CHAPTER ONE

INTRODUCTION

1.1 Background of the study

For both developing and developed economies, small and medium sized firms play substantial roles in the process of industrialization and economic growth. The contribution of Small and Medium Scale Enterprises (SMEs) has been acknowledged as the economy's primary support due to their ability to boost the economy's production and improve human welfare (Akingunola, 2011).

History has shown that the idea of small and medium-sized enterprises was introduced into the development landscape as soon as the late 1940s and the primary objective was to increase trade and industrialization in the present advanced countries (OECD, 2004). According to the Central Bank of Nigeria (CBN), a small and medium-sized enterprise is one whose capital excluding land ranges from ₦1 million to ₦ 150 million and employs no more than 500 persons (Ebitu, Ufot, & Olom, 2015).

Similarly, the National policy on MSMEs, defined small enterprise as an enterprise with a total asset (excluding land and building) worth five million naira but not exceeding N50 million. With a total workforce of above ten, but not exceeding forty-nine employees, and medium enterprises as those enterprises with total assets above N50 million but not exceeding N500 million (excluding land and labour) with a total workforce of between 50 and 199 employees (SMEDAN, 2013).

There are however various definitions of SMEs which vary according to different economies, institutions and agencies. SMEs possess comparable features despite variations in definition. First is that they are generally sole proprietorship in nature and in some cases partnership though they could be registered as limited liability companies. Secondly, they are prone to discontinuity or have high rate of business mortality probably due to reasons of low capital, inadequate market information, lack of appropriate technology, close relationship between proprietor's private fund and company's fund (Ogunleye, 2004).

The advantages of SMEs to any country are definitely obvious. These include: increasing the production of products and services; generating employment at moderately low capital costs, especially in the rapidly increasing service industry; providing a medium for reducing revenue disparities; developing a collection of qualified and semi-skilled workers as a basis for imminent industrial development (Iromaka 2006). Small and medium-sized enterprises (SMEs) have increasingly become a powerful engine for economic growth and development in today's rapidly growing and dynamic competitive global economy (Khan, Obaidullah & Alam, 2011).

Meanwhile, Adeniji (2014) defines Budgeting as a systematic and formalized approach for performing significant phases of the management planning and control of functions. Budgetary control is a management-implored instrument to monitor real performance to guarantee compliance with budgeted norms (Kpedor, 2012). Budgetary control includes preparing a budget, recording real performance, identifying and researching the differences between real and budgeted performance, and taking appropriate remedial action to achieve budgeted performance (Kimani, 2014). According to Okapnachi and Muhammed (2013), the lack of efficient budgetary control gives rise to disregard for established processes, loss of focus and shoddy activity coordination, and they can cripple an organization.

1.2 Statement of the problem

Small businesses irrefutably remain critical to the development of any nation's economy as they are an excellent, source of employment generation, help in development of local technology, and develop indigenous entrepreneurs (Erdem & Erdem, 2011; Alaye-Ogan, 2012). Small companies in Nigeria, however, were unable to add value to the economy because of many problems facing their activities. As cited in Aremu and Adeyemi. (2011), most small and medium-sized enterprises in Nigeria die within their first five years of life, a lower proportion die between the sixth and tenth years of extinction, while only about five to ten percent survive, flourish and mature.. Accordingly, Osotimehin, Akinlabi and Olajide (2012) observed that the issues arising from bad funding of small and medium-sized enterprises include: lack of skilled leadership resulting from the failure of owners to hire expert services; use of outdated machinery and manufacturing techniques due to the failure of owners to access fresh technology; excessive competition resulting from revenues resulting from sales. Uchegbulam, Akinyele and lbidunni (2015) in their study posited that with Nigeria's business environment situated in the midst of difficult financial landscape and intense competition, executives are increasingly seeking strategic strategies to achieve, enhance and maintain organisational efficiency that are missing in most SMEs, resulting in poor performance, low productivity and low productivity. It is on the basis of the problem identified above that this study seeks to assess the effect of budgetary control on the financial performance of Small and Medium-sized enterprises in Lagos State.

1.3 Objective of the study

The objective of the study is to examine the effect of budgetary control on the financial performance of Small and Medium-sized enterprises in Lagos State. Other specific objectives include to:

i. Examine the effect of budget planning on the financial performance of Small and Medium-sized enterprises in Lagos State.

ii. Investigate the effect of budget monitoring and control on the financial performance of Small and Medium-sized enterprises in Lagos State.

iii. Establish the effect of budget evaluation on the financial performance of Small and Medium-sized enterprises in Lagos State.

1.4 Research Questions

In line with the objective of the study, the following research questions have been posed:

i. What is the effect of budget planning on the financial performance of Small and Medium-sized enterprises in Lagos State?

ii. What is the effect of budget monitoring and control on the financial performance of Small and Medium-sized enterprises in Lagos State?

iii. What is the effect of budget evaluation on the financial performance of Small and Medium-sized enterprises in Lagos State?

1.5 Hypotheses

In view of the above research questions, the following hypotheses have been formulated:

$H_0$1: Budget planning has no significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

$H_0$2: Budget monitoring and control has no significant relationship with financial performance of Small and Medium-sized enterprises in Lagos State.

$H_0$3: Budget evaluation has no significant relationship with financial performance of Small and Medium-sized enterprises in Lagos State.

1.6 Significance of the Study

The findings of this research will provide owners/managers of SMEs with more useful understanding about how budgetary control would improve the financial performance of SMEs.

The results will simultaneously assist business consultants to improve their understanding on financial planning implementation in small and medium sized enterprises. The findings will give more evidence on the effectiveness of budgeting practice towards Small and medium sized enterprises in Lagos State and give suggestions to SMEs of other States in Nigeria. This study would assist researchers by providing them with some vital information concerning strategies for small and medium scale business survival.

It is also hoped that these findings would contribute to the body of knowledge and stimulate more researcher's interest in this field of study. Understanding from this study would enable the government to create better policies and regulations about the research variables in a way to enable development and growth within the country's economy and sector as well. Findings from this study will enable the public to be more informed and provide more knowledge with regards to budgetary control as it relates to SMEs development.

1.7 Scope of the Study

The study shall concentrate on the effect of budgetary control on the financial performance of Small and Medium Sized enterprises in Lagos state. The state was chosen because of its position as commercial hub of Sub-Saharan Africa.

1.8 Limitations of the Study

Certain limitations in the course of this study are:

- **Time**: With limited time, it would be difficult to examine a large sample size.
- **Financial Constraints:** With this, there would be certain limit to online libraries and also traveling to specific area where more data would be collected.
- **Access:** Another limitation of this study is the restriction to access documents or data of some firms.

- **Retrieval of Questionnaires:** The researcher would also be faced with retrieving questionnaires in due time and some respondents might not provide necessary responses to the questionnaires.

1.9 Operational Definition of Terms

The operational definition of terms for this study are:

- **Small Scale Enterprises**: are those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Fifty Million Naira with a total workforce of above ten, but not exceeding forty-nine employees.
- **Medium Scale Enterprises**: are those enterprises with total assets excluding land and building) are above Fifty Million Naira, but not exceeding Five Hundred Million Naira with a total workforce of between 50 and 199 employees.
- **Return on Investment:** This is performance measure used to assess or examine the efficiency or gain of an investment.
- **Market Share:** This is the share, percentage or proportion of a firm's total sales of a particular product or service in a particular market over a specified time.
- **Economic Growth:** This relates to the rise in products and services manufacturing over a lengthy period of time in an economy, typically a country.
- **Planning:** This is the process of setting goals, developing strategies, and outlining tasks and schedules to accomplish goals.
- **Evaluation:** Evaluation is a systematic evaluation of the operation and/or outcomes of a program or policy against a set of explicit or implicit norms as a means of contributing to program or policy enhancement.

- **Monitoring and Control:** This consists of the procedures necessary to monitor, review, and orchestrate a project's development and efficiency; identify any regions where plan modifications are needed; and initiate the associated modifications.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter aimed at highlighting theoretical and empirical overview of varying literatures on the effect of budgetary control on the financial performance of firms. It discusses theories that support budgetary control and financial performance of SMEs. All the sections attempted to address the specific objectives and fulfil the general objective of the study.

2.1 Conceptual Review

2.1.1 Concept of Budgeting and Budgetary Control

Budget had been defined as accounting device used to plan and control resources of functioning department of government and divisions, (Abdullahi & Angus, 2012). Budget can also be defined by Yakubu (2011) as "a detailed financial statement that shows details of estimated revenue and prepared expenditure"

Drury (2006) defines budget as a plan expressed in quantitative, usually monetary term covering a specific period of time usually one year. Lucey (2006) defines budget in monetary terms as a plan prepared and approved prior to show income, expenditure and the capital to be employed. Adeniji (2014) defines Budgeting as a systematic and formalized approach for performing significant phases of the management planning and control of functions.

Budgetary control includes preparing a budget, recording real performance, identifying and researching the differences between real and budgeted performance and taking appropriate remedial action to achieve budgeted output (Kimani, 2014). Budgetary control is a management instrument to monitor real output to guarantee compliance with budgetary norms (Kpedor, 2012). Budgetary control is a form of responsibility accounting within a firm whereby costs are matched with revenues and examined accordingly through effective financial monitoring systems (Adongo and Jagongo, 2013). Lucey (2008) also defined budgetary control as the process of comparing the actual results with the planned results and reporting on the variations called variance. Budgetary control is a system of management control in which the actual income and spending are associated with planned income and spending, so that the firm can make decisions if plans are being followed and if those plans need to be changed in order to make a profit. (Kimani, 2014)

The Institute of Chartered Accountants of Nigeria (ICAN) Study Pack on Public Sector Accounting and Finance defines budgetary control as 'the whole system of controls - financial or otherwise - to ensure that income and expenditure are in line with the budgets and that wastage is abridged to the barest minimum. The Institute of Cost and Management Accountants, London, defines budgetary control as, " The establishment of budgets related to the duties of managers to the demands of a policy and the ongoing comparison of real outcomes with budgeted outcomes, either to ensure the goal of that policy through individual intervention or to provide a foundation for its review." Abdullahi et al., (2015) contend that budgetary control is a process that compares actual results with set targets and reports any variation arising therein called variance. It is a predetermined statement of managerial policy during the given period which provides a standard for comparison with the results actually achieved (as cited in Moretti, Downes and Nicol, 2017).

Dunk (2009) defines budgetary control as the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it or the spending patterns need adjustment to stay on track. Buyers & Holmes (1995) defines budgetary control as "a system of controlling costs which includes the preparation of budgets, coordinating the department and establishing responsibilities, comparing actual performance with budgeted and acting upon results to achieve maximum profitability." (as cited in Joseph, 2014). This definition denotes the following essentials of budgetary control:

i. Establishment of objectives for each function and section/unit of the organization.
ii. Comparison of actual performance with budget.
iii. Ascertainment of the causes for such deviations of actual from budgeted performance.
iv. Taking suitable corrective action from different available alternatives to achieve the desired objectives.

2.1.1.1 History of Budgeting

Siyanbola (2013) asserted that formal preparation of budgets can be traced to the middle age period in England when the Chancellor of the Exchequer prepared annual accounts in a scroll, usually kept in a bag to be read in parliament. During the time of discussing state finances, the Chancellor could always refer to the statement of accounts contained in the bag. This bag, whose original name is (boguette) in French, is referred to as the budget. Over the years, governments' financial statements 10 have taken over the name of the bag, thus the statement of finance for any government today is referred to as the budget.

History has it that the first annual national budget was approved in Britain in 1787. The British parliament passed the Consolidated Fund Act, paving way for a single general fund for recording all receipts and expenditure, which designed the basis for the modern budgeting system. By 1822, the British Chancellor for the Exchequer, an equivalent of Finance Minister in other commonwealth jurisdictions, had gotten used to the presenting annual budget statements to the British Parliament account committee for review. The Audit Act, which existed then, provided independent post audit review of the said budget. Elsewhere in other developed countries jurisdictions, the United States of America adopted this system in 1912, the same year the budget and accounting Act was set up by the federal budget system. By 1931, the French government had adopted the system (Barclay, Schalkwyk and Pauw, 2011).

According to Adeyele (2016), modern day budgeting started during the Roman and Egyptian civilization periods around 500BC and 2500BC respectively. Merchants matched anticipated expenditure against expected income to be able to establish whether their businesses were making profit or loss.

2.1.1.2 The Budgeting Process

The budgeting process starts with the budget committee who meet at regular intervals by developing and co-ordinating budgets. The budget officer who is usually the accountant provides technical support and data during the budget preparation.

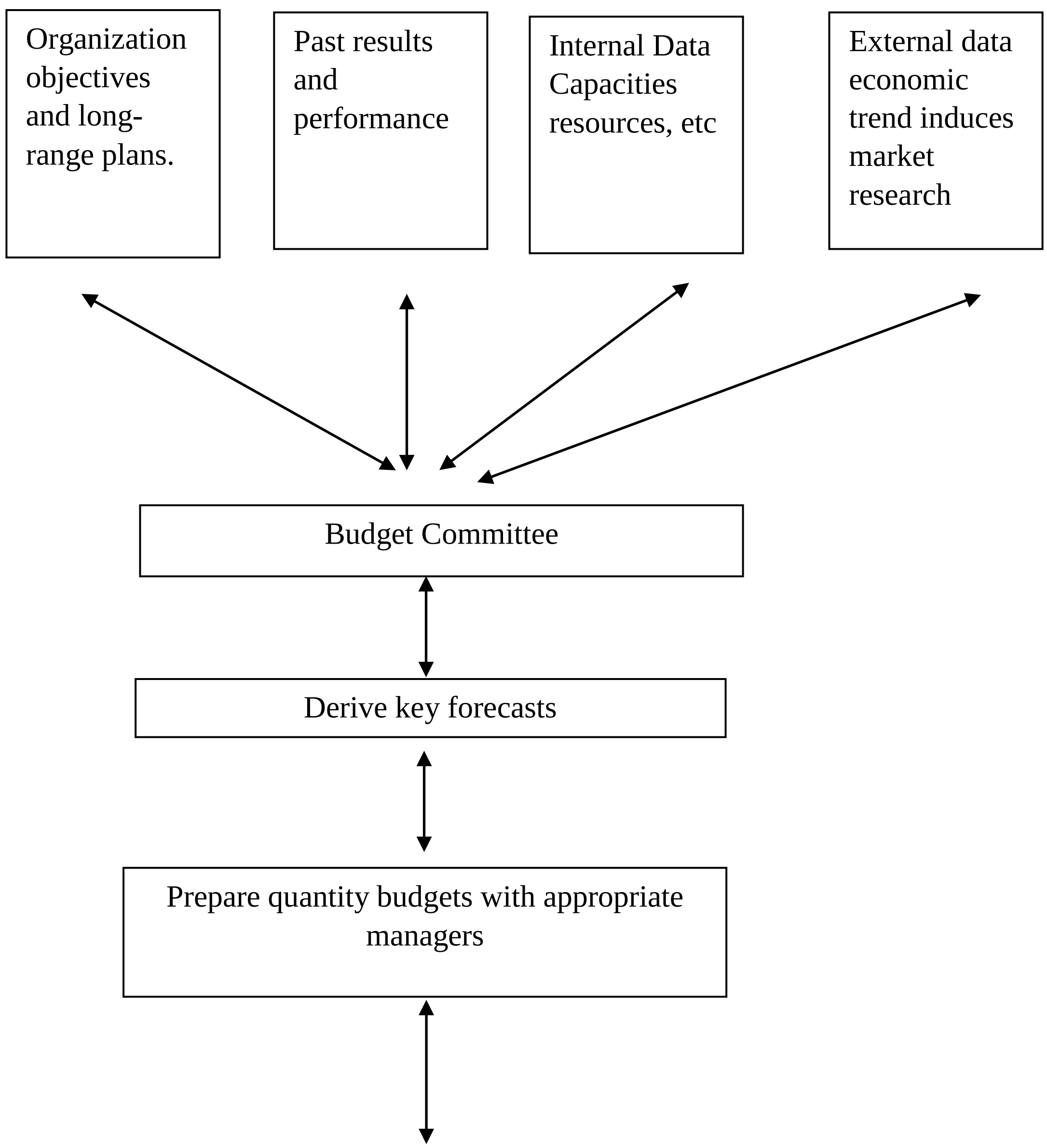
Adeniji (2014) highlighted the steps in budgetary process.

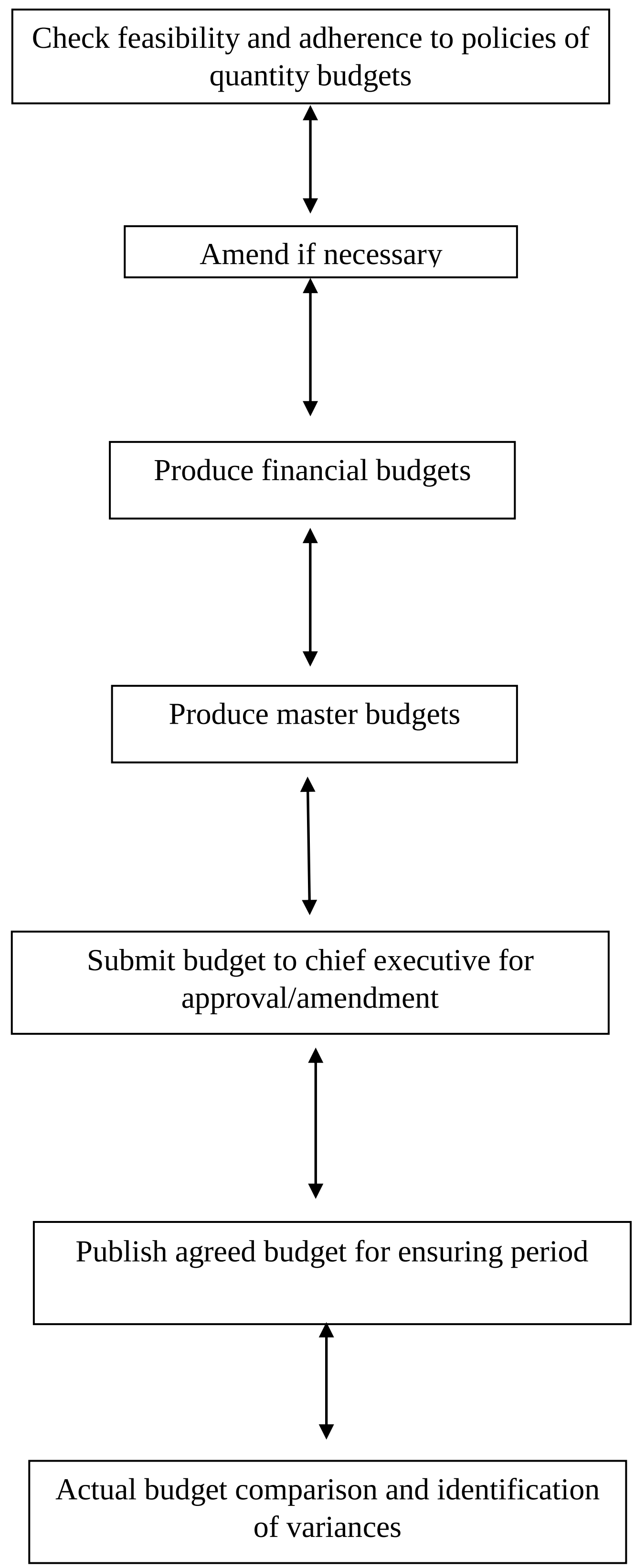
1. Prediction of future event through forecasting.
2. Co-ordination and communication between functions is essential to ensure inter locking feasible budgets, which accord to company policies and objectives. Many of these steps need to be repeated during the budget development as discrepancies become apparent.
3. The budget comprising the individual departmental and functional budgets and the master budgets is submitted to the chief executive of the Board of Directors for examination and approval after revision through necessary.
4. Agreed budget are published and dispersed to all the budget holders and centres.
5. Speedy production of budgetary control statements and instant investigation of revealed variances provides the best basis for bringing operations into line with the plan or where there have been substantial changes in circumstances, making agreed alternatives to the plan.

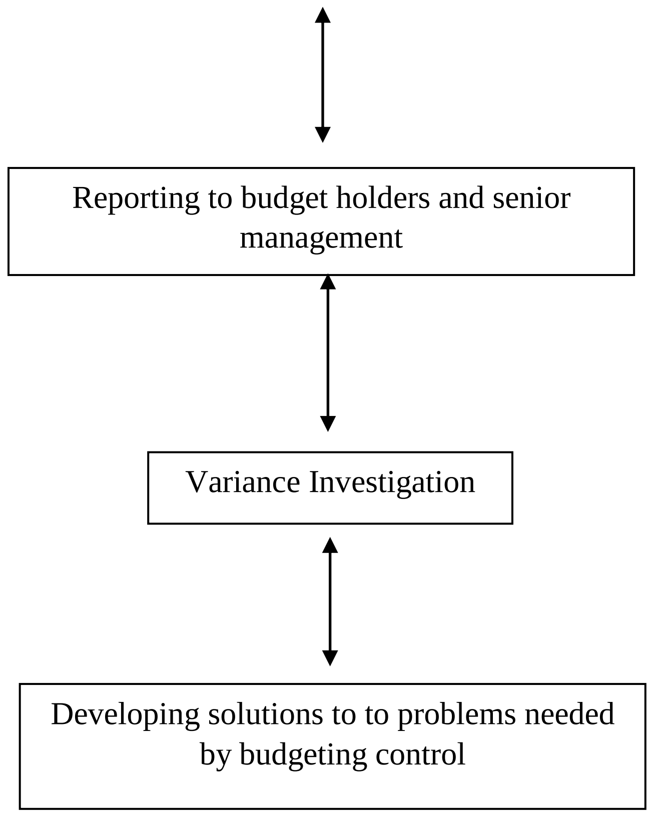
6. The investigation into the variances and their causes provide the link between budgetary control and budgetary planning. The experience of operations, levels of performance and difficulties are fed to the budget committee so threat.

However, Adeniji (2014) went further to outline the budgetary process in the diagram table below:

Figure 2.1: Budgetary Process




Check feasibility and adherence to policies of quantity budgets
Amend if necessary
Produce financial budgets
Produce master budgets
Submit budget to chief executive for approval/amendment
Publish agreed budget for ensuring period
Actual budget comparison and identification of variances



Source: Adeniji (2014)

2.1.1.3 The Importance of Budgeting

According to Osmon (2012), the importance of budgeting can be summarized as given below:

1. Limitation of Expenditure

A major benefit of using a budget is the ability to limit how much money is spent on certain operations. Budget generally demonstrates expenditure account to guarantee that capital is not wasted on non-essential capital. Limiting the amount of capital the company spends may involve owners and executives to discover fresh vendors or distributors to purchase company inputs, save cash and meet goals.

2. Creation of a Financial Roadmap

Budget often allows a company to have roadmap for business operations. Many companies review previous year's budget to determine how well they followed the guidelines and why budget variances occurred.

3. Plans for Future Growth

Companies often use budgets to plan future development and development of their businesses. In a unique reserve account designated for choosing fresh company possibilities, capital saved on periodic company expenses can be placed. Future growth opportunities budgeting ensures that businesses have capital on hand when they need to make rapid choices to expand company activities.

4. Coordination of Activities

Budget serves as a means of bringing together and reconciling activities from distinct components of an organisation into a common plan. Without any guidance, managers may take sub-optimal decisions that might not be in tandem with the overall interest of the organization.

5. Communication

Top management communicates its expectations to lower-level executives through budgets so that all members of the organisation can comprehend the company's expectations and coordinate their operations towards attaining the common goal.

6. Motivation

A budget offers a standard that can motivate a manager to strive to accomplish it under certain conditions. If individuals have directly participated in preparing the budget that serves as a tool to support managers in managing their departments, it can act as a strong motivational device by providing challenge.

7. Control of Organizational Activities

A budget assists managers in managing and controlling the activities for which they are responsible by comparing the actual results with the budgeted amounts for different operations. Managers can therefore determine the costs that do not follow the original plans and thus take necessary corrective action. This process enables management to operate a system of management by exception, which implies that a manager's attention and effort can be concentrated on significant deviations from expected results.

8. Performance Evaluation

The budgetary system is also used as a basis of judging actual results. Budgeted goals and performance are generally regarded as being more appropriate than past performance. The major drawback of using historical information to judge performance is that previous performance inefficiencies can be concealed and, above all, important changes could occur during the present era. Adeniji (2014) also identified some importance of budgeting, which are as follows:

1. Serves as a useful performance-monitoring tool.
2. Ensure Organization culture.
3. Pinpoint efficiency and effectiveness.
4. Helps to promote coalition of interests and to increase motivation.
5. Helps to achieve co-ordinations between various departments and functions of the organization.
6. Medium of communication foe organisational plans and objectives and the progress towards meeting objectives.
7. Compels all members of management to participate in establishment of goals and plans.

2.1.1.4 Problems Associated with Budgets and their Implementation

Obi (2015) identified that organizations suffer from the following problems associated with budgets. These problems are as follows:

1. Budgets are grounded on estimates and data that may not be accurate at the time they were presented.
2. A budget cannot remain static for too long. It must be revised, altered or changed completely to suit changing circumstances.
3. Lack of political will is a problem in budget implementation especially in government circle. Strict adherence to budgets and timely implementation are lacking in the public sector.
4. Some budgets are prepared with unrealistic figures and beautifully painted pictures to attract approval from the government and its agencies. After approval, it becomes impossible to execute the project within the limits of funds approved for it, especially after all the unwritten subtractions have been made.
5. There may be too much reliance on the budgeting technique as a substitute for good management.
6. The budgetary system, because of undue pressure or poor human relationship may cause antagonism and decrease motivation.
7. Variance occur frequently due to changing circumstances, poor forecasting or general uncertainties in the business environment.
8. Budgets are created around existing organisational structures and departments which may be unsuitable for present circumstances and may not reflect the financial truth underlying them.

2.1.1.5 Conditions for Effective Budgetary Control System

Siyanbola, (2013) posited that the following conditions are necessary to be in place for a budgetary control to be effective:

a. Involvement and support of top management;
b. Clearly cut data on long-term corporate goals within which to function the budgeting system;
c. Realistic organisation structure with clearly defined responsibility;
d. The line executives are genuinely and fully involved in all aspects of the budgeting process;
e. Appropriate accounting and information system which will include: the record of expenditure and performance related to responsibility; prompt and accurate reporting system showing actual against budget; ability to provide more detailed information or advice on request;
f. Regular revision of budget and targets, where necessary;
g. To be administered in a flexible manner. Changing in conditions may call for changes in plans. Rigid adherence to budgets which are obviously unsuitable for present circumstances will result in a loss of credibility and efficiency of the entire budgeting scheme.

2.1.1.6 Classifications and types of Budget

Isaac et al., (2015), as cited in Nafisatu, (2018) identified the following classification of budgets as follows: short-term budget, long-term budget, fixed budget, flexible budget and zero based budgets. Other classifications include rolling budgets, activity-based budgeting, incremental budgeting and planning, programming budgeting systems. He went further to explain them as follows:

1. **Short-term budgets**: These are budgets established over a short period, usually less than one year, for use for control purposes. Because of their complexity and dynamism, they are widely used in production sectors. They can readily match the ever-changing working environment they are operating in.
2. **Long-term budgets**: Sometimes these budgets are also referred to as growth plans. They usually apply for a minimum of 5 years and are sometimes referred to as the strategic plan of an organization. Just as governments generally prepare five-year development plans that can be implemented every five years, manufacturing companies also prepare five-year strategic plans that are generally split into annual budgets that run from one year to the next.
3. **Fixed budget**: As the name suggests, a fixed budget will remain the same regardless of the subsequent changes in activity costs or revenues. It usually serves as a yardstick in performance evaluation.
4. **Flexible budget:** Flexible budgets are budgets designed to change as changes are achieved in the level of activity. They acknowledge the existence of fixed, variable and semi-variable costs and change over time in relation to the actual output volume.
5. **Zero Based Budgeting**: Sometimes this sort of budgeting is also referred to as budgeting based on priorities. It is a method that discourages year after year traditional incremental budgeting style, but 12 proponents justifying any numbers budgeted. Zero Based Budgeting was introduced in the US in the early 1970s. Because of its practicality, it

acquired prominence. In project evaluation, the method places more emphasis on the notion of opportunity cost and cost benefit analysis.

6. **Rolling Budget**: In other literature, rolling budget is frequently referred to as the ongoing budget. This budgeting scheme involves continually updating the budget by reviewing the real outcomes of the particular period and using that data to determine the budget for the respective period. Under the rolling budgeting arrangement, every quarter there would be a budget such that the budget will be extended by an extra period as the period under review ends.
7. **Activity Based Budgeting**: This can be defined as a method of budgeting based on the activity framework of an organization that uses cost driver data in the processes of variance feedback and budget setting. It is a method of monitoring and planning aimed at attaining the goals of continuous improvement in the budgeting process. However, Siyanbola (2013) identified some characteristics of activity based budgeting:
   a. Recognition of activities that drive cost with the aim of controlling the causes of cost directly Rather than the cost themselves;
   b. Differentiates and examines activities for their value adding potentials;
   c. The department activities are driven by demands and decisions which are beyond the control of budget holder;
   d. Encourages immediate and relevant performance measures required than are found in conventional budgeting systems.
8. **Incremental budgeting**: This approach to budgeting uses estimates of current year revenue and expenditure as a basis for determining the year's budget. It is used extensively in the public sector. One of the disadvantages connected with this budgeting

technique is the misfortune of putting inadequacies into the budgets of the subsequent period over past years. This is because the estimates of the present era are merely adjusted in incremental budgeting by a factor that management believes is good enough to take care of the inflationary premium for the next economic era.

9. **Planning, Programming Budgeting System (PPBS):** This budgeting scheme analyzes a specific program's production and seeks the most efficient solution to attaining the operations of that programme. It involves setting a company's long-term goals and how those goals can be accomplished. The scheme seeks to achieve the effective distribution of organizational assets and to provide the data needed for management to evaluate the efficiency of its plans.

2.1.2 Concept of Small and Medium-Sized Enterprises (SMEs)

There is no unified definition of SME as the definition(s) however depends on certain criteria, which includes number of employees, turnover, profit, available finance, nature of industry/industrial capacity, market share, level of development of the country and many others.

The traditional definition in Germany limits Small and Medium Scale Enterprises to two hundred and fifty (250) employees while in Belgium it is limited to one hundred (100) employees (Oduntan, 2014). In Nigeria, a number of definitions of SMEs have been made available. Ogechukwu (2011) argues that distinct writers, academics and universities have distinct thoughts about capital outlay variations, number of staff, sales turnover, fixed capital investment, accessible plant and equipment, market share and level of growth, variations in these variables reflect the current definitions of SMEs. The definition adopts a classification based on dual criteria, employment and assets (excluding land and buildings) as shown below.

Table 2.1: Classification Adopted by SMEDAN for National Policy on MSMEs

SIZE CATEGORY	EMPLOYMENT	ASSETS (₦ MILLION) EXCLUDING LAND AND BUILDING
Small Enterprises	10 to 49	5 to less than 50
Medium Enterprises	50 to 199	50 to less than 500

Source: Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) Report, 2013.

SMEDAN (2013) however went further to explain the table and defined Small Enterprises as those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Fifty Million Naira with a total workforce of above ten, but not exceeding forty nine employees and Medium Enterprises as those enterprises with total assets (excluding land and building) are above Fifty Million Naira, but not exceeding Five Hundred Million Naira with a total workforce of between 50 and 199 employees. (National MSME survey report, 2013).

According to the definition adopted by the European Commission, the category of micro, small and medium-sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR40 million, and/or an annual balance sheet total not exceeding EUR20 million. Within the SME category, a micro enterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or balance sheet total do not exceed EUR0.7 and 0.35 million, respectively. An enterprise which employs no more than 250 persons, and has an annual turnover not exceeding EUR40 million, and/or an annual balance sheet not exceeding 20 million, is defined as a medium enterprise (as cited in Sokolovska 2016)

An SME according to the Central Bank of Nigeria (CBN) is one whose capital employed excluding land is between ₦1 million and ₦150 million and employs not more than 500 persons (Ebitu, Ufot, & Olom, 2015).

Alaye-Ogan, (2012) defines a small business as companies with capital base between twenty thousand naira and thirty million naira (equivalent of $125 to $193,500). According to Hatten (2012: 4), a company is considered small if it is independently owned, operated, and financed; has fewer than 100 employees; and has relatively little impact on its industry. Ayegusi (2004) also defines a small business as an enterprise which has an investment capital of up to one hundred and fifty thousand naira (N150, 000) and employs not more than fifty (50) persons or workers.

2.1.2.1 Historical development of Small and Medium Scale Enterprises in Nigeria

Ogechukwu, (2011) categorized the historical development of SMEs in Nigeria into pre-independence era; 1970-1926; 1980-1989 and; 1990-1999.

Pre-Independence Historical Development

Colonial and other European multinationals such as United African Company (UAR), GB Olivant, Unilever Plc, Patterson Zechonics, Leventis, etc. dominated the company climate before Nigerian Independence. These companies primarily engaged in bringing into Nigeria finished goods from their parent companies overseas. These firms have extensive company experience and a powerful investment base, dominating the Nigerian economy. Those days ' government urged them to become stronger by providing incentives as beneficial traffic and tax concessions. The Nigerian Industrial Development Bank (NIDB) was established towards the end of the

1950s to help prospective entrepreneurs in the exploration of domestic assets, trade and industrial manufacturing in agriculture. This time and the early 1960s saw the massive increase in Nigeria import market, while the Nigerian economy became largely controlled by very few large foreign firms. However, few Nigerians mostly the Semi-illiterates benefited from the generous government attitude of this time. The educated Nigerians then were not interested in entrepreneurship mainly because their focus was on the positions being evacuated by the expatriate staffs, who were leaving the civil service to return home because of the imminent independence in 1960. Even then, despite the formation of the Colony Development Loans Board by the colonial administration, Nigerians regarded the civil service more prestigious than company.

1970 – 1976

The indigenization decree 1972 and later the Nigeria Enterprises Promotion Act 1977 brought about a major / remarkable breakthrough in small business. These were the Federal Government's real efforts to ensure that Nigerians play an active and valuable part in economic development. The Federal Government has given particular attention to the growth of small-scale sectors, especially in rural regions, in its National Development Plan 1970-74. This was in recognition of the roles of tiny and medium-sized sectors as the seedbeds and entrepreneurship training grounds. The growth plan's cardinal point was;

a. Speeding up the pace of industrialization and industrial dispersal.

b. Generating significant possibilities for jobs.

c. Promoting among the population individual projects and entrepreneurship.

d. Development and growth of export traders, and

e. Complementing industry on a large scale.

An amendment to the 1997 decree provided for being economically self-reliant. Nigerians need to look after economic history, well stacked with sufficient insight into the humble beginnings of today's gigantic conglomerates that began as small-scale sectors.

1980 – 1989

Over the course of this decade, public policy initiatives have focused on the technological elements of small-scale industrial growth in Nigeria. During this decade, numerous governments in Nigeria have undertaken corrective steps to divert efforts towards maximum exploitation or natural resources and have sought to avoid the capital-intensive manufacturing method in the light of the abundant accessible resources. In this regard, the industrial policy has sought to concentrate its attention primarily on the use of local resources through multiple types of government incentives. Some of the basic policy strategy aimed at revitalizing the industrial sector included the;

a. Encouragement in our industrial growth operations to use more local materials.
b. Encourage greater capacity utilization in Nigerian industries.

   In addition, both the third and fourth national development plans, the government then tried to increase her support for and contributions on;

   i. The establishment of research products development business to provide a bridge between research and commercial growth of outcomes and collaborate with manufacturing establishments to adopt imported machines to circumstances in Nigeria and ultimately develop the capacity to manufacture such machines;
   ii. The federal institute of industrial research and other institutions as the project development agency, Enugu.
   iii. The industrial development centres.

iv. The provision of funds to implement feasible projects emanating from policy paper, prepared by the Nigerian Councils for Science and Technology.

v. The Industrial Research Council of Nigeria to get organized for coordinating industrial research efforts.

As constructed, the focus of these policy initiatives places excellent emphasis on the technological elements of industrial growth and small-scale industry growth in Nigeria.

It is worth noting that, during the Babangida government, the implementation of the Structural Adjustment Program (SAP) made matters worse for labour workers and established a real basis for self-employment.

1990-1999

Both the federal and state governments have contributed to the development of small-scale sectors, particularly in rural regions, in Nigeria. Several fiscal and on-fiscal incentives for investors and entrepreneurs in the economy's small-scale industries have been created recently. Of particular note was the federal government's strategy to train and motivate the unemployed graduates to be gainfully employed in development programs out of college for entrepreneurship. Thus on the presentation of viable feasible projects, approved loans are expended through pre-selected commercial banks assisted by the National Directorate of Employment.

The Peoples Bank of Nigeria (PBN) was also at the forefront of giving soft loans to unemployed youth and artisans, with the aim of diverting young people's attention from government-wage jobs to that of gaining self-employment alone. NDE and the People Bank of Nigeria were charged solely with the responsibility of creating jobs for thousands of unemployed Nigerians through their various programs. To show its seriousness, the Federal Government through its educational agencies like the National Board for Technical Education (NBTE), the Nigerian

University Commission (NUC), and the National Youths Service Corps (NYSC) programme give a directive that entrepreneurship development courses be integrated into the curricular of tertiary institutions and NYSC programme.

2.1.2.2 Characteristics of Small and Medium-Sized enterprises in Nigeria

SMEs possess comparable features despite variations in definition. First, they are usually sole ownership in nature and partnership in some instances, although they could be registered as limited liability companies. Second, they are susceptible to discontinuity or have elevated company mortality rates, likely due to low capital reasons, insufficient market data, lack of appropriate technology, close relationship between the personal fund of the proprietor and the fund of the company (Ogunleye, 2004). Thirdly, SMEs operate labour-intensive technology requiring more human capital per manufacturing unit. Finally, they suffer from insufficient collateral securities that prevent them from attracting financial capital or expansion credit facilities (Oduntan, 2014)

Furthermore, The World Bank (2013) highlighted the following characteristics of SMEs:

1. They are generally more labour intensive than large firms;
2. On the average, SMEs generate more direct job opportunities per units of invested capital than large firms;
3. They are an instrument for utilizing the talent, energy and entrepreneurship of individuals who cannot reach their full potential in large organizations;
4. They often thrive by providing services to a tiny or limited market that is not appealing to big companies.
5. SMEs are a breeding ground for entrepreneurial talent and a fresh industry testing ground

6. SMEs create social stability, cause less damage to the physical environment than large factories, stimulate personal savings, increase propensity in rural areas and enhance the population's general level of economic participation.

2.1.2.3 Factors responsible for the failure of Small and Medium Scale businesses in Nigeria

Basil (2005) identified some problems/factors responsible for the failure of Small and Medium Scale businesses in Nigeria, which are as follows:

1. Inadequate, inefficient, and sometimes non-functional infrastructure facilities that tend to escalate operating costs as SMEs are compelled to resort to the private supply of utilities such as highway, water, electricity, transport, communication, etc.
2. Bureaucratic bottlenecks and public incentive management and support for infrastructure inefficiency. While stifling current ones, these discourage prospective entrepreneurs from SMEs.
3. Lack of simple access to finance / credits that can be traced to banks ' reluctance to extend credit to them due, among other things, to bad and insufficient documentation of company proposals, lack of adequate and sufficient collateral, high administrative and small loan management costs and elevated interest rates.
4. Bank discrimination, which is contrary to the danger of lending to SMEs, particularly start-ups.
5. High cost of packaging company proposals that are suitable.
6. Uneven competition resulting from tariffs on imports, which sometimes favour finished products imported.
7. Lack of access to suitable technology as well as near lack of R&D.

8. High reliance on imported raw materials with high foreign exchange costs and sometimes scarcity.
9. Weak demand for products resulting from low and dwindling customer purchasing powe r aggravated by the public as well as those in authority lacking patronage of locally man ufactured goods.
10. Unfair trade practices characterised by the dumping and importation of substandard goods by unscrupulous businesspersons. The impact of globalization and trade liberalization is presently intensifying this scenario, making it hard for SMEs to compete even in local / home markets. Furthermore, the study of Ololube and Uzorka (2008) showed that SMEs are unable to employ and maintain highly skilled workers because of their small sizes and the limited capital available. Skilled personnel like accountants and managers that are meant to be employed by SMEs are not engaged partly due of financial problems. This has resulted in poor accounting and financial management practices experienced by SMEs in Nigeria.

2.1.3 Concept of Financial Performance

Financial performance is the measurement of the results of the company's performance in form of Return on Assets (ROA) and Returns on Equity (ROE) (Siyanbola, 2013). Financial performance can be described as a subjective measure of how well a company can use resources from its main company mode and produce income (Mills, 2008). Financial performance of a firm can be presented in three ways namely: as a measure of the market which reflects stakeholders' level of satisfaction in the market, as an accounting measure reflecting business efficiency level and as surveys depicting estimated financial performance (Javed, Younas and Imran, 2014). According to Anderson (2011), the significance of financial stability varies from allowing an organization to have sufficient resources for quality service delivery, maximizing service delivery capacity, improving the capacity to pay employees, suppliers and creditors on time, and maintaining good credit risk.

2.1.4 Planning

The planning method guarantees that executives plan for future activities and consider how circu mstances may alter in the coming year and what measures they should take to address these circu mstances. Planning however promotes executives to anticipate issues before they occur and prevent hasty choices taken on the basis of convenience rather than reasoned judgement.

In order to facilitate proper planning, the management team should define the patterns of expenditure and revenue over the life of the project or the activity that the organization undertakes. Larry (2009) recognized that all levels of planning need to be planned. First, it takes place at the high setting strategy point. It then moves towards broad-based thinking about how to create an optimal position to maximize the potential for attaining goals. Finally, scheduling needs to be understood from the view of considering economic realities / limitations and expected monitoring (budget) results.

2.1.5 Monitoring and Controlling

Management should offer severe consideration to the external environment, emerging technologies, organizational structure and size, as well as organizational culture and the location where the timber companies work in the preparing of budgets (Frimpong, 2013).

A professional and transparent approach towards budget planning will help convince investors, development banks and national or international donors to generate available financial resources if appropriate budget monitoring and control is carried out by the organization. Budget monitoring and variance analysis should be made on regular bases in line with the monthly close of financial system to compare budget versus expenditure by budget holders and finance who are responsible for managing the projects budget and activities with clear justification and action points. So that managers are able to prevent over or under spends timely and take corrective actions (Yesuf A., 2015). Larry, M. Walther, (2009) stated that things rarely go exactly as planned; therefore management must make a determined effort to monitor and adjust for deviance.

2.1.6 Evaluation

Evaluation according to Hancock (2009) is a main determinant of efficiency. Through an assessment plan, the company can explain which path the assessment should take on the basis of priorities, resources, time and abilities required to complete the assessment. Australian National Audit Office (2008) indicated that Organizations monitor and evaluate actual results against approved budgets to guide current and future decision-making and hold managers accountable for performance.

2.2 THEORETICAL REVIEW

The theories relevant for this study are; Agency theory, Budgetary Control theory, and Stakeholders theory. However, for this study, the Agency theory would be adopted in explaining the effect of budgetary control on the financial performance of SMEs in Lagos State.

2.2.1 Agency Theory

The agency theory was developed by Jensen and Meckling (1976), who described the agency relationship as "an agreement under which one or more individuals (the principal(s) or entity owner(s)/shareholder(s)) engage another person (the agent or manager) to conduct some service on their behalf which involves delegating some decision making authority to the agent" (cited in

Mitzkus,2013). Therefore, agency theory describes the conflict between managers and shareholders that occurs when managers choose actions that are not in the best interest of shareholders in order to maximize their own utility (McDermott, 2011). Myers & Majluf (1984) argued that an agency theory context is applicable to the exploration of economic issues in small and medium-sized private companies because they are more susceptible to problems with agencies than bigger companies owing to information asymmetry between owners and external fund providers (cited in Lappalainen, 2014). An elementary supposition of the agency theory, consequently, is that managers will act immorally to advance their own concern before shareholders; and the elementary inference is that the worth of the firm cannot be exploited since managers have decisions that permit them to impound worth to themselves (Turnbull, 1997). Adams (2014) asserts that the agency relationship may have a number of shortcomings connected with self-interest and opportunism of the agent where he may fail to do so in the best interests of the principle. In this connection, there are different dimensions where the agent misuses the power for financial or other advantages or cannot take adequate risks in accordance with the interests of the principal. This can be caused by the reality that agent's view of hazards is inappropriate while the principal may have a different risk stance.

The current study finds the agency theory relevant in explaining the effect of budgetary control on the financial performance of SMEs in Lagos State. In SMEs, managers and members of staff acts as agents for the owner of the organization. The managers are entrusted by the owners to run these organizations on their behalf. Therefore, managers are mandated to formulate budgets and present to the owners for funding. They are also needed to release the budget in a transparent manner to all stakeholders without any concealed selfish concern that may generate moral hazard. Cieply, (1997) explains that SMEs face no or little agency costs between managers and shareholders, because they are often confused, unless the firm belongs to a group. However, agency conflicts between owners and lenders arise. The lender (principal) has difficulty monitoring a small business owner's or manager's (agent's) choice; mostly due to an absence of transparency in information systems that produces agency costs) (as cited by Adair and Adaskou (2015).

However, agency problems between the firm and its lenders can be reduced by a contract whereby the financier and the owner-manager sign a contract that requires the use of funds and how the returns are divided between the parties (Shleifer & Vishny, 1997). Chrisman et al. (2004). Posited that in a small firm, a small number of owners and managers makes decisions and actions and the effect of unscrupulous behaviour of those decision makers will be higher than in other kinds of firms (as cited by Lappalainen, 2014). Agency problems may also be reduced by ownership concentration, but it may also increase risk aversion. This is based on the argument that an individual shareholder's large stake in one firm implies lower portfolio diversification for that shareholder (Himmelberg, Hubbard, & Palia, 1999), thereby reducing incentives for risk taking (as cited by by Lappalainen, 2014).

2.2.2 Budgetary control theory

According to Robinson and Last (2009), budgeting is used by firms as a framework for spending and revenue allocation. Organizations should come up with effective budgeting systems in order to ensure that their firm's resources are not wasted. Budgeting systems help ensure that outputs produced and services delivered meet their set goals. According to this hypothesis, the efficiency and effectiveness of the organization's spending must be addressed by a healthy budgeting scheme (Kimani, 2014). Organizations depend strongly on budgetary control to manage their expenditure operations, and this method is used by both the government and private industries and private people, such as household directors, who want to guarantee that they live within their means (Dunk, 2009). Organizations can use budgetary control in predictive methods to plan and budget for the future (Epstein and McFarlan, 2011).

2.2.3 Stakeholders' Theory

According to Clarkson (1994), the theory of stakeholders says that a company is a system of stakeholders working within the host society's big structure that offers the required legal and market infrastructure for the company's operations to generate wealth or value for its stakeholders by turning their stakeholders into goods and services (as cited by Onduso, 2013)

In stakeholders' theory, the purpose of the firm is to create wealth or value for its stakeholders by converting their stakes into goods and services. (Clarkson, 1995; as cited in Morakinyo, 2017). According to Evan and Freeman (1988), a corporation is ought to be managed for the benefit of its stakeholders: its customers, suppliers, owners, employees and local communities, and to maintaining the survival of the firm (as cited in Morakinyo, 2017). The basic legitimacy of the stakeholders' theory is on two ethical principles; principle of corporate rights and principle of corporate effects (Freeman and Reed, 1983). The former states that the company and its executives may not violate other people's legitimate freedoms to determine their future. By saying that the corporation and its executives are liable for the impacts of their actions on others, the latter focuses on the accountability for consequences (Morakinyo, 2017).

2.3 EMPIRICAL REVIEW

Various researches have been conducted on the impact of budgetary control on performance of small and medium-sized enterprises in Nigeria. However, a few related empirical studies would be examined in this study. The following studies show the methodology, sample and main findings carried out.

Siyanbola (2013) studied the impact of budgeting and budgetary control on the performance of Cadbury Nigeria PLC (a multi-national manufacturing company). Siyanbola found that lower-level executives are generally given sufficient chance to engage in budget preparing and that budgets are properly conveyed to distinct management levels and distinct units. The flaw noted is that the way budgets are written makes interpreting and understanding too complicated for staff. Fajinmi (2015) examined the relationship between the level of manufacturing companies ' budgetary control and performance. Using the questionnaire, primary data was collected while secondary data was collected from company records, textbooks, and journals. Analysis revealed that Yale Foods Ltd's only high-ranking workers are well involved in the preparation of the budget and that the frequency at which actual results are compared with budgeted results helps performance. The barrier to efficient efficiency is the manner in which budget items are generally arranged and written, making interpretation hard for some of the employees. Kpedor (2012) examined a study on Budgeting, Budgetary Control and Performance Evaluation arrangement of Allterrain Services Group with the feeling to build up the part that the financial backing plays in the business and how the key players of the budget draw in its practices in their regular operational achievements. The study made utilization of 44 specialists at different administrative levels of the firm of the study as test populace. The examination built up that the utilization of budget among the key on-screen characters are at the lower level at Allterrain Service Group furthermore settled that month to month performance report don't get down to the task chiefs, and the greater part of the floats in the performance in appreciation of supper expense and the quantity of workers for a venture are lost in the financial backing.

Mwaura (2010) carried out an investigation into the participatory budget setting and budget commitment as a factor that affects performance of the NSE listed companies. This study used a causal research design to identify the relationship between cause and effect. The population of interest in this study comprised 55 companies listed where it considered only 53 still operating ones. Data for this study was both quantitative and qualitative hence both descriptive and content analysis techniques was employed. The descriptive statistical tools assisted the researcher to describe the data and determine the extent used. In addition, to quantify the strength of the relationship between the variables, the researcher used a multiple regression. The research found that budgetary involvement has a significant impact on the return on capital employed and on the return on assets. It was further established that budgetary participation moderately affects return on investment and budget commitment.

Yang (2010) noted that more formalized budgetary control tends to result in a company's increas ed profit development. The fundamental reason may be because of management control; a compa ny's complete expense will be reduced as much as possible, resulting in the company's profit dev elopment. It is also interesting to find that the formal budgeting planning and the formal budgetary control show different patterns in terms of their effect on financial performance.

Badu (2011) performed a budgeting and budgetary control inquiry at Ernest Chemist Laurea, a Ghana-based pharmaceutical company to define the perception of the company's budgeting specialists and evaluate their opinions on the company's current status. A self-designed questionnaire for an interview was sent to a business personnel member to seek his opinions on the organization's budgeting and budgetary control issues and issues. The findings of the research showed that the suitable budgeting and budgetary control system had been adopted and used to prepare the budgets of the pharmacy, but there were some ethical problems that were associated with ethical issues which were also revealed.

Mulani, Chi and Yang (2015) attempted to determine the impact of the performance of small and medium-sized enterprises (SMEs) in India on the budgetary system. The study's three main sections were budget planning, budget sophistication and control while efficiency was measured by asset return (ROA). A sample of two hundred and sixty-eight companies from three districts of Mumbai, Pune and Solapur were chosen from India's SME industry. Detailed assessment has evaluated the impact of budgeting on company performance in these companies. In order to analyse the issue declaration, questionnaires and other statistical instruments were used. The results demonstrated a beneficial connection between strong performance and budgeting process.

Oduor (2013) investigated the relationship between budgetary controls and financial performance of state corporations in Kenya. The research aimed to identify the key characteristics of budgetary controls in state-owned corporations, identify human factors within budgetary controls, develop the process of budgetary control in government organisations and identify problems influencing budgetary control. A descriptive survey design was used to collect data from the state corporation's managers of the sampled state corporations. Findings indicated that a positive significant relationship exists between budgetary control and financial performance of state corporations. Budgetary characteristics represent the capacity of organisations to predict economic milestones. Human factors within budgetary checks that influence the budget control process are organizational engagement, employee motivation, worker preparation, skills as well as attitude. The budgetary control method displayed a beneficial impact on the economic performance of state-owned companies by influencing economic goals, allocating resources and investing undertakings.

Abdullahi, Abubakar, Kuwata and Muhammad (2015) as cited in Patta (2017) carried out a study on the role of budget and budgetary control on organizational performance, with a case study of

Tahir Guest Palace in Kano state, Nigeria. The study made use of both the primary and secondary data with the instrument for the collection of the primary data being questionnaires, while the secondary data was obtained via the financial statements of Tahir Guest Palace from 2007-2012. 278 staff members were sampled using the purposive sampling technique, and data obtained was subjected to regression analysis. The results from the study discovered that budget administration, budget target setting and budget process all have significant impact on organizational performance.

Marcormick and Hardcastle (2011) conducted a research in European public parastatals on budgetary control and organisational efficiency. For creating the connection between budgetary control and organisational performance, a sample of 40 public parastatals was used, secondary data was used and a ten-year period was evaluated. For data analysis, a regression model was used and the findings of data analysis revealed a favourable connection between public parastatals' budgetary control and organisational performance.

Nickson and Mears (2012) examined the connection between budgetary control and the performance of state ministries in Boston Massachusetts, examined a sample of five ministries to evaluate the connection between budgetary control and the performance of state ministries, secondary data was used and a 10-year assessment was used, a regression model for information analysis was used and a statistically favourable evaluation. The findings of the regression analysis showed that appropriate measures of budgetary control led to state ministries performing.

Maritim (2013) determined the impacts of budgeting on production and business Parastatals ' economic results in Kenya. A descriptive research design was adopted and a questionnaire was used to gather information. Findings were that the budgeting methods prevalent among companies are budget planning, budget involvement, and budget sophistication. Participation of employees in the budgeting process, however, led in higher achievement in implementing the plan set out in a specific period followed by budget planning.

Study by Isaboke and Kwasira (2016) evaluated the impact of the budgeting process on economic results in the Nakuru county government. The study used a descriptive research design for survey targeting county public employees. To be the respondents in the study, a sample of 80 staff members was selected. A structured questionnaire was used by the investigator to obtain primary data. The results were provided and discussed in the form of tables. The research found a powerful beneficial connection between economic ability and economic results.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter of the study presented the method employed by the researcher in conducting the study. Specifically, it contained the research design, population of the study, sampling technique and sample size, method of data collection and research instrument, and the method of data analysis adopted by the study.

3.1 Research Design

The research design which this study employed is the survey research design. Survey research design was considered appropriate for the current study because the study involved the collection of primary data from relevant officials of the selected SMEs in Lagos State through the administration of structured questionnaire. Furthermore, survey research design has been used in previous similar studies on SMEs (Isaboke & Kwasira, 2016)

3.2 Population of Study

Odoh and Chinedum (2014), describe target population of a study as the point of focus from which a generalization is made regarding the research findings. As far as this study was concerned, the study concentrated on the SMEs operating in the manufacturing sector in Lagos State. The manufacturing sector in Lagos State was classified into five divisions by Makinde (2015); Ikorodu 102, Badagry 24, Ikeja 492, Lagos Island 363, and Epe 31.

3.3 Sampling Technique

The researcher chooses the purposive simple random sampling technique for selecting respondents. The main goal of this sampling technique is to emphasize on particular characteristics of a population that are of interest, which will best aid the researcher to answer the research questions.

3.4 Sample Size Determination

The sample size of this study consisted of all 492 SMEs operating within the Ikeja Local Government Area of Lagos state as provided by Makinde (2015). Moreover, the subjects in the study are the Accountants or Financial Managers.

The sample size was determined using the Yaro Yamane's formula.

The formula is stated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample size and 1 is the number of items in the population. The square of maximum allowance for sampling error or level of significance is 5%. It is represented by e.

N=492

$$n = \frac{492}{1+492(0.05)^2}$$

$$n = \frac{492}{1+492\times 0.0025}$$

$$n = \frac{492}{1+1.23}$$

$$n = \frac{492}{2.23}$$

n = 221

Thus, a sample size of 221 participants is considered representative of the total population.

3.5 Method of Data Collection

For the purpose of this study, the data used is collected using both primary and secondary sources of collection; the primary sources are questionnaires. The secondary sources consist of journals, books, newspapers, magazines and business reports. Secondary data sources are mainly used to supplement primary data to enable the researcher get more information concerning the topic. Both published and un-published sources is utilised. The sources of the unpublished data include materials of scholars, research workers, project reports and thesis from various universities. The published information includes the newsletter of the company, the audited reports from the external auditors and investors.

3.6 Research Instrument

The principal method of primary data gathering is from questionnaires directed to employees of the selected SMEs. The structured questionnaire is designed to comprise of issues related to the objectives of the study. The researcher will directly distribute questionnaires to the SME owners, accountants and managers. In this case, questionnaires will be self-administered to allow further investigating and interpretation of unclear issues. Some of the questionnaire items were adopted from existing studies (Kimani, 2014; and Onduso, 2013) as they had been shown to be reliable. Nevertheless, additional questions were developed to be suitable to the study. The questionnaires were used to elicit responses in respect to the variables under investigation. All the study variables were measured by means of a five-point likert rating scale as shown below; SA-5 (strongly agree), A-4 (agree), U-3 (undecided) D-2 (disagree) and SD-1 (strongly disagree). The questionnaire consisted of sections A, B, C, D, and E. Section A contains information on demographic data, Section B consists of statements on budget planning, section C comprises statements on budget monitoring & control, section D contains statements on evaluation and section E captures information on Financial Performance. Based on the sample figure obtained during the survey, a total of two hundred and twenty one (221) copies of the questionnaire were distributed to the selected SMEs.

3.7 Pilot Study

A pre-test of the questionnaire is conducted in order to evaluate the relevance and proper understanding of the research questions. The questionnaire is checked by the researcher's supervisor as well as experts in the field of budgeting and budgetary control. The pilot study is considered necessary in order to have a foresight of the responses of the respondents and to determine the reliability of the questionnaire when used in the population of the study.

3.7.1 Validity of Research Instrument

Robson, (2011) posited that validity of a research instrument assesses the extent to which the instrument measures what it is designed to measure (as cited in Mohajan, 2017). However, Mwangi (2012) identifies three types of validity test which include content, criterion, and related construct validity. This study used content validity because it ensures that questions on the instrument and the scores from these questions represent all possible questions that could be asked about the content or skill (Creswell, 2005; and Mohajan, 2017).

In order to ascertain validity of data to be collected during the study, a pilot study is conducted where by questionnaires are distributed to the supervisor, lecturers in the department in particular and college of Humanities, Management and Social Sciences at large and to identify questions that might be unclear or ambiguous to the respondents. This would allow corrections to be done before questionnaires are distributed to the larger sample.

3.7.2 Reliability of Test

Reliability is used to evaluate the stability of measures administered at different times to the same individuals and the equivalence of sets of items from the same test (Kimberlin & Winterstein, 2008). The reliability of the instrument is obtained through the Cronbach's Alpha in SPSS to analyse the data collected. Janssens et al, (2008) posited that a Cronbach's alpha of 0.6 and above is considered acceptable. A Cronbach's alpha of 0.812 was obtained from the reliability test which showed that the scales were considered as reliable.

Table 3.1: Summary of the measurement reliability (Cronbach's alpha)

Cronbach's Alpha	N of Items
0.812	4

Source: Research Data, 2019

Table 3.2 Reliability Coefficients

Scale	Cronbach's Alpha	Number of items
Budget Planning	0.879	6
Budget Monitoring and Control	0.875	7
Budget Evaluation	0.927	5
Financial Performance	0.912	5

Source: Research Data, 2019

3.8 Method of Data Analysis

The data is analysed with the use of both descriptive and inferential statistical method after running the data collected through the Statistical Package for Social Sciences (SPSS) version 22. Descriptive statistics analysis is used to present demographic data which were used mainly to summarize the data. This included percentages and frequencies. Inferential statistics included regression analysis.

Simple Linear Regression Analysis was used to test the research hypothesis. The probability level was set up at 0.05 significance.

3.9.1 Model Specification

$Y= f(X)$

Y= Dependent Variable

X= Independent Variable

Where:

Y = Financial Performance

X = Budgetary Control

$X= (x_{1,} x_2, x_3)$

x_1= Budget Planning

x_2= Budget Monitoring and Control

x_3= Budget Evaluation

β = Coefficient of independent variables

ε = error term

β0 = Intercept

$Y = f(X)$

$Y = f(x_1)$ ……………………………………….…. Equation 1

$Y = f(x_2)$ ……………………………………….…. Equation 2

$Y = f(x_3)$ ………………………………………..… Equation 3

The variables in Equation 1- 3 are the working Equations evaluated in this study

$Y = \beta 0 + \beta 1 x_1 + \varepsilon$

$Y = \beta 0 + \beta 2 x_2 + \varepsilon$

$Y = \beta 0 + \beta 3 x_3 + \varepsilon$

3.9.2 Measurement of Variables

Independent variables that was used to measure budgetary control included budget planning, budget monitoring and control, and budget evaluation. Mean and Standard Deviation within a range of five points was used to measure all the independent variables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented to establish the effect of budgetary control on the financial performance of SMEs in Lagos State. The data was gathered entirely from the questionnaire as the research instrument. The socio-demographic data of the respondents were analysed to provide an insight of the type of respondents who participated in the study. Other sections of the data analysis were done in congruence with the research objectives.

4.1. Data Presentation, Analysis and Interpretation

4.1.1. Response Rate

The study targeted 221 respondents in collecting data with regard to the effect of budgetary control on the financial performance of SMEs in Lagos State. From the study, 142 out of the 221 sample respondents filled-in and returned the questionnaires making a response rate of 64.25%.

Kothari (2009) contends that a response rate of 50% and above is representative enough for a research. This study achieved a response rate above 50% hence adequate to establish the relationship between budgetary control and financial performance of SMEs in Lagos State.

The summary of the response rate is presented on the table 4.1 below.

Table 4.1: Analysis of Response Rate

S/N	Administered Questionnaire	Frequency	Percentage
1.	Returned	142	64.25%
2.	Unreturned	79	35.75%
	Total	**221**	**100%**

Source: Researcher's Analysis, 2019

Table 4.1 shows two hundred and twenty one (221) copies of questionnaires were administered, one hundred and forty two (142) copies of questionnaires were returned and seventy nine (79) copies of questionnaires were not returned. Therefore, 64.25% were used and 35.75% were not used which shows that, the returned rate was high and encouraging.

4.1.2. Analysis of Demographic Data

This portion of the results analyses the demographical data of the respondents used for the study and as such has variables such as gender, age, marital status, educational level, current position of work and tenure of work.

4.1.2.1. Gender of Respondents

The researcher classified the respondents according to their gender to get representation from both genders hence eliminating biasness. The findings were as represented in table 4.2

Table 4.2: Gender of Respondents

Gender	**Frequency**	**Percentage (%)**
Male	103	72.5
Female	39	27.5
Total	**142**	**100.0**

Source: Researcher's Analysis, 2019

From table 4.2, demographic and personal data of the respondents as shown by gender revealed that 103 (72.5%) of respondents were male, while 39 (27.5%) were female. This shows that male respondents participated more in the study than female respondents did. This also means that the representation of the respondents in this survey was unbiased.

4.1.2.2. Age of Respondents

The researcher sought to establish the age distribution of the respondents. The findings are represented in the table 4.3

Table 4.3: Age of Respondents

Age	**Frequency**	**Percentage (%)**
29 years and below	32	22.5
30-39 years	48	33.8
40-49 years	36	25.4
50-59 years	18	12.7
Above 60 years	8	5.6
Total	**142**	**100.0**

Source: Researcher's Analysis, 2019

From table 4.3, demographic data for age shows that 32 (22.5%) of the respondents were below ages of 29 years, 48 (33.8%) were in the age group of 30-39 years, 36 (25.4%) were between the ages of 40-49 years, 18 (12.7%) were between the ages of 50-59 years, while 8 (5.6%) were between the ages of 60years above.

Therefore, according to this result, majority of the respondents were in the age group of 30-39 years, which represented 33.8% of the sample. This result indicates that SMEs in Lagos State has a higher number of young staffs who are energetic and can effectively allocate and utilize the enterprise' resources to improve financial performance. The above information is in line with Powell's (1995) work, which argued that young staff are always curious about fresh ways to prove their value on the job and tend to be more driven than older staff (as mentioned in Mupenzi, 2015).

4.1.2.3. Marital status of Respondents

The study sought to establish the marital status of the respondents. The findings are as presented in table 4.4:

Table 4.4: Marital status of Respondents

Marital status	**Frequency**	**Percentage (%)**
Single	44	31.0
Married	88	62.0
Divorced	2	1.4
Widowed	8	5.6
Total	**142**	**100.0**

Source: Researcher's Analysis, 2019

From table 4.4, the profile of respondents by marital status shows that 44 (31.0%) of the respondent surveyed were single, while 88 (62.0%) surveyed were married, 2 (1.4%) surveyed were divorced, and 8 (5.6%) were widowed. Therefore, majority of the respondents were married.

4.1.2.4. Educational level of Respondents

The researcher grouped the respondents according to their level of education. This is as represented below in table 4.5:

Table 4.5: Educational level of Respondents

Marital status	**Frequency**	**Percentage (%)**
Certificate	20	14.1
Diploma	46	32.4
Bachelors' Degree	62	43.7
Masters' Degree	10	7.0
Doctorate Degree	4	2.8
Total	**142**	**100.0**

Source: Researcher's Analysis, 2019

From table 4.5, demographic and personal data of the respondents for educational level shows that 20 (14.1%) of respondents possessed Certificates, 46 (32.4%) had Diploma, 62 (43.7%) possessed Bachelors' degree, 10 (7.0%) were Master degree holders, and 4 (2.8%) of respondents possessed Doctorate degree. Therefore, it could be inferred that majority of the respondents that participated in this research possessed Bachelor's degree.

4.1.2.5. Current Position of Respondents

The study sought to establish the current position of the respondents. The findings are as presented in table 4.6:

Table 4.6: Current Position of Respondents

Current Position	Frequency	Percentage (%)
Senior management	57	40.1
Middle management	34	23.9
Supervisory	14	9.9
General Staff	37	26.1
Total	**142**	**100.0**

Source: Researcher's Analysis, 2019

From table 4.6, collated data on the current position of respondents revealed that 57 (40.1%) of the respondent surveyed were Senior Management staff members, 34 (23.9%) of the respondents were middle management staff members, 14 (9.9%) surveyed were Supervisory staff members, and 37 (26.1%) surveyed were General staff members. This therefore implied that a majority of the respondents are senior management staff members.

4.1.2.6. Tenure of work of Respondents

The study sought to establish the number of years that the respondents had spent working at their current position. The findings are as presented in table 4.7:

Table 4.7: Tenure of work of Respondents

Tenure of work	Frequency	Percentage (%)
5 years and below	62	43.7
6-10 years	52	36.6
11-15 years	18	12.7
16-20 years	9	6.3
21 years and above	1	0.7
Total	**142**	**100.0**

Source: Researcher's Analysis, 2019

Results from this study indicated that 62 (43.7%) had worked in the organization between 5 years and below, 52 (36.6%) had worked in the organization between 6-10 years, 18 (12.7%) had worked in the organization between 11-15 years, 9 (6.3%) had worked in the organization between 16-20 years, and 1 (0.7%) had worked in the organization between 21 years and above. Thus, majority of the respondents has worked in the organization for less than five years. Consequently, this meant that a majority of the participants had not worked in the organisation for a long time, implying that they are still careful in their job and paying rapid attention to every detail, making them very careful and educated.

4.1.3. Descriptive analysis of Budget Planning

The researcher sought to establish the effect of Budget Planning on SMEs financial performance. The findings were as presented on table 4.8:

Table 4.8: Descriptive analysis of Budget Planning

S/N		SD (%)	D (%)	U (%)	A (%)	SA (%)	Mean	Std. Deviation
1	The organization has long term and short term budget plans	6	2	11	105	18	3.8944	0.79634
		4.2	1.4	7.7	73.9	12.7		
2	Planning helps us to know the type and level of resources to provide.	0	5	13	103	21	3.9859	0.61869
		0	3.5	9.2	72.5	14.8		
3	The budgets have clear goals and objectives	5	4	28	86	19	3.7746	0.84547
		3.5	2.8	19.7	60.6	13.4		
4	Organizational departments prepare budget plans prior to the budget year.	5	10	37	74	16	3.6056	0.90669
		3.5	7.0	26.1	52.1	11.3		
5	Program activities are clearly indicated	3	9	44	66	20	3.6408	0.87795
		2.1	6.3	31.0	46.5	14.1		
6	Budgetary planning are crucial to a firm's survival	2	2	19	74	45	4.1127	0.79089
		1.4	1.4	13.4	52.1	31.7		
	Summary of Results						**3.8357**	**0.80601**

Source: Researcher's Analysis, 2019

4.1.3.1. Interpretation

Table 4.8 gives a detailed assessment of budget planning affecting the financial performance of SMEs in Lagos State. In Table 4.8, strongly disagree, disagree, undecided, agree and strongly agree are represented by SD, D, U, A, SA respectively. The table indicated that by combining responses under agree and strongly agree, 123 (86.6%) of the respondents accepted that the organization had long term and short term budget plans with a mean of 3.8944 and standard deviation of 0.79634, 124 (87.3%) agreed that planning helps to know type and level of resources to provide with a mean of 3.9859 and standard deviation of 0.61869 the, 105 (74%) indicated that the budgets have clear goals and objectives with a mean of 3.7746 and standard deviation of 0.84547, 90 (63.4%) accepted that the organizational departments prepare budget plans prior to the budget year with a mean of 3.6056 and standard deviation of 0.90669, 86 (60.6%) agreed that program activities are clearly indicated with a mean of 3.6408 and standard deviation of 0.87795, and 119 (83.8%) agreed that budgetary planning are crucial to a firm's survival with a mean of 4.1127 and standard deviation of 0.79089.

The overall mean of budget planning can be approximated to 3.84 which indicate a moderate argument of respondents regarding the existence of budget planning in the organization. The highest mean of budget planning (4.1127) indicates that majority of respondents agreed that the organization has budget plans. Conversely, the lowest score for budget planning (3.6056) reflects the weakest argument regarding the existence of budget planning in the organization and the scores ranged from 3.60563 to 4.1127 showing a relatively high support for the existence of budget planning in the organization based on responses computed by Likert scale.

4.1.4. Descriptive analysis of Budget Monitoring and Control

The researcher sought to establish the effect of Budget monitoring and control on SMEs financial performance. The findings were as presented on table 4.9.

Table 4.9: Descriptive analysis of Budget Monitoring and Control

S/N		SD (%)	D (%)	U (%)	A (%)	SA (%)	Mean	Std. Deviation
1	Activities are being monitored to ensure compliance with plans.	4	1	17	101	19	3.9155	0.72926
		2.8	0.7	12	71.1	13.4		
2	Budget adjustments are done in my company as the need arises.	4	8	28	90	12	3.6901	0.81809
		2.8	5.6	19.7	63.4	8.5		
3	Managers hold budget conferences and meetings regularly to review performance	5	23	50	59	5	3.2535	0.89472
		3.5	16.2	35.2	41.5	3.5		
4	The organization ensures there is no extra-budgeting spending.	2	4	30	83	22	3.8239	0.80159
		2.1	2.8	21.1	58.5	15.5		
5	The organization's budget deviations are reported to budget committees.	4	25	51	56	6	3.2465	0.89273
		2.8	17.6	35.9	39.4	4.2		

6	Managers always take timely corrective actions when adverse variances are reported.	3	14	55	57	13	3.4437	0.87133
		2.1	9.9	38.7	40.1	9.2		
7	Continuous comparison of budgets and actual results are done.	4	14	56	56	12	3.4085	0.88450
		2.8	9.9	39.4	39.4	8.5		
	Summary of Results						**3.5402**	**0.84175**

Source: Researcher's Analysis, 2019

4.1.4.1. Interpretation

Table 4.9 gives a detailed assessment of budget monitoring and control affecting the financial performance of SMEs in Lagos State. In Table 4.9, strongly disagree, disagree, undecided, agree and strongly agree are represented by SD, D, U, A, SA respectively. The table indicated that by combining responses under agree and strongly agree, 120 (84.5%) of the respondents accepted that activities are being monitored to ensure compliance with plans with a mean of 3.9155 and standard deviation of 0.72926, 102 (71.9%) agreed that budget adjustments are done in my company as the need arises with a mean of 3.6901 and standard deviation of 0.81809, 64 (45%) indicated that the managers hold budget conferences and meetings regularly to review performance with a mean of 3.2535 and standard deviation of 0.89472, 105 (74%) accepted the organization ensures there is no extra-budgeting spending with a mean of 3.8239 and standard deviation of 0.80159, 62 (43.6%) agreed that the organization's budget deviations are reported to budget committees with a mean of 3.2465 and standard deviation of 0.89273, 70 (49.3%) agreed that managers always take timely corrective actions when adverse variances are reported with a mean of 3.4437 and standard deviation of 0.87133, and 68 (47.9%) accepted that continuous comparison of budgets and actual results are done with a mean of 3.4085 and standard deviation of 0.88450.

The overall mean of budget monitoring and control can be approximated to 3.54, which indicate the weak argument of respondents regarding the existence of budget planning in the organization. The highest mean of budget monitoring and control (3.9155) indicates that majority of respondents agreed that the organization carry out budget monitoring and control. Conversely, the lowest score for budget monitoring and control (3.2535) reflects the weakest argument regarding the existence of budget monitoring and control in the organization and the scores ranged from 3.2535 to 3.9155 showing a relatively high support for the existence of budget monitoring and control in the organization based on responses computed by Likert scale.

4.1.5. Descriptive Analysis of Budget Evaluation

The researcher sought to establish the effect of Budget Evaluation on SMEs financial performance. The findings were as presented on table 4.10.

Table 4.10: Descriptive Analysis of Budget Evaluation

S/N		SD (%)	D (%)	U (%)	A (%)	SA (%)	Mean	Std. Deviation
1	The organization conducts regular audit of the estimated and actual budget.	3	16	28	85	10	3.5845	0.86083
		2.1	11.3	19.7	59.9	7.0		
2	The management team reviews regularly the implementation of budgetary control measures in the organization.	2	18	43	69	10	3.4718	0.85630
		1.4	12.7	30.3	48.6	7.0		
3	The organization engages its stakeholders in making key budget decisions	11	29	40	57	5	3.1127	1.02520
		7.7	20.4	28.2	40.1	3.5		
4	The organization's budget performance evaluation reports are prepared frequently.	3	22	53	59	5	3.2887	0.84703
		2.1	15.5	37.3	41.5	3.5		
5	The organization always review the process of budget allocation.	4	27	51	51	9	3.2394	0.92965
		2.8	19.0	35.9	35.9	6.3		
	Summary of Results						**3.3394**	**0.90380**

Source: Researcher's Analysis, 2019

4.1.5.1. Interpretation

Table 4.10 gives a detailed assessment of budget evaluation affecting the financial performance of SMEs in Lagos State. In Table 4.9, strongly disagree, disagree, undecided, agree and strongly agree are represented by SD, D, U, A, SA respectively. The table indicated that by combining responses under agree and strongly agree, 95 (66.9%) of the respondents accepted that the organization conducts regular audit of the estimated and actual budget with a mean of 3.5845 and standard deviation of 0.86083, 79 (55.6%) agreed that the management team reviews regularly the implementation of budgetary control measures in the organization with a mean of 3.4718 and standard deviation of 0.85630, 62 (43.6%) indicated that the organization engages its stakeholders in making key budget decision with a mean of 3.1127 and standard deviation of 1.02520, 64 (45%) accepted that the organization's budget performance evaluation reports are prepared frequently with a mean of 3.2887 and standard deviation of 0.84703, and 60 (42.2%) agreed that the organization always review the process of budget allocation with a mean of 3.2394 and standard deviation of 0.9296.

The overall mean of budget evaluation can be approximated to 3.34, which indicate the weak argument of respondents regarding the existence of budget evaluation in the organization. The highest mean of budget evaluation (3.5845) indicates that majority of respondents agreed that the organization carry out budget evaluation. However, the lowest score for budget evaluation (3.1127) reflects the weakest argument regarding the existence of budget evaluation in the organization and the scores ranged from 3.1127 to 3.5845 showing a moderate support for the existence of budget evaluation in the organization based on responses computed by Likert scale.

4.1.6. Descriptive Analysis of Financial Performance

The researcher sought to establish the indicators of SMEs financial performance. The findings were as presented on table 4.11.

Table 4.11: Descriptive Analysis of Financial Performance

S/N		SD (%)	D (%)	U (%)	A (%)	SA (%)	Mean	Std. Deviation
1	The organization has been made able to meet up with recurrent expenditure such as staff salaries.	6	13	10	84	29	3.8239	0.99858
		4.2	9.2	7.0	59.2	20.4		
2	The organization has been able to maintain all its operations financially.	3	9	24	83	23	3.8028	0.86080
		2.1	6.3	16.9	58.5	16.2		
3	The organization has been able to meet up with loan repayment as and when due.	2	5	38	83	14	3.7183	0.74725
		1.4	3.5	26.8	58.5	9.9		
4	All levies due to government authorities are paid promptly.	3	7	32	66	34	3.8521	0.91440
		2.1	4.9	22.5	46.5	23.9		
5	The company has not experienced any cash flow problem.	3	16	40	67	16	3.5423	0.91189
		2.1	11.3	28.2	47.2	11.3		
	Summary of Results						**3.7479**	**0.88658**

Source: Researcher's Analysis, 2019

4.1.6.1. Interpretation

Table 4.11 gives a detailed assessment of the financial performance of SMEs in Lagos State. In Table 4.11, strongly disagree, disagree, undecided, agree and strongly agree are represented by SD, D, U, A, SA respectively. The table indicated that by combining responses under agree and strongly agree, 113 (79.6%) of the respondents accepted that the organization has been made able to meet up with recurrent expenditure such as staff salaries with a mean of 3.8239 and standard deviation of 0.99858, 106 (74.7%) agreed that the organization has been able to maintain all its operations financially with a mean of 3.8028 and standard deviation of 0.86080, 97 (68.4%) indicated that he organization has been able to meet up with loan repayment as and when due with a mean of 3.7183 and standard deviation of 0.74725, 100 (70.4%) accepted that all levies due to government authorities are paid promptly with a mean of 3.8521 and standard deviation of 0.91440, and 83 (58.5%) agreed that the company has not experienced any cash flow problem with a mean of 3.5423 and standard deviation of 0.91189.

4.2. Test of Hypotheses and Discussion

4.2.1. Test of Hypotheses One

H_0: Budgetary planning has no significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

H_1: Budgetary planning has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

Table 4.12: Linear Regression Analysis between budget planning and financial performance.

Table 4.12.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.667[a]	.445	.441	2.85057

a. Predictors: (Constant), Budget Planning

Source: Researcher's Analysis, 2019

The predictive power, coefficient R is useful if the independent variable; budget planning has some correlation with the dependent variable financial performance. This has been shown in Table 4.12.1 that budget planning and financial performance has a moderate correlation of 0.667 indicating that there is a positive relationship between the two variables while the increasing degree in budget planning will increase financial performance by 66.7%. Analysis in table 4.12.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.445, that is, budget planning explains 44.5% of observed change in Financial performance.

Table 4.12.2. ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	913.752	1	913.752	112.451	.000[b]
	Residual	1137.607	140	8.126		
	Total	2051.359	141			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Budget Planning

Source: Researcher's Analysis, 2019

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are fit ($p<0.05$). The ANOVA results showed that at 0.05 level of significance, there existed enough evidence to conclude that budget monitoring and control was useful for predicting financial performance of SMEs. It can be concluded that there is a linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded F=112.451.

Table 4.12.3. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.594	1.448		2.482	.014
	Budget Planning	.658	.062	.667	10.604	.000

a. Dependent Variable: Financial Performance

Model 1 for ($H_0$1) is stated as Y= f (x1) and $Y= \beta 0 + \beta 1 x_1 + \varepsilon = 3.594 + 0.658 x_1 + \varepsilon$

Source: Researcher's Analysis, 2019

From the regression result, model 1 show that budget planning has a significance level of 0.00 ($p<0.05$). This finding hence accepts the alternate hypothesis H_1 that budget planning has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State and rejects the null hypothesis H_0 that budget planning has no significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

4.2.2. Test of Hypotheses Two

H_0: Budget monitoring and control has no significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

$H_{1:}$ Budget monitoring and control has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

Table 4.13.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.530[a]	.281	.276	3.24545

a. Predictors: (Constant), Budget Monitoring and Control

Source: Researcher's Analysis, 2019

The predictive power, coefficient R is useful if the independent variable, budget monitoring and control has some correlation with the dependent variable financial performance. This has been shown in Table 4.13.1 that budget monitoring and control and financial performance has a moderate correlation of 0.530 indicating that there is a positive relationship between the two variables while the increasing degree in budget monitoring and control will increase financial performance by 53%. Analysis in table 4.13.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.461, that is, budget monitoring and control explains 46.1% of observed change in Financial performance.

Table 4.13.2. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	576.745	1	576.745	54.756	.000[b]
	Residual	1474.614	140	10.533		
	Total	2051.359	141			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Budget Monitoring and Control

Source: Researcher's Analysis, 2019

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are fit ($p<0.05$). The

ANOVA results showed that at 0.05 level of significance, there existed enough evidence to conclude that budget monitoring and control was useful for predicting financial performance of SMEs. It can be concluded that there is a positive linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded F=54.756.

Table 4.13.3. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	7.845	1.497		5.240	.000
	Budget Monitoring and Control	.440	.059	.530	7.400	.000

a. Dependent Variable: Financial Performance

Model 2 for ($H_0 2$) is stated as Y= f (x2) and $Y= \beta 0 + \beta 1x_2+ \varepsilon = 7.845 + 0.440x_2 + \varepsilon$

Source: Researcher's Analysis, 2019

From the regression result, model 2 show that budget monitoring and control has a significance level of 0.00 ($p<0.05$). This finding hence accepts the alternate hypothesis H_1 that budget monitoring and control has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State and rejects the null hypothesis H_0 that budget monitoring and control has no significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

4.2.3. Test of Hypotheses Three

H_0: Budgetary evaluation has no significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

H_1: Budgetary evaluation has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

Table 4.14: Linear Regression Analysis between budget evaluation and financial performance.

Table 4.14.1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.454[a]	.206	.201	3.41048

a. Predictors: (Constant), Budget Evaluation

The predictive power, coefficient R is useful if the independent variable, budget evaluation has some correlation with the dependent variable financial performance. This has been shown in table 4.14.1 that budget evaluation and financial performance has a moderate correlation of 0.454 indicating that there is a positive relationship between the two variables while the increasing degree in budget evaluation will increase financial performance by 45.4%. Analysis in table 4.14.1 also shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R^2 equals 0.206, that is, budget evaluation explains 20.6% of observed change in Financial performance.

Table 4.14.2. ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	422.963	1	422.963	36.364	.000[b]
	Residual	1628.396	140	11.631		
	Total	2051.359	141			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Budget Evaluation

Source: Researcher's Analysis, 2019

The Analysis of Variance (ANOVA) was used to check how well the model fits the data. Moreover, the change statistics shows that the research model and variables are fit ($p<0.05$). The ANOVA results showed that at 0.05 level of significance, there existed enough evidence to conclude that budget evaluation was useful for predicting financial performance of SMEs. It can be concluded that there is a linear relationship between the dependent variable and the independent variable. It also shows that the F-value which is the mean square model divided by the mean square residual yielded F=36.364.

Table 4.14.3. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.257	1.273		8.839	.000
	Budget Evaluation	.448	.074	.454	6.030	.000

a. Dependent Variable: Financial Performance

Model 3 for ($H_0$3) is stated as Y= f (x3) and $Y= \beta0 + \beta1x_3+ \varepsilon = 11.257 + 0.448x_2 + \varepsilon$

Source: Researcher's Analysis, 2019

From the regression result, model 3 show that budget evaluation has a significance level of 0.00 ($p<0.05$). This finding hence accepts the alternate hypothesis H_1 budget evaluation has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State and rejects the null hypothesis H_0 that budget evaluation has no significant relationship with financial performance of Small and medium-sized enterprises in Lagos State.

4.2.1.1. Discussion of Findings

The test of hypothesis one was to ascertain whether a significant relationship exists between budget planning and financial performance of SMEs in Lagos State. The findings reveal that there is a significant relationship between budget planning and financial performance of SMEs in Lagos State. Therefore, the null hypothesis H_0 is rejected and the alternate hypothesis $H_{1.}$ This finding is in line with Sizer (1989) that to ensure a systematic distribution of resources within the companies (as quoted in Machoka, 2014) clear program operations should be stated beforehand. With this consequence, Mwaura (2010) agrees that budget planning is crucial for improving firms ' financial performance. The test of hypothesis two was to ascertain whether a significant relationship exists between budget monitoring and control and financial performance of SMEs in

Lagos State. The findings reveal that there is a significant relationship between budget monitoring and control and financial performance of SMEs in Lagos State. Therefore, the null hypothesis H_0 is to be rejected and the alternative is hypothesis. This finding is compatible with the work of Lysons and Farrington (2006) that constant comparison of real budgeted outcomes is an efficient way to handle a budget (as mentioned in Machoka, 2014). They observed in their research that the budget of the firm needs to be controlled and evaluated on a quarterly basis in order to obtain updated and coherent information on the needs of the firm's budget. The test of hypothesis three was to ascertain whether a significant relationship exists between budget evaluation and financial performance of SMEs in Lagos State. The findings reveal that there is a significant relationship between budget evaluation and financial performance of SMEs in Lagos State. Therefore, the null hypothesis H_0 is rejected while the alternate hypothesis (H_1) is accepted. This finding agrees with the results of Arora (1995) that periodic preparation of the institution's budget performance report should be performed. He further indicates that reports should be prepared at periodic intervals (say monthly) to demonstrate comparison between real performance and budgeted performance (as mentioned in Machoka, 2014). However, a summary of the models from the three hypotheses and their results are shown in Table 4.15 below:

Table 4.15: Summary of models and hypotheses results

S/N	Models	Hypothesis Results
1	$Y=3.594 + 0.658x_1 + \varepsilon$	$p<0.05$: $H_0 1$ is rejected
2	$Y=7.845 + 0.440x_2 + \varepsilon$	$p<0.05$: $H_0 2$ is rejected
3	$Y=11.257 + 0.448x_2 + \varepsilon$	$p<0.05$: $H_0 3$ is rejected

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

In this section of the study, the researcher provides a summary of the findings derived from the study, the conclusion of the study, and recommendation for the study

5.1. Summary of the Study

This research was established to identify the effect of budgetary control on the financial performance of SMEs in Lagos State. A survey research design was used to gather data. To accomplish this study, 492 SMEs operating within the Ikeja Local Government Area of Lagos state as provided by Makinde (2015) were sampled using the simple random sampling technique. From the study, 142 out of the 221 sample respondents filled-in and returned the questionnaires making a response rate of 64.25%. This was analyzed using the Statistical Package for Social Sciences (SPSS 22) using descriptive statistics. Three major theories in budgetary control and SME financial performance were identified in the study. They are Agency theory, Budgetary control theory, and Stakeholders' theory. The study is grounded on the Agency theory because it is a theory that describes the conflict between managers and owners/shareholders that arises when managers choose actions that are not in the best interest of shareholders in order to maximize their own utility (McDermott, 2011).

However, the various variables to measure budgetary control are budget planning, budget monitoring and control, and budget evaluation. These were examined individually and their mean and standard deviation were used based on a five-point Likert scale as shown below; SA-5 (strongly agree), A-4 (agree), U-3 (undecided) D-2 (disagree) and SD-1 (strongly disagree) and analyzed using frequency and percentages. The overall mean of budget planning can be approximated to 3.84, which indicates a moderate argument of respondents regarding the existence of budget planning in the organization. The mean scores ranged from 3.60563 to 4.1127 for budget planning showing a relatively high support for the existence of budget planning in the organization based on responses computed by Likert scale. The overall mean of budget monitoring and control can be approximated to 3.54, which indicate the weak argument of respondents regarding the existence of budget planning in the organization. The mean scores ranged from 3.2535 to 3.9155 for planning showing a relatively high support for the existence of budget monitoring and control in the organization. The overall mean of budget evaluation can be approximated to 3.34, which indicate the weak argument of respondents regarding the existence of budget evaluation in the organization. The mean scores ranged from 3.1127 to 3.5845 for budget planning showing a moderate support for the existence of budget monitoring and control in the organization based on responses computed by Likert scale.

Simple Linear Regression Analysis was used to test the research hypothesis. The probability level was set up at 0.05 significance. The result showed that the three independent variables established a significant relationship with the dependent variables. Major empirical findings and result of hypotheses testing are outlined thus:

a. Budgetary planning has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State ($sig=0.000<0.05$). This finding is in consonance with Sizer (1989) says that clear program activities should be indicated prior in order to ensure a systematic allocation of resources within the firms (as cited in Machoka, 2014).

b. Budget monitoring and control has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State ($sig=0.000<0.05$). This finding is consistent with the work of Lysons and Farrington (2006) that continuous comparison of actual budgeted results is an effective way to manage a budget (as cited in Machoka, 2014). In their study they noted that firms' budget need to be monitored and reviewed quarterly in order to achieve updated and consistent data on the firms' budget necessities.

c. Budgetary evaluation has a significant relationship with financial performance of Small and medium-sized enterprises in Lagos State (sig=0.000<0.05). This finding is in agreement with Arora (1995) agrees with the findings that regular preparation of budget performance report in the institution should be done. He furthers suggests that reports should be prepared at regular intervals (say monthly) to show comparison of actual performance with that budgeted (as cited in Machoka, 2014). However, a summary of the models from the three hypotheses and there results are shown in Table 4.15 below:

5.2. Conclusion

The study is an assessment of the effect of budgetary control on the financial performance of SMEs in Lagos State. Its objectives are to; examine the effect of budget planning on the financial performance of Small and Medium-sized enterprises in Lagos State; investigate the effect of budget monitoring and control on the financial performance of Small and Medium-sized enterprises in Lagos State; and establish the effect of budget evaluation on the financial performance of Small and Medium-sized enterprises in Lagos State.

The findings of the empirical study emphasized the essential role that budgeting and budgetary control play in enhancing SMEs financial performance and point to the direction that budget planning, budget monitoring and control, and budget evaluation can take to boost an SME's ability to improve its business processes and performance so as to enhance business survival. The independent variables in their respective models with positive coefficient revealed that there was direct relationship with the dependent variable. Therefore, financial performance increases proportionately with more inclusive using of budget. Overall, the study indicated that budgetary control contribute to the financial performance of SMEs in Lagos State.

5.3. Recommendations

Based on the findings from the study, the following recommendations are to be considered and implemented;

1. The researcher recommends that managers and owners of SMEs should hold budget conferences and meetings regularly to review performance.
2. Managers and owners of SMEs should always take timely corrective actions when adverse variances are reported.
3. The researcher also recommends that each department should prepare budget plans prior to the budget year.
4. All stakeholders need to be considered and engaged during budgetary control process to ensure the company improves its financial performance.
5. All stakeholders should get involved in budget execution in enhancing the overall budget implementation thereby improving the financial performance of the firm.
6. Finally, the researcher recommends that organizations should develop more formal practice in the development of budgetary controls, that is, Planning, Monitoring and Control and budget evaluation.

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APPENDIX

Appendix 1: QUESTIONNAIRE

EFFECT OF BUDGETARY CONTROL ON THE FINANCIAL PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN LAGOS STATE

Dear Respondent,

I am a 400 level student of Mountain Top University. I am writing a project on the above named topic in partial fulfillment of the requirements for the Bachelor of Science degree. I will appreciate it if the questionnaire is completed to the best of your knowledge with utmost sincerity so as to achieve credible results. The information provided will only be used for academic purpose, and will be treated with utmost confidentiality.

Please answer the following questions by ticking the one you consider most appropriate among the alternatives.

Thank you for your sincere cooperation.

Kindly answer the following questions by ticking (√) the option that best describes your agreement or filling the spaces provided.

SECTION A: DEMOGRAPHIC DATA

1. Gender: a. Male ( ) b. Female ( )
2. Age Group: a. 29 years and below ( ) b. 30-39 years ( ) c. 40-49 years ( ) d. 50-59 years ( ) e. Above 60 years ( )
3. Marital status: a. Single ( ) b. Married ( ) c. Divorced ( ) d. Widowed ( )
4. Educational Level: a. Certificate ( ) b. Diploma ( ) c. Bachelors' degree ( ) d. Masters' degree e. Doctorate degree ( ) f. Others (Please specify)________________________________

5. What is your current position in the organization? a. Senior management ( ) b. Middle management ( ) c. Supervisory ( ) d. General Staff ( ) e. Others (Please specify) ________________________________

6. How long have you worked for this organization? a. 5 years and below ( ) b. 6-10 years ( ) c. 11-15 years ( ) d. 16-20 years ( ) e. 21 years and above.

SECTION B: BUDGET PLANNING

Please respond to the following statements by indicating the extent to which you agree or disagree with them. Use the following scale in answering; SD=1 for strongly Disagree, D=2 for Disagree, U=3 for Undecided, A=4 for Agree and SA=5 for Strongly Agree.

S/N	QUESTIONS	SD `1	D 2	U 3	A 4	SA 5
7.	The organization has long term and short term budget plans					
8.	Planning helps us to know the type and level of resources to provide.					
9.	The budgets have clear goals and objectives					
10.	Organizational departments prepare budget plans prior to the budget year					
11.	Program activities are clearly indicated					
12.	Budgetary planning are crucial to a firm's survival					

SECTION C: BUDGET MONITORING AND CONTROL

Please respond to the following statements by indicating the extent to which you agree or disagree with them. Use the following scale in answering; SD=1 for strongly Disagree, D=2 for Disagree, U=3 for Undecided, A=4 for Agree and SA=5 for Strongly Agree.

S/N	QUESTIONS	SD `1	D 2	U 3	A 4	SA 5
13.	Activities are being monitored to ensure compliance with plans.					
14.	Budget adjustments are done in my company as the need arises.					
15.	Managers hold budget conferences and meetings regularly to review performance					
16.	The organization ensures there is no extra-budgeting spending.					
17.	The organization's budget deviations are reported to budget committees.					
18.	Managers always take timely corrective actions when adverse variances are reported.					
19	Continuous comparison of budgets and actual results are done.					

SECTION D: BUDGET EVALUATION

Please respond to the following statements by indicating the extent to which you agree or disagree with them. Use the following scale in answering; SD=1 for strongly Disagree, D=2 for Disagree, U=3 for Undecided, A=4 for Agree and SA=5 for Strongly Agree.

S/N	QUESTIONS	SD `1	D 2	U 3	A 4	SA 5
20.	The organization conducts regular audit of the estimated and actual budget.					
21.	The management team reviews regularly the implementation of budgetary control measures in the organization.					
22.	The organization engages its stakeholders in making key budget decisions					
23.	The organization's budget performance evaluation reports are prepared frequently.					
24.	The organization always review the process of budget allocation.					

SECTION E: FINANCIAL PERFORMANCE

Please respond to the following statements by indicating the extent to which you agree or disagree with them. Use the following scale in answering; SD=1 for strongly Disagree, D=2 for Disagree, U=3 for Undecided, A=4 for Agree and SA=5 for Strongly Agree.

S/N	**QUESTIONS**	**SD** **`1**	**D** **2**	**U** **3**	**A** **4**	**SA** **5**
25.	The organization has been made able to meet up with recurrent expenditure such as staff salaries.					
26.	The organization has been able to maintain all its operations financially.					
27.	The organization has been able to meet up with loan repayment as and when due.					
28.	All levies due to government authorities are paid promptly.					
29.	The company has not experienced any cash flow problem.					

Thank you for taking your time to fill out the details of this questionnaire.