MIDLANDS STATE UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

AN ASSESSMENT OF THE IMPACTS OF BUDGETS AND BUDGETARY CONTROLS ON THE PROFITABILITY OF AN ORGANISATION. A CASE STUDY OF ZIMBABWE SPRING STEEL (PVT) LTD T/A LOAD AGROPOWER

BY

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APPROVAL FORM

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DEDICATION

This dissertation is dedicated to Mr and Mrs Z. Gwiza, my parents and also my niece, Precious Tiffany Mugariwa. The fear of disappointing them has and will continue to be my greatest motivation.

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ABSTRACT

The aim of this study was to assess the impact of budgets and budgetary controls on the profitability of an entity operating in an unstable economy, using a case study of Zimbabwe Spring Steel (Pvt) Ltd t/a Load Agropower. The study was based on the period from 2015 to 2017 which was majorly characterized by economic instability. Load agropower experienced a decrease in its profitability growth rate in spite of the existence of a budget system and this prompted the researcher to seek an in-depth insight on the impact of budgets on profitability in light of such economic shocks. The researcher made use of questionnaires and interviews to collect qualitative data about the opinions and attitudes of employees and management at Load Agropower regarding budgets and budgetary controls. The researcher found that budgets and budgetary controls contribute positively to operational efficiency through coordination, planning, motivation and accountability. However, the effect on profitability is indirect and in the case of Load Agropower, it has been compromised by poor communication, obsolete technics, use of historic data and estimates and failure by workers to understand and interpret the budgets adequately. To add on, the budget system was not sufficiently flexible to combat the negative effects of the dynamic nature of the economy during the period under study. After analysing the results attained, the researcher came up with recommendations for Load Agropower which include; the adoption of budget software, adoption of forecasting techniques and human resources training and development in order to improve the efficiency of the budgets and budgetary controls.

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CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter serves to set out the area under study, which was the impact of budgets and budgetary controls on profitability. It includes a discussion of previous work done by other researchers in this area. Key information from the area under study, which is Zimbabwe Spring Steel t/a Load Agropower will also highlighted. Key terms are defined at the end of this chapter.

1.1 Background of the study

Noko (2017) asserted that for a business to attain profitability, there is need to plan its actions taking into considerations the limitations and the objectives of the business and to achieve this, budgeting and budgetary controls become indispensable. This view was shared by other American based researchers namely, Secrett (2015), Joshua and Mohammed (2013) Linley, (2014), Kolem (2013) Liyon, (2013) and Ken (2014) Sawabe (2015) and Losay (2013) who stated that if budgets and budgetary controls are properly and adequately executed, they can improve the profitability of an entity. Also, Harelimana (2017) carried out a research in Switzerland and established what was described as a solid positive relationship between budgets and profitability. However, Otley (2016), Derfuss (2015), and Tonly (2015) are of the contrary opinion that budgets have a negative impact on profitability because they promote rigidity and deter an entity from reacting promptly to its dynamic environment. Lavel (2015) and Rolay (2013) remained indifferent, stating that budgets are a mere piece of paper than is irrelevant unless acted upon. These researches were carried out in developed countries, hence they did not sufficiently bring out the impact of budgeting on profitability in entities facing unstable economic conditions. This research is going to focus the impact of budgets and budgetary control on profitability, focusing on an entity trading in an unstable economy, that is, an economy subjected to frequent financial crises.

Load Agropower, a company located in Zimbabwe produces and imports farm machinery for resale. The company maintains a budget and budgetary control system as one of its management tools. During the period from 2015 to 2017, the company has been affected by the economic instability which prevailed in Zimbabwe. The following information pertains to the financial statements of Load Agropower for the years 2015 to 2017.

Table 1:1 schedule of Load Agropower's budgeted and actual revenue and expenditure for the years 2015-2017.

YEAR	2015 BUDGETED	2015 ACTUAL	2016 BUDGETED	2016 ACTUAL	2017 BUDGETED	2017 ACTUAL
INCOME (US$)	1 300 000	1 299 630	1 402 050	1 528 202	2 167 627	1 357 391
EXPENDITURE (US$)	900 550	1 084 875	1 040 184	1 105 905	1 200 068	895 152
PROFIT/LOSS (US$)	399 450	214 755	361 866	422 297	361 866	462 239

(Source): Load Agropower Financial Statements and reports from 2015 to 2017.

According to Table 1:1, in the year 2016 the actual profit figure was 97% more than the profit recorded in the previous year of 2015. Moreover, within 2016 the company reported 8% more income that was expected in the budget, expenditure was 6% more than the budgeted amount and profit was 17% more than budgeted. This positive variance in profit was caused by favourable exchange rate differences (Statement of Comprehensive Income Trend Analysis 2016). The company recorded exchange rate gains totalling up to $ 3 758 in 2016. Load Agropower imports most of its inventory from the neighbouring South Africa and during the late months of 2016, the South African Rand was depreciating against the US Dollar, which was the main currency of Zimbabwe, Bhoola, (2016). This led to decreased cost of sales which resulted in improved profitability, Load Agropower: Statement of Comprehensive Income, 2016. The exchange rate differences were an unpremeditated factor as they did not exist when the 2016 budget was drafted. This supports the view of Kuwel, (2012) that a budget does not have any impact on profitability as it does not cater for unforeseen external factors which may have a direct impact on the financial performance of an entity.

Table 1:1 also shows that the year 2017 was characterized by a decrease of income and expenditure by 37% and 25% respectively from the budgeted figures. Actual profit was 28% more than the budgeted amount but there was only a 9.5% increase from the previous year's profit; which is a crippled increase as compared to the 97% profit increase from 2015 to 2016, Load Agropower Financial Reports (2017). This was caused by the liquidity crunch which set in during the early months of 2017 and slowed down trading, Load Agropower: Executive Review, 2017. This phenomena is explained by Beardshaw (2001) who explains that during liquidity crunch, consumers reduce their consumption and hold on to their money. Despite the existence of budgets and budgetary controls, the company succumbed to the negative effects of the liquidity crunch and profitability grew at a much reduced rate; which begs the question of the impact of budgets and budgetary controls on the profitability of entities operating in an unstable economy.

To add on, the introduction of bond notes led to reduced trade since the company purchases most of its inventory from South Africa whilst the use of bond notes remained limited within the borders of Zimbabwe, Load Agropower: Accounts Commentary (2017). All these external, unforeseen economic bends seem to have compromised the clarity of the impact of budgets and budgetary controls on profitability. Therefore, the researcher seeks to investigate the impact of budgets and budgetary controls on the profitability of entities trading in an unstable economy.

1.2 Statement of the problem

Load Agropower experienced macroeconomic hardships during the period from 2015 to 2016 which saw the company's profit growth rate falling by a staggering 87.2% (from 97% to 9.5%). This was in spite of the existence of a budgetary system and the phenomena brought into question, the impact of budgets and budgetary controls on profitability during unstable economic conditions. This research seeks therefore, to investigate the impact that budgets and budgetary controls have had on the profitability of Load Agropower during the period from 2015 to 2017.

1.3 Main research question

What is the impact of budgets and budgetary controls on profitability? The case of Zimbabwe Spring Steel (Pvt) Ltd t/a Load Agropower, 2015- 2017.

1.4 Research objectives

- To investigate the impact of budgets and budgetary controls on profitability.
- To identify weaknesses of the budget and budgetary control systems at Load Agropower in influencing profitability
- To find methods that can be implemented to improve the effectiveness of budgets and budgetary controls in improving profitability in an unstable economy.
- To suggest to Load Agropower, budgeting and budgetary control techniques that they can implement in order to influence profitability

1.5 Research questions

- ❖ What is the impact of budgets and budgetary controls on profitability?
- ❖ What are the weaknesses of the budget and budgetary control system at Load Agropower?
- ❖ What methods can be implemented to improve the effectiveness of budgets and budgetary controls in improving profitability in an unstable economy?
- ❖ What budgeting and budgetary control techniques can be implemented by Load Agropower in order to influence profitability?

1.6 Delimitations of the study

This research will assess the impact of budgets and budgetary control on profitability and the content is limited to one organization only, which is Load Agropower. It is confined to the years 2015 to 2017 and based on conditions which existed during that period in Zimbabwe only. The opinions which will be expressed in this research are limited to the employees and management of Agropower who were chosen as respondents to participate during the collection of raw data.

1.7 Limitations of the study

Information obtained from financial statements is not 100% accurate due to the use of estimates but all assumptions and judgements made were guided by international standards. This means that the research outcome shall be reliable and will not mislead the reader.

Furthermore, the information used was not primarily gathered for the purpose of this research. However, great caution was taken in order to sample out information that was relevant to the persuit of this research, hence the research outcome was not compromised in terms of reliability and validity.

1.8 Assumptions of the study

This research assumes that Load Agropower represents, reasonably, all entities that are trading in an unstable economic environment and that their budgets and and financial statements are fairly presented and free from error. This means that the results from this research may be used to adequately explain the impact of budgets and budgetary controls on the profitability of other entities similar to Load Agropower which operate under the same conditions as those that prevailed in Zimbabwe from 2015 to 2017.

The researches also assumes that the time and resources needed to carry out this research will be adequate and this means that the quality and thoroughness of the research shall not be compromised hence the outcome will be reliable.

1.9 Definition of key terms

- **Budget- '**a financial or qualitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective. It may include income, expenditure and employment of capital.' **(**CIMA, cited in Noko, (2017)
- **Budgetary control-'** the establishment of budgets relating the responsibilities of executives to the requirements of a policy and the continual comparison of actual to budgeted results, either to secure by individual action the objectives of that policy or to provide a basis for its revision.**'**(CHARTERED INSTITUTE OF MANGEMENT ACCOUNTANTS)
- **Profitability- '**the ability of an entity to generate excess revenue after settling all expenses incurred in order to earn that revenue. Keramidou et al '(2013).

1.10 Summary

This chapter expressed the various opinions of scholars who researched on the impact of budgets and budgetary controls on the profitability of an entity. It also highlighted that most researches were done in reasonably stable economies and that the researcher seeks to assess this phenomena in an unstable economy. Information of the entity under study, Load Agropower, has been introduced. The next chapter will be on literature review which will give an insight on the previous researches which were carried out on the topic under study, focusing on each of the objectives of this research.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter looked into the previous work done by other researchers in relation to the objectives of this research. The researcher broke down and explained the objectives while giving the opinions established in previous researches and putting the objectives in the context of Load Agropower.

2.1 To investigate the impact of budgets and budgetary controls on profitability at Load Agropower.

2.1.1 Cost control / financial discipline

The execution of budgets and budgetary controls is an important part of expenditure control and financial resources management and accountability. It is a form of enforcing financial discipline amongst management and the employees of an organization, (Lucy, cited in Bento and White 2015). The budgeted expenditure serves as the basis on which actual expenditure will be appraised for either justification or condemnation, that is, an actual expenditure that has severely diverged from budgeted expenditure will bring to question those who are charged with accountability towards the expenditure. Budgeting reduces impulsive expending and unplanned over-expenditure in an organization, and this enables the organization to improve its profitability Linly, (2014), Ken (2014). A well-defined and predetermined expenditure budget allows the management to have ample time to decide on the lowest possible cost structure that can be adhered to in achieving the objectives of the business during the budget period, of which, the bottom-line would be profitability, Gareth (2015), Lavel (2015). This view is supported by Kolem (2013), Noko (2017) and Harelimana (2017) who are also of the view that a lack of a budgeted expenditure schedule will most likely lead to ineffective expenditure patterns and ultimately compromise the profitability of an organization.

However, there are also studies by Tonly (2015), Kuwel (2012) and Otley (2016) showed that budgeting can only control costs in as far as variable and semi-variable costs are concerned. Fixed costs will be incurred at any level of output, as long as the organization is operating, Abdullar (2013), Siyanbola (2013), Chenhall and Moers (2015). This research seeks to investigate the impact of the budget system at Load Agropower on financial discipline and the controlling of costs within the various business departments.

2.1.2 Optimum utilization of resources

Wants are endless while resources are scarce and there is always a tendency to either waste or underutilize the available resources by the human factor involved in the production of goods and services, Noko (2017). Budgeting allows an organization to make optimum use of resources by putting into perspective the objectives of the organization and the possible courses of action; in comparison with the available resources Harelimana (2017). A budget shows the resources that are available in the organization or resource that can be attained against the desired organizational goals and this allows management to draft an action plan which brings the best use out of the resources and also brings out the highest level of achievement towards the objectives of the organization. This view is shared by Ken (2014), Kolem (2013) and Losay (2013) who support that budgets and budgetary controls help in minimizing wastage and misuse of resources in an organization. Budgetary controls also allow management to identify areas in which resources are being wasted, abused or under-utilized. An analysis of variances will reveal inefficiencies that occur in each department and this will assist management in identifying areas which need close supervision in order to avoid unproductive use of scarce resources, Onduso, 2014. Phillips and Costa, 2015 added that most decision makers in organizations struggle with striking a balance between costs, benefits and the risk associated with attaining the benefits. To aid in making this decision, budget review records will provide a future reference which will be useful in determining the best combination of business units to be prioritized, based on the amount of returns that they have earned in the past in relation to the amount of resources that were invested in those units.

However, due to budgetary bureaucracy, it is difficult to come up with a budget that both management and the workforce will agree upon and where this necessary mutual support towards the budget does not exist, the corporate goal of profitability cannot be achieved, Siyanbola 2013.The researchers had different and contrasting views, hence the researcher sought to investigate further into this phenomena in the context of Load Agropower.

2.1.3 Focus on organization’s goals

A mere 7% of employees today are completely aware of the business strategies of the companies they work for, and what is expected of them in order to realise the corporate objectives, Kaplan and Norton (2013). Employees represent both an organizations biggest line expense as well as its biggest asset, which means that if the employees are not fully aware of their role in the organization, they will not perform at their fullest capacity, hence profitability cannot be achieved at its fullest potential, Derfuss (2015). Budgeting is a key managerial tool which is used to lay down the objectives of an organization and bringing employees on board through clarifying the role that each department and each individual has to play in order to achieve those goals, Assey (2014).

A budget provides the entity with the direction that it needs so that all departments are able to carry out their prescribed duties and have a clear vision of where they fit into the bigger picture, which is the overall goals of the entity, Noko (2017). This view is supported by other researchers such as Kolem (2013) and Liyon (2013) who brought about the idea that a budget is the monetarization of an entity's ideologies, meaning that, it is all the ideas that an organization seeks to persuade, expressed in monetary terms. Haustein et al (2014) stressed that having all departments focused on common organizational goals will create a sense of belonging amongst the members of the organization and this improves motivation and morale. Haustein went on to argue that a motivated workforce will in turn improve the profitability of an organization since all human resources will be channelled towards achieving the profitability objective. Rolay (2013), Losay (2013) and Ken (2014) also supported this view, adding that a budget acts as a guideline that keeps the entity in sync with its strategic plan, and allows an organization to operating in a dynamic environment without losing sight of its objectives.

However, the effectiveness of budgets in improving profitability becomes discredited or compromised when the budget information is used in a manner that does not recognise its limits, Otley (2016). Otley argued that, rigid adherence to the goals that are set at the beginning of the budget period, without implementing changes that may be deemed necessary due to the dynamic nature of the business environment will have a negative impact on the profitability of an organization. In light of these contrasting previous research findings, the researcher sought to further investigate how budgets affect corporate goal alignment and the overall profitability of the organization.

2.1.4 Integration and Coordination of an organization's departments and activities

Budgets play a coordinating role across the departments within an organization; Barrett and Fraser, (2013) wrote that a budget coordinates the activities of an organization in two ways. Firstly, in a large entity the budgeting process becomes decentralized and each departmental manager formulates a budget for their segment and as the budgets are passed up to higher management, all the incompatibilities that exist among the planned courses of action will be revised and resolved to create a consolidated action plan. For instance, the planned expenditure of the procurement department has to accommodate the budgeted output of the production department since the resources needed in production are a direct input from procurement department. The second means in which budgets coordinate activities occurs when the budget is already at implementation stage, if each business unit or departments meet all its budgeted objectives the coordination will not be lost. However, if, as is mostly common, the operating conditions change and the budget is not met by all the business department the knowledge which was initially acquired on the economic and financial interdependency and interrelationship of the departments will come in handy in devising a revised action plan.

Barsky (2013), Lakew and Rao (2014) and Cools et al (2017) in their researches stated that budgets enable an organization to keep all its departments and all of its actions in sync with each other. The researchers agreed that when an organization becomes large, there is a risk that operations will deviate from each other and inter-departmental communication will be distorted and this may lead to unnecessary duplication of resources and efforts, Linly (2014), Liyon (2013), which in turn lead to losses or deceased profitability.More researches by other scholars went on to emphasize that budgets bring together all the activities of an organization stipulating each department’s objectives and how they feed into the overall objectives of the organization for the given budget period, Ken (2014), Kolem (2013) and Gareth (2015). This clarity allows management to know what resources are needed and in which area of the organization they are needed, Rolay (2013).

However, researchers such as Kuwel (2012) and Lavel (2015) expressed that budgets may actually do the exact opposite of coordinating an organization’s department by causing a rift amongst departments. This divergence occurs when departmental managers assume a competitive spirit which arises when they are faced with budgeted targets for each separate department Paz et al (2014), Jacobs et al (2015). Departmental managers will end up competing for a pat on the back, Siyanbola 2014. Researchers came out with varying views on whether budgets help to coordinate an entity's activities and ultimately improve profitability. In this research, the author sought to investigate whether budgets and budgetary controls are useful in keeping all departments of an organization in sync with each other, hence improve its profitability.

2.2 To identify budgetary control techniques that improve profitability

2.2.1 Performance evaluation

Management uses budgets as a controlling tool to ensure that an organization's activities are in conformity with its overall objectives and this is achieved by making regular comparisons between the actual outcomes and the budgeted outcomes and formulating corrective measures for those items that would have deviated, Al- Harman et al 2013. A manager's performance is often appraised using their ability to meet the revenue target of the budget within the expenditure constraints of that budget, Al-Harmana et al (2013). Researchers such as Stammerjohan et al (2015), Secrett (2013) and Sawabe (2015) stressed that motivation amongst workers is a key driver of profitability as each worker will focus on and execute their role towards attaining the corporate goals of the entity.

Budgets and budgetary controls provide employees with the motivation that comes from knowing that they have a target to meet at the end of a given period, Joshua and Mohammed (2013), Derfuss (2015). To add on, a budget allows the employees to feel that they are involved in the plans that management is making and this instils a sense of belonging amongst the employees. Ryan and Wentzel (2015) and Otley (2016) also supported that an organization becomes profitable when its workforce is on board with the plans that are made by the high ranking management officials. Performance evaluation brings about accountability and compels employees to avoid negative appraisal results and aim to be more competent and profitable, Noko (2017), Harelimana (2017). Employees will not slack, knowing that their work output will be scrutinized.

However, Otley (2014), was of the opinion that the performance evaluation function of budgetary controls is somewhat discredited by the function of collective accountability. Budget systems that operate in organizations where there is sequential interdependency amongst departments will not be able to evaluate the performance of one department without paying regard to what occurred in all the other departments; but the budget system purports to do so and this leads to dysfunctional and unreliable evaluation outcomes, Hopwood (2014). The researcher sought to examine how performance evaluation affect profitability at Load Agropower.

2.2.2 Variance analyses

Variance analysis is when management carries out a quantitative investigation on the differences between actual and budgeted behaviour, Noko (2017). When actual outcomes have diverged from the planned outcomes, variance analysis will enable management to pinpoint the exact sources of the variances Harelimana (2017). The analysis also allows management to identify projects that are not lucrative and give management a chance to cut losses by putting an end to those loss making projects, Linly (2014), Liyon (2013) and Kolem (2013); this enhances the profitability of the organization since resources will only be channelled towards profit-generating projects. Other researchers such as Ryan and Wentzel (2015), Joshua and Mohammed (2013) and Sawabe (2015) were also of the similar opinion that variance analyses allow the management to stay ahead of the operations since the results from the analyses can be used to drafts estimates on how a certain project will eventually yield.

However, Dacey (2016), Porporato (2013) and Tonly (2015) were of the opinion that variance analysis is focused only on quantitative outcomes whilst profitability is a product of both quantitative and qualitative factors. Much as variance analysis is an imperative element of management, it cannot, on its own, enhance profitability as it is only effected after the fact, Lavel (2015), Kuwel (2013). Variance analysis is only carried out after the positive or negative deviations have already occurred; it is a reactive practice reactive rather than proactive and therefore, it is limited in its ability to improve profitability. This research aimed to investigate this phenomena in the context of Load Agropower.

2.2.3 Communication

The budgetary control process aids in keeping line of communication open between management and other employes in an organization, Olalekan and Tajudeen (2013), Linly (2014) and Liyon (2013). Management are able to stay informed about the operations and receive the views of the workers, Kolem (2013). This view is shared by Ryan and Wentzel (2015), Otley (2016) and Mohammed and Joshua (2013) who argued that communication harmonises the activities within an organization and this increases the chances of an organization being profitable. The budgetary control process brings about two way communication whereby management pass down expectations and instructions to the employees and the employees return results and feedback to the management, Derfuss (2015), Otley (2016). It allows management to retain control of the resources of the organization since they will know how and where they are being spent Siyanbola and Raji (2013), Brown et al (2016) and Becker et al (2014).

However, other researchers such as Subbotina (2014) and Stergiou (2013) have argued that the communication system which is involved in the budget formulation system often causes feuds between management and employees. Their argument was that when budgets are drafted by management and passed down, there is always a tendency of the employees receiving them as a challenge. There is also the chance that employees will try to game the system and provide a feedback of what management wants to hear Paz et al (2014). This issue would be combated if budgets were formulated by employees and they set targets which they are capable of meeting Lonescu (2014). The varying opinions that have been arrived at by previous authors with regard to communication will be explored further and discussed by the researcher in the context of Load Agropower.

2.2.4 Remedial action

Harelimana (2017), Faith (2013) and Segun and Olamide (2015) asserted that a budget is not adequately effective if it is not followed up by corrective actions where necessary. In order to improve the profitability of an organization, management should view budgetary controls as a managerial tool to investigate areas within the organization which need remedial action and objectives that may need to be reviewed, Sponem and Lambert (2016), Otieno et al (2013). Other researchers such as Paz et al (2014) and Lonescu (2014) also supported the opinion that a budget is only effective if management makes an effort to follow up on its shortfalls and work towards correcting them.

However, Rosman et al (2016) and Otieno et al (2013) had a contradicting view that carrying out corrective measures will not reverse the losses that may have already been incurred. Lavarda et al (2013) and Kuwel (2013) stressed that the resolutions that are arrived at during the budgetary control process will still be a set of plans that can be affected by farther unforeseen events. Gooneratne and Hoque (2016) and Derfuss (2015) established that it is better for management to make operational decisions regularly as they go, instead of planning ahead of time through the use of budgets which are subject to unforeseen economic changes. Remedial actions are a reactive approach to inconsistencies and business better thrives if a proactive approach is taken, Chong and Loy (2015). The budgetary controls function of remedial action will be further investigated in this research, paying regard to the data from Load Agropower.

2.3 **To identify weaknesses of the budget and budgetary control systems**

2.3.1 Use of historic data and estimates

Management makes use of previous trends to project estimates for the future which are then used as he basis of budgets Nouri and Kyj (2014), Kariyawasam (2013) and Weil (2014). The use of historic data to determine the future course of the business is not reliable as the business environment is dynamic and conditions can turn around at any time; so much so in an unstable economy, Joseph and Vetrivel (2013), Derfuss (2015) and Noko (2017). To add on to that, bringing in estimates in the budget formulation process adds the element of subjectivity, Chong and Loy (2015), Larvada et al (2016) and Cools et al (2017). These researchers went on to argue that budgets and budgetary controls do not have any bearing on profitability due to their inaccurate and subjective nature.

On the other hand, Tonly (2015) and Lavel (2015) were of the opinion that, historic trends are always a necessary factor to consider when carrying out the managerial role of planning of which budgeting is part and parcel of. They argue that the use of historic data does not take away from the legitimacy of budgets but rather adds on to it since any environment usually fluctuates within certain perimeters and these trends define the character of a given economic environment. In the case of Zimbabwe, however, the economy has experienced major instability during the years 2015 to 2017 and this brings into question, the usefulness of historic data. In light of these varying opinions, this research sought to establish the impact of historic data and estimates on the effectiveness of the budget system at Load Agropower.

2.3.2 Budgets only consider financial outcomes.

Berbole (2014) and Joshua and Mohammed (2015) established that budgets are only concerned with financial outcomes and the bottom-line which is profits. This leads to inadequate attention being paid to other important aspects such as the quality of goods and services produced Niculae (2015), Sawabe (2015). Poor quality products will be produced in an effort to spend within the budget while producing an output that does not fall short of the targeted outcome. Secrett (2015), Cattani et al (2013) went on to argue that the over-emphasis on financial outcomes demotivates the workforce because it does not leave room for innovativeness and creativity; workers are made to limit their activities to the requirements of the budget and this has a negative impact on the profitability of an organization.

On the contrary, Linly (2014), Kolem (2013), Ken (2014), Losay (2013) argued that budgets instil discipline in the organization by reminding the people that the bottom-line is profit. The researchers argued that a budget does not necessarily bind people to a set of activities but rather bind them to a targeted outcome; which implies that innovativeness and creativity will still be possible but has to remain within the budget. Linly (2014 went on to state that this discipline is vital in improving the profitability of an organization. This research will examine the budget system at Load Agropower to determine its effectiveness in considering both financial and non-financial outcomes.

2.3.3 Rigidity

Budgets promote rigidity and do not allow an organization to readily respond to its changing circumstances, Barbole et al (2014), Joseph and Vetrivel (2013), Larvada et al (2016) and Gooneratne and Hoque (2016). A business has to be able to change with its changing environment and keep up with economic, social, technological and legal advancements. When such huge changes occur during a budget period, the business loses out on profits due to the rigid nature of budgets. This view is shared by Weil (2014), Chong and Loy (2015), Faith (2013), Kuwel (2013) and Subbotina (2014) who argue that it is more feasible for a business to carry out its activities based on prevailing conditions other than predetermined patterns which are usually not in sync with the environment. A flexible business stands a better chance at being profitable, Lonescu (2014).

Liyon (2013), Derfuss (2015) and Noko (2017) however, do not share this view and they expressed that a budget provides a roadmap to a destination and, in itself, it is not the actual destiny. Noko went on to say that if a business becomes rigid, that would be due to failure of management to interpret the budget and educate the workforce as such. This research will look further into this impasse in the case of Load Agropower.

2.3.4 Time consuming and costly

According to Otley (2016), Elhamma (2015), Barsky (2013) and Keramidou (2013) the budgeting process includes compiling data, working out estimates, drafting the budget, presentation, approval of the budget and its implementation. This process takes time, especially in a large organization with. Moreover, it costs the organization expertise to come up with the estimates and the qualified specialists for this job may need to be outsourced Becker et al (2016), Kaarboe et al (2013), Adongo et al (2016) and Chenhall and Moers (2015). These increased expenses will lead to less profits for the entity.

However, Derfuss (2015) Linly (2014) and Liyon (2013) argue that the cost incurred to prepare budgets and budgetary controls is outweighed by the financial benefits that come with having an organised and well-planned course of action. Noko (2017) and Harelimana (2017) support this view and state that investing time and resources and expertise in drafting a budgets will save possible costs that usually accompany impulsive courses of action. Researchers had diverging view on this area, thus further insight will be sought through this research.

2.4 Methods that can be implemented to enhance the effectiveness of budgets and budgetary controls in improving profitability

2.4.1 Human resources training

Scholars such as Paz et al (2014), Siyanbola (2013) and Jacobs et al (2014) have asserted that most of the drawbacks that are associated with budgets and budgetary controls are actually shortfalls on the part of those charged with interpreting and implementing the budget. A budget is a mere piece of paper which bears nothing unless it acted upon and its failure or success depends on the abilities of the user, Porporato (2013), Otieno et al (2013).Organizations should train their employees to be able to understand the budgetary process and to perceive a budget as a guideline rather than a boundary, Garg (2017), Rosman et al (2016). Management should also receive adequate training to be able to formulate effective budgets and carry out budgetary controls efficiently, Derfuss (2015). This view is supported by Weil (2014) who emphasized that when budgets are knowledgeably drafted, implemented and controlled the business will be more profitable.

However, Niculae (2015), Cattani et al (2013) agreed that no amount of expertise can equip people with the ability to create perfect budgets and budgets will always be affected by unpremeditated external factors; especially where the economy is unstable. This research will look into whether training could improve the effectiveness of budgets and budgetary controls at Load Agropower.

2.4.2 Technological advancement; Budget and budgetary control software.

In their researches, Chong and Loy (2015), Kariyawasam (2015), Larvada et al (2016), Noko (2017) and Linly (2014) agreed that budget and budgetary control software will improve the effectiveness of budgets in enhancing the profitability of an organization. Using advanced technology to draft budgets will reduce the time that is spend and improve the quality of estimates that are arrived at since computers do not make calculation errors, Haustein et al (2014), Joseph and Vetrivel (2013). Budgeting software have already been developed, such as, GNUCash, Moneyspire, Quicken and Moneydance. It is easier to calculate business trends and incorporating them into the budget when using budgeting software, Elhamma (2015), Olalekan and Tajudeen (2013). When the software are working online, they can also take into account the prevailing macro-economic trends and incorporate the forecasting function in coming up with a better and more reliable budget in a significantly shorter time, Lakew and Rao (2014), Garg (2013). This implies that technology can bring about a hybrid which comprises budgeting and forecasting and this would improve the way business is carried out.

However, Sponem and Lambert (2016), Barbole et al (2014) and Tonley (2016) still maintain that a budget has no direct bearing on profit. Although digitally drafted budgets are more accurate, there is still a poor fit between what the budget measures and the actual actions that are needed to achieve the set goals. To add on, Cools et al (2017) argued that well- calculated estimates do not equal accuracy; they are still estimates. The researcher seeks to assess how technological advancement would aid in improving the effectiveness of budgets in increasing profitability at Load Agropower.

2.4.3 Short budget periods

In most common cases, budgets are prepared on a quarterly, interim or annual basis; where the economy is highly unstable, shorter budget periods are more viable, Praz et al (2014). This is because it is easier to come up with estimates of the economy might behave in the very near future than to try and predict what may happen in the course of an entire year, Wu et al (2017) Joshua and Mohammed (2013), Klychova and Faskhutdinova (2014), Stergiou et al (2013) and Subbotina (2014). Other researchers such as Barsky (2013), Elhamma (2015) and Cools et al (2017) were also of the opinion that budgets that cover a short period of time are easier to draft and they are less subjective hence they can be more effective and increase the profitability of the organization.In addition to that, Otieno et al (2013), Otley (2016) argued that the budgetary control process is more effective when budgets are reviewed regularly. This allows management to notice areas of poor performance and negative variances and attend to those areas; formulating remedial actions in time. Short term budget periods, for instance, monthly budgets will allow these regular reviews and controls to take place thereby improving profitability.

However, Kuwel (2013) and Brown et al (2014) argue that regular budget drafting and reviews cost time and money. The whole essence of budgets is to make plans for the future and so if the budgets are being drafted on very short term basis, the organization might as well spare resources and make decisions as they go, Segun and Olamide (2015). Both of these views will be investigated in the context of Load Agropower.

2.4.4 Setting SMART goals.

According to Praz et al (2014), Otley (2016) and Kaarboe et al (2013), an organization can achieve increased profitability if their budgets are based on SMART objectives, that is, specific, measurable, attainable, relevant and time-bound objectives. SMART goals will motivate the workforce since they are set well within the capabilities of the workers and spread over a reasonable time frame, Sawabe (2015) and Wu et al (2017). To add on, the budget will be easier for management to interpret to the workers and employees will understand it better since the goals stipulated therein will be specific and relevant to the overall objectives of the business, Olalekan and Tajudeen (2013), Nouri and Kyj (2014) and Siyanbola (2013). To add on, Chong and Loy (2015) and Jacobs et al (2014) also agreed that SMART objectives will ease the communication between management and the workforce and this enhances the profitability of the organization.

On the other hand, Gooneratne and Hoque (2016) and Becker et al (2016) argued that setting goals geneally will demotivate the employees. Most workers view budgets as a strait jacket rather than a control tool, Siyanbola (2013). Workers may end up rushing through the work and causing wastages in an attempt to meet targets within the stipulated timeframe, Garg (2013). The researcher seeks to find the effect that setting SMART goals at Load Agropower would have on the effectiveness of budgets and budgetary controls in improving profitability.

2.5 Summary

This chapter was a breakdown of the objectives set for this research, highlighting previous work and bringing out other researchers opinions pertaining the impact of budgets and budgetary controls on the profitability of an organization. The researches were done in different

organizations and the researcher seeks to farther research in the context of Load Agropower, basing on the years 2015 to 2017. The next chapter will be describe the methodology that was employed by the researcher in order to collect data for the purpose of this research. The research instruments and the targeted population will be described and justified.

CHAPTER 3

METHODOLOGY

3.0 Introduction

This chapter will highlight the research methodology that was used in this research. The researcher will explain each method and give reasons for their choice of methodology. Research instruments that were used to collect data will be indicated and described in this chapter as well as the reasons for the choice of instruments. The population that was chosen as respondents to participate in the data collection process will be highlighted in detail.

3.1 Research Design

A research design is a systematic arrangement of the investigative processes employed in order to improve or revise current positions by discovering new facts, Moyerl (2015). It stipulates the content of data that was collected, the data collection methods employed, how the data was analysed and used to answer the research question. In this research, a descriptive research design will be used in order to assess the impact of budgets and budgetary controls on profitability at Load Agropower.

3.1.1 Descriptive research design

According to Luton (2012) descriptive research design gives an exact image and description of the state of affairs. The author made use of the descriptive research method because it gives room to the use of various research instruments such as questionnaires and interviews which allow the researcher to obtain tailored data that is well structured to suit the intended use, which is answering the research questions. According to Noreen and Henrick (2015) descriptive research method focuses answering the what, where and how questions by giving a clear picture of the characteristics of the population under study. Aguali (2012) asserted that the descriptive research design is flexible and a researcher can introduce alteration if need arises even during the field research process. The method makes use of first-hand data Luton, 2012. In this research, the author chose to use a descriptive research method as it allowed for the collection of tailored information through the use of questionnaires and interviews which are able to capture people's opinions and attitudes towards the topic under study. The researcher made use of questionnaires and interviews to collect qualitative data which is ideal when seeking an insight into people's opinions as they are not quantifiable, Ukechukwu (2012).Therefore, the author opted to use the qualitative research approach as it allows the collection of primary data straight from the respondents to assess the impacts of budgets and budgetary controls on profitability at Load Agropower.

3.1.2 Qualitative approach

James (2012) asserted that, qualitative research is a design that aims to reveal the perceptions and behaviours that drive a targeted audience with reference to a specific phenomenon which in this case is the impact of budgets and budgetary controls on profitability. This subjective evaluation of behaviours, attitudes and opinions helps in comprehending situations and shading more light on the experiences of participants in the population under study. The researcher used a qualitative approach in order to obtain non-numeric and subjective raw data on the effects of budgets and budgetary controls on profitability at Load Agropower which were collected through the use of interviews and questionnaires.

3.2 Population

Population refers to the number of people in a given area at a given time, Wesley (2014). Load Agropower has 16 permanent employees and hires casual factory workers every 4 weeks. The 16 employees are spread as follows.

Table 3.1: Target population at Load Agropower

Department	**Number of employees**
ACCOUNTS	3
STORES	3
SALES	3
ENGINEERING	3
WORKSHOPS	2
SPRINGS	2
TOTAL	16

3.2.1 Census

A census is a complete enumeration of the units in a population, Webster (2012). The researcher included all 16 members of the target population in order to capture the opinion of every individual within the entity. The target population size was manageable and the researcher could obtain data from each member without compromising on timeliness, efficiency and quality of data collected as would be the case if a census was attempted on a large population size. Also, a census provides better assurance in terms of the reliability of data obtained, as compared to a sample which would not capture the response of every member of the group of respondents.

3.3 Research instruments

Research instruments refer to the actual methods that will be used to collect data. The researcher will make use of questionnaires and interviews to obtain qualitative data on the impact of budgets and budgetary controls on the profitability of Load Agropower.

3.3.1 Questionnaires

The researcher seeks to gain insight into the opinions and attitudes of the personnel towards the impact of budgets and budgetary controls on the profitability of the entity. A questionnaire will allow the researcher to collect this qualitative information and it will provide a written document which can be referred back for analysis and description, Moyerl (2015). The researcher made use of open ended questions which will allow participants to have room to express themselves and it will also allow the arising of other opinions which may have not been pre-conceived by the researcher, Luton (2012). To add on, information that is obtained through open ended questionnaire can be put into a wide range of contexts, as far as such does not distort the information. Two different questionnaires were designed and circulated; one among employees and another for management personnel. This was done in order to capture data on the opinions of both the preparers of budgets and the operational executors of the budgets.

3.3.2 Interviews

An interview is a dialogue between two or more participants, held for consultation or interrogation, Jamshid (2014). The researcher interviewed two of the management personnel at Load Agropower, that is, the finance director and the managing director and collected data on their attitudes and opinions, in an attempt to establish the impact of budgets and budgetary controls on profitability at Load Agropower. An interview guide was drafted in order to avoid the interviews going off-topic and to ensure that responses are kept within the context of Load Agropower. The interview questions were aimed at addressing the research questions set out in chapter 1. The researcher was able to acquire in-depth information and further clarification where necessary since an interview set-up allows follow-up questions to be raised. The interviews were carried out on the premises of Load Agropower and this allowed interviewees to make reference to company information which was readily available such as financial statements and commentaries as well as giving practical examples pertaining to operations which the interviewer could actually see and hence understand better.

3.5 Validity

Validity focuses on whether the data collection instruments measure exactly what they purport to measure and as such lead to findings which satisfy the research questions, Saunders et al (2012). According to Akozaki (2013), validity shows the degree to which a research instrument is able to yield information which does not fall short of the solution to the research problem. The researcher referred to the research questions to ensure that the questions drafted were relevant and aimed at providing valid answers. Also, the questionnaires were filled out in confidence in order to ensure that the opinions of the respondents were altered by any undue influence. Reference to the period under study was emphasized during interviews to ensure that the data collected was in relation to the years from 2015 to 2017. The researcher inspected the questionnaires and erroneous and vague responses were retuned for corrections and clarification respectively.

3.6 Reliability

According to Saunders et al (2012), reliability is the extent to which data collection means or analysis procedures will produce outcomes that are dependable. Saunders et al (2012) asserted that it is the degree of accuracy or consistency that a data collection instrument portrays and is a quality that enhances the dependability of the research findings. If research instruments are reliable, it then means that if different researchers execute the same study utilizing the same methods and instruments, they will come up with the same results. The researcher increased reliability of the study by using uniform questioning of participants in similar groups, that is, similar questions for all employees and similar questions for management personnel. The same was done for interview questions. To add on, more than one data collection instrument was used and this was done to increase the chances of capturing all of the data necessary to carry out the research. Furthermore, the researcher made use of a census which is 100% of the target population and according to Akozaki (2013) a reliable sample must exceed 30% of the targeted population.

3.7 Data presentation and analysis

The researcher arranged the data categorically with regard to research objectives and research questions. Responses were presented in tables and an analytic description followed every presentation of data. Data was analysed consistently and related to literature review while maintaining the context of Load Agropower so that the reader would be able interpret the data. Aguali (2012) asserted that the analysis of data enables the compression of collected raw data into manageable, sequential and identifiable patterns which can be developed into a meaningful summary. The researcher used descriptions so as to show the conditions as they exist at Load Agropower. Irrelevant data was left out in order to maintain validity of the study outcome. The researcher analysed each group of like-thoughts and, showing convergences and divergences with literature where applicable. After every analysis of data, the researcher gave a conclusion.

3.8 Summary

This chapter explained the methods that will be used to carry out this research. It highlighted the data collection methods that will be used and the kind of data which will be collected, that is, qualitative data. A qualitative approach was chosen over a quantitative approach because profitability is a product of a large number of factors hence it would be very difficult to quantify the impact of budgets and budgetary controls on profit. The chapter also indicted the sample of the Load Agropower population which will be chosen to participate in this research. The next chapter will be on data presentation and analyses and it will show how the researcher categorized the collected data and interpreted it in order to satisfy the research objectives and answer the research questions.

CHAPTER 4

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

In this chapter, the researcher presented and analysed the data which was collected through questionnaires and interviews. The researcher made use of tables to group data into meaningful categories, each relating to one of the objectives that were stated in the first chapter. Data was described and related to relevant literature while incorporating the context of Load Agropower, indicating where the data supports or contradicts the literature and highlighting new findings that arose during data collection.

4.1 Questionnaires response rate

Table 4.1: Questionnaire response rate at Load Agropower.

DEPARTMENT	QUESTIONNAIRES SENT	QUESTIONNAIRES RETURNED	PERCANTAGE
ACCOUNTS	3	3	100%
STORES	3	3	100%
SALES	3	3	100%
SPRINGS	2	2	100%
WORKSHOP	2	2	100%
ENGINEERING	3	3	100%
TOTAL	16	16	100%

Table 4.1 above shows a 100% response rate which was obtained in the data collection process. The two scheduled interviews were carried out as planned but due to a stringent work schedule, the interviews were brief. However, management still managed to fill out their questionnaires and this serves as reassurance that all their opinion were captured. The interviews managed to cover all the research questions stated in the first chapter. Schacter (2014) asserted that a response rate of at least 70% is deemed reliable although a 100% response ate would be most ideal. The 100% response rate that was achieved means that all the responses from the target population were captured hence the research outcome shall be reliable and valid conclusions can be drawn from the findings.

4.2 The impact of budgets and budgetary controls on the profitability of Load Agropower.

The researcher asked the participants questions about the effect that budgets and budgetary controls on the profitability of Load Agropower. Their answers were grouped, tabulated and presented as follows:

4.2.1 Financial discipline/ Cost control

The respondents were asked if they reckoned budgets were working as a measure to control costs and create financial discipline within the departments. Their responses were as illustrated on Table 4.2 below:

Table 4.2: Responses on cost control/ financial discipline

	budgets instil financial discipline &control costs	Budgets have a very limited effect on costs	Budgets exert unnecessary restrictions which stunt profitability
Number of respondents	11	4	1
Percentage (%)	68.75%	25%	6.25%

Table 4.2 shows that 11 out of the 16 respondents, that is, 68.75% were of the opinion that budgets are effective in controlling costs. This view was asserted by authors such as Ken (2014) and Noko (2017). In contrast, 25% of the respondents (4 out of 16) argued that some costs remain fixed regardless of the activity level set in the budget and this implies that budgets have a rather limited impact on profitability since they cannot alter fixed costs. According to Kuwel (2012) and Otley (2016), budgets indeed fall shot on controlling fixed costs due to their nature, that is, irresponsive to output level. The remaining 6.25% expressed the opinion that budgeting exerts an expenditure restriction upon budgets which has a negative impact on profitability.

Most of the respondents shared a common view that budgets and budgetary controls instil a sense of financial discipline since the various departments can only spend money within certain parameters which are stipulated by the budget. They stressed that budgets are useful in avoiding unnecessary and impulsive expenditures. This view supports previous researchers such as White (2015) and Linly (2014) who indicated that budgeting helps in avoiding the underutilization and wastage of scarce resources by the human factor involved in the production process.

However, there were respondents who indicated that some costs remain relatively constant in spite of the activity level which is set in the budget. Tonly (2015) and Kuwel (2012) stated also in their researches that fixed costs remain constant at all output levels that the budget may have set and thus, the budget is not capable of controlling such costs hence it is not an effective tool in enhancing profitability. The researcher noted that the respondents fell onto two extreme ends of the spectrum. On one end, 11 of the participants were of the opinion that budgets and budgetary controls aid in controlling expenditure and promoting financial discipline. In the middle of the spectrum, 4 respondents expressed that budgets fail to control fixed costs which implies that they do not have a significant impact on profitability. However, one particular respondent indicated a negative attitude towards the impact of budgets and budgetary controls on expenditure. The participant viewed budgets as a restriction on operational autonomy and they implied that the cost control function of budgets has an adverse impact on the profitability of Load Agropower. Responses obtained in the questionnaires for management supported the view that budgets have a limited influence on costs due to the fixed nature of part of the costs.

The researcher concluded that budgets and budgetary controls at Load Agropower were aiding in controlling costs and maintaining financial discipline. In spite of the existence of fixed costs which are beyond the control of the budget, the impact that they have on variable costs has a significant impact on profitability. To add on, the researcher also concluded that budgets were instilling financial discipline by setting parameter within which expenditures had to fall. This deters unnecessary and impulsive spending which would have a negative impact on profitability.

4.2.2 Optimum utilization of resources

The researcher asked the participants about the effect of budgets and budgetary controls on the optimum use of resources. The spread of opinions was as displayed in Table 4.3 below:

Table 4.3: Responses on optimum resource allocation

	Budgeting optimizes resource-allocation	Indifferent/neutral	Budgeting does not optimize resource allocation
Number of respondents	12	2	2
Percentage (%)	75%	12.5%	12.5%

In Table 4.3 above, the 2 responses who were classified as 'indifferent' used the term 'fair' in their responses and this neither supported nor contradicted the notion in the question. They fell well outside the spectrum and did not quite address the issue under investigation. The table shows that the majority of the respondents, that is, 75%(12 out of 16) agreed that budgets aid in the optimum allocation of resources and this has been argued by authors such as Derfuss (2015) to have a positive impact on profitability. Included in this 75% were a 12.5% of the population which comprised respondents of the questionnaires for management. Since the majority of the respondents were in support of the notion that budgeting leads to optimum allocation of resources, it is reasonable, in this case, to acknowledge that this is the case at Load Agropower. This function of budgets and budgetary controls allows management to identify areas which are lucrative and areas where resources are being wasted; this is achieved through budget reviews and it allows management to draft the most optimum allocation ratios of resources to the different departments, based on these findings, Onduso (2014). Other researchers such as Philips and Costa (2015) and Ken (2014) also emphasized that a sound budget system which is followed up by budgetary reviews will enhance profitability through the optimum allocation of resources. This opinion is also shared by Harelimana (2017), Kolem (2013) and Losay (2013) who argued that budgeting allows management to allocate resources at the most optimum levels so as to improve profitability and avoid wastage of resources through unprofitable business activities.

The rest of the respondents (12.5%) had a diverging response on this line of questions. They indicated that budgeting leads to some departments getting the short end of the stick when it comes to the allocation of resources. This is a clear indication that the respondents were not in agreement with how resources were allocated by management to various departments. Siyanbola, (2013) stated that it is often difficult to come up with a budget that allocates resources in a manner that both management and the workforce will agree upon and this common disagreement has a negative impact on profitability.

The researcher found and concluded that the budgetary system at Load Agropower plays a key role in optimizing the allocation of resources. This conclusion was arrived upon after considering the majority opinion which was in sync with the majority of the literature on this subject as reviewed in the previous chapter.

4.2.3 Focus on Organization's goals

The main aim of the questions asked under this objective was to find whether budgets enable employees to have a clear picture of the goals of the organization and the roles that individuals and departments are expected to execute in order to achieve the corporate goals. The researcher had access to the Load Agrpower Management Accounts for the period from 2015 to 2017 which included a section about the corporate goals of the company. This knowledge was used by the researcher to judge the accuracy of the responses given by both employees and management. Responses from the questionnaires were as follows:

Table 4.4: focus on organization's goals

	Management	Employees
Responses	Indicated detailed knowledge of the goals of the organization	Showed poor and shallow knowledge of the goals of the organization.
Percentage (%)	12.5%	87.5%

Responses in Table 4.4 showed that employees, who made up 87.5% of the population did not have a clear and detailed knowledge of the organization's goals. The bulk of the participants responded that the organization's goal is to make profit; which is true but it was indicative of generalization rather than precise knowledge. Two respondents who were managerial persons (12.5% of the population) were the only participants who gave details of the goals of the organization and their responses were indicative of true common knowledge. The researcher deduced that management at Load Agropower does not communicate in detail the goals of the organization. This also means that employees may not be well versed with what is expected of them in order to achieve the goals of the organization.

Otley (2016) expressed that a budget which is not adequately communicated will have a negative impact on profitability because workers would be unaware of what is expected from them by the management; or they may not know the reasons behind the tasks that they are assigned and this leads to reduced motivation. The budget system at Load Agropower indicates a major weakness, that is, a lack of clear and in depth discussion and communication between management and employees. This is bound to compromise the effect that the budget system will have on the profitability of Load Agropower. According to Haustein et al (2014) and Losay (2013), budgets cannot be used to enhance focus on the organization's goals unless all the parties involved in the achievement of the goals are aware of the objectives and the plan that has been put in place in order to realise the objectives.

The researcher found that there is a gap in the communication process pertaining to the budget system at Load Agropower. A budget cannot facilitate focus on the goals of the organization if the goals are unknown to the employees. Following the budgets blindly without knowledge of its underlying objectives will compromise the quality of decisions that are made during the process and this will have a negative effect on the profitability of the organization.

4.2.4 Integration and coordination of organization's departments and activities.

Load Agropower comprises departments that operate together and have sequential interdependency. Participants were asked questions on the ability of budgets and budgetary controls to improve profitability through the coordination of the organization's departments and activities. Their responses are shown below:

Table 4.5: Responses on the coordination of the organization's departments and activities.

	Budgets improve coordination	Budgets lead to competitiveness	Budgets do not affect inter-departmental relations
Number of respondents	10	4	2
Percentage (%)	62.5%	25%	12.5%

According to Table 4.5, 10 out of the 16 respondents, that is 62.5% were of the opinion that budgets improve the working relationship and coordination amongst departments. In contrast, 25 % were of the opinion that budgets breed a competitive spirit amongst departments which are originally intended to operate as one team towards achieving their common goals. The remaining 12.5% had different view that budgets do not affect in any way affect inter-departmental relations.

The 62.5% majority stressed that budgeting allows those departments whose outputs are the inputs to other departments to know how much they have to produce in order to meet the requirements of that particular department and also meet their budgeted sales. According to Barret and Fraser (2013), an organization whose departments and activities are well coordinated has less chances of duplicating efforts and resources, thus wastages are avoided leading to a higher profitability. This is more so the case in large and diverse organizations and Load Agropower can be described as the later.25 % of the respondents argued that budgets create a competitive spirit amongst departments. They stressed that each department was determined to perform better and surpass their counterparts so as to come out as the best. Paz et al (2014) and Jacobs et al (2015) asserted that the budget targets for various departments result in a tendency to compete amongst departments. This competitive spirit may lead to departments sabotaging each other and not being cooperative where necessary and the end result will be a compromised profitability level.

The remaining 12.5% of the respondents were neutral they maintained that budgets and budgetary controls do not affect the working relationships amongst the departments at Load Agropower. They indicated that each department has its own set of goals which did not interfere with the goals of the other departments. According to Lavel (2015) and Kuwel (2012), this attitude causes employees to have a sense of duty which is limited to their own set of tasks and neglect any possible effort that they can make to improve the work of other departments. The ultimate result would be a decrease in profitability for the organization in its entirety.

The view that was supported by the majority was that budgets improve profitability through the coordination and integration of Load Agropower's departments and business activities. The researcher concluded that the majority view indicated the situation which prevailed at Load Agropower. Paz et al (2015) affirmed that coordination cannot be possible without a sense of common purpose and a budget is an imperative tool in instilling the much needed common orientation.

4.3 Budgetary control techniques that improve profitability

4.3.1 Performance evaluation

The aim of the question was to find out if budgets enhance the profitability of Load Agropower through the process of performance evaluation. The researcher also wanted to find out if the process is carried out religiously and effectively. Participants had varying responses which were classified in Table 4.6 below:

Table 4.6: Responses on the effective of performance evaluation in enhancing profitability at Load Agropower.

	Budgetary controls enhance profitability through performance evaluation	Neutral / indifferent	Performance evaluation does not enhance profitability
Number of respondents	3	2	11
Percentage (%)	18.75%	12.5%	68.75%

The information in Table .4.6 above shows that the majority of the respondents, that is, 68.75% (11 out of 16) disagreed with the idea that performance evaluation improves profitability. Of the 16 respondents, 2 were top management whose responses mainly indicated that performance evaluation was useful in improving the quality of work done by employees but its effect on profitability was rather remote and indirect. The responses from managements's questionnaires fell under the 18.75% that is shown in Table 4.6. The questions that managers were asked also aimed at disclosing the effectiveness and emphasis placed upon performance evaluation.

An aggregate of 81.25% of the respondents was spread from neutral up to the extreme opposing end of the spectrum. Only one employee agreed with management that performance evaluation was being effectively carried out and it had a positive impact on profitability at Load Agropower. The researcher was compelled to conclude that the process of performance evaluation does not have significant bearing on profitability since the majority of respondents indicated a negative attitude. However, there was need to consider other factors which were highlighted by researchers such as Otley (2014) who stated that the process of performance evaluation may be distorted by collective accountability. This means that, in the case such as that of Load Agropower where departments are interdependent, performance of one department is affected by other departments and failure to recognize that will stop the process in its tracks from improving profitability. Further research will be needed in order to explore this phenomenon but for the sake of this research, the researcher placed more weight on the opinion of the majority which is supported by researchers such as Otley (2014) and Tonly (2013) who stressed that the budget function of performance evaluation can cause competitive tension amongst departments and individuals in the organization and it also demoralises workers; this has a negative impact on profitability.

4.3.2 Variance Analysis

The question on variance analyses was mainly directed towards management during the interview since employees do not partake in this task at Load Agropower. The researcher was aimed at finding out if variance analyses were carried out and what impact they had on profitability, if such exists, at Load Agropower. However, questions were also asked to assess the general attitude of employees towards variance analyses and their impact on profitability. The results were as follows

Table 4.7: Responses on the impact of variance analyses on the profitability of Load Agropower

	Variance analyses improves profitability	Indifferent/ neutral	Variance analyses does not improve profitability
Number of respondents	13	2	1
Percentage (%)	81.25%	12.5%	6.25%

Table 4.7 above shows that 13 of the 16 respondents (81.25%) expressed the opinion that variance analyses has a positive impact on the profitability of Load Agropower: this was an indisputable majority as compared to the 12.5% which was indifferent and the 6.25% that disagreed, totalling up to 18.75%. Other researchers such as Harelimana (2017) and Noko (2017) also established in their researches, that variance analyses have a positive impact on the profitability of an organization. They argued that variance analyses enables management to realise the most lucrative business activities which they will in turn channel more resources towards. It will also enable management to note those activities that are not producing up to

expected levels of returns and to pinpoint the exact problem areas. Further research will be required to explore the opinions of the minority, that is, the 6.25% that disagreed as well as the 12.5% that remained neutral. However, in this study, the researcher came to the conclusion that variance analyse enhances profitability at Load Agropower as this was the majority opinion.

4.3.3 Communication

The budget system at Load Agropower is such that, management formulates the budget and then it is passed down to the employees. Communication has been stated as one of the main factors which enable the budget system to enhance profitability by researchers such as Derfus, (2015) and Mohammed and Joshua, (2013). They argued that budgets and budgetary controls aids communication between management and the employees and this in turn brings about profitability. The objective of this question was to find out if the budget system at Load Agropower was bringing about the fore-mentioned communication in order to improve profitability. Results were as outlined below:

Table 4.8: Communication in the budget system

	budgets improve profitability by improving communication	neutral/ indifferent	Budgets does not improve communication & in turn, profitability
Number of respondents	10	4.	2
Percentage (%)	62.5%	25%	12.5%

Table 4.8 shows that 62.5% of the respondents supported the opinion that the budget system brings about an improved communication system which in turn improves the profitability of Load Agropower by increasing and improving the interaction of management and workers. 25% remained neutral and 12.5% opposed the idea, stating that budgets do not improve the communication but rather cause tension as workers feel that targets are being imposed on them.

The researcher noticed a disjoint between the responses collected on the communication question and those collected on organizational goals. Employees stated that they were not well aware of the organizational goals and their roles in achieving those goals, but here the majority stated that the management communicates quite well the expectations of the budgets. This led the researcher to the conclusion that, although the budget itself may be well communicated, it is not adequately indicative or clear on the ultimate goals of the organization. This brings into question and discredit, the whole essence of the communication between management and employees because passing on incomplete information is not any bit more useful than non- communication.

The researcher came to the conclusion that, budgets at Load Agropower are not improving the communication system as suggested by authors such as Liyon (2013) and Kolem (2013) because the information being passed on does not indicate sufficiently the goals of the organization. This leads to employees working to attain predetermined results but with no vision of the long term goals of the organization and this will compromise the quality of decisions made along the way. Workers might make decisions that unknowingly compromise uncommunicated long term objectives. Subbotina (2014) and Stergiou (2013) also supported the view that miscommunication of the budget or a lack of communication can have a negative impact on profitability.

4.3.4 Remedial Action (budget reviews and adjustments)

The researcher asked questions about how often budget reviews and adjustments were carried out and how they impacted profitability at Load Agropower, considering the economic instability which prevailed during the period from 2015 to 2017. Table 4.9 below shows the responses attained:

Table 4.9: Remedial action/ budget reviews and adjustments

Responses	budget reviews and adjustments improve profitability	No response
Number of respondents	15	1
Percentage (%)	93.75%	6.25%

Table 4.9 shows that 15 of the respondents, 93.75%, supported that budget reviews and adjustments improve the profit at Load Agropower and one respondent did not answer the question. The researcher assumed this was because of a lack of knowledge on the subject or mere reluctance to write down the lengthy response.

Information from the financial statements indicated that budget reviews were being carried out on a monthly basis, followed by the effecting of any adjustments that may have been deemed necessary in the review. This was said to have been the trend during the years 2015 to 2017 as opposed to an earlier practice where reviews were done on a quarterly basis; the reason being the economic instability which prevailed during the fore-mentioned years. Frequent budget reviews and adjustments were said to have contributed in enabling the entity to avoid losses when faced with unpremeditated economic changes. According to Segun and Olamide, (2015), Otieno et al, (2013), Sponem and Lambert, (2015), budgets which are frequently reviewed and followed up by necessary remedial actions have a better chance at improving the profitability of the organization. This view was shared by the management at Load Agropower who stated that the process of reviewing and adjusting budgets helps to cut losses and therefore, improve profitability.

The researcher came to the conclusion that frequent budget reviews and remedial/corrective actions are necessary where an organization is operating in an unstable economic environment. These help management to stay ahead of the economic changes and cut the entity's losses, thereby improving the chances of being profitable.

4.4 Weaknesses of the budget and budgetary control system at Load Agropower

4.4.1 Use of Historic data and Estimates

In the previous chapter, the researcher discussed the weaknesses of the budget and budgetary control system and a question was asked on this subject. The following is a presentation of the responses given by the participants on this subject.

Table 4.10: Historic data and estimates are a drawback in the budget system at Load Agropower.

	Use of historic data and estimates is a drawback in the budget system	Use of historic data and estimates is not a drawback in the budget system
Number of respondents	14	2
Percentage (%)	87.5%	12.5%

Table 4.10 shows that out of 16 respondents, 14 agreed that the use of historic data is a major drawback in the budget system. This 87.5% comprised responses which were gathered

through questionnaires which were designed for employees only. The two responses which were in disagreement were drawn from the questionnaires for managerial officials who argued that, the use of historic data adds to the reliability of the budget system. They indicated that the use of past trends ensures that budgets are not made up of imaginary ideal conditions but rather possibilities that are likely to arise as evidenced by records of past experiences. Management indicated that historic information acts as a guideline which helps to predict the future of the company; paired with adequate forecast techniques. However, it is highly likely that management would not express an opinion that would discredit the effectiveness and efficiency of the budget system which they formulated and researcher took this into consideration before reaching a conclusion.

In spite of the isolated opinions from the managers, the researcher came to a conclusion that historic data and estimates pose a drawback to the budget system. This view is shared by researchers such as Nouri and Kyj, (2015) and Kariyawasam, (2013). Further research will be needed to shed more light on the issues raised by management but this study will uphold the majority opinion.

4.4.2 Budgets only consider financial outcomes

The researcher asked questions which aimed at finding out whether the budget system at Load Agropower was only focused on financial outcomes. Responses which were drawn from both questionnaires for employees and management were as follows:

Table 4.11: Responses on whether the budget system only considers financial outcomes

	Budgets focus on financial outcomes "only"	Budgets 'mainly' focus on financial outcomes	Budgets pay equal attention to financial and non-financial outcomes
Number of respondents	12	2	2
Percentage (%)	75%	12.5%	12.5%

Table 4.11 above shows that 75% of the respondents agreed that the budgets at Load Agropower are only focused on financial outcomes. The other 12.5% stated that the budget system is mainly focused on financial outcomes but it also aims at other factors such as growth and expansion of the business; in spite of being dominantly finance-oriented. However, management which makes up 12.5% of the participants dismissed the idea that budgets were solely focused on financial aspects. They stressed that budgets aimed also at improving qualitative areas such as customer relations and market share maintenance. They argued that the budget is presented in financial terms but its objectives go beyond financial goals.

The researcher considered the opinion that was indicated by the majority and came to the conclusion that budgets do have a weakness of emphasizing financial outcomes only. The budget is presented to the employees and they are the ones who execute it and they can only do so to the extent that they understand the budget. Hence, if management insists that the budget has qualitative expectations whilst employees state the opposite, this is evidence of miscommunication or a lack thereof; ultimately the outcome of the budget will be indicative of the understanding of the employees as they are the ones who execute the budget. Berbole (2014) and Mohammed and Joshua (2015) were also of the opinion that budgets tend to pay particular attention to financial outcomes and neglect other factors which are tantamount to profitability. This same view was shared by Sawabe (2015) and Secrett (2015).

4.4.3 Rigidity

The objective of the questions asked on weaknesses of the budget system was to determine if the budgets at Load Agrpower were causing rigidity and deterring the organization from adjusting to changes in the economy. The following were the responses:

Table 4.12: Responses on whether budgets are rigid.

	Budgeting causes rigidity	Neutral/indifferent	Budgeting does not causing rigidity
Number of respondents	10	2	4
Percentage (%)	62.5%	12.5%	24%

Table 4.12 shows the spread of the responses of the participants on the question about rigidity. 10 out of the16 respondents, that is, 62.5% of the respondents agreed that budgets are rigid which means that they are not flexible. There was a total of 25% which was not in agreement with this idea and a neutral 12.5%. The 25% which strongly disagrees comprises responses from the management. They were asked if they carried out budgetary reviews and the time frames after which reviews and adjustments were carried out. The response was that budgetary reviews were carried out on a monthly basis and adjustments were done when deemed necessary. This implied that the budget system was flexible especially in the face of economic instability; so as to keep up with any new requirements of the economy.

The researcher considered where the opinions of the majority was directed at and came to the conclusion that employees did not have the autonomy to operate as they saw fit because they had to follow the stipulations of the budget. Although the budget itself is constantly flexed to keep up with the changing economy, it does not allow workers to have operational autonomy or the freedom to make decisions outside the parameters set in the budget, either the original or the adjusted budget and in that sense, the budget is considered to be rigid. According to Barbole et al (2015), Joseph and Vetrivel (2013), Larvada et al (2016) and Kuwel (2013), budgets tend to be rigid and this will compromise the profitability of an entity. They argued that the business environment is dynamic and unpredictable and decisions have to be made based on current circumstances not predetermined parameters which were set under different circumstances. The researcher concluded that the budgeting system at Load Agropower denies workers the convenience of making decisions which best suit current conditions and this reduces profitability.

4.4.4 Time consuming and costly

Elhamma (2015) and Barsky (2013) asserted that the budget process is time consuming and costly. The researcher asked questions in order to explore this argument and the responses were as follows:

Table 4.13: Responses on whether budgets are 'Time consuming and costly'

	Budgets are time-consuming and costly	Budgets are neither time-consuming nor expensive
Number of respondents	13	3
Percentage (%)	81.25%	18.75%

Table 4.13 above shows that 81.25% of the 16 respondents agreed that the budget system is time consuming and costly. According to Elhamma (2015), Barsky (2013) and Keramidou (2013) budgets lead to time wastage and they are costly to formulate. This is especially the case where experts are contracted to carry out forecasts and come up with the calcuations that predict possible future outcomes. This skill may not be readily available amongst the management and a consultant would cost the entity in terms of money and time. Also, Kaarboe et al (2013) and Adongo et al (2016) also shared the same view. However, budgets at Load Agropower are formulated by the management and no consultants are hired but the majority still indicated that budgets are time consuming and costly, which led the researcher to the conclusion that the process needs to be improved and technological improvements are necessary.

However, the managers' responses did not share this attitude. When asked about the challenges of time wastage and costliness in formulating the budget, management affirmed that the budget process at Load Agropower took reasonable time and did not cost the entity financially. They formed part of the 18.75% which disagreed. The researcher considered the fact that management, being the ones who come up with the budget, may have not been in a position to give the most reliable answer as they would not want to be viewed as inefficient in the budget formulation process. To add on, the researcher also considered the view of the majority and came to the conclusion that the budget system at Load Agropower is time consuming and costly.

4.5 Methods that can be used to improve the effectiveness of budgets and budgetary control system in enhancing profitability

4.5.1 Human resources training

The respondents were asked about possible solutions that may be put in place in order to improve the budget system at Load Agropower. Below is an illustration of the attitudes of the participants to human resources training as a solution:

Table 4.14: Human Resources training

	Human resources training is needed to improve effectiveness of budgets	Human resources training is not necessary
Number of respondents	11	5
Percentage (%)	68.75%	31.25%

Table 4.14 above shows that 68.75% of the participants (11 out of 16) shared the view that the company needs to train its workforce to equip them with the knowledge that thy need to understand and interpret budgets and budget review reports in order to improve the effectiveness of the budget system. Paz et al (2014), Jacobs et al (2014) and Siyanbola (2013) shared the view that management has to train employees to ensure that they can understand and interpret the budget in order to make the budget more effective. To add on, Tonly (2013) postulated that a budget is a mere piece of paper which cannot be effective unless acted upon, which implies that the workforce has the longer end of the stick and they are the real influencers of profitability. An ignorant workforce will not be able to put the budget to its best use and this defeats the purpose of the budget leading to decreased profits.

Out of the 16 respondents, 5 disagreed that there is need for training. 3 of these responses were adapted from the questionnaire that were filled in by employees. The researcher viewed this as an indication of a reluctance to undergo through training and developments. While 11 employees were suggesting training, these showed no interest in the process. Also, among those 5, 2 were management personnel who stressed that the employees were adequately trained to understand and interpret the budget and budgetary control systems at Load Agropower. The reliability of these responses, however, is compromised by the fact that it is possible for management to give false information so as to not appear as they had not done due diligence by ensuring that all employees were well trained. The researcher, therefore was compelled to go with the majority opinion that that there is need for human resources training at Load Agropower in order to improve the effectiveness of the budget system.

4.5.2 Technological advancement

In the previous chapter, the researcher stated technological advancement as a possible measure to improve the effectiveness of the budgetary system at Load Agropower. The respondents were asked about such solutions and their responses regarding technological advancement were as follows:

Table 4.15: Technology advancement

	Technological advancement is necessary in order to improve the efficiency of the budget system	**Technological advancement is not entirely necessary/ current system is sufficient**
Number of respondents	**14**	**2**
Percentage (%)	**87.5%**	**12.5%**

Table 4.15 shows that 14 out of the 16 respondents were of the opinion that technical advancement is necessary in order to improve the effectiveness of the budget system at Load Agropower. Their total made up 87.75% of the respondents which an indisputable majority. According to Chong and Loy (2015), Larvada et al (2016), Kariyawasam (2015), budgets that are formulated digitally are less likely to have arithmetic errors and they take less time to draft. Budget software can be more reliable than the manual system as they can incorporate a forecast function using information from the organization and real-time economic trends to come up with a reliable projection of future positions. Examples of budget software that have already been developed include GNUCash and MoneySpire.

However, responses that were gathered from the questionnaires for management did not indicate any suggestion of technical advancement. The 2 managers made up 12.5% of the population and they were neutral in regards to technology improvements. The researcher made an assessment that managers may be resistant to new technology which is bound to change the way that they have been doing their work for the past several years. This resistance to change may have led to them remain neutral on the subject, they neither agreed to it nor disagreed to it. The researcher came to the conclusion that technological advancement is indeed needed at Load Agropower in order to improve the effectiveness of the budget system. New technology would save time and minimize calculation errors that may take place if budgets are formulated manually.

4.5.3 Short budget periods

The respondent answered a question about what they thought were the possible solutions to improve the effectiveness of the budgetary system at Load Agropower. Below are their response regarding the use of shorter budget periods in order to achieve more profitability:

Table 4.16: responses on shorter budget periods.

	Shorter budget periods will make the budget system more effective	Indifferent/ neutral	Shorter budget periods will not increase effectiveness of the budgets
Number of respondents	4	8	4
Percentage (%)	25%	50%	25%

Table 4.16 shows that 25% of the participants agreed that shorter budgets would improve profitability and this view is shared by researchers such as Joshua and Mohammed (2013), Otieno et al (2013) who argued that shorter budget periods will enable more frequent reviews and remedial actions will be taken in time to cut losses and improve profitability.

50% of the participants remained neutral, they neither agreed nor disagreed with the use of shorter periods. This group of respondents dis not perceive budget periods to have a significant effect on the effectiveness of budgets and budgetary controls. The other 25% straight out disagreed. The researcher made an assessment that employees may be against the idea because shorter budget periods would mean more constant performance appraisal and more monitoring by the management. This reduces motivation and most workers tend to prefer less close supervision. Management formed 50% of the 25% which disagreed to the notion of shorter period. The researcher asked managers about the typical budget period, which they stated to be an annum. A follow up question was asked to find out if they reckoned a shorter budget period would improve profitability and their response was against this idea. They argued that formulating a yearly budget leaves enough time to monitor the budget and follow up on variances and necessary adjustments. The researcher came to the conclusion that in the case of Load Agropower, a shorter budget period might not be the best solution since both employees and management did not agree with the idea.

4.5.4 Setting SMART goals

Praz et al (2014) and Otley (2016) stressed that setting SMART goals will enable an organization to achieve greater profitability because the objectives will be easier to comprehend, achieve and review. The researcher asked the respondents about the legibility of setting SMART goals as a measure to improve the effectiveness of the budget system in enhancing profitability of the organization. Responses were as illustrated below:

Table 4.17: responses on setting SMART goals

	Budget objectives are already SMART	Objectives have to improve on **realism**	Objectives have to improve on **attainability**	Indifferent/ neutral
Number of respondents	2	2	8	4
Percentage (%)	12.5%	12.5%	50%	25%

According to table 4.17 above, in the interviews that were carried out, management which was 12.5 of the population, argued that the objectives set in the budgets were already SMART and that it was one of their main guidelines when formulating budgets at Load Agropower. It is, however, natural for top officials to give morally correct answers which are not necessarily true in order to avoid discrediting their own work and competency. Two out of the remaining 14 respondents, that is, another 12.5% stated that management needed to set more realistic goals in order for the budget to be more effective. They added that the expectations of the budgets were often too steep and this always led to failure to meet the stipulations of the budget. Realism is part of the SMART acronym. Elhamma (2015) share this view and argued that management tends to set ideal outcomes without considering the actual possibilities which are realistic under the prevailing circumstances and this demotivates employees as they never manage to achieve the high expectations.

50% of the respondents (8 out of the total of 16) emphasized that management should come up with objectives which are attainable within the stipulated time period. Attainability is also a part of the SMART acronym hence the researcher concluded that the objectives set by management were not as SMART as management claimed they were. This was as indicated by up to a total of 10 (2+10) respondents who raised concerns regarding the realism and attainability, respectively, of the budget objectives. He remaining 25% remained neutral on the matter. The researcher came to the conclusion that management has to revise their goal setting manner to ensure that they stick to SMART objectives so as to improve the effectiveness of the budget system and ultimately, improve profitability.

4.6 Responses from interviews

4.6.1 What is the impact of budgets and budgetary controls on the profitability at Load Agropower?

Respondent 1

The respondent stated that budgeting helps to prescribe how funds will be expended and the amounts of expenditures to be made. Departments operate within the parameters stipulated by the budget and this helps to improve profitability by avoiding over-expenditure. Bento and

White (2015) and Linly (2014) also asserted that budgets reduce impulsive expending and this helps the organization to improve its profitability.

However, the respondent also expressed that during the period from 2015 to 2017, the declining profitability growth rate was attributable to failure by management to come up with a reliable forecast of events. The interviewee went on to say that, the budget had dwelt excessively on records of past experiences and failed to be future-oriented. According to Nouri and Kyj (2014), the use of historic data and estimates to come up with future plans is not reliable as the business and economic environment is dynamic and subject to changes. In light of this, budgets failed to deliver on the intended purpose which was to improve the profitability of Load Agropower.

Respondent 2

The interviewee pointed out that budgeting has enabled the entity to maintain positive revenue patterns is spite of the existence of economic hardships in Zimbabwe during the period from 2015 to 2017. This success was accredited to the coordination of the various departments in the organization which was made possible through the use of budgets and budgetary controls. According to Kune (2014), when business departments are well coordinated, there will be no unnecessary duplication of resources, wastages will be minimized and this increases the chances of an organization being profitable.

However, the interviewee also went on to say that budgets were not reaching their full capacity in enhancing profitability due to the lack of knowledge amongst some of the employees. This lack of knowledge means that employees were not able to interpret the budget and the subsequent variance calculations that were circulated in the various departments. Jacobs et al (2014) stressed that the effective budgets and budgetary controls is highly dependent on the ability of the users to interpret and execute them appropriately. This was also emphasized by Paz et al (2014) who asserted that budgets are a plan which cannot materialize unless it I acted upon. This suggested that the management t Load Agropowr needs to introduce a training programme which focuses on budgets and budgetary controls as emphasized by authors such as Porporato (2013) and Garg (2017).

4.6.2 What budgetary control techniques can Load Agropower use in order to improve profit?

Respondent 1

The responded asserted that frequent performance evaluation and feedback help to ensure that all departments adhere to the budget and make efforts to achieve their set goals. The interviewee emphasized that, worker are motivated when their work is noticed and appreciated hence the performance evaluations are followed by positive feedback where it is due and constructive criticism where it is called for. Stammerjohan et al (2013) and Ryan and Wentzel (2015) supported that performance evaluation improves profitability as it allows management to notice areas in which employees need to improve and it enable quick identification of any training needs amongst the employees hence work is made more efficient.

To add on, the respondent also mentioned the use of variance analyses which reveal the deviations of actual positions from the budgeted outcomes. According to the interviewee, variance analysis enables management to pinpoint areas which are causing deviations, either positive or negative and special attention will be paid to those areas. Noko (2017) and Kolem (2013) resolved that variance analysis improves profitability by helping management to identify areas which are causing losses so that such operations can be halted. Profit making areas are also identified and more resources will be channelled toward those areas. The researcher concluded that variance analysis is a necessary practice which improves profitability in an organization.

Respondent 2

The researcher asked the interviewee about budgetary control practices that aid in improving profitability at Load Agropower. The respondent stated that budget reviews and adjustments are an imperative part of budgetary controls. Since the business environment is dynamic, it is important to follow up on budgets and make necessary changes in order to suit the current economic situation. A rigid budget which does is not adjusted regularly would lead to losses or reduced profitability. Harelimana (2017) and Faith (2013) supported that budget reviews and remedial action improves the profitability of an organization and especially important when a business is operating in an unstable economic environment.

The respondents also mentioned that communication is an important part of budgetary control and that all outcomes from budgetary control practices should be passed to all employees so that every member of the organization is familiar with the strengths and the shortfalls of their department. The interviewee stated that budgetary controls improve profitability because they provide a platform fr managers and workers to come together and communicate the changes that need to be made in the budgets and the aspects that ned to be maintained. Sponem and Lambert (2016) and Lonescu (2014) supported that budgetary controls bring together management and employes and this a positive impact on profitability. The researcher concluded that budgetary controls improve communication within the organization and this in turn improves profitability.

4.6.3 What are the weaknesses of the budgets and budgetary controls at Load Agropower?

Respondent 1&2

Interviewees agreed and emphasized on two things. Firstly, the respondents stated that budgets are affected by unforeseen events which are not within the control of the managers hence the budgets cannot be completely reliable. Estimates that are used to draft the budgets are based on past experiences and these conditions are not stagnant. Researcher such as Adongo et al (2016) and Kaarboe et al (2013) also stated that budgets are a controversial combination of future orientation and past references. This implies that budgets cannot be fully depended upon.

Respondents also agreed that the feedback from budgetary control practices such as reviews and variance analysis was not always received by workers in a positive manner. They stated that some employees did not take criticism well and his led to conflicts between managers and the worker. Siyanbola (2015) asserted that some workers may perceive budget targets as a way used by management to impose their influence and this reduces motivation hence work becomes less efficient and profitability reduces.

4.6.4 What are the method that can be implemented in order to improve the effectiveness of the budget and budgetary controls in improving profitability?

Respondent 1

The interviewee stated that there was need to introduce forecasting techniques in formulating the budgets. These forecasts would project imminent future economic conditions and these findings would then be incorporated into the budgets. Nouri and Kyj (2014) supported that the use of forecasting techniques would solve the problem of history-base budgets which are subject to changes in the business environment. Nouri and Kyj went on to express that an organization that make use of forecasting will be able to equip itself against negative economic change and make decisions that will avoid losses when the economy deteriorates. Such an organization will also be prepared to take advantage of any positive changes that may arise within the situation. Joseph and Vetrivel (2013) also affirmed that a budget based on forecasted events is an ideal tool to plan for future activities and outcomes in the organization.

Respondent 2

The respondent suggested that the company should offer refresher courses regularly on the purpose and importance of budgets so that workers cease to perceive budgets as a tool for management to impose their influence but rather, as a planning tool that ease both their work and the work of management. Garg (2017) and Weil (2014) affirmed that the motives behind budgets have to be known to both managers and workers in order for the budget to be more effective in improving profitability.

However, Niculae (2015) and Cattani et al (2013) argued that training will not equip people to come up with a perfect budget system because of the inherent weaknesses of budgets and budgetary control such as vulnerability to changes in the business environment. The researcher came to the conclusion that human resources training is a viable solution which can improve the effectiveness of budgets at Load Agropower. Inherent limitations of budgets may still exist but a well -trained group of workers would contribute to the effective of budgets in improving profitability.

4.6 SUMMARY

In this chapter, the researcher presented and analysed the primary data which was collected, making use of tables in order to make the data more understandable for the reader. The chapter was focused on putting issues which were raised in literature review into the context of Load Agropower using the data that was collected with the use of questionnaires for employees and management as well as interviews which targeted managers. The following chapter will comprise the conclusions, major research findings and the recommendations of the research.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter, the researcher presented a summary of all the preceding chapters, conclusions and recommendations that were drawn after assessing the impact of budgets and budgetary controls on the profitability of Load Agropower. This chapter is based on information which was collected during the research process. The chapter goes on to highlight major research findings as well as recommendations that the researcher put together in an attempt to address the research problem.

5.1 Summary of chapters

The first chapter introduced the topic under study, which was the impact of budgets and budgetary controls on profitability. A background of the study was illustrated, which highlighted the divergence and convergence of the previous findings on researches carried out on this topic. The chapter also introduced information from the organization under study, Load Agropower. The information comprised of financial reports from 2015 to 2017 and an analyses aimed at confirming the existence of the research problem at Load Agropower thus justifying the necessity of this research. The chapter stated the main and sub research questions that this research would address as well as the objectives of the research. Assumptions, limitations and delimitations of this research were also stated in the first chapter.

The second chapter was on literature review which was aimed at exploring the findings of other authors who have done researches on the topic under study in the past. The information gathered was discussed and put into the context of Load Agropower in an attempt to achieve the objectives of the study. Harelimana, (2017) established a solid positive relationship between budgets and profitability. Tonly, (2015) and Derfuss, (2015) argued that budgets have a negative impact on profitability as they promote rigidity and cripple the organization, leaving it unable to adjust to the dynamic business environment. Noko (2017) asserted that budget information can distort profitability if used in a manner which does not recognize its limitations. Lavel (2015) and Rolay (2013) postulated that budgets are mere pieces of paper which cannot have any impact on profitability unless acted upon which means a budget has no bearing on profitability.

Chapter 3 was an illustration of the methodology that the researcher intended to utilize in order to collect data for the research. It stipulated the nature and design of the research method, as well as the justification for the choice of research method. The researcher made use of a descriptive research design and collected data of a qualitative nature using questionnaires and interviews. A target population of 16 people was determined and the researcher made use of the census method since the population was small enough to use in its entirety without compromising on timeliness and quality of information. 16 questionnaires were issued out, 2 of which were designed especially for management and the rest were for the employees. All questionnaires were filled and returned. The interviews were scheduled to be carried out with management only and all two were carried out as planned.

The fourth chapter was on the presentation and analysis of the data collected. The data was grouped according to the objectives of the research. The researcher made use of tables to present the data. Data was analysed in order to form a conclusion. Areas which agreed or disagreed with the reviewed literature were highlighted. The chapter also brought literature into the context of Load Agropower.

5.2 Major research findings

The budget system at Load Agropower has not been significantly effective in improving the profitability at Load Agropower because of inherent aspects of budgets well as external factors which can be resolved by the management together with employees. Budgets are inherently inaccurate as they make use of estimates and historic data which forms the basis of the budgets. The dynamic nature of the external business environment makes it especially difficult to come up with a cookie-cut budget which gives a reliable forecast of how the organization will perform in the stipulated period.

The data collected indicated evidence of a lack of communication between management and the employees in respect of the budgets and budgetary controls. Employees were neither fully aware of the objectives of the organization nor the roles that they were expected to play in order to fulfil the expectations of the budgets. This miscommunications or a lack of communication can impact profit negatively since efforts will not be channelled with precision to the goals of the entity. To add on, respondents agreed that the budget system at Load Agropower is time consuming and management has got to address this concern in order to obtain a more effective budget system which will lead to increased profitability.

The financial statements of Load Agropower for the years 2015 to 2017 showed that profitability was growing at decreased rate and this is attributable to the economic instability which prevailed in Zimbabwe during that period. These effects were not curbed because the budget system at Load Agropower did not prepare the organization for these negative economic changes as the budget was prepared on the basis of past experiences. To add on, the budget system was not flexible and workers had no room to make decisions based on current economic circumstances but rather had to operate within the parameters of the budget. These factors were indicated in the falling profitability growth rate during the period from 2015 to 2017.

5.3 Recommendations

Since the financial statements of Load Agropower show a decreasing rate of profit growth in spite of the existence of a budget system during the period 2015 to 2017, the researcher came up with the following recommendations that may be adopted in order to improve the effectiveness of the budget system.

- **Budget software**

The researcher recommends that Load Agropower adopts budget software and start preparing their budgets digitally. This will lead to less time which will be needed to formulate the budget and accurate calculations will be achieved. A computerized budget system will also save time and minimize errors in the calculation of variances. The software will generate variances which will be readily available in the system reports. Management can enter data from the various departments into the system at any time and generate variances regularly in order to identify and combat deviations immediately.

- **Foreasting**

Load Agropower has to adopt appropriate budgetary control techniques, which ecomprise forecasting, strategic planning and and sound variance analysis. Elliot (2013) asserted that adequate variance analysis and strategic planning work together with the budget process and they are an important technique in achieving higher profitability. Elliot (2013) also affirmed that this will lead to every departmental manager being accountable for the performance of their department and it reduces chances of slacking as well as the manipulation of figures. Through strategic management, every material variance has to be interpreted, explained and justified. The budget process has be reviewed regularly so that any changes will be accounted for.

- **Human resource training and development**

The company should train its employees so that they are able to interpret and execute the budgets more effectively. An expertly formulated budget will still have no positive impact on profitability if the intended users are unable to interpret it and understand its core objectives. A budget is expressed in financial terms but there are qualitative objectives which influence it and they may not be clearly indicated within the budget but still need to be understood and taken into consideration in the day to day decisions. This can only be possible with a well trained workforce.

5.4 SUMMARY

This chapter summarised the contents of the previous chapters and all the work that the researcher has carried out. The researcher highlighted literature which helped in explaining the impact of budgets and budgetary controls on profitability in the case of Load Agropower. Major findings from the research were outlined in this chapter and also, recommendations were also made which would be relevant to Load Agropower in an attempt to improve the effectiveness of their budget system. The study indicated that Load Agropower was experiencing a decrease in its profit growth rate and this was attributed to the shortfalls of the budgetary system and the recommendations are aimed at rectifying those drawbacks so as to ensure that the profitability of Load Agropower is enhanced.

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APPENDICES

QUESTIONNAIRE FOR EMPLOYEES

1. What do you understand by the terms;
   Budget;…………………………………………………………………………………
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   ……………………………………………………………………………………………
   .Budgetary
   controls…………………………………………………………………………………
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2. How do budget affect your day to day activities?

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3. How do budgets affect

(i) Expenditure patterns in your department

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(ii) Cost control in your department?

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4. How does the budget affect the optimum use of resources?

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5. How do budgets affect the output of your department?

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6. How do budget affect the relationship between your department and other departments?

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7. How well does management communicate the expectations of the budget with you, the worker?

QUETIONNAIRE FOR MANAGEMENT

1. What is the typical budget period?

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2. How do you combat the inaccurate and historic nature of budgetary assumptions?

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3. How do employees and other manager generally respond to budgets?

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4. In light of economic instability, how often do you;

(i) carry out budgetary reviews?

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(ii) budget adjustments

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5. Are the workers trained to understand and interpret the budget?

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6. What measures are in place to deal with the effects of economic instability on the effectiveness of budgets?

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7. Would you describe the system as centralized or decentralized?

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8. How well do budgets aid in enforcing financial discipline amongst departments?

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QUESTIONNAIRE FOR EMPLOYEES

1. What do you understand by the terms;
   Budget;………………………………………………………………………………………
   ………………………………………………………………………………………………
   ………………………………………………………………………………………………
   .Budgetary controls……………………………………………………………………………
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