukwu (2015) cited that the integration between budget process and the strategic management reduces shortcomings because the two systems will complement each other and this improves the strength of the budgeting process thus attainment of objectives. Ukechukwu (2015) goes on to say before the implementation of the budget,management must first check for the inclusion of strategic goals and if they are not set, the budget must not be actioned.

However, Mellin (2015) postulates that ineffective budgetary controls are as a result of unforeseen events and unpredictable events and therefore strategic targets may negatively impact the profitability of the company as it is affected by the unpredictable events. Arnold et al (2014) founds out that strategic goals usually becomes effective when they are set on a SMART criteria basis thus they might not work if they are not Specific, Measurable, Attainable, Realistic and Timeliness and the external environment plays a role in determining their strength which at some point worsens the performance of the company thus low profitability . In addition, Peterson (2013) supported that strategic goals are time costly thus, it takes more time for a strategic goal to be set than the time for it to be implemented. Lastly, the strategic goals have no guarantee that there will be attained, them being set does not mean that they will be achieved and therefore setting strategic targets for budgets improvement do not guarantee for profitability (Godwin, 2015). The resecher will investigate on whether setting of strategic goals as a way of improving budgetary process is effective in Marsh Zim (Pvt) Ltd and how it has affected profitability.

2.4.3 Technology Advancement

Rodney (2012) propounded that the changes in the technology have an effect on the budgetary process and thus management should implement technology to achieve profitability. The coordination of activities as well as the communication of the budget process to all levels of staff should be as fast as possible and thus technology advancement is of vital importance (Quezzy, 2015). The application of technology in a company speeds all the processes including the budgetary process and one of the biggest ways to improve the budgetary control is to continuously advance in technology (Quezzy, 2015). In support of this, Westley (2013) cited that planning and coordination in an organisation highly depends on the speed of communication, and the flexibility of an organisation highly depends on the flow and speed of information and or instructions communicated to the people. Gery et al (2015) goes on to say that flexibility depends on the IT tools being implemented, and flexibility is a matter of getting information to people who need it and the time they need it and therefore IT tools have the capability. As was analyzed above, organisations are moving to an integrated approach of strategic management and budgetary process. Gery et al (2015) cited that the use of technology is then important on the analysis of the planning processes and implementation in the budgeting process in an integrated approach. In the same line, Artinkson (2012) cited that technology also enhance a pure budgetary process through the use of software packages which then assist in limiting and avoid errors in the budget process. This also shortens the time taken in the preparation of budgets and the time it takes to make a decision on what best to do and which best goals and activities to work on. The research will further look at the effects of technology advancement on the budgetary controls and their effects on the profitability of Marsh Zim (Pvt) Ltd.

2.4.4 Human Resources Training and Development

One of the best ways to improve the budgetary process is to include the human resource department in the training and development of workers on how best a budget process can be undertaken, as this will have a positive impact on profitability (Weston, 2012). The human resource element is a crucial element in the budgeting process and it is of vital importance for the overall objectives of an organisation because all processes and activities of the budget are done through the human resource. Weston, (2012) cited that for an improved budgetary process to be seen in an organisation, the management must first recruit manpower resources that is competent enough and that will not require more resources for them to get along with the budget and this will positively impacts profitability. Choga et al, (2013) further on stated that for an organisation to meet its budgeting process objective it must first make sure it has the right quality labour which helps in simplifying the budget process. Choga et al, (2014) cited that although the Human Resource department have to hire competent labour, it also must continually train and add value to the current employees through continuous trainings and workshops and this will entails an improvement in the budgetary process thus an increase in profitability. Dennis and Linders (2013) states that as there are continuous changes in the environment, the company needs to continue train employees for them to be up to date and adapt to changes in the budget. Delroy (2012) clearly cited that for an improvement in the budgetary process to take place, employees must know what they ought to do and this can only be achieved through the continuous training and value addition in the employees. Delroy (2012) further explained that employees should have the knowledge of what to do next, how to do it and what is expected of them. This will reduce the level of overlapping and duplication of duties and thus making the budgetary process attainable and an important system.

However, Molin (2012) stated that the improvement in the manpower system is not a day thing as it entails a lot of resources needed to make sure that all things are in place and therefore it negatively impacts profitability because the budgetary process will be weak. Kolem (2013) supported that manpower training entails resources to be in place which include, financial resources for the process must be adequate and time should be available for the complete process of budgeting to be implemented. Moses et al, (2013) supported that the budgeting process needs manpower planning to be taken into account of and proper training methods to be used, this also have an effect into the inflows of the company as operating expenses may exceed the income from operating activities thus costing the company more and more thus leading to a reduction in profitability. Meslin (2012) cited that, training also highly depends on the employee's attitude, that is, their attitudes towards the trainer counts on the effectiveness of the training. Hammels (2012) supported that manpower training has a negative impact on the profitability of the company as it is costly to implement as well as time consuming thus the organisation may experience a decline in profitability even more. The researcher will further research on the effects human resource training development have on budgetary controls and eventually on the profitability of Marsh Zim (Pvt) Ltd.

2.4.7 Forecasting reports on budgets

Moses et al (2013) states that due to the fast changes in the environment it is important that a firm stick to forecasts rather than the use of budgets as it positively affects profitability. Choga et al (2013) averred that forecasting is a better way of predicting the future than budgets because budgets are rigid and can be too difficult to implement. In support of this Johns (2015) cited that the use of forecasts is better way of dealing with the plans of an organisation as it does not involve more alterations and forecasting is accurate than budgets and this positively affects profitability. In the same vein, Obina (2015) supported that forecasting is more realistic and it portrays mostly what is on the ground and it is easy to adjust in the environment that is continually changing and therefore it is a most suitable method and tool to apply in this rapid changing environment thus positively affects profitability. Obina (2015) also cited that the forecasting method allows for flexibility in the budgetary process and therefore it is now widely implemented in most organisations because it is not rigid. It also provides information that is valuable to the organisation for long-term objectives and not short term only. Brown (2015) also supported that the use of forecasting is ideal and reliable as it allows for quantitative and qualitative data from expert’s data. The researcher will further investigate on forecasting as a way of improving the budgetary control process in Marsh Zim (Pvt) Ltd and the effects thereon on profitability.

2.6 Summary

The chapter served its purpose on bringing information together on the impacts budgets and budgetary controls on profitability of an organisation. The researcher investigated on how budgets and budgetary controls affects profitability, budgetary control techniques that influence profitability, ways to improve the budgetary process and the weaknesses of the budgetary process. This guides the researcher on what exactly to research on within Marsh Zim (Pvt) Ltd. The next chapter will be on research methodologies.

CHAPTER 3

RESEARCH METHODOLOGIES

3.1 Introduction

This chapter identifies the research methods that were used by the researcher to carry out the research and in gathering data, data presentation and data analysis. In this chapter, the research design and research instruments were shown clearly. Methods and procedures used in the collection of relevant data were also outlined showing the relevance and their reliability to this study. Included in this chapter were the sampling methods and the population targeted by the researcher.

3.2 Research Design

A research design is a plan, which constitutes the processes as well as methods used to collect data, (Henrick and Noreen, 2015). Luke (2012) states that a research design establishes the content of data needed, the collection method, data analysis and also how the research questions are going to be answered. According to Moyerl (2015), research design is simply a process of organizing and planning structures and strategies that consist of the study. The researcher chose the descriptive research design as it gives a greater view of the available methods in exploring all aspects of the impacts of budgets and budgetary controls on profitability. The researcher used the descriptive research design in examining the impacts of budgets and budgetary controls on profitability. Descriptive research enabled the researcher to rely on primary data from the interviews as well as questionnaires.

3.2.1 Descriptive Research Design

Luton (2012) averred that descriptive research method gives the exact picture and description of a situation. The researcher used the descriptive research method because it provides the room to use different or specific methods of collecting data and that includes interviews and questionnaires, which allows the researcher to get usable and important data as they target informed respondents and experts in the field. According to Henrick and Noreen (2015) descriptive research design, mainly focus on the description of characteristics of a targeted population in study as well as fulfilling the questions like what, where and how. Aguali (2012) states that, researchers uses the descriptive approach because of its flexibility as alterations can be made at any time even during field research. The descriptive method is used based on first-hand information (Luton, 2012). The researcher chose the descriptive research design approach as it allowed the researcher to gather qualitative information using interviews, and questionnaires. The researcher used the qualitative descriptive method in gathering data. Ukechukwu (2012) states that, researchers usually use qualitative research methods when they are looking for insight and data, which is mostly verbal. The researcher decided then to use the qualitative research approach since it allows data collection straight from respondents to evaluate the impacts of budgets and budgetary controls on profitability.

3.2.2 Qualitative Approach

The researcher chose the qualitative approach in gathering information on the impacts of budgets and budgetary controls on profitability. The researcher found it necessary to use the qualitative approach as the information required by the researcher is qualitative in nature and requires questions and interviews. Qualitative approach is an intuitive appraisal of character, views and understanding of people in expressing their opinions in determining the impacts of budgets and budgetary controls on profitability. According to James (2012), it is the subjective assessment of behavior, attitudes and opinions and it helps in understanding the beliefs, as well as clarifying situations and shading more light on the experiences and beliefs of individuals in a particular group in the budgeting environment. In this study, the researcher focused on the qualitative approach in order to illustrate non-numeric and subjective data on the impacts of budgets and budgetary controls on profitability which were collected through interviews and questionnaires. Qualitative approach methods yield data due to clarifications and valid decisions. Since there is need to inspect the understandings, attitudes and views of the individuals in the day to day business activities, qualitative approach was used to identify those features. Interviews assists in getting more insight on the impacts of budgets and budgetary controls on profitability as non-verbal communication is used in determining the effectiveness of budgetary control on profitability

3.3 Population

According Meslin (2012), a population comprises of specified aggregations of study objects from which the researcher expects and wants to collect data from. It is simply a group of people or objects that the researcher has chosen to collect data from. The researcher selected 40 employees from 4 departments at Marsh Zim (Pvt) Ltd who have the perfect knowledge on the effectiveness of budgets and budgetary controls on profitability. The cluster was drawn from four departments that is, the finance department, marketing department, accounts department and the human resource department. The researcher selected the population based on who had an appreciation and perfect knowledge on the impacts of budgets and budgetary control on profitability of an organisation.

3.4 Samples

A sample is a small group that represents the whole population of a certain group. According to Acmed (2015), a sample is a subset of a population. In this study, the researcher made use of the samples that were constructed from the group of the population selected from Marsh Zim (Pvt) Ltd. Use of samples saves time and comply with the limited resources (cost effective) as supported by Acmed (2015) who posted that using a sample is cost effective and efficient as it saves time and easy to manage. The researcher came up with a sample of 10 managers, 4 accounts clerk, and 4 marketing personnel. The information and data was collected through the use of interviews and questionnaires and it literally mean that qualitative data was gathered through interviews and questionnaires.

3.5 Sampling Techniques

The researcher used stratified random sampling because of its simplicity and convenience. Denver (2012) states that, stratified sampling technique is used to construct a representative sample which do not constitutes homogeneous groups. The researcher used stratified random sampling to come up with samples, as it was most suitable in Mash Zim (Pvt) Ltd because of its simplicity and convenience. According to Meslin (2012), stratified random sampling divides the population into relatively small groups (strata). In addition, Denver (2012) supported that stratified random sampling is the best way of coming up with an effective sample for a budgetary environment and therefore the researcher used stratified random sampling .This is best described by the sampling techniques illustrated below.

Table 3.1 Target population and sample

Department	Population	Sample size	Percentage to population
Marketing	14	8	57.1%
Finance	10	4	40%
HR Department	6	4	66.7%
Accounts	10	7	70%
TOTAL	**40**	**23**	**57.5%**

The table above shows the sample size of 23 and the total number of population of 40 people. From the population above, a sample number was selected.

3.6 Sources of Data

Collection of data is an essential process in the entire research process and it comprises of two types, which are primary data and secondary data. Golden (2015) stated that, primary data is collected for the project at hand for firs hand information and secondary data enables the researcher to use previously collected data for other purposes.

3.6.1 Primary Data

Golden (2015) cited that primary data enables the researcher to collect first hand data which is relevant to the problem under study. The researcher used primary data as it obtains information (latest) which ensures validity and reliability. The study was new in the organisation and therefore the researcher used primary data. Luton (2014) stated that, primary data is the raw and unpublished data that is obtained from the research area of study. It contains direct information of events and singularities, which are obtained through interviews and questionnaires. The researcher collected data through self-administered questionnaires that were distributed to the population and face-to-face interviews. This assisted the researcher to obtain and gather first-hand information which might be free from errors since the data collected was from current sources and up to date. Moreover, the data collected seemed to be more reliable since it was collected from the parties directly involved in this research study. Interviews were also used to incorporate respondent's attitudes, which cannot be noticed through questionnaires on the impacts of budgets and budgetary controls on profitability.

3.7 Research Instruments

Research instruments that were used by the researcher to gather data includes interviews and questionnaires. Luton (2014) cited that research instruments are devices that helps the researcher to gather relevant information. Questionnaires and interviews were used in this research. Due to tight schedule and financial problems, the mixed research approach was conducted. Whilst the questionnaires were being answered, the researcher was carrying out interviews.

3.7.1 Questionnaires

The researcher to gather information used questionnaires and these questionnaires were self-administered as they enabled the researcher to gather information, which is relevant. The researcher used closed ended questions. Closed ended questions allows the respondents to provide answers or responses, which are not out of context. The order of the questionnaire must be designed in a way, which motivates the respondents to respond and answer the research questions (Dawn, 2013). Questionnaires enabled secrecy and privacy since no names were stated which led to faithful and reliable of answers that were provided by respondents. The respondents were to tick in the boxes that were provided in order to answer the questions in the questionnaires. This helped the researcher to obtain the right information, which was easy to analyse and understand due to guidelines.

3.7.3 Likert Scale

Likert scale enables the respondents to have specifications on their agreement level or disagreement level on a scale of symmetric agreement for a series of statement (Aguali, 2012). Luton (2014) states that, a likert scale is good for best respondent results since it provides the total of respondents from a likert given. The researcher used the Likert scale method as a series of answers in their ranges for the respondent to choose the appropriate answer on the impacts of budgets and budgetary controls on profitability. The questionnaires were designed based on the technique below.

Table 3.2 Likert Scale

Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Points	1	2	3	4	5

(Source): Joslin, 2013

The structured questions that were prepared by the researcher make use of the likert scale technique. The respondents were required to provide an answer on every provided questions. The likert scale helped the researcher to interpret data gathered and it was timely in data collection. The likert scale allowed the respondents to choose responses that they were comfortable with.

3.7.2 Interviews

According to Hammels (2012), interviews involve oral verbal communication (spoken word) whereby raw data is collected in the form of verbal answers. Hammels (2012) furthers states that, interviews are similar to questionnaires because questions are asked but only with much reliance on the word of mouth. The researcher then carried out the interviews as a way of obtaining instant feedback. The researcher used face to face Interviews to gather primary data in particular with the management that is, human resource manager, marketing manager, accounts controller and the finance manager. The interview guide was used as it allowed the researcher to ask questions within the scope of research thereby reducing asking out of context questions. The researcher managed to collect in depth information through interviews by redefining issues to come up with comprehensive information due to the flexibility of the instrument. All the interviews were carried out with the authority from Marsh Zim (Pvt) Ltd. This enabled the resecher to gain a depth of understanding of the views and ideas of the interviewees (respondents) in relation to the impacts budgetary controls and their effect on the profitability of the company. The researcher used structured questions and the interviews were done to the Marsh Zim (Pvt) Ltd management. The interviewer asked clarifications on issues which were not clear which increased the depth of information gathered so as to come up with comprehensive data.

3.8.1 Reliability

Saunders et al (2012) averred that reliability is the degree to which collection of data methods or analysis procedures will produce findings that can be dependable. Saunders et al (2012), it is a degree of accuracy or consistency that an instrument demonstrates and it is a quality that ensures accuracy and dependability. If the results of the study are reliable, it indicates that if other different researchers carries the same study using the same methods, they will all come to the similar results.

The researcher tried to increase the reliability of the study with uniform questioning of related groups and interviews. The researcher also explained all the information to respondents that was required to enhance accuracy and high response rate. The information that the researcher gathered was reliable as the researcher used more than one data collection tools. The sample size that the researcher chose was reliable as supported by Akozaki (2013) who pointed out that a reliable sample must be above thirty percent of the targeted population and the researcher sample size was above thirty percent of the targeted population.

3.8.2 Validity

Validity is concerned with the effectiveness and soundness of the measuring instruments. Saunders et al (2012) establishes that internal validity of a research instrument is when the research instrument has the ability to measure what it purports and external validity is only about generalising. Akozaki (2013) also states that, validity shows or provides the extent to which the research instruments measure what is expected of them. The researcher check on validity and accuracy after the process of gathering data. Validity measures the extent to which research instruments measure what they purports to (Roxy, 2012). The researcher had to analyse the data obtained and with the research objectives or questions and equates to ensure validity. The researcher also ensured validity through asking relevant question in relation to the study and using the most suitable research instruments. Also at the end of the data gathering process, the researcher had to check the validity and accuracy of the obtained data prior analyzing to ensure that the obtained and collected information is free from error and corrections of the mistakes made during filling the questionnaires are made without necessarily changing the respondent’s response. The use of interviews and questionnaires to collect primary data added to data credibility.

3.9 Data Presentation and Analysis

The researcher sorted the collected data in categories and in respect to their research objectives and questions. Responses were tabulated and analysed statistically and after data collection, data was presented in a meaning full manner. It was presented through the use of bar graphs, pie charts and tabular forms in order to identify different variables and their importance and allowance to literature review and interpretations. It enabled the easy interpretations and easy to understand and data was collected using primary sources using qualitative approaches and presented in a consistent way of research objectives and questions. Aguali (2012) cited that data analysis enables the reduction of gathered data into micro manageable, sequences and patterns identification, summary development and the application of statistical data analysis models. The researcher to show the circumstances as it occurred at Marsh Zim (Pvt) Ltd, used descriptions. The researcher also gathered data from the remaining employees, useful information relating to the study was set aside for the analysis, and irrelevant data was left out.

3.10 Summary

This entire chapter gave the detailed account of the methodology used in obtaining data. It stipulated clearly the research design, research instruments and the population size used in acquiring data on the impacts of budgets and budgetary controls on the profitability of Marsh Zim (Pvt) Ltd. It also highlighted the research instruments that were used in order to achieve the objectives of this study .The manner in which all data will be represented is also shown in this chapter. The next chapter will be on data presentation and analysis.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter aims at presenting and analyzing the research findings in a logic and understandable manner. In this chapter, the response rate obtained from respondents was presented. Findings of demographic presentation, discussion and findings related to the literature from chapter two was also presented in this chapter. The researcher to present data used graphs, charts, tables or texts depending on the data illustrated.

4.1 Questionnaires Response rate

The Table 4.1 below is a depiction of the categories of respondents to the questionnaires that the researcher administered and their respective response rate. The research was carried at Marsh Zim (Pvt) Ltd on the study, the impacts of budgets and budgetary controls on profitability. The researcher used the population size of 40 people and a sample size of 23 people. From a population of 40 people the researcher used 23 questionnaires and the departments were Marketing, Finance, Human Resource and the Accounts department.

Table 4.1 Questionnaire response rate of Marsh Zim (Pvt) Ltd.

Department	Questionnaires that were sent	Questionnaires that were returned	Response rate Percentage
Marketing	8	7	87.5%
Finance	4	3	75%
HR Department	4	2	50%
Accounts	7	5	71.4%
TOTAL	**23**	**17**	**73.9%**

From the table 4.1 above, 100% response rate was not achieved; the researcher managed an overall response rate of 73.9% from self-administered questionnaires. However, the researcher found 73.9% to be sufficient and appropriate to make conclusions and recommendations. Acknoles and Schacter (2014) stated that a minimum of 70% response rate is reliable. Landiley (2014) also stated that minimum of 60% is recommended and is regarded as good although different use of methods greatly influence the response rate. From the above responses, the researcher used the 73.9% as it was above the recommend and was reliable to use. The researcher assumed that the other 26.1% who did not respond was because of unwillingness to complete and or busy with work.

4.2 The impacts of budgets and budgetary controls on profitability

The researcher asked questions on the impacts of budgets and budgetary controls on profitability. The information to follow was obtained from the respondents and was presented below.

4.2.1 Efficient tool for cost effectiveness

The result obtained from the question, which the researcher administered on the impacts of budgets and budgetary controls on profitability due to cost effectiveness, was presented on Table 4.2 below.

Table 4.2 Efficient tool for cost effectiveness

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	12	3	2	0	0
%ge Response Rate	70.6%	17.6%	11.8%	0%	0%

Table 4.2 above shows that, 12 out of 17 (70.6%) strongly agreed that budgets and budgetary controls entails cost effectiveness which leads to profitability. 3 out of 17(17.6%) agreed, 2 out of 17 (11.8%) were neutral as they were not sure if budgets and budgetary controls have a positive

impact on the profitability of Marsh through cost effectiveness. None out the 17 (0%) neither disagree nor strongly disagree that budgetary control impact's profitability due to cost effectiveness. In aggregate, a modal class 15 out of 17 (88%) (70.6% strongly agree and 17.6% agree) agreed that budgets and budgetary controls entails cost effectiveness to ensure profitability. In support of this, Ben (2014) agree that budgets and budgetary controls entails profitability as they ensure cost effective. Moreover, Roxy (2014) was of the opinion that budgetary controls ensures cost effectiveness due to the continual checkups that managers perform in the budgetary process and therefore profitability is guaranteed.

The other 2 out of 17 (11.8%) were neutral that is, they were uncertain whether budgetary control have an impact on profitability due to cost effectiveness since the respondents came from the marketing department which is not used to budgets and budgetary control environment. The respondents did not have perfect knowledge on the matters of budgets and hence were uncertain of the answer to respond. Kolem (2013) supported that that budgets and budgetary control do not have a direct impact on profitability due to cost reductions, as costs are not related to budgets thus they are controlled using cost control methods. Kolem (2013) also discovered that budgetary controls does not affect profitability as cost can still be obtained (fixed costs) even if budgetary control measures are implemented, therefore there is no relationship between budgets and budgetary control and cost effectiveness on profitability. From the above findings, the researcher draws conclusion that budgets and budgetary controls positively affect profitability due to them being cost effective.

4.2.2 Coordination of various activities

The question objective was to assess whether budgets and budgetary controls ensures coordination of various activities in Marsh Zim (Pvt) Ltd to ensure profitability. The Table 4.3 below shows the results from the questionnaires that were distributed by the researcher to conduct a research.

Table 4.3 Responses on coordination of various activities

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	7	6	2	2	0
%ge Response Rate	41.1%	35.3%	11.8%	11.8%	0%

From the Table 4.3 above, 7 out of 17 (41.1%) strongly agreed that budgets and budgetary control positively affect profitability as it ensures coordination of various activities. 6 out of 17 (35.3%) agreed, 2 out of 17 were neutral (11.8%) on whether budgetary controls impact on profitability due to coordination of various activities. 2 out of 17 (11.8%) disagreed. Aggregated response rate of those that agreed made up to 13 out of 17 (7/17 strongly agree and 6/17 agree) thus 76.5% response rate which showed that there is a positive relationship between the budgets and budgetary control and profitability due to coordination of various activities. Moses et al (2013) supported that budgetary controls leads to coordination of various activities, which do have an impact on profitability of an organisation. Billy (2012) also supported that budgetary controls positively affects profitability as it entails coordination due to the implementation of activities, which are done one after the other.

The other 4 out of 15, (2/17 uncertain and 2/17 disagree) consist of those that were uncertain and those that did not agree that budgets and budgetary controls impact profitability through coordination of various activities. Westley (2012) averred that, coordination of various activities is obtained through close supervisions, human resource controls and not the use of budgetary controls. Hammels (2012) supported that budgets and budgetary controls do not lead to coordination but the team spirit and motivation that develops within the company, which then ensures profitability. The researcher therefore used the modal responses to come up with a conclusion on whether budgetary controls impacts profitability due to coordination of various activities and with the result obtained, coordination of activities was enhanced in Marsh Zim (Pvt) Ltd due to the use of budgetary controls and profitability was achieved.

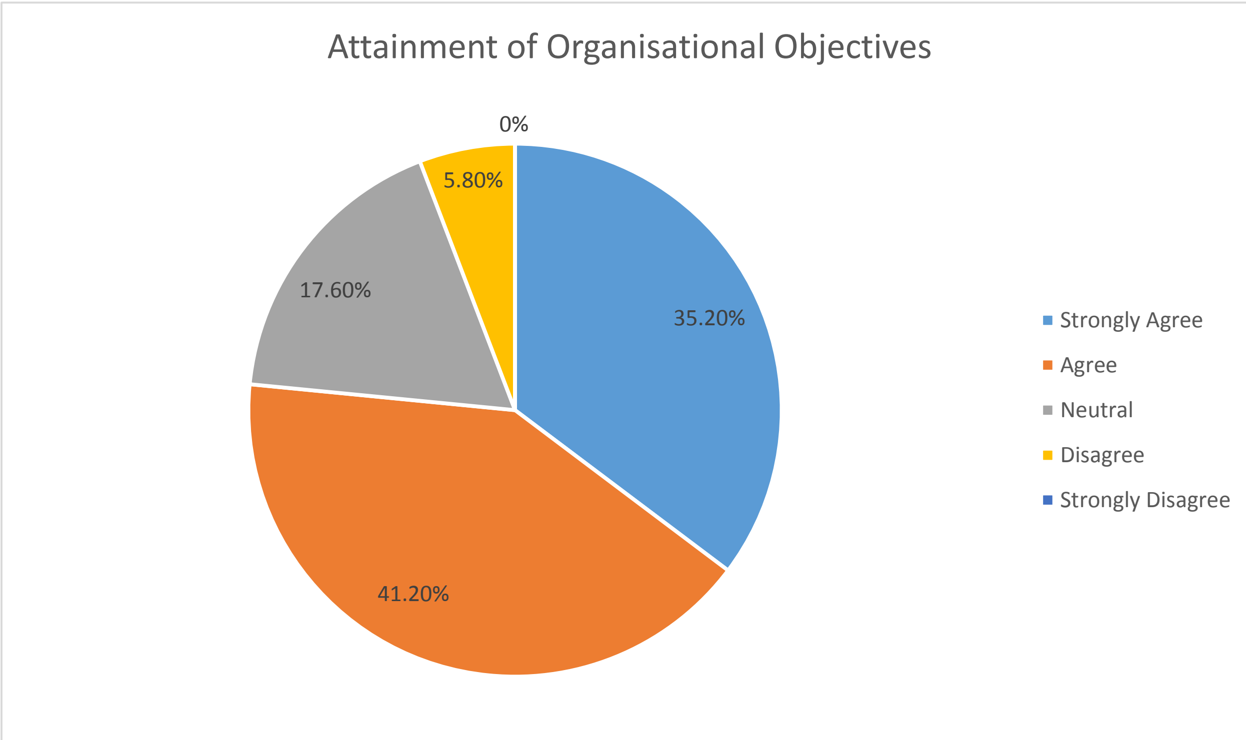
4.2.3 Attainment of Organizational Goals

The researcher structured the question in order to assess whether budgets and budgetary controls ensures attainment of organizational goals in Marsh Zim (Pvt) Ltd to ensure profitability. The Fig 4.1 below shows the results from the questionnaires that were distributed by the researcher to conduct a research.

Raw Data: Attainment of Organizational Goals

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	6	7	3	1	0

Fig 4.1 Attainment of Organizational Objectives



From Fig 4.1 above, 6 out of 17 (35.20%) respondents agreed that budgets and budgetary controls have an impact on profitability due to attainment of organizational goals. 7 out of 17 (41.20%) also agreed. Then 3 out of 17 (17.60%) respondents were uncertain on whether budgets and budgetary control influence profitability due to attainment of organizational goals. Only 1 out of 17 (5.80%) disagreed that there is a positive relationship that exists between budgetary controls and profitability influenced by attainment of organizational goals. In aggregate, the percentage response rate of the respondents that agreed to the question were 13 out of 17 (6/17 strongly agreed and 7/17 agreed) making a modal response of 76.5% which brought the researcher to the conclusion for the question. Felly (2013) supported that organizational goals are attained because of budgetary controls and this then positively affect profitability. Ukechukwu (2012) also agreed that attainment of goals is enhanced through budgetary control because an improvement in the focus of the team is achieved which will then lead to higher profitability.

On the other hand, 3 out of 17 of the respondents were uncertain making a response rate of 17.60%, one individual did not agree to the question, and the response rate was 5.80%. This might be because the individuals do not work directly in the budgetary control process but still they are part of the process, so they do not have perfect and full knowledge whether budget and budgetary controls influences in the attainment of goals thus leading to profitability. Based on the 13 out of 17 modal response of those that agreed, the researcher concluded that budgets and budgetary controls positively impacts profitability in Marsh Zim (Pvt) Ltd.

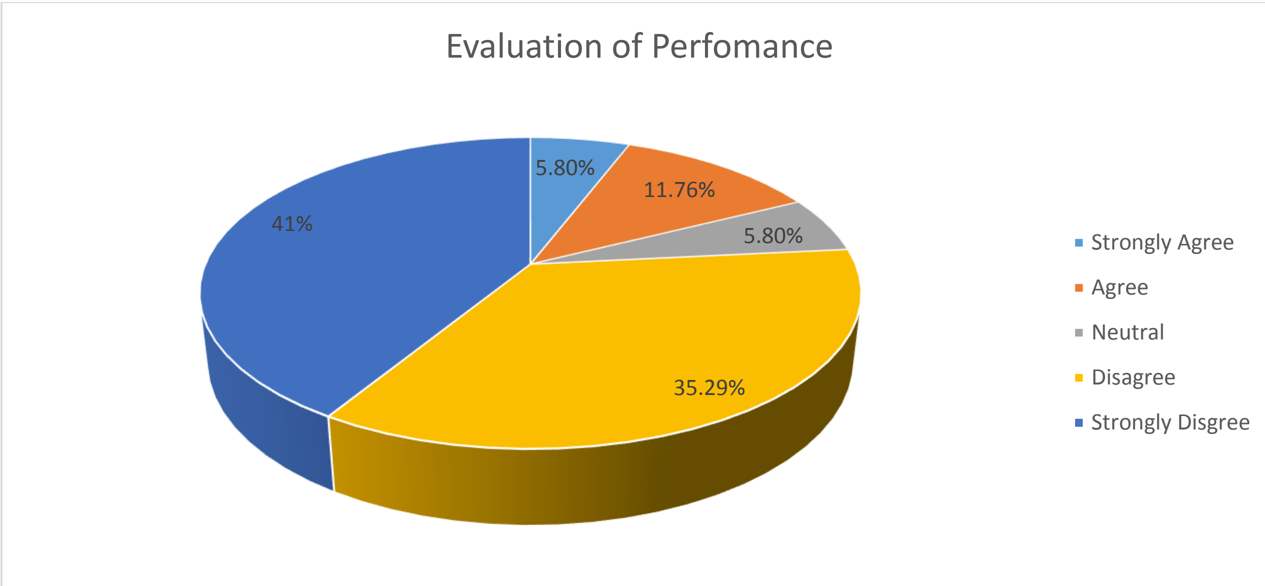
4.2.4 Evaluation of performance

The question was asked by the researcher to facilitate a research on whether budgets and budgetary controls have an impact on profitability through evaluation of the performance through comparing the actual and budgeted. The responses to the question are shown below.

Raw Data: Evaluation of performance

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	1	2	1	6	7

Fig 4.2 Responses on whether budgetary controls leads to profitability due to evaluation of performance



From Fig 4.2 above, it can be shown that 7 out of of 17 (41%) of the respondents strongly disagreed that budgets and budgetary controls have an impact on profitability as they ensure performance evaluation. 6 out 17 (35.29%) disagreed that performance evaluation ensures profitability. In the same line, 1 out of 17 (5.80%) respondents strongly agreed that budgetary controls entails evaluation of performance thus leading to profitability. Also 2 out of 17 (11.76%) only agreed to the issue. Moreover 1 out of 17 (5.80%) was not certain on whether performance evaluation influence profitability.

About 76.29% (7/17 strongly disagree and 6/17 disagree) respondents disagreed that budgets and budgetary controls have a positive impact on profitability due to performance evaluation that is enhanced. It then shows that inaccurate comparisons may affect the decision making if it is based on comparisons between actual and budgeted, Nkule (2014) supported that comparison between the actual and budgeted expenditure does not enhance profitability but rather it only assist in making the budgetary process effective. Ellin (2013) also supported that performance evaluation must not be used to determine profitability because it is usually not accurate as the budgets are estimates and are not reliable to measure performance. 1/17 (5.80%) strongly agree and 2/17 (11.76%) agree that performance evaluation has an effect on profitability but the researcher found the percentage to be insignificant. Also 1/17 (5.80%) of the respondents were uncertain of the issue and they did not give their side of view. The percentage was also insignificant for the researcher to conclude.

From the respondent answers, the researcher then draws a conclusion that budgets and budgetary controls have a negative impact in profitability in Marsh Zim (Pvt) Ltd as performance evaluation does not add any value to the company's profitability. This was because the majority from the sample did not agree to the question thus making it reliable to make a conclusion.

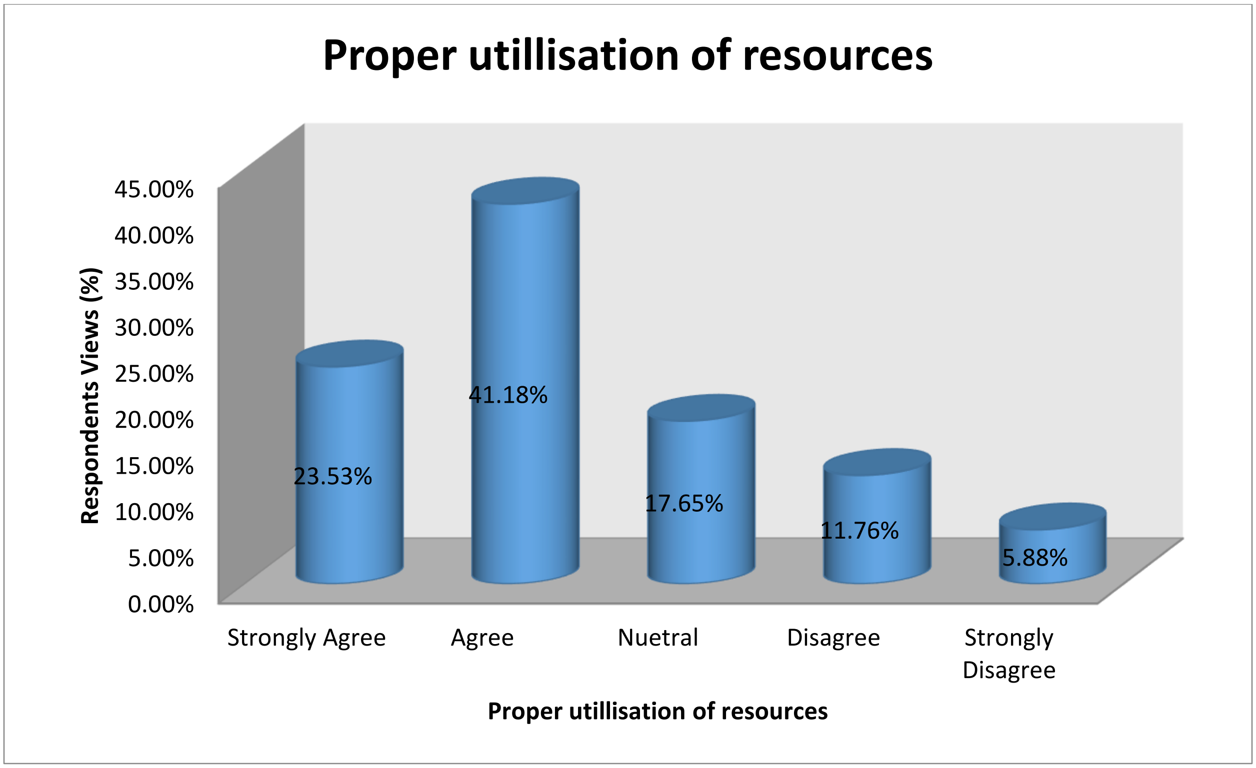
4.2.5 Proper utilisation of resources

The questions was asked by the researcher in a bid to answer the impacts of budgets and budgetary controls on profitability due to the facilitation of proper utilization of resources. Fig 4.3 below fully explains and illustrate the responses that were achieved.

Raw Data: Proper utilisation of resources

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	4	7	3	2	1

Fig 4.3 Responses on whether budgets facilitates proper utilization of resources



The responses from Fig 4.3 outlined above shows that 4/17 (23.25%) respondents strongly agreed that budgets and budgetary controls have a positive impact on profitability by ensuring that there is proper utilization of resources. Also 7/17 (41.17%) agreed. In the same vein, 3/17 (17.60%) were neutral as they were uncertain whether there is a positive impact or a negative impact. 2/17 (11.76%) of the respondent's disagreed and 1/17 (5.80%) strongly disagreed to the matter.

The responses showed that a modal response rate of 4/17 strongly agreed. 7/17 agreed making 64.52% response rate respondents agreed that budgetary control positively affect the profitability by ensuring proper utilization of resources, thus the availability of budgetary controls leads to a higher margin of profitability as budgets helps in improving the utilization of the scarce resources available. Rolay (2013) supported that budgets and budgetary controls have a positive impact on profitability as it allows managers to effectively use the resources available to achieve the desired outcome. Choga et al (2013) also supported that the availability of budgets and budgetary controls have an impact on profitability because the main aim of the budget is to effectively manage the resources available for the company thus there is a higher rate of resource utilization.

However, 3/17 (17.60%) of the respondents were uncertain as they were not sure if there was any relationship between budgetary control and profitability. 2/17 (11.56%) of the respondents did not agree to the issue. Floyd (2014) supported that effective utilization of resources is not guaranteed by the availability of budgetary controls thus budgetary controls might be available and the company can still fail to effectively utilize resources and then leading to low profits.

4.3 The budgetary control techniques that influence profitability

The researcher asked questions on the influence of the following budgetary control techniques. Results were presented below.

4.3.1 Goal setting

The researcher posed the question to the respondents in the aim of finding out if goal setting is the budgetary control technique that influences profitability. Below is the raw data that is obtained from the respondents regarding goal setting as a budgetary control technique

Raw Data: Goal Setting

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	5	5	4	2	1

Fig 4.4 Results on whether goal setting as a budgetary control influence profitability

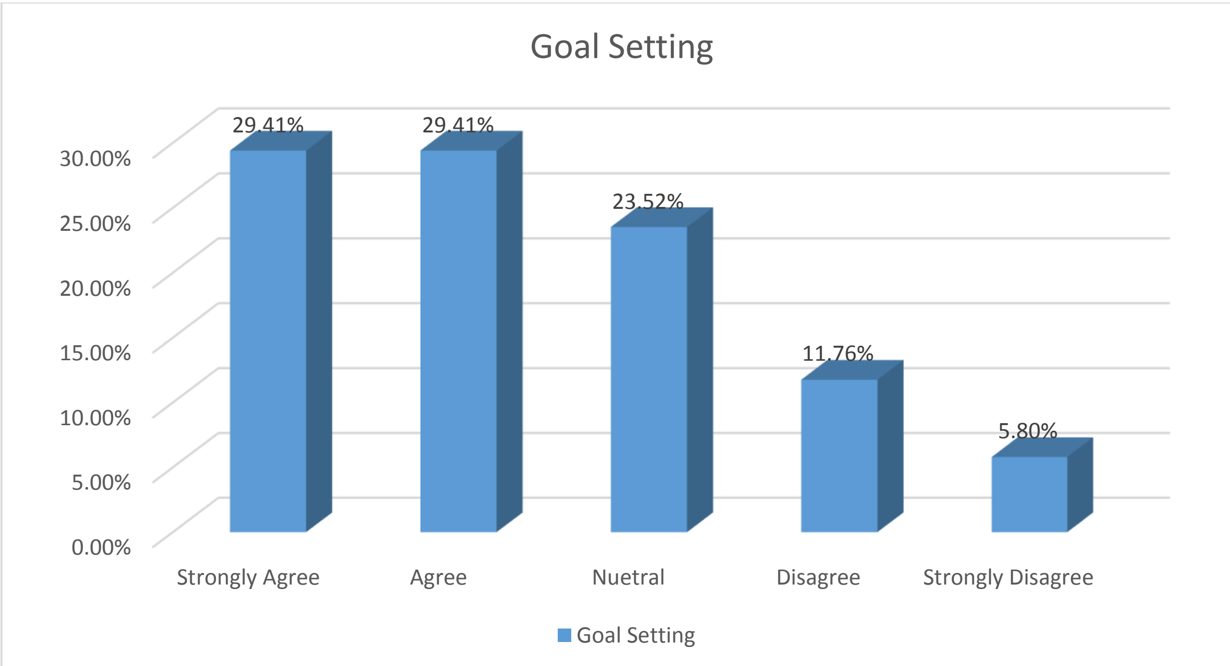


Fig 4.4 depicts that 5 out of 17 (29.41%) strongly agreed and 5 out of 17 (29.41%) agreed that goal setting as a budgetary control technique positively leads to profitability. Also 4 out of 17 (23.52%) were uncertain whether goal setting can influence profitability. From the Fig 4.4 above, 2 out of 17 (11.76%) disagreed and 1 out of 17 (5.80%) also strongly disagreed that goal setting as a budgetary control technique positively affects profitability. 10 out of 17 (5/17 strongly agreed and 5/17 agreed) respondents agreed that goal setting as a budgetary control influence positively on profitability. Delroy (2012), also supported that goal setting as a budgetary control technique positively impact on profitability as it sets targets for the employees thus leading to motivation to work which in turn improves the profitability of an organisation. Tonly (2015) was also in support and mentioned that goal setting is the road map for every budget as it assists in creating the sense of direction for the organisation and therefore an effective tool in achieving profitability.

However 4 out of 17 (23.52%) respondents were uncertain whether goal setting as a budgetary control technique influence in achieving profitability, this was because the majority of the respondents work from the marketing department and they do not take most of their time in setting goals and therefore they were uncertain. Also 3 out of 17 (2/17 disagreed and 1/17 strongly disagreed) disagreed that goal setting as a budgetary control technique positively influence profitability in Marsh Zim (Pvt) Ltd. Arnold et al (2014) also supported that goal setting as a budgetary control technique does not influence profitability rather it assists in making the budgetary process effective, Arnold et al (2014) further stated that profitability is not linked with goal setting but rather the outside factors and the environment an organisation is operating into is the one that determines profitability.

From the modal responses that were obtained from the research, the researcher then concluded that goal setting as a budgetary control technique plays a vital role in determining the profitability of Marsh Zimbabwe (Pvt) Ltd.

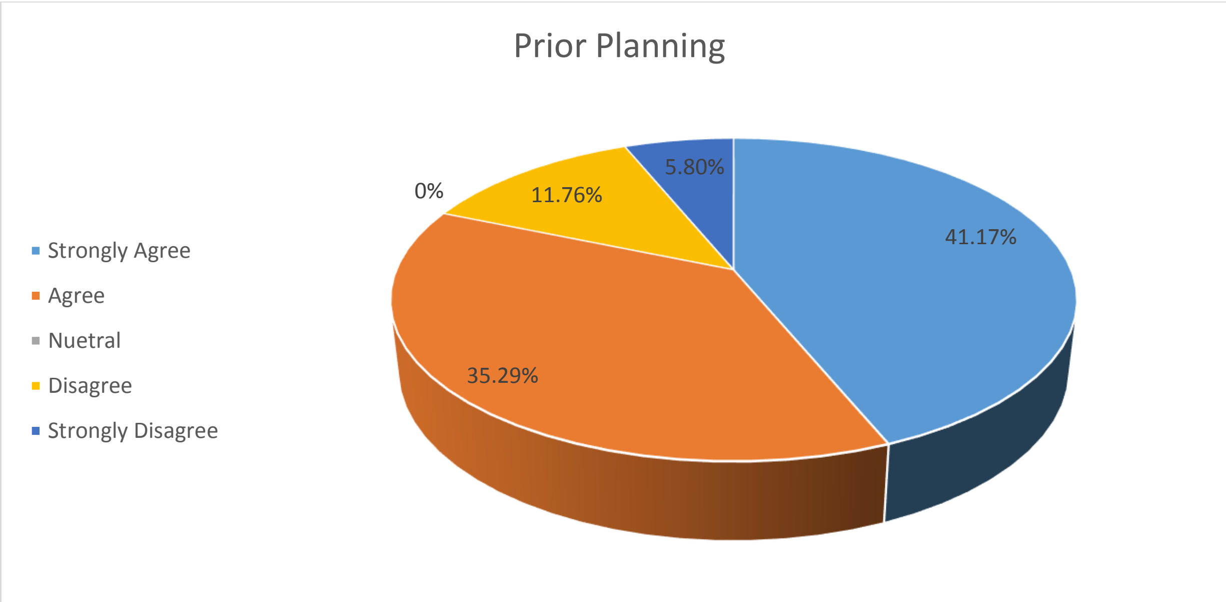
4.3.2 Prior Planning

The researcher used the question to do a research on whether prior planning as a budgetary control technique influences profitability. From the research done, the raw data is shown with the number of responds.

Raw Data: Prior Planning

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	7	6	0	3	1

Fig 4.5 Results on Prior Planning as a budgetary control technique on profitability



The Fig 4.5 above depicts that, 7 out of 17 (41.70%) respondents strongly agreed that prior planning as a budgetary control impacts positively on profitability. Also the 6 out of 17 (35.29%) agreed. 0 out of 17 (0%) were neutral as no one was certain of the question. 3 out of 17 (11.76%) respondents disagreed that prior planning as a budgetary control technique influences profitability. Only 1 out of 17 strongly disagreed to the same issue. From the respondents a modal class of 13/17 (76.47%) which was made up of (7/17 who strongly agreed and 6/17 who agreed) were in agreement that prior planning as a budgetary control technique influences positively on the profitability of Marsh Zim (Pvt) Ltd. This was supported by Golden (2012) who stated that prior planning as a budgetary control technique influences profitability as it ensures that resources for the budget are well organized so as to achieve the desired objectives of the plan thus positively impact on profitability. Acmed (2015) also supported that planning assist in making the firms objectives clearer and easy to achieve and therefore should be always in place for the organisation to perform at its highest level.

However, 4 out of 17 (3/17 who disagreed and 1/17 strongly disagreed) making a percentage response rate of 23.52% disagreed that prior planning as a budgetary control technique influences profitability in Marsh Zim (Pvt) Ltd. Luton (2012) supported that prior planning as budgetary control technique has a positive impact on profitability if only the plans are based on SMART criteria. Henrick and Noreen (2015) supported that prior planning is costly and time expensive and therefore should not be regarded as a profit making technique but rather a way to the smooth flow of activities in an organisation. The researcher concluded that (based on the respondents 13/17 (76.47%) who agreed) prior planning as a budgetary control technique influences positively on profitability.

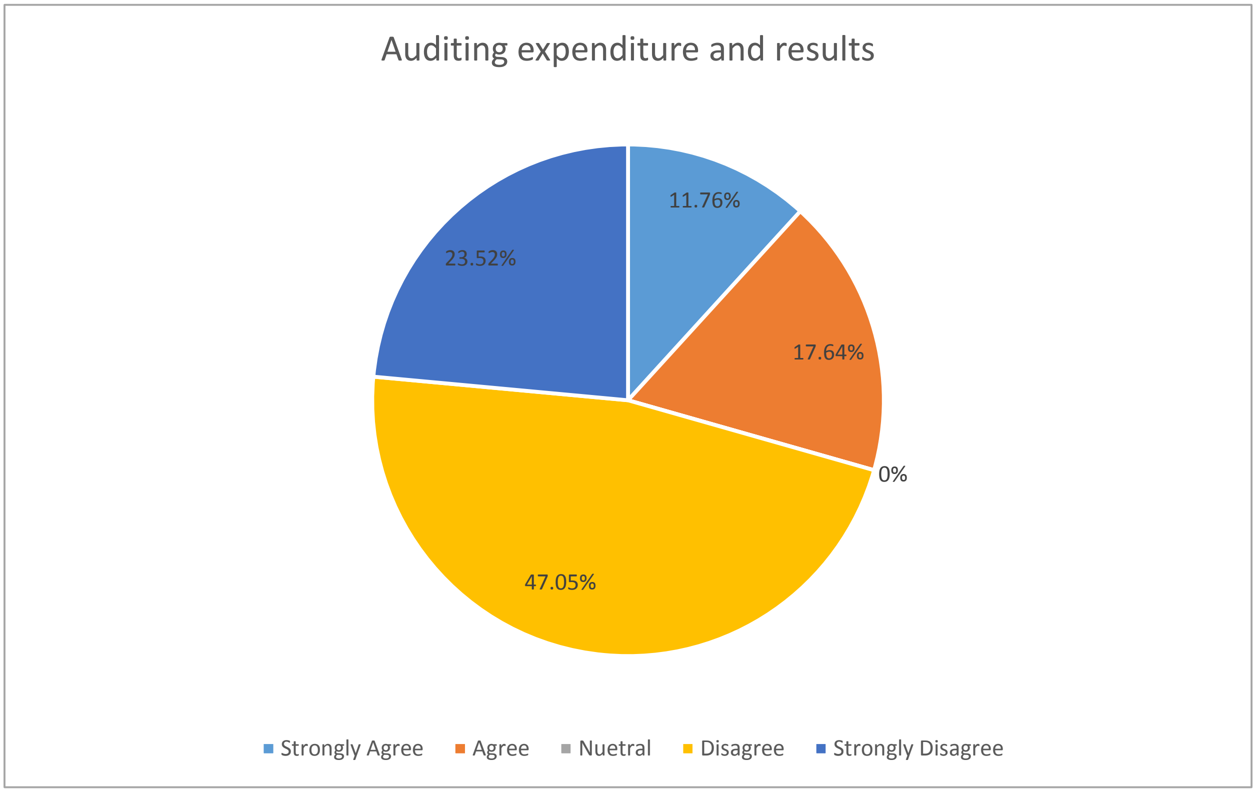
4.3.3 Auditing expenditure and results

The question was brought to the respondents in a bid to gain knowledge on whether auditing expenditure and results as a budgetary control technique influences profitability of the organisation. Below is the raw data obtained from the respondents.

Raw Data: Auditing expenditure and results

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	2	3	0	8	4

Fig 4.6 Responses on Auditing Expenditure as a budgetary control technique



The response shown in Fig 4.6 is that 2 out of 17 (11.76%) strongly agreed that auditing expenditure and results is an effective budgetary control technique in influencing profitability. Also 3 out of 17 (17.64%) also agreed to the matter in question. 0% were neutral as no one was certain on whether auditing expenditure and results as a budgetary control technique impact on profitability. From the respondents, 8 out 17 disagreed that auditing expenditure and results positively influence profitability. 4 out 17 also strongly disagreed to the issue. From the summation of (8/17 disagree and 4/17 strongly disagreed) a modal response of 70.58% response rate is achieved in which the respondents did not agree that auditing expenditure and results as a budgetary control technique positively impact profitability. This was also supported by Aguali (2012) who pointed out that there is a negative relationship between auditing of results and profitability since there will an increase in the company expense due to the cost of implementing the technique which include wages, labour and time.

However 5 out of 17 (2/17 strongly agree and 3/17 agree) making a modal response of 29.41% agreed that auditing expenditure and results as a budgetary control technique influences profitability. Vincent et al (2015) supported that auditing expenditure and results is of vital importance in the achievement of profits as it shows the flaws and errors which are occurring and the work that needs to be rerouted. Weston (2012) also supported that auditing expenditure have a direct impact on profitability because the process leads to clarity and clear paths of the budgeting process which then enhances profitability to the company. The researcher then came to a conclusion that auditing expenditure and results as a budgetary control technique has a negative impact on profitability of an organisation.

4.3.4 Direct supervision and observation

The intention of the question was to answer the question on whether the direct supervision and observation as a budgetary control technique influence profitability. The table 4.4 below shows the information collected from the respondents.

Table 4.4 Responses on supervision and observation in influencing profitability

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	7	6	2	2	0
%ge Response Rate	41.1%	35.3%	11.8%	11.8%	0%

From the Table 4.4 above 7 out of 17 making 41.1% strongly agreed that direct supervision and observation as a budgetary control technique positively impacts profitability. Also, 6 out of 17 agreed (35.3%) to the matter. 2 out of 17 were neutral (11.8%) as they were uncertain whether direct supervision and observation as a budgetary control influences profitability. Also 2 out of 17 disagreed (11.8%). Aggregate response rate of those that agreed made up to 76.5% (13/17) which is an indication that there is a positive relationship between direct supervision and observation as a budgetary control technique and profitability in Marsh Zim (Pvt) Ltd. Elis, Borely, Fiona (2013) supported that direct supervision and observation plays an important role in the company in ensuring that there is profitability due to focus and effective use of resources. Fowly (2012) also supported that direct supervision and observation positively impact on profitability as it entails that more is achieved in the field through tight supervision and therefore leading to better profit levels of the company..

The other 4 out of 15 (2/17 neutral and 2/17 disagree) include those that were uncertain and those that did not agree that direct supervision and observation as a budgetary control technique influences profitability in Marsh Zim (Pvt) Ltd. Loxy (2015) averred that direct supervision and observation cannot enhance profitability but rather assist in the coordination of various activities which might then lead to profit. Artinkson (2012) pointed out that close supervision and observations are demotivating and should not be applied on a regular base because the more workers becomes demotivated the more there is a decline in their working environment satisfaction thus losses are obtained. The researcher therefore used the study to come up to a conclusion that close supervision as a budgetary control technique enhance profitability based on the 76.5% modal response of those that agree.

4.4 The weaknesses of budgets and budgetary controls on profitability in Marsh

The researcher asked questions on the weaknesses of budgets and budgetary controls in influencing the profitability of Marsh Zim (Pvt) Ltd.

4.4.1 Budgets are rigid in influencing profitability

The question aim was to give an analysis on whether budgets are rigid and therefore influence the profitability of Marsh. The results are shown in the Figure 4.7 below.

Raw Data: **Rigidity on Profitability**

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	3	8	1	3	2

Fig 4.7 Rigidity on profitability

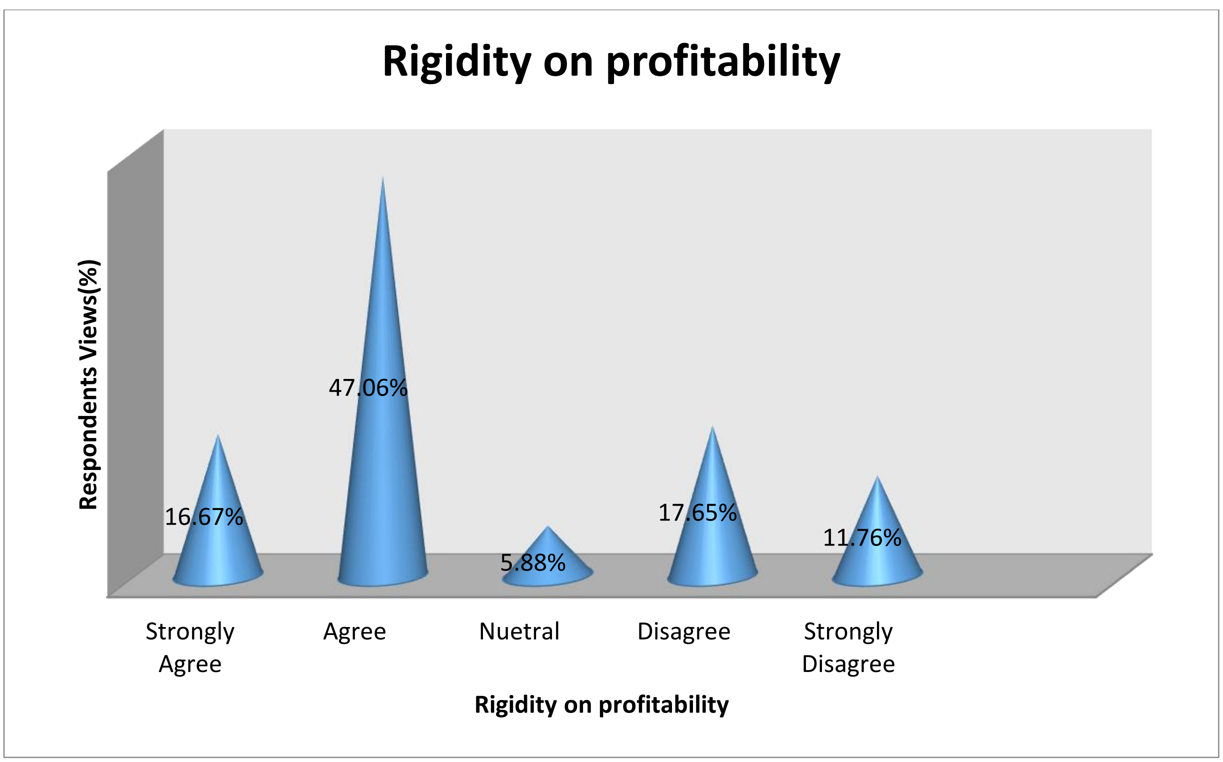


Fig 4.7 above shows that 2 out of 17 (11.76%) respondents strongly disagree that budgetary controls are rigid and negatively affect profitability. 17.64% (3 out of 18) also disagree, 5.80% (1 out of 17) respondent was uncertain whether budgets are rigid and negatively affect profitability. 47.05% (8 out of 17) respondents agreed that budgets are rigid and they negatively impact the organisation profitability. Also 17.64% (3 out of 17) strongly agreed that budgets are rigid and they negatively affect an organisation profit. In aggregate, modal response of 9 out of 17 (1/17 agreed and 8/17 strongly agreed) 52.94% agreed that budgetary controls are weak due to rigidity and they have negatively impact the profitability of Marsh Zim (Pvt) Ltd. Renya (2012) pointed out that rigidity of budgets strongly impact on profitability because they do not allow for changes even if they are aimed at increasing profit. Fortune (2015) was of the view that budgets negatively impacts profitability because of their rigidity which is mostly found in the process, managers are usually not able to buy time to reroute projects for them to meet the current situation and due to the inflexibility of the budgets the situation is left out thus leading to losses.

However 5 out of 17 (2/17 strongly disagreed and 3/18 disagreed) disagreed that budgets and budgetary controls are rigid and they negatively affect profitability in Marsh Zim (Pvt) Ltd. Floyd (2014) also supported the view that rigidity is not a big issue in determining profitability as it is easy to solve through teaching and improving skills of budget managers to deal with the inflexibility of the budget and therefore it is not a big case and therefore there is no relationship. Only 1 out of 17 (5.80%) was neutral as the researcher assumes that the respondent was uncertain of the answer to the question. The researcher discovered that budgets were rigid in Marsh and they greatly affected the performance of the organisation, the researcher concluded that rigidity is a budgetary control weaknesses as it was experienced in Marsh Zim (Pvt) Ltd.

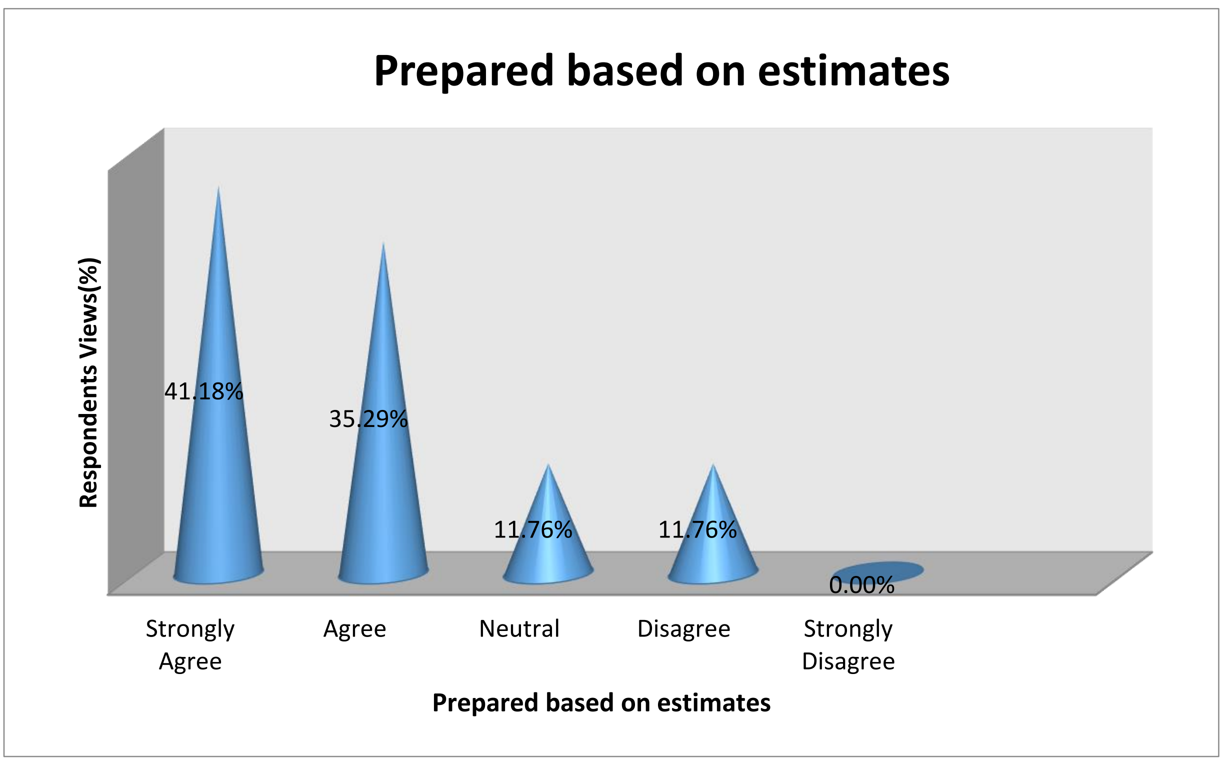
4.4.2 Prepared on the Basis of estimates

The main aim for the question was to find out whether budgets and budgetary controls are weak since they are prepared on the bases of estimates. Information obtained from the research is analyzed below. Below is the raw data that was obtained from the questionnaires response.

Raw Data: Prepared on the basis of Estimates

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	7	6	2	2	0

Fig 4.8 Responses on budgets being prepared based on estimates



The Fig 4.8 above shows that 7 out of 17 (41.18%) strongly agreed that budgets and budgetary controls are weak as they are prepared on the basis of estimates. Also 6 out of 17 (35.29%) also agreed. From the respondents 2 out of 17 were neutral with (11.76%). 2 out 17 (11.79%) disagreed to the question. The modal response rate shows that 13 out of 17 (7/17 strongly agreed and 6/17 agreed) making up 76.5% agreed that budgets and budgetary controls are weak due to the fact that they are prepared based on estimates and therefore they negatively affect the Marsh Zim (Pvt) Ltd profitability. Gary (2013) supported that budgets and budgetary controls are weak because estimates are usually linked with inaccuracy and therefore they always affect the profitability. Brown (2015) supported that estimates are never accurate and therefore leads to ineffective decisions which then affects profitability.

However, a modal response of 2 out of 15 were neutral, 2 out of 17 disagreed that budget, and budgetary controls are weak since they are based on estimates. Kumel (2012) averred that the preparation of budgets based on estimates is not a weakness but rather the estimates should just be analyzed and measured to be seen if they are realistic. Dennis and Linders (2013) was of the opinion that budgets should always be prepared based on estimates for the company to make profits. Dennis and Linders (2013) further stated that estimates must always have the power to motivate workers and the managers to reach and estimates must grow to become objectives for them to be profitable. The researcher therefore concluded that preparation of budgets based on estimates highly affects profitability and is regarded as one of the major weaknesses of budgetary control system.

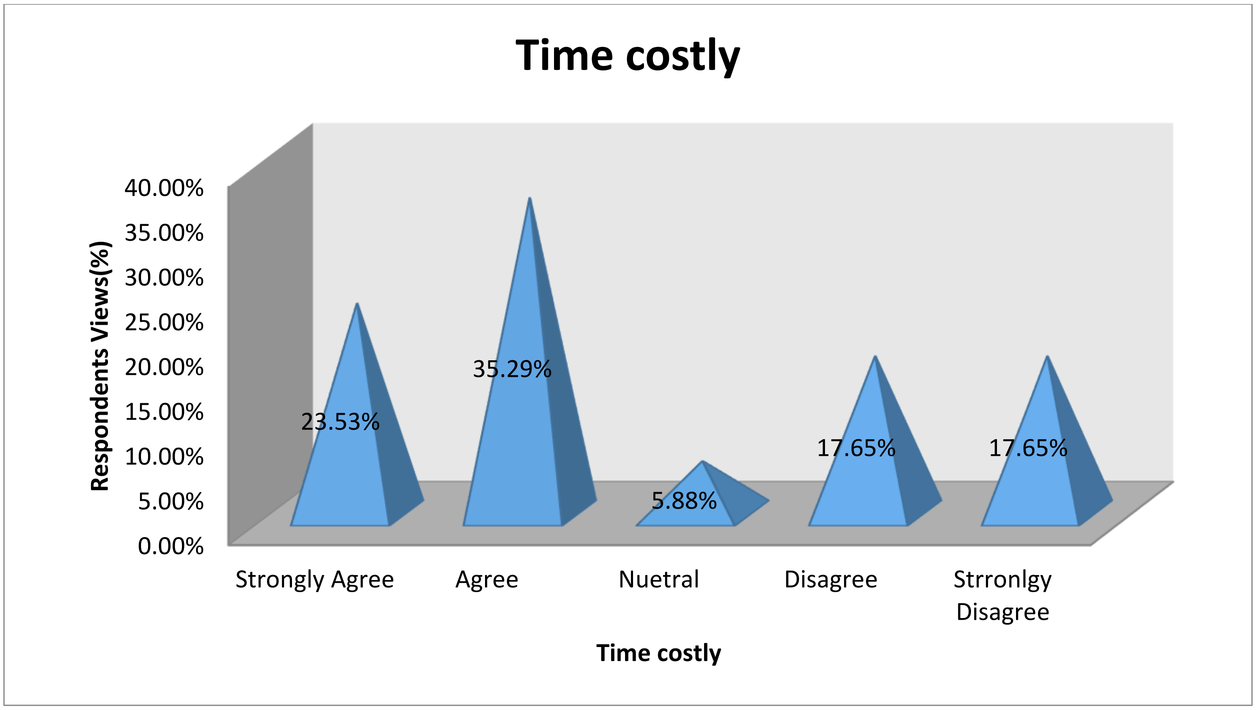
4.4.3 Budgets time costly and negatively affects profitability

The researcher structured the question to the respondents with an aim of obtaining information on whether budgets and budgetary controls are time costly. Below is the figure that illustrates responses from 17 respondents.

Raw Data: Time Costly

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	4	6	1	3	3

Fig 4.9 Responses on time costly in influencing profitability



The above Fig 4.9 shows the responses from questionnaires and 3 out of 17 (17.64%) respondents strongly disagree and 3 out of 17 (17.64%) respondents disagreed that budgets and budgetary controls are costly and they negatively impact profitability. Only 1 out of 17 (5.80%) respondent was uncertain whether budgets and budgetary controls are time costly and negatively impact on profitability. Whereas 4 out of 17 (23.52%) respondents strongly agreed and 6 out of 17 (35.29%) respondents agreed that budgets and budgetary controls are time costly and they negatively affect profitability. Also 4 out of 17(23.52%) respondents strongly agreed and 6 out of 17 (35.29%)

agreed through addition makes a modal responses of 10 out of 17 (58.82%) respondents who agreed that budgets and budgetary controls negatively affect profitability as they are costly in time to implement in Marsh Zim (Pvt) Ltd. This was supported by Grinstein (2015) who cited that for a company to achieve its desired profitability it must therefore be able to control the time it takes in the preparation of the budget thus increasing the profitability base. Kune (2014) also supported that time is the key factor for every company and should be managed effectively to get desired results and the therefore budgets negatively influence the company's profit.

Only 1 out of 17 respondents was uncertain whether budgets and budgetary negatively influence profitability due to them being time costly. Roxy (2012) supported that lack of budgetary control skills result in an organisation survey market unaware of the weakness of the budgetary control process. The other 6 out of 17 respondents (3/17 disagree and 3/17 strongly disagreed) disagree that budgets and budgetary controls are weak as they are time costly which then leads to a lower profitability. In support, Brown and Howard (2015) argued that budgets time lost always leads to panic and ineffective management of resources thus definitely leading to a lower level of an organisation profitability. The modal response of 10 out of 17 respondents that agreed brought the researcher to a conclusion budgets and budgetary controls are time costly and they negatively impacts on profitability.

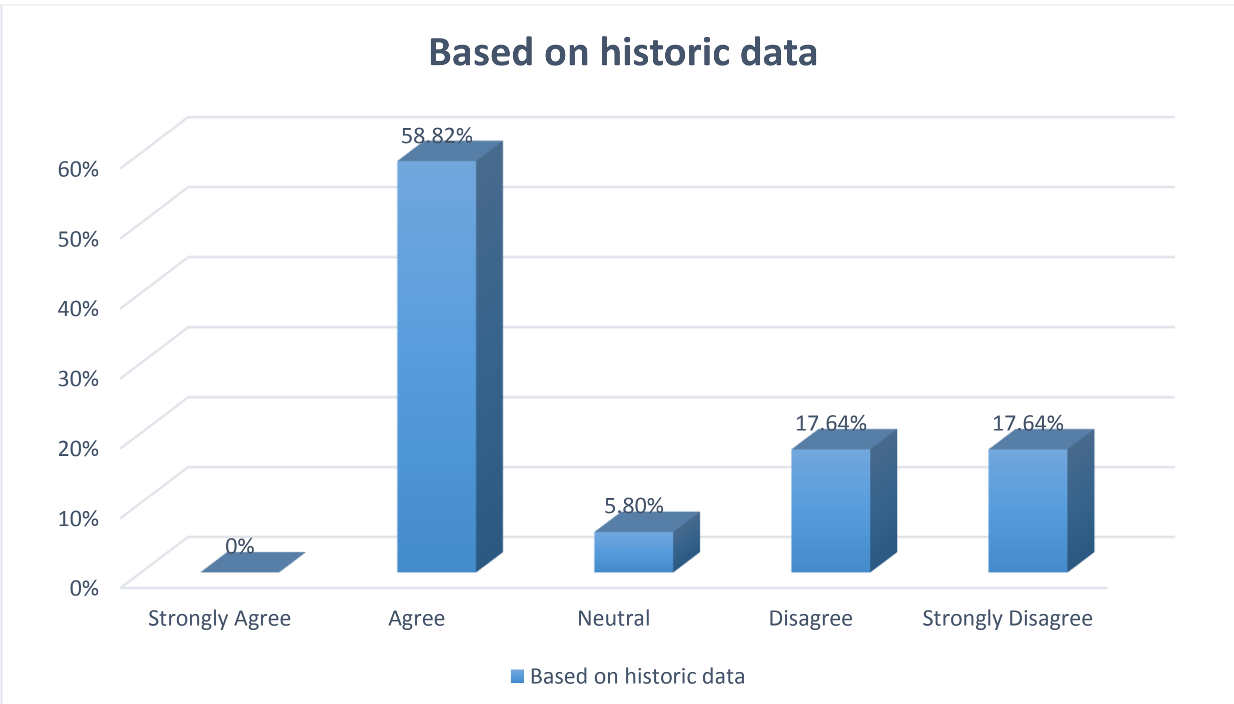
4.4.4 Budgets are weak as they are prepared based on historic data

On this question, the researchers aim was to obtain information on whether budgets and budgetary controls are weak as they are prepared based on historic data. Below is the figure that shows and illustrates responses from the 17 respondents.

Raw Data: Prepared based on Historic data

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	0	10	1	3	3

Fig 4.10 Responses on budgets being prepared based on historic data



Of the 17 questionnaires that were completed, 0 out of 17 (0%) respondents strongly agree and 10 out of 17 (58.82%) respondents agree that budgets and budgetary controls are prepared based on historic data and therefore they negatively influence profitability of the Marsh Zim (Pvt) Ltd. Only 1 out of 17 (5.80%) respondent was neutral, and on the other hand 3 out of 17 (17.64%) disagree that budgets and budgetary controls are weak as they are predicted and prepared based on historic data. The other 3 out of 17 (17.64%) respondents also strongly disagree to the same issue. In summation, the modal responses of 10 out of 17 respondents (0/17 strongly agreed and 10/17 agreed) where in agreement that budgets and budgetary controls are weak because they are prepared based on the historic data in Marsh Zim (Pvt) Ltd. In support of this, Ben (2014) averred that historic data can be misleading if it was prepared not in accordance with the requirements of GAAP and or IFRS. This will distort the current information and or prediction that will be made in the budget and therefore budgets should not be prepared using historic data to achieve the high profitability levels. Delroy (2012) was in support and pointed out that historic data may not be wise enough to use as conditions, which would have existed during the historic period, may not match with the current period conditions and therefore may lead the firm to obtain negative results from the inefficiency of the budget thus low profitability.

1 out of 17 (5.80%) respondent was uncertain about historic data weakness in preparing budgets and budgetary controls thus leading to low profitability. Ukechukwu (2015) supported that historic data depends on how the company uses the budget it in the preparation of budgets and therefore there is no certainty as to what respondents will conclude regard the situation. Aggregately, 6 out of 17 respondents (3/17 disagree and 3/17 strongly disagree) disagree that budgets and budgetary controls are weak since they are prepared based on historic data which do have an influence on profitability of Marsh Zim (Pvt) Ltd. Donald (2015) stated that historic data is the best information that an organisation can use to make effective and accurate predictions as well as estimates for the budget. Mollin (2012) sited that historic data have an impact on profitability because it is a road map and a starting point for every decision that has to be undertaken. The researcher therefore concluded that budgets and budgetary controls are ineffective in affecting profitability because they are prepared based on historic data.

4.4.5 Budgets are uncertain and they negatively affect profitability

The question objective was to assess whether budgets and budgetary controls ineffectively influences profitability due to uncertainty in Marsh Zim (Pvt) Ltd. The table below shows the results from the questionnaires that were distributed by the researcher to conduct a research.

Table 4.5 Responses on the uncertainty of budgets in influencing profitability

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	4	7	2	4	0
%ge Response Rate	23.52%	41.17%	11.76%	23.52%	0%

The Table 4.5 above depicts that, 4 out of 17 (23.52%) respondents strongly agree and 7 out of 17 (41.17%) respondents agree that budgets and budgetary controls negatively affects profitability since there is uncertainty. 2 out of 15 (11.76%) respondents were neutral thus uncertain on whether uncertainty affects profitability. Also 4 out of 17 (23.52%) respondents disagreed whilst 0 out of 17 (0%) respondents strongly disagree that uncertainty affects profitability. In aggregate, the modal response of 11 out of 17 respondents (4/17 strongly agreed and 7/17 agreed) agrees that uncertainty has a negative impact on profitability of Marsh Zim (Pvt) Ltd as it affected the profitability during the budget period. Melsy (2012) states that when a company operates with uncertainties and without clear information as to where it is going it always lead to low profitability.

The 2 out of 17 (11.76%) of respondents were uncertain on whether uncertainty has a negative impact on profitability since there was no indication of losses in Marsh Zim (Pvt) Ltd as a result of uncertainty. Kumel (2012) supported that information asymmetry is the one that leads to the accuracy of whether certainty will be guaranteed or not. The other 4 out of 17 of the respondents disagreed that uncertainty leads to lower profitability and they argued that each year the company operates normally despite the uncertainties brought in by budgetary process. In support of this, Kolem (2013) averred that uncertainty does not always leads to low profitability, as there are other factors that can be implemented to curb for the losses that can be occurred in an organisation. The researcher then used the mode of responses to arrive to a conclusion that Marsh Zim (Pvt) Ltd is facing a decline in profitability due to uncertainties brought in by the budgetary process as witnessed in Marsh Zim (Pvt) Ltd.

4.5 Factors that improve the budgetary control process in influencing profitability

The researcher asked questions on factors that improve the budgetary control process in order to increase the profitability of an organisation. Following is the information, which was obtained from respondents and presented below.

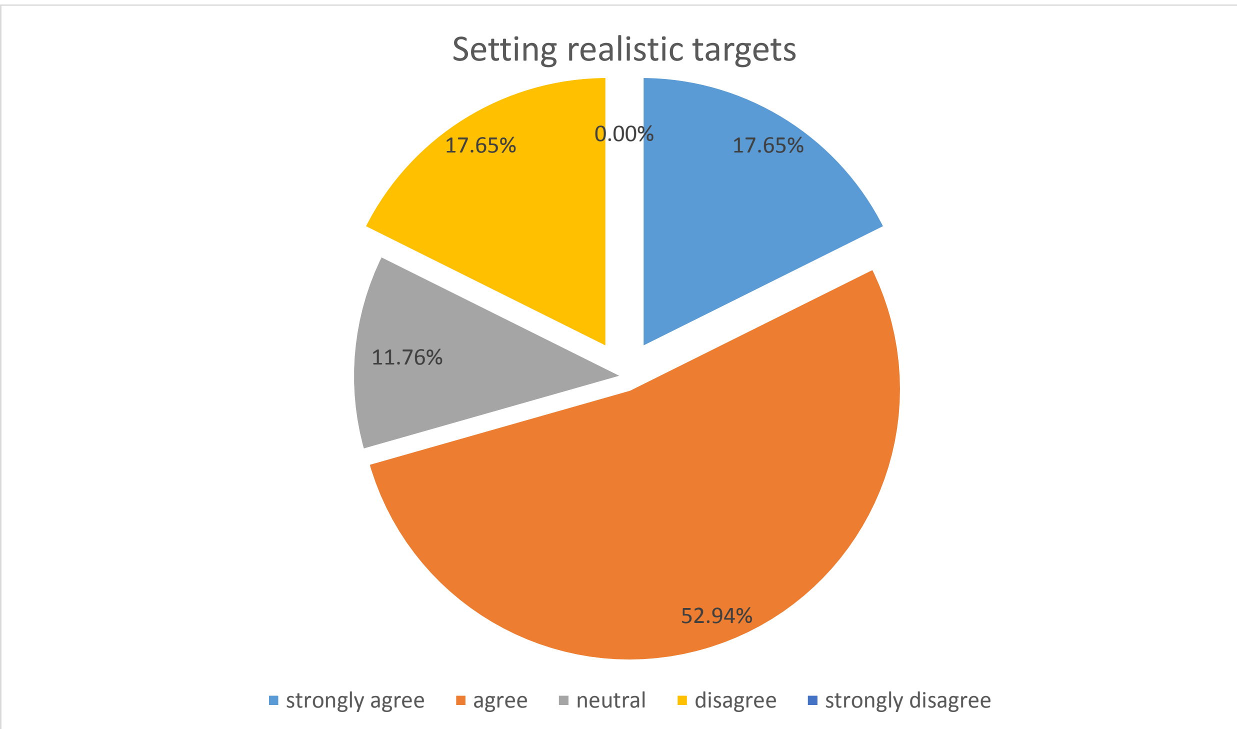
4.5.1 Setting of Realistic targets

On this question, the researchers aim was to obtain information on whether budgets and budgetary controls can be improved through setting realistic targets to improve profitability. The Figure 4.11 below illustrates responses from the 17 respondents.

Raw Data: Setting of realistic targets

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	3	9	2	3	0

Fig 4.11 Responses on setting realistic targets as a way of improving the budgetary process



From the Fig 4.11 above, 3 out of 17 (17.64%) respondents strongly agreed and 9 out of 17 (52.94%) respondents agreed that setting realistic targets on budgets improves the budgetary control process to achieve profitability. 2 out of 17 (11.76%) respondents were uncertain on whether setting realistic targets improves the budgetary process. Whereas 3 out of 17 (17.64%) respondents disagreed that realistic targets improves the budgetary control process in increasing profitability. In aggregate, 12 out of 17 respondents (3/17 strongly agreed and 9/17 agreed) agreed that realistic targets leads to an improvement in the budgetary control process thus meeting higher levels of profits. According to information available at www.marsh.co.zw, The Chairman of Marsh Zim (Pvt) Ltd, Tazvitya (2012), stated that that realistic goals has assisted the organisation in the past years as the targets were achievable and motivated workers to work even harder. Sharks and August (2013) also supported that realistic targets helps in meeting objectives as it is the easy way of tackling the activities of the organisation thus meeting the objectives of an organisation.

2 out of 17 (11.76%) respondents were uncertain whether setting of realistic targets in the budgetary control process plays a role in profitability of Marsh Zim (Pvt) Ltd, these respondents were from the other department from another branch who did not have the chance and opportunity to evaluate the budgets and the profitability. This was also supported by Moses et al (2013) who pointed out that realistic timeliness did not add any value to the organisation. Only 3 out of 17 (17.64%) from the total respondents disagreed that setting of realistic targets improves the budgetary control process, the accounts controller in Marsh Zim (Pvt) Ltd specified that there was a decline in the improvement of the budgetary process even though there was a realistic target approach. Gunholy (2012) supported that efficiency in the budgetary controls is enhanced when there are real time goals on which the management and the workers can devote to. The modal response of 12 out of 17 (9/12 strongly agree and 3/12 agreed) agreed that setting of realistic targets have a positive impact on the profitability of an organisation. Due to the research modal responses of 12 out of 17 of the respondents that agreed, the researcher concluded that setting of realistic targets improves the budgetary process

4.5.2 Technology advancement

The researchers aim on this question was to gather information on whether budgets and budgetary controls can be improved through technology advancement so as to improve profitability. The Figure 4.12 below shows the responses from the (17) respondents.

Raw Data: Technology advancement

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	2	3	1	9	2

Fig 4.12 Responses on technology advancement as a way to improve the budgetary process

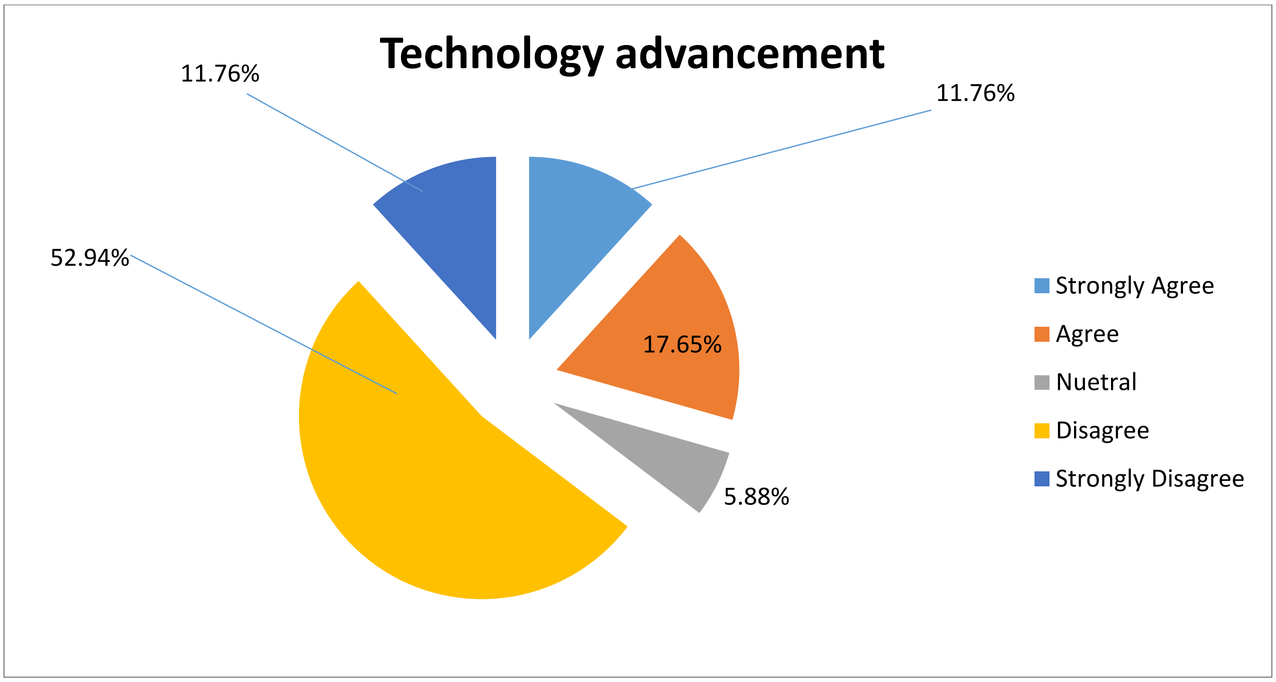


Figure 4.12 depicts that 2 out of 17 (11.76%) respondents strongly agreed and 3 out of 17 (17.64%) respondents agreed that technology advancement has a positive impact on the budgetary controls so as to improve profitability. 1 out of 17 (5.80%) respondents was uncertain whether technology advancement leads to an improvement in the budgetary process thus impacting profitability. Whereas 9 out of 17 (52.94%) respondents disagreed and 2 out of 17 (17.64%) respondents strongly disagreed that technology advancement positively affect profitability through an improvement in the budgetary process within Marsh Zim (Pvt) Ltd. The modal response of 5 out

of 17 (2/17 strongly agreed and 3/17 respondents agree) agreed that technology advancement improve the budgetary control process and therefore it has an effect on profitability of Marsh Zim (Pvt) Ltd. In support, Acknoles and Schacter (2014) supported that information technology in the company easy and speeds up the budget process thus impacting the profitability of the company.

The modal responses were 11 out of 17 respondents (9/17 disagreed and 2/17 strongly disagreed) disagreed that technology advancement improves budgetary control process and therefore impacts on the profitability of Marsh Zim (Pvt) Ltd. For instance, Marsh Zim (Pvt) Ltd management argued that advancement in technology improves the budgetary process but however there was an increase in costs and this affected the profitability base of the organisation. Loxy (2015) and Rolay (2013) supports that technology advancement do not always lead to profitability as the benefit accrues to the company in the long run and not in the short run thus losses are obtained in the short run. The researcher concluded that information technology advancement does not increase the profitability of the company through improvement of the budgetary control process as witnessed by the modal respondents.

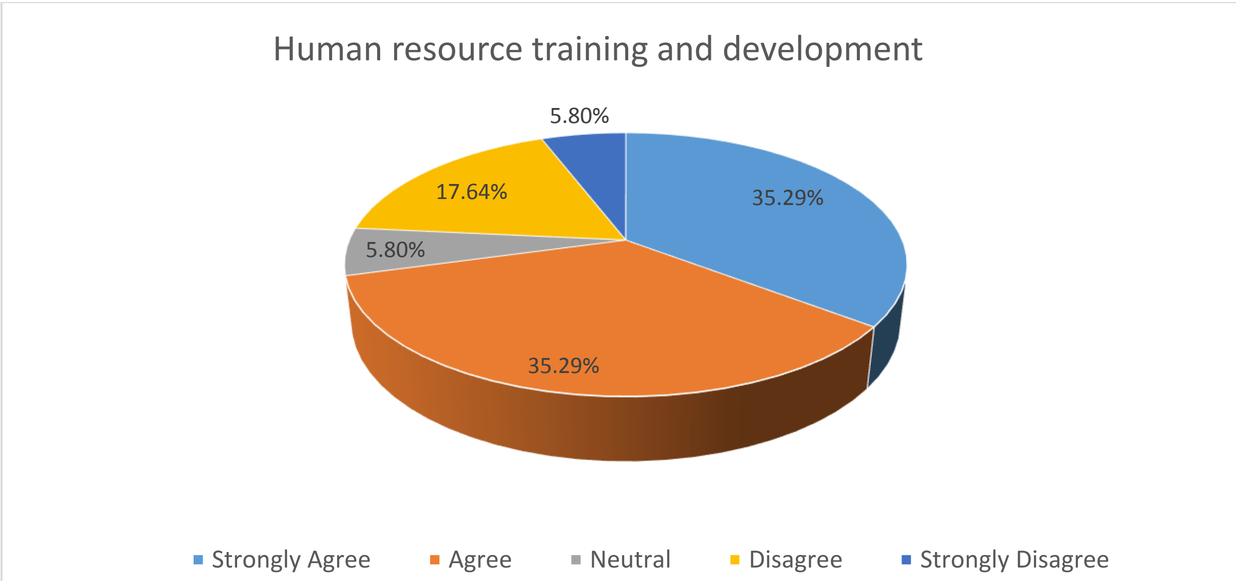
4.5.3 Human resource training and development

The intention of the question was to assess on whether budgets and budgetary controls can be improved through human resource training and development. Figure 4.13 below is a depiction of the results obtained from the questionnaires that were distributed by the researcher.

Raw Data: Human resource training and development

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	6	6	1	3	1

Fig 4.13 Responses on human resource training and development as a way of improving the budgetary process



6 out of 17 (35.29%) respondents strongly agreed and 6 out of 17 (35.29%) respondents also agreed that human resource training and development improves the budgetary control process and therefore leads to an increase in profitability. 1 out of 17 (5.80%) respondents was not certain whether human resource training and development as a way of improving budgetary process to increase profitability. The other 3 out of17 (17.64%) respondents disagreed and 1 out of 17 (5.80%) strongly disagreed that budgets and budgetary controls can be improved by training and development of workers thus improving profitability. In addition, 12 out of 17 respondents (6/17 strongly agree and 6/17 agree) agreed that human resource training and development improves the budgetary control process and profitability. The human resource manager articulates that training and development of staff has improved the budgetary control process and this led to the improvement of profitability in Marsh Zim (Pvt) Ltd for the years 2013 to 2015. Choga et al (2013)

and Elliot (2013) also supported that improvement in the training and development of workers has a direct impact on the operation of the company and therefore leads to better profitability.

1 out of 17 (5.80%) respondents were not certain whether the improvement in budgetary controls is enhanced by human resource training and development, the human resource manager stated that since there was no change in the budgetary process, a change in the profitability was insignificant. Kune (2014) who discovered that there is a positive relationship between human resource training and profitability supported this. In aggregate, 4 out of 17 respondents (3/17 disagreed and 1/17 strongly disagreed) disagreed that human resource training and development impacts on profitability due to the improvement in the budget process. Kune (2014) stated that due to the conditions existing in Zimbabwe, an increase in training and human resource development affects profitability even the budgetary process has been improved. In support, Metty (2015) state that improvement in the human resource training require more finance and is too costly and negatively affects profitability especially in countries with low rate of investments. The mode of responses is 12 out of 17 (60%) respondents agreed and therefore the researcher used the information to draw a conclusion. The researcher therefore concluded that human resource training and development leads to profitability as it improves the budgetary control process.

4.5.4 Forecasting reports on budgets

The researcher structured the question in order to assess whether forecasting reports on budgets as a way of improving budgets and budgetary controls ensures profitability in Marsh Zim (Pvt) Ltd. Below is the raw data obtained from the questionnaires that were distributed by the researcher on a research goal followed by Figure 4.14.

Raw Data: Forecasting reports on budgets

	Strongly agree	Agree	Neutral	Disagree	Strongly Disagree
No. of Respondents	4	10	0	3	0

Fig 4.14 Responses on forecasting reports on Budgets to improve budgetary process

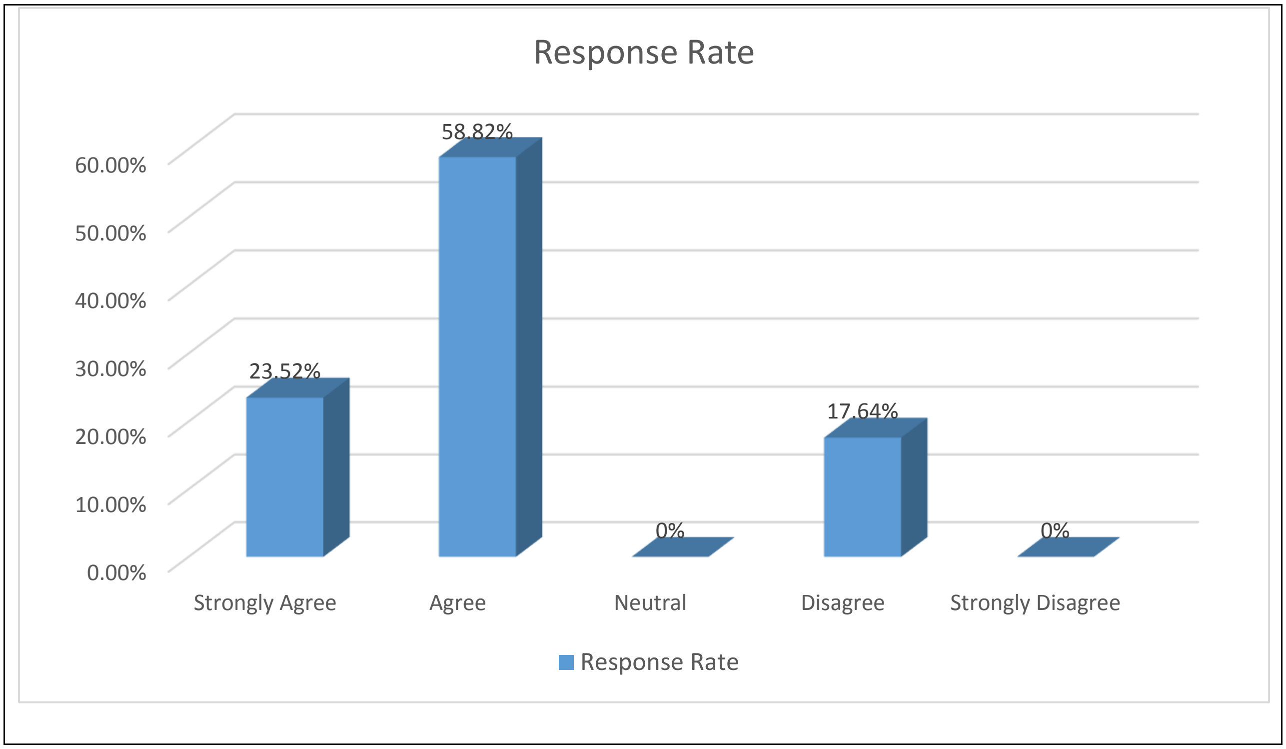


Fig 4.14 above indicates that 4 out of 17 (23.52%) strongly agree and 10 out of 17 (58.82%) agreed that forecasting on budgets helps in improving the budgetary control process as well as leading to higher profitability. 0 out of 17 (0%) were neutral and 3 out of 17 (17.64%) disagreed that forecasting as a way of improving budgets can lead to profitability in Marsh Zim (Pvt) Ltd. In aggregate, 14 out of 17 respondents (4/17 strongly agreed and 10/17 agreed) agreed that forecasting on budgets is an effective way of improving budgets as well as profitability. Moses et

al. (2013), Alleta et al (2012) and Brown and Howard (2015) support that forecasting on budgets is an effective way of improving the budgetary process as it ensures that all the process are done in line with the budgets process. Stones (2013) was of the opinion that the management must just make sure that budget forecasts are accurate to avoid losses since forecasting approach assist in budgetary process and in improving profitability.

From the respondents, none of them was uncertain and Hamilton (2013), who posted that forecasting, as a way of improving budgetary process may not improve the profitability of the company, supported this. The other 3/17 (17.64%) of respondents disagree, the respondents argued that forecasting is not guaranteed for success as most forecast are inaccurate and they usually lead the company astray and thus they should not be regarded as budget control measures for profitability. The researcher concluded that forecasting, as a way of improving budgetary control will lead to profitability basing on the modal responses of 14/17 who agreed.

4.6 Interview Responses

The researcher designed the interview guide questions for the sample that was highlighted in chapter 3, which consisted the 4 clusters that is the finance manager, the marketing manager, the human resource manager and the accounts controller. Of the four interviews scheduled, only three interviews were successfully held as the accounts controller was not available.

4.6.1 Question 1. What are the impacts of budgeting and budgetary controls on Marsh's profit?

Respondent 1

The respondent reviewed that the major cause of reduction in the profitability is ineffective budget and budgetary controls whereby the management fails to comply with the budget terms. The interviewee further states that, budgets were not able to reduce the costs faced at Marsh for the past few years as there were inaccurate predictions in terms of cost management. This point was supported in literature review by Lorraine (2012) who pointed out that inaccurate predictions have a negative effect on the efficiency of budgets and therefore budgets should be accurately predicted in terms of expenditure for an organisation effectively manage its costs. The respondent further state that the company profitability was reduced and the company is facing challenges in attaining its organizational goals and one of the major reason being ineffective budgetary controls. This was also supported in literature review by Brown (2015) who postulates that budget and budgetary controls positively impact the profitability of an organisation through attainment of organisation goals and the ineffectiveness of budgets impacts the profitability of the organisation. The respondent further state it is because of ineffective budgetary control that Marsh profits declined.

Dennis and Linders (2013) supports that budgetary controls are effective in affecting profitability because they improves the coordination and the coordination of various activities. In support, Dennis and Linders (2013) averred that organisation should get hold of the budgetary control system as it allows for greater competitive advantage for the company against other rivals as they have the opportunity to minimize costs and deal with risks.

Respondent 2

The respondent pointed out that budgets have also highly impacted on Marsh's revenue, as there were many changes to the positive despite the harsh economic environment that is being experienced in Zimbabwe, the company was able to make revenue that was noticed ever since the budgets have been implemented in Marsh. The respondent further state that, the revenue was as a result of coordination of various activities in an organisation brought in through budgetary controls. Kune (2014) who stated that coordination of various activities give room to managers to fully coordinate activities and resources from different departments in order to attain profits supported this in literature review. The respondent further state that budgets are sometimes affected by the inexperienced and less knowledge of workers in the running of budgetary controls and this therefore have affected the operations of the budget process and led to poor performance of the organisation. The respondent further mentioned that due to inexperienced staff, the budgetary control was ineffective and it affected the performance of Marsh, Acknoles and Schacter (2014) who postulate that inexperienced staff have a great impact on the budget process and therefore training supported this in literature review and staff development is an essential requirement before the implementation of the budget.

Respondent 3

The respondent mentioned that the training of workers is important and the inexperience workers negatively affect the budgetary control process, the responded further supported that training on how to run budgets plays an important role in ensuring the achievement of profits, as losses were lower than of the previous years. This was in agreement with Fig 4.12 on the response of questionnaires where the respondents arguably agreed that human resource training should be increased so that budgets will impact Marsh profits. Dennis and Linders (2013) also supported it in literature review and pointed out that human resource training affects budgets in a positive way if workers are well trained and possess the expertise of the process.

From the above respondents from interview conducted on the impacts of budgets and budgetary controls on profitability, respondents pointed out that, the impacts of budgets and budgetary control on profitability include cost effectiveness, coordination of various activities, attainment of organizational goals and evaluation of performance. Respondents also noted that budgetary control are mainly affected by lack of experience of staff in running the budget process. From the questionnaires, questions were asked in line with the impacts of budgets and budgetary controls on profitability, respondents noted in the same line that budgets to be effective should be processed with experienced workers and budget managers to come up with the profit requited after budget process. The researcher concluded that budgets and budgetary controls had greater impact on the profitability of Marsh Zim (Pvt) Ltd.

4.6.2 Question 2. What are the budgetary control techniques that Marsh used to influences the profitability?

Respondent 1

The respondent reviewed that in Marsh Zim (Pvt) Ltd, one of the major causes of a reduction in profitability is budgetary control technique. The interviewee also states that, although there are some several issues which determines the level of profits for the company which may include economic and political factors, budgetary control techniques are very much important in determining the profit level of the organisation. Respondent also state that, budgetary control techniques are an important factor of the budgetary processes since they determine whether the company will achieve its objectives or not. The responded cited that there are various strategies that are being implemented by Marsh Zim (Pvt) Ltd. The respondent then mentioned that Marsh team has used the goal setting technique as the budgetary control technique in order to influence the profitability. The responded further stated that goal setting technique is a budgetary control technique that's has been implemented at Marsh and it has influenced profitability for the organisation over the past years as it proven to be the most reliable budgetary control technique. This is supported in literature review by Denvor (2012) who state that an interrelationship exists between the goal setting as a budgetary control technique and profitability of an organisation. In addition, Ellis (2013) posted that budgets and budgetary controls are an essential tool for companies in order to make profits.

Respondent 2

Respondent pointed out that prior planning as a budgetary control technique is important as it leads to profitability in the organisation. The respondent further supported that prior planning leads to clear vision and coordination between managers and the subordinates as the plan will be clear to every worker and each department. The respondent also mentioned that Marsh Zim(Pvt) Ltd has been using the prior planning technique for the past few years and it was of essence in the budgetary process. Stones (2013) supported this in literature review that prior planning technique is an effective budgetary control technique because it ensures that budgets are achieved and profitability is enhanced due to the direction it provides to the company. In addition, Ellis (2013) cited that prior planning is important as it assist managers in resources allocation since planning is a guideline for all the process which take place. Also this was also in agreement with the questionnaires response (Fig 4.5), respondents agreed that prior planning as a budgetary control technique positively influence the profitability of Marsh Zim (Pvt) Ltd.

Respondent 3

The third respondent was not sure of the budgetary control techniques that were implemented in Marsh Zim (Pvt) Ltd as most of the budgetary control process were done mostly on a centralized basis. Some managers were only devoted for their duties and no other duties, which gave some managers the room to relax and never engage themselves in the budgetary process. However, the researcher concluded that the budgetary controls techniques, which were being used at Marsh, are effective and they added up to the improvement of the profitability of the organisation.

From the above responses, the interviewee has pointed out that, the budgetary controls that were used at Marsh were prior planning, goal setting and direct supervision. From the questionnaires that were administered, respondents pointed out that, the budgetary control techniques mentioned latter are implemented at Marsh Zim (Pvt) Ltd although they were not effectively conducted. Respondents also pointed out that there is a positive relationship between budgetary control techniques and profitability. Costa (2012) pointed out that, once budgetary controls are implemented it leads to profitability since the budgetary controls are the ones that determines whether the budget process is going to be effective.

4.6.3 Question 3. What are the weaknesses of budgetary process in influencing Marsh's Profitability?

Interviewee stated out that, the profitability of Marsh was compromised, as budgets were not performing as expected. The respondent mentioned that budgets and budgetary controls are rigid as they are not easily altered or changed at any given time. It takes time for budgets to be changed or to meet the current situation. In support, Moses et al (2015) discovered that budgets are inflexible and they are not easy to implement, a firm can face challenges to rectify some problems on the budgets. Also Vincent et al (2015) in literature review supported that budget rigidity has a negative impact on the profitability of the organisation, as it do not allow flexibility of decisions as well as initiatives. The respondent also pointed out that, budgets are weak as they are prepared based on estimates. The respondent further cited that since budgets are prepared based on estimates, there might be inaccurate predictions on the estimates thus giving an untrue view of the budget process. It was supported in literature by Lorraine (2012) who posted that prediction or estimates carries an untrue view of the budget. Also Florie (2012) supported that the basis of estimates is an inaccurate strategy on budget and it lead the company astray thus low profitability will be enhanced.

Respondent 2

The respondent was of the view that budgets are ineffective as they take time to be implemented and require finances for them to be effectively managed. The respondent also further mentioned that budgets which were prepared in Marsh Zim (Pvt) Ltd led the company to experience a lower profit as costs associated with the budget were far much higher than the returns that were supposed to be collected from the budget. Loxay (2015) who postulate that budgets are costly and they take time for them to be implemented supported this in literature review. Loxay (2015) further mentioned that budgets are time costly and expensive to run thus they have a great impact on the profitability of an organisation and therefore much emphasis should be placed to reduce the costs. In agreement with this, the respondents from the questionnaires also agreed with the interviewees in Fig 4.8 where they strongly agreed that budgets are time costly hence, they negatively affect the profitability of Marsh Zim (Pvt) Ltd.

Respondent 3

The respondent mentioned that budgets in Marsh were weak since they were prepared based on historic data and this affected the company performance. The responded cited that this was because some of the data that was used to prepare the budget was distorted and therefore it led the company astray. Historic data was used as a measurement technique comparing data from previous years with the current information; this then affected the budget since the previous data was not accurate. This was supported in literature review by Mesy (2012) who sated that budget prepared based on historic data lead to low profits since the data maybe affected in the previous year and thus the data should be accurate so as to be used in the future. Also Alpha and Allan (2014) supported that historic data is sometimes ineffective to use as budgetary information unless the historic data has been tested for reliability and validity by the management.

In conclusion, the above interview responds provides that, budgets are rigid, they are weak since they are prepared based on historic data and budget are weak as they are prepared based on estimates which might be inaccurate. From the administered questionnaire, the respondents agreed that, budgets are weak because of rigidity and much emphasis must be placed before they are brought to use, budgets are also weak since they do not show the true and fair view of the future prospects of the company and therefore predictions must be accurate in order to rely on the budgets. The respondent agreed that there must be proper forecast sheets and resources to remove the risk of inaccurate predictions. Hellen (2015) who posted that profitability to be achieved budgets should be prepared with accurate predictions as well as use of undistorted historic information seconded this.

4.6.4 Question 4. What ways that can be used to improve the budgetary process so as to maximize profits?

Respondent 1

The respondent pointed out that, budgets should be prepared based on SMART criteria, that is, budgets should be specific, measurable, attainable, and realistic and time bound. The respondent also stated that the smart criteria is important in achieving the profitability since budgets are prepared based on the above factors, which are more significant in determining profitability. The respondent mentioned that Marsh should focus on setting realistic objectives. The respondent further stated that the budgets should be SMART to meet the objectives of the company. Lee

(2015) who posted that budgets prepared based on SMART criteria are easily attainable and effective supported this in literature. The responded therefore argued that for Marsh to improve its profitability base it must therefore prepare its budget on a SMART criteria. The respondent mentioned that realistic targets have influenced the profitability of Marsh

Respondent 2 and 3

The other two respondents brought more of the same responses and they pointed out that budgetary process could be improved using information technology and the technology advancement technique. The respondents pointed that this will speed up the budgetary process as well as the accuracy of figures since the process is done electronically not manually. Roxy (2015) supported this in literature that technology advancement is a better way of improving the budgetary process since it encompass electronic use of calculations as well as software's. The respondents also posted that there is need for human resource training so that the budgetary process is improved. The respondents further stated that improvement in the budgetary process can be done through the use of forecast which is accurate and suggestion was given that trainings on accurate forecast should be done. This was also supported in literature by Ellin (2013) who posted that forecast are important as they lead to profitability of the organisation. The respondents also mentioned that budget improvements can be done through the use of software packages which are modern and this packages enhance improvements in the performance of the budgetary process thus profitability.

In conclusion, the respondents provide that budgets can be improved through technology advancement, human resource training, setting of realistic targets and accurate forecast. The interviewees agreed with the questionnaires where the respondents agreed that budgets can be improved using the technology advancement technique and the human resources training method.

Billy (2012) further supported that technological advancement lead to better improvements in the budget controls and thus better profitability. The researcher conclude that the budgetary controls could be improved by applying the ways cited by the respondents above to improve the company's profitability.

4.7 Summary

This chapter focused on the presentation and data analysis. The researcher in this chapter analyzed primary data, and the primary data was obtained through the use of questionnaires and interviews. The researcher used tables, graphs, pie charts and descriptive summaries for analysis and presentation. The next chapter will be conclusion and recommendations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the researcher gave conclusions, recommendations and summary on the analysis on the impacts of budgets and budgetary control on the profitability of Marsh Zim Pvt Ltd. These recommendations were based on the information that was gathered and the findings made during the research. The chapter looked into the major findings of the overall research as well as recommendation and suggestions that can be used to address the problem.

5.1 Summary of chapters

The research was mainly focused on the impacts of budgets and budgetary controls on the profitability of an organisation. The objective of the study was to find out whether budgets and budgetary controls impact the profitability of an organisation. In the first chapter, the researcher introduced the study and the problem statement was outlined. The convergence and divergence of authors on the impacts of budgets and budgetary controls were shown in the first chapter. The researcher also explained the problem that existed at Marsh Zim (Pvt) Ltd that brought out the essence of the research and evidence of the problem from the company. Also the research questions and research objectives included the impacts of budgets, the weakness of budgetary controls as well as the ways in which budgetary controls can be improved. The assumptions regarding the study and the delimitations and limitations of the study were explained in the first chapter.

The second chapter (Chapter two) was on literature review that gives theoretical evidence on the area understudy and it provides literature which was useful to the research questions. Godwin (2015) asserts that, the relationship between budgetary controls and profitability is important since it influences the company financial position and the quality performance of an organisation. Linly (2014) pointed out that; the success of budgetary controls is measured by the profitability or the performance of the organization. Tony (2012) states that, poor implementation of budgetary control techniques result in lack of coordination and motivation in the employees thus leading to lower levels of profits. Moses et al (2015) postulate that training and development of budget managers is essential as it assist managers in implementing the budget and therefore gives the company the greater room for profitability. Artinkson (2012) stated that budgets are rigid since they are prepared based on historic data (which might not be accurate), therefore budgets give a negative opinion on whether they can be trusted in influencing the profitability of the company. According to Ellin (2014), budgets should be realistic and should be set on a SMART criteria basis to achieve the profitability base, which is fair enough to keep the firm competitive. Choga et al (2013) supported that; there should be prior planning in the preparation of budgets to make the process effective. Planning technique should be implemented before the goals are set; managers should set realistic goals for budgets, as this will speed up the process as well as improving the budgetary process.

The third chapter explained research methodology used in research understudy, highlighting research design, which was descriptive research design through qualitative approach. The researcher took note of the targeted population and sampling method. The researcher went on to use the stratified random sampling, as it was reliable and valid for the research to be effectively undertaken. The researcher selected a sample size of 40 respondents from various departments in Marsh and stratified random sampling method was used to select the respondents. Interviews and questionnaires were used to collect primary data.

The fourth chapter focused on the presentation and analysis of research findings. The research findings were obtained using research methodology described in the third chapter. Twenty three (23) questionnaires were sent and seventeen (17) were returned completed from the targeted population. From the 4 scheduled interviews, only one (1) was missed and the three (3) were conducted successfully on the company premises. The researcher used tables, graphs, pie charts to present and analyze the gathered data.

5.2 Major Research Findings

The budgets and budgetary control did not create value to the company by improving the profitability of Marsh Zim (Pvt) Ltd. A significant increase in the profitability was not experienced in Marsh Zim (Pvt) Ltd. The organisation is failing to achieve a higher level of profit required and the profits forecasted are not the ones obtained at the end of the budget period. Due to the failure of producing the desired financial results,the company operation and shareholders' value has been affected. This brought the researcher to conclude that budgets and budgetary controls were not suitable in creating a favorable profit in Marsh Zim (Pvt) Ltd.

Marsh Zimbabwe is facing low levels of profits due to the ineffectiveness of budgets. From the questionnaires that the researcher sent, budgets were found to be rigid, time costly and since they are prepared based on estimates and historic data, the researcher concluded that these factors had negative impact on the profitability of Marsh Zim (Pvt) Ltd as there was no increase on profitability. Also on the question whether budgets impacts profitability, the respondents agreed that budgets and budgetary controls have an influence on the profitability of Marsh Zim (Pvt) Ltd as noted in the responses. Respondents agreed that budgets entails cost effectiveness, coordination of various activities, attainment of organizational goals and evaluation of performance. Budgets influence profitability; however, it was noted that the factors mentioned were not realistic as they were not experienced in Marsh Zim (Pvt) Ltd. Respondents also agreed that budgetary controls has negatively affected the profitability of the company from period 2013-2015 as the budgets were rigid, prepared on the basis of estimates, prepared based on historic data, time costly and uncertainty and the researcher noted that the profitability of Marsh Zim (Pvt) Ltd has been affected because of this factors. The budgetary control techniques, which include goal setting, prior planning, forecasting, auditing expenditure and results and direct supervision, carried a positive response as the majority agreed that they have an impact on profitability of Marsh Zim (Pvt) Ltd. However, despite the impacts of budgets on profitability, Marsh Zim (Pvt) Ltd continued to experience losses, and despite the application of budgetary control techniques the profits continued to fall as the benefits that budgets and budgetary controls bring were outweighed by the weaknesses of budgets.

From 2013 to 2015 profitability fall and there was no improvements that were significant on the performance of Marsh Zim (Pvt) Ltd following the implementation of budgets and budgetary control, rather a deterioration was experienced.

5.3 Recommendations

Since budgets were implemented and no change was considered on the profitability of Marsh Zim (Pvt) Ltd, in an effort to improve the budgets and budgetary controls of Marsh the following were taken into considerations.

- ❖ **Use of budget software**

Marsh Zim (Pvt) Ltd should adopt the use of budget software, which integrate a number of operations in different departments so that they will be coordinated properly reducing the time spent in budget preparation since they will be automated. Marsh must also engage its staff in a continuous training program and recruit staff, which is adequately qualified for the use of budget software in a bid to improve the quality results which will in turn improve profitability. The use of budget software will be ideal in a developing country and lead to profits in an organisation operating in an unstable economy.

- **Marsh can adopt flexible budgetary controls**

The budgetary controls that were being used by the organisation were rigid and the use of flexible budgetary control can be ideal. The world is changing and dynamic shifts are taking place in the economy and budgets should be prepared in a way that incorporates and allows for changes. The budgets that Marsh can prepare should also be time bound. Artinkson (2012) cited that flexible budgets are easy way of dealing with uncertainties and they are desirable in a fast changing environment like developing countries as they can be altered and refocused to the new environment. Marsh Zim (Pvt) Ltd should adopt flexible budgets to improve the budgetary control system.

- **Adoption of forecast, in-depth variance analysis and strategic management**

Marsh Zim (Pvt) Ltd should adopt sound budgetary control techniques, which encompass forecast, strategic management and an in-depth report of variance analysis. Elliot (2013) cited that in-depth variance analysis and strategic management complement with the budgetary process and therefore an important technique to achieve profitability. Elliot (2013) also supported that this will make every departmental manager to be accountable for the department cost to remove chances of budget slacking and manipulation of figures. Through strategic management, every significant variance must be explained and justified. The budget process could be reviewed continually so that changes will be taken account of.

- ❖ **Creation of an effective organogram**

Marsh Zimbabwe Private Limited should continually invest in improving budgets and budgetary process to improve the overall performance. This can be met by creating an efficient organisational structure (clarifying positions and duties), promote transparency and interdepartmental relationships, recruiting qualified employees, investing in employees as well by training them, boundary spanning and controlling environmental resources.

- ❖ **Combination of budgets and beyond budgeting**

If Marsh Zimbabwe Private Limited is to divert to other forms of planning in the future the best option that they can adopt is to use a combination of budgets and beyond budgeting techniques. This will help them to move away from the current structure of budgeting in an effective way.

5.4 Summary

This chapter summarizes the contents from previous chapters, and the conclusion that was obtained from research findings. The research identified the major impacts of budgets and budgetary controls on the profitability of Marsh Zim (Pvt) Ltd. The study was well carried out and the respondents made the research more valuable and reliable to the situation being faced by Marsh Zim (Pvt) Ltd. The study showed that the organisation lost its profitability base even though budgets and budgetary controls were available. The research suggested solutions to the problem understudy through providing recommendations, which are necessary to the problem.

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APPENDIX 1

MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

To whom it may concern:

This letter serves to certify that Tafadzwa Lennon Chihururu [Student Number R136580P] is a final year student in the department of Accounting at the Midlands State University. He is carrying a research entitled **"An analysis of the impact of budgets and budgetary controls on profitability of an Organisation. A case study of Marsh Zimbabwe Pvt Ltd."**

May you kindly assist him carry out this project by answering the following questions. The research is purely for academic purposes and therefore the results will be treated confidentially and professionally.

Thank you

Organisational Representative Signature

…………………………………………

Organisation Stamp

APPENDIX II

Questionnaires

Dear Respondent

My name is Tafadzwa Lennon Chihururu, an undergraduate doing Bachelor of commerce Accounting Honors Degree at Midlands State University (MSU). I am carrying on a research on the impacts of Budgets and Budgetary Controls on Profitability using Marsh Zim (Pvt) Ltd as a case study in fulfillment of my degree program. It is with great pleasure that I involve you in my research and hear your views as well as your opinions. Information will only be used for academic purposes and confidentiality is guaranteed.

Instructions

1. Do not indicate your name.

2. Tick in the relevant box of your choice for your response.

3. Give your opinion in the blank space below where applicable.

Questions

1. The following are the impacts of Budgets and budgetary control on Profitability

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a.It is an efficient tool for costs effectiveness					
b. Ensures coordination of activities.					

c. It ensures attainment of organizational goals					
d. it facilitates evaluation of performance					
e. It facilitates proper utilization of resources and wastages are minimsation.					

2. The following are the budgetary control techniques that influence profitability

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Goal Setting					
b. Prior Planning					
c. Auditing expenditure and results					
d. Direct supervision and observation					

3. Below factors are weaknesses of Budgetary Control Process that influence Profitability

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Rigidity					

b. Prepared on the basis of Estimates					
c. Time Costly					
d. Based on Historic Data					
e. Uncertainty					

4. Do the following factors improve budgetary control process to achieve Profitability?

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Realistic Timeliness					
b. Setting of targets that are realistic					
c. Technology Advancement					
d. Human resources training and development					
e. Forecasting and reports on budgets.					

APPENDIX III

Interview Guide

Interview questions for Marsh Zim (Pvt) Ltd

- What are the impacts of budgeting and budgetary control on Marsh’s profits?
- What are the budgetary control techniques that influences the company’s profitability?
- What are the weaknesses of budgetary process in influencing Marsh’s Profitability?
- What ways could be implemented to improve the budgetary process and control in maximizing profits?