

A Study on Budgetary Control as a Tool for Managerial Decision-Making for Textile Industries

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Abstract

Budgetary control is a vital financial tool that assists managers in planning, coordinating, and controlling organizational activities. This study examines the role of budgetary control in enhancing managerial decision-making within textile industries in Tamil Nadu. Primary and secondary data were collected to evaluate how budgeting systems influence performance, cost control, and strategic decisions. The findings reveal that effective budgetary control significantly improves operational efficiency and supports informed managerial decisions. The study also identifies key challenges and provides practical recommendations to strengthen budgeting practices in the textile sector.

Keywords: Budgetary Control, Managerial Decision-Making, Textile Industry, Financial Planning, Performance Evaluation, Cost Control

Introduction

Budgetary control is a systematic approach to planning and controlling organizational resources using pre-determined budgets. It involves setting financial targets, comparing actual performance against these standards, and initiating corrective actions where necessary. In the competitive environment of Tamil Nadu's textile industry—characterized by large-scale production and fluctuating market demand—effective budgeting plays a central role in ensuring profitability and sustainability. Managerial decision-making requires timely and accurate financial information, making budgetary control indispensable.

Objectives of the Study

- To examine the budgetary control practices in the textile industries in Tamil Nadu.
- To assess the impact of budgetary control on managerial decision-making.
- To identify the challenges faced in implementing budgetary control.

Review of Literature

Horngren et al. (2013) noted that budgetary control enhances planning and performance evaluation.

Atrill & McLaney (2018) argued that budgets help managers allocate scarce resources effectively.

Merchant & Van der Stede (2017) identified that successful budgetary systems improve communication and coordination.

Sharma & Gupta (2020) found that textile firms with structured budgeting reported better cost control.

Kumar (2019) highlighted that resistance to change limits effective adoption of budgeting tools.

The literature suggests that while budgetary control contributes positively to managerial decisions, its effectiveness depends on implementation quality.

Scope Of The Study

- Focuses on textile companies in Tamil Nadu (e.g., spinning, weaving, garment units).
- Covers budget preparation, performance evaluation, and decision-support functions.
- Includes both small and large-scale textile firms.
- Provides recommendations relevant to finance and operations managers.

Research Methodology

Research Design adopted for the study is Descriptive and exploratory research. Population for the research study are Managers, accountants, and finance officers from selected textile units in Tamil Nadu. The study has adopted the Simple random sampling technique of 100 respondents across different textile companies. The research study uses both Primary and Secondary data sources.

Primary Data: Data have been collected through a structured questionnaire from 100 respondents from textile industries in Tamil Nadu.

Secondary Data: Secondary Data have been collected from various Company reports, books, journals, and online databases.

Tools for Analysis used for the data analysis and interpretation are Percentage analysis, Weighted average method, and Chi-square test method,

Data Analysis And Interpretation

The primary objective of this study was to examine the role of budgetary control as a tool for managerial decision-making in textile industries in Tamil Nadu. Data collected from 100 respondents, including managers, accountants, and finance officers, was analyzed to understand the current budgeting practices, their impact on managerial decisions, challenges faced in implementation, and the relationship between employee training and budget effectiveness.

Frequency of Budget Preparation – to determine how often textile firms prepare budgets and the level of planning involved.

Monitoring of Budget Variances – to assess how effectively firms track deviations between actual performance and budgeted targets.

Budgetary Control and Decision Effectiveness – to evaluate how budgeting influences operational decisions such as cost reduction, pricing, and production planning.

Weighted Average Analysis for Decision Support – to identify the relative importance of budgetary control in supporting different managerial decisions.

Problems in Budgetary Control Implementation – to understand the barriers, both human and technical, that hinder effective budgeting.

Chi-Square Test for Training vs Budget Effectiveness – to statistically verify the impact of employee training on budgetary control performance.

The analysis was conducted using frequency distribution tables, weighted average analysis, and Chi-Square tests to ensure a comprehensive evaluation and have been structured objective-wise, with each table followed by an interpretation.

Frequency Of Budget Preparation

Budget preparation is the foundation of an effective budgetary control system. The frequency with which budgets are prepared reflects the level of financial planning, monitoring, and managerial control within an organization. In textile industries, where costs and production volumes fluctuate frequently, regular budget preparation plays a crucial role in supporting timely managerial decisions. Table 8.1 presents the frequency of budget preparation followed by the textile industries in Tamil Nadu.

Table 8.1: Frequency of Budget Preparation

Type of Budget Prepared	No. of Respondents	Percentage
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Annual Budget	55	55
Quarterly Budget	25	25
Monthly Budget	12	12
No Formal Budget	8	8
Total	100	100

Source: Primary Data

Table 8.1 shows that a majority of the respondents (55%) prepare budgets on an annual basis, indicating a strong reliance on long-term financial planning. About 25% of the respondents follow quarterly budgeting, allowing for moderate periodic review and control. However, only 12% of the respondents prepare monthly budgets, suggesting limited short-term monitoring of costs and performance. A notable 8% of the respondents do not maintain any formal budgeting system. The results indicate that while budget preparation is widely practiced among textile industries, the adoption of more frequent budgeting practices remains limited, which may restrict timely corrective decision-making.

Monitoring Of Budget Variances

Variance analysis is a key component of budgetary control, as it involves comparing actual performance with budgeted figures to identify deviations and take corrective action. Regular monitoring of budget variances enables management to control costs, improve efficiency, and make timely decisions. In the context of textile industries, where production and operating costs are highly sensitive to market and operational changes, frequent variance analysis is essential. Table 8.2 presents the frequency with which textile industries monitor budget variances.

Table 8.2: Monitoring of Budget Variances

	Frequency of Variance Analysis	Respondents	Percentage
Monthly	48	48	
Quarterly	30	30	
Annually	14	14	
Never	8	8	
Total	100	100	

Source: Primary Data

Table 8.2 indicates that 48% of the respondents conduct variance analysis on a monthly basis, reflecting a proactive approach towards cost control and performance monitoring. A further 30% of the respondents review budget variances quarterly, which allows for periodic evaluation but may delay immediate corrective measures. However, 14% of the respondents conduct variance analysis only annually, and 8% do not carry out variance analysis at all. This shows that 22% of the firms experience delays or lack of corrective action, which may reduce the effectiveness of budgetary control and weaken managerial decision-making.

Budgetary Control And Decision Effectiveness

Effective managerial decision-making depends largely on accurate financial planning and control mechanisms. Budgetary control provides managers with a systematic framework to plan operations, control costs, and evaluate performance. In textile industries, decisions related to cost management, pricing, and production planning are critical due to intense competition and fluctuating input costs. Table 8.3 highlights the respondents' opinions on the extent to which budgetary control supports key managerial decisions in textile industries in Tamil Nadu.

Table 8.3: Budgetary Control and Decision Effectiveness

Statement	Strongly Agree	Agree	Neutral	Disagree	Total
Budgets help in cost reduction decisions	42	38	12	8	100
Budgets support pricing decisions	35	40	15	10	100
Budgets help in production planning	48	32	12	8	100

(Figures in number of respondents)

Source: Primary Data

Table 8.3 reveals that a substantial majority of respondents agree that budgetary control plays a significant role in managerial decision-making. With regard to cost reduction decisions, 80 percent of respondents either strongly agree or agree that budgets assist in controlling and reducing costs. Similarly, 75 percent of respondents agree that budgetary control supports pricing decisions by providing relevant cost and revenue information. The highest level of agreement is observed in production planning, where 80 percent of respondents acknowledge that budgets help in planning output levels and resource utilization. These findings clearly indicate that

budgetary control is an effective managerial tool that supports both operational and strategic decisions in textile firms.

Weighted Average Analysis – Decision Support

Budgetary control serves multiple managerial functions, ranging from short-term operational control to long-term strategic planning. Managers may rely on budgets differently depending on the nature of the decision involved. To understand the relative importance of budgetary control in supporting various managerial decisions, a weighted average analysis was conducted. Table 8.4 presents the weighted scores assigned to different decision-support factors in textile industries in Tamil Nadu.

Table 8.4: Weighted Average Analysis – Decision Support

Factor	Weight	Weighted Score
Cost Control	4	420
Resource Allocation	3	380
Profit Planning	2	340
Investment Decisions	1	260

Source: Calculated Data

(Higher weight indicates greater importance of budgetary control in managerial decision-making)

The revised Table 8.4 shows that cost control has the highest weighted score of 420, ranking first among the decision-support factors. This indicates that managers in textile industries primarily use budgetary control as a tool for monitoring and controlling costs. Resource allocation ranks second with a weighted score of 380, highlighting the role of budgets in distributing resources efficiently across departments. Profit planning ranks third with a weighted score of 340, suggesting moderate use of budgets in forecasting and planning profits. Investment decisions rank last with a weighted score of 260, indicating limited reliance on budgetary control for long-term capital and strategic investment decisions. Overall, the analysis reveals that budgetary control in textile industries is predominantly focused on short-term operational decisions rather than long-term strategic planning.

Problems In Budgetary Control Implementation

Despite the widespread adoption of budgetary control systems, organizations often face several challenges in their effective implementation. Identifying these problems is essential for improving the efficiency of budgeting systems and enhancing managerial decision-making. In textile industries, budgetary control may be affected by human, technical, and procedural factors. Table 8.5 presents the major problems faced by textile industries in Tamil Nadu in implementing budgetary control.

Table 8.5: Problems in Budgetary Control Implementation

Problem	Respondents	Percentage
Resistance from Employees	34	34
Lack of Technical Knowledge	28	28
Inaccurate Forecasting	22	22
Time-Consuming Process	16	16
Total	100	100

Source: Primary Data

Table 8.5 shows that resistance from employees is the most significant problem in implementing budgetary control, as reported by 34% of the respondents. This indicates that employees may perceive budgets as restrictive or fear increased accountability. The second major problem is lack of technical knowledge, reported by 28% of the respondents, highlighting the need for better training and financial expertise. Inaccurate forecasting is identified by 22% of the respondents, suggesting difficulties in predicting costs and market conditions. Finally, 16% of the respondents consider the budgeting process to be time-consuming. Overall, the findings suggest that behavioral and skill-related issues pose greater challenges to budgetary control implementation than system-related problems in textile industries.

Chi-Square Test – Training Vs Budget Effectiveness

Training plays a vital role in ensuring the successful implementation of budgetary control systems. Employees with adequate training are better able to understand, interpret, and utilize budgets for decision-making. To test whether there is a significant relationship between employee training and the effectiveness of budgetary control in textile industries, a Chi-Square test was conducted. The test examines whether variations in budget effectiveness are associated with the presence or absence of employee training.

Null Hypothesis (H₀): There is **no significant relationship** between employee training and the effectiveness of budgetary control.

Alternative Hypothesis (H₁): There is a **significant relationship** between employee training and the effectiveness of budgetary control.

Table 8.6: Chi-Square Test – Training vs Budget Effectiveness

Particulars	Calculated Value	Table Value	Result
Chi-square	12.48	9.49	Significant

Source: Calculated Data.

The calculated Chi-Square value (12.48) is greater than the critical table value (9.49) at a 5% level of significance. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. This indicates a significant relationship between employee training and the effectiveness of budgetary control. In other words,

textile firms where employees receive proper training are more likely to implement budgetary control systems effectively, leading to better managerial decision-making and operational performance.

Findings

Most textile firms primarily rely on annual budgets, indicating a focus on long-term financial planning rather than frequent operational adjustments.

The limited use of short-term budgets, such as monthly or quarterly budgets, reduces managerial flexibility in responding to changing production and market conditions.

A small proportion of firms still operate without any formal budgetary control, which may lead to uncontrolled costs and inefficient resource utilization.

Firms that conduct regular variance analysis are better able to monitor performance and control costs effectively.

Delayed or infrequent variance reviews tend to weaken the effectiveness of budgetary control and limit timely corrective actions.

Budgetary control has a strong influence on operational decision-making, guiding managers in cost reduction, pricing, and production planning.

Managers primarily rely on budgets to make day-to-day operational decisions, ensuring efficient use of resources and optimized production output.

The application of budgets is mostly focused on operational areas, with less emphasis on strategic or long-term decision-making.

The use of budgets for strategic planning and investment decisions is comparatively low, highlighting an area for improvement.

Human factors, such as employee resistance, are the primary barriers to effective budgetary control implementation.

Inaccurate forecasting remains a challenge, affecting the reliability of budget estimates and planning accuracy.

Proper training of employees significantly enhances the performance and effectiveness of budgetary control systems.

Skilled and knowledgeable employees contribute to higher reliability and accuracy in budget preparation and utilization.

Suggestions

Textile firms should adopt monthly or rolling budgets to improve monitoring, enable timely corrective actions, and increase operational flexibility. Organizations currently lacking formal budgeting frameworks should introduce structured budgets to ensure proper cost control and financial discipline.

Implement monthly variance reporting in all departments to promptly identify deviations and take corrective measures.

Assign responsibility centers for monitoring and following up on budget variances to strengthen accountability. Management should integrate budgeting with strategic planning, ensuring that budgets support both short-term operations and long-term goals.

Budget reports should be regularly reviewed and discussed in decision-making meetings to guide informed managerial actions. Firms should expand the use of budgets to include capital and investment planning, promoting better long-term decision-making.

Encourage long-term financial planning through budgeting to support growth, profitability, and strategic investments.

Adopt participative budgeting to involve employees in the budgeting process, reducing resistance and improving acceptance.

Provide training on forecasting and budget preparation techniques to enhance accuracy and effectiveness.

Conduct periodic budgeting workshops to strengthen staff understanding and ensure consistent application of budgetary control practices.

Introduce finance literacy programs to improve employees' comprehension of budgets and financial decision-making.

Conclusion

The study on "Budgetary Control as a Tool for Managerial Decision-Making in Textile Industries of Tamil Nadu" reveals that budgetary control is an essential mechanism for enhancing both operational efficiency and managerial decision-making. The analysis indicates that most textile firms rely heavily on annual budgets, which provide a framework for long-term planning but limit flexibility in responding to short-term operational challenges. The study also highlights that regular monitoring of budget variances significantly improves cost control and resource allocation, enabling managers to make timely and informed decisions.

While budgetary control strongly influences operational decisions such as cost reduction, pricing, and production planning, its application in strategic areas, including profit planning and investment decisions, remains comparatively low. Human factors, particularly employee resistance, along with lack of technical knowledge and inaccurate forecasting, were identified as major challenges affecting the effective implementation of budgets. The Chi-Square analysis confirmed that employee training plays a significant role in improving the effectiveness of budgetary control, emphasizing the need for capacity-building initiatives within organizations.

Overall, the study concludes that while textile industries in Tamil Nadu recognize the importance of budgetary control, its full potential is yet to be realized. By adopting monthly or rolling budgets, integrating budgeting with strategic planning, encouraging participative budgeting, and providing regular training, firms can significantly enhance the effectiveness of budgetary control systems. Effective implementation of these measures will not only strengthen operational performance but also support informed managerial decision-making, ultimately contributing to improved productivity, profitability, and sustainable growth in the textile sector.

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