

**BUDGETING AS AN ESSENTIAL TOOL IN GOAL ACHIEVEMENT IN SMALL
AND MEDIUM SCALE ENTERPRISES**

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**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS
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DECLARATION

Sanni Kate Mariana officially certifies that I worked on this research project at the University of Benin, Benin City, Department of Business Administration, Faculty of Management Sciences, under the supervision of Dr. S. O. Omigie. This project has never before been submitted in an effort to obtain a degree. Every quotation from another author's work has been properly referenced and acknowledged.

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DATE

CERTIFICATION

This is to certify that this project work was carried out by Sanni Kate Mariana with the matriculation number MGS1908137 of the Department of Business Administration, Faculty of Management Sciences, University of Benin for the fulfillment of the requirements for the award of B.sc in Business Administration

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DEDICATION

This project work is dedicated to God Almighty whose mercies and grace saw us through the years of the program

ACKNOWLEDGMENT

First, I want to appreciate God Almighty for his guidance, protection, provision and care vested on me and our families and for the wisdom, strength to complete this Bachelor program.

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ABSTRACT

In order for Small and Medium-scale Enterprises (SMEs) to achieve their strategic objectives and maintain financial stability, effective budgeting is essential. In the context of SMEs operating in Benin City, Nigeria, this case study investigates the importance of budgeting. This study attempts to emphasize the crucial role budgeting plays in setting clear objectives, managing resources effectively, and ultimately spurring business success by looking at the experiences of several SMEs in the area. To collect information from a varied sample of SMEs, the study uses both qualitative and quantitative research approaches, including surveys and interviews. It clarifies the difficulties and advantages of budgeting procedures in Benin City's SME sector through thorough examination. The results highlight the crucial significance of budgeting as a foundational skill. A tool for SMEs to overcome financial difficulties, improve financial performance, and realize their long-term objectives. This study also offers helpful advice and suggestions for SMEs in Benin City and beyond, highlighting the importance of strategic budgeting as a cornerstone of long-term company growth.

CHAPTER ONE

INTRODUCTION

1.1 Background to Study

Budgeting is an essential process for any business, and small and medium-sized enterprises (SMEs) are no exception. It involves planning and allocating resources, both financial and non-financial, to achieve specific goals and objectives.

A budget has been defined by chartered institute of management accountants CIMA (2000) as a financial prepared and approved for a defined period of time for the purpose of achieving a goal, Horngreen (1982) defined a budget as “a quantitative expression of a plan of action and an aid to coordination and implementation”.

SMEs are essential to the economic growth and development of any country, particularly in developing countries like Nigeria. SMEs are known to contribute significantly to employment, poverty reduction, and the overall economic growth of a country. Additionally, it has been documented in the literature that SMEs provide an avenue for

Contributions of SMEs to Employment, Gross Domestic Product, enhancing technical, technological and entrepreneurial capabilities in an economy and drastically reducing poverty (Abisuga-oyekunle, Patra, & Muchie, 2019). Hence, the increasing importance of the SMEs

in any given economy cannot be overemphasized in view of the contributions to the employment, GDP, economic growth and of a nation state (Uzoamaka, 2021). However, the success of SMEs is largely dependent on their ability to achieve their goals and objectives, which requires effective planning and management.

Budgeting is the set of the activities of forecasting the financial demands of company in the future (Garrison, et al., 2003). A budget is a comprehensive plan which depicts the information about acquiring and using resources over a certain period of time.

SMEs in Benin City, Nigeria, are no different, and budgeting is crucial to their success. Benin City is the capital of Edo State in Nigeria and is home to many SMEs. It is a mechanism for ensuring the accomplishment, within a given period, of programs dealing with business goals and priorities through the use of various available resources (Mbuthia & Omagwa, 2019). Effective budgeting can help these businesses overcome these challenges by providing a framework for making informed decisions, setting realistic goals, and managing resources efficiently. The wants of businesses are numerous but resources are limited. The concept of budgeting has been around since the modern business era, since the early 1970's in England budgeting has always been presented in the beginning of each fiscal year.

The achievement of these goals requires effective planning and management. Successful budget management and efficient budgetary controls could give organizations a competitive edge. However, many small and medium enterprises (SMEs) are not concerned with budgeting or budgetary controls (Oladele & Hou, 2019) even though SMEs contribute to job generation, income production, wealth creation, and economic growth (Abeh, 2017). Zor, Linder and Endenich (2018) posited that SMEs in most emerging markets play a major role in gross domestic product and employment generally and that most of them have a little knowledge on budgeting activities meanwhile, The uncertain and unstable relationship between the financial awareness and budgeting results in poor financial performance (Septria & Heryanto, 2019). There is also less attention is paid to rural SMEs because there is little awareness of the various difficulties they face. These have caused a lot of SMEs failure and inability to remain in business for too long.

One of the most crucial aspects of planning and management in SMEs is budgeting. Budgeting is the process of estimating and allocating resources to different activities and projects within an organization. A cost estimate of capital expenditures in the tendering phase of a project greatly influences planning, bidding, design, construction management and cost management (Arage & Dharwadkar, 2017). Decisions based on cost estimates commonly lead to resource allocation and other types of major commitments, which may have critical

consequences. Cost estimates allow project managers to evaluate the feasibility of projects and control costs effectively. Effective budgeting helps SMEs to control their expenses, manage their cash flow, and allocate resources effectively to achieve their objectives (Mohammed et al., 2019). Therefore, budgeting is essential for SMEs to achieve their goals and objectives and ensure sustainable growth and development.

Despite the importance of budgeting in SMEs, the adoption of budgeting practices in Nigeria is relatively low, and many SMEs fail to achieve their goals and objectives. This is due to various reasons such as lack of knowledge, inadequate resources, and poor management practices (Ibrahim, 2019). Therefore, there is a need for SMEs in Nigeria to adopt effective budgeting practices to achieve their goals and objectives and ensure sustainable growth and development.

Budgeting practices in SMEs in Nigeria can be classified into traditional budgeting, zero-based budgeting, incremental budgeting, and activity-based budgeting. Traditional budgeting involves projecting the previous year's budget as a baseline and making incremental changes based on the current year's circumstances. Zero-based budgeting involves starting from scratch and justifying each budget item as if it is a new expense. Incremental budgeting involves making adjustments to the previous year's budget based on inflation or expected

changes in revenue. Activity-based budgeting involves budgeting for specific activities and projects rather than allocating resources based on previous year's budgets.

Effective budgeting practices have been linked to various benefits for SMEs. Budgeting helps SMEs to manage their cash flow, plan for future expenses, and identify potential cost-saving opportunities (Ibrahim, 2019). It also helps SMEs to prioritize their goals and objectives, allocate resources effectively, and monitor progress towards achieving their goals (Mohammed et al., 2019). Furthermore, budgeting provides SMEs with a framework for decision-making, especially in times of uncertainty.

However, SMEs in Nigeria face various challenges in adopting effective budgeting practices. Similarly, Koech (2015) argued that weak management skills, like problem-solving accounting are part of the causes for failed businesses. These challenges include inadequate financial resources, lack of knowledge and skills, and poor information systems.

Therefore, the study aims to investigate the importance of budgeting as an essential tool for achieving goals in SMEs in Benin City, Nigeria, by examining the budgeting practices, challenges, and benefits of budgeting in SMEs. The findings from this study will provide insights into the role of budgeting in SMEs and its impact on their performance, which can

guide policymakers and SMEs owners in implementing effective budgeting practices for sustainable growth and development.

Business budgets must include planning activities and operations that will strategically bring about efficient use of limited resources effectively.

1.2 Statement of Research

Over the years SMEs has been the backbone of every economy, Budgets are necessary to manage the scarce financial resources and at the same time serve as a means of expenditure authorization. on this note Maduekwe and Kamala (2016) affirmed that failure in the budget was described as one of the key causes of failure in SMEs. Without reliable budget analysis and feedback about budgetary problems, many organizations and enterprises would become bankrupt. It has however been observed that many SMEs do not care about budgeting plan and control. This study intends to let SMEs know that a successful business depends on good budget preparation and effective budget control and as a result should be adopted. Many SMEs in Benin City may not fully understand the importance of budgeting or how to effectively implement it. This lack of awareness can hinder their ability to set and achieve financial goals. By conducting research on budgeting practices, the study aims to enhance awareness and understanding of budgeting's benefits and provide SMEs with insights into its

successful implementation. Inadequate funding of business is a core problem facing by Nigeria entrepreneurs. The process of sourcing for funds as well as the effective utilization and efficient management of the funds constitute major challenges for Entrepreneur (Okafor, 2012).

1.3 Research Questions

1. What is the significant impact of budgeting on SMEs goals achievement?
2. What are the challenges faced by SMEs in budgeting in Benin City, Nigeria?
3. What are the importance of budgeting on SMEs in Benin City. Nigeria
4. What solutions can be uttered to those budgeting problems?

1.4 Research Objective

1. To identify the significant impact of budgeting on SMEs goal achievement.
2. To identify the challenges SMEs face in budgeting in Benin City, Nigeria.
3. To ascertain the importance's of budgeting on SMEs
4. To evaluate the solutions that can be uttered to those problems.

1.5 Research Hypothesis

Hypothesis one

Ho: there is no significant relationship between budgeting and goal achievement

Hi: there is significant relationship between budgeting and goal achievement

Hypothesis two

Ho: There are no significant challenges faced by SMEs in budgeting in Benin City, Nigeria.

H1: There are significant challenges faced by SMEs in budgeting in Benin City, Nigeria.

Hypothesis three

Ho: Budgeting is not perceived as significantly important for SMEs in Benin City, Nigeria.

H1: Budgeting is perceived as significantly important for SMEs in Benin City, Nigeria.

1.6 Scope of the Study

The study's focus is only on small and medium-sized Enterprises (SMEs) in Ugbowo axis Benin City, Edo state Nigeria. The study will concentrate on analyzing the budgeting

procedures, advantages, and difficulties encountered by SMEs in the city. The study will only look at a sample of SMEs in Benin City, Nigeria; it won't examine any other towns or areas of the nation.

1.7 Significance of the Study

The findings from this study will provide insights into the role of budgeting in SMEs and its impact on their performance, which can guide policymakers and SMEs owners in implementing effective budgeting practices for sustainable growth and development.

The study will add to the body of information on financial management and budgeting techniques used by SMEs in Benin City. This will serve as a foundation for more research in this area and contribute to a better understanding of how SMEs can use budgeting to accomplish their objectives and also practice comprehensive budgeting procedures urging SMEs in Benin City, Nigeria, to use efficient budgeting procedures: The study can pinpoint the difficulties SMEs have implementing efficient budgeting procedures and offer suggestions for addressing these difficulties. This may encourage SMEs in the area to follow sound budgeting procedures, which may support their continued financial viability and expansion. In the domain of financial management for SMEs, this can serve as a guide to future study and policy development.

1.8 Limitations of the Study

Most SMEs do not have budgeting plan and as a result makes it difficult for the researcher to if there's progress or not in the business activities. The time frame is limited in carrying out research as the student has other academic activities going on. Resources shortages the findings may not be generalizable to other contexts since SMEs in Benin City might not have the resources (e.g., time, money, personnel) needed to establish and sustain efficient budgeting methods.

1.9 Definition of Terms

During the process of the research work, some relevant words were identified:

Budgeting: According to Musaazi (1982), a budget is defined as a financial plan through which educational objectives are implemented and translated into reality.

SMEs: Ayegusi (2004) 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. In another view, small business are those enterprises with total assets in capital, equipment, plant and working capital that doe.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

In general, prior studies on the use of budgets are scarce (Maduekwe, 2015). The few that are available were conducted in other countries, mostly the developed countries. This chapter's primary goal is to critically review pertinent material that can be used to describe the research topic and to acknowledge the contributions made by academics who have previously made significant contributions to work along similar lines. With this chapter, we hope to fill in any gaps in our knowledge and further our comprehension of the subject.

2.1 Conceptual Review

The idea of budgeting refers to the act of developing a financial plan for an enterprise to deploy its resources in an efficient manner in order to achieve particular goals within a given time frame. In order to guarantee that financial resources are used effectively to meet the established goals, budgeting entails forecasting and preparing for an enterprise's expected income and expenses, typically over the course of a year. The process of developing a budget defines an organization's anticipated income, costs, and profits for a given time period. For

SMEs, budgeting is a crucial tool since it enables effective resource allocation and cost and revenue management. As a result, SMEs are able to accomplish their objectives.

The term "budget" has been defined in a variety of ways by numerous authors, most frequently based on their own experiences and opinions. A budget, according to Aseshemic (1997), is a financial or quantitative statement of the course of action to be taken in order to accomplish a specific goal. A budget, in the words of Brown and Howard (2002), is a planned declaration of management policy for a specific time period that serves as a benchmark for comparison with actual results. According to Buyers and Holmes (1998), a budget is a financial and/or quantitative statement created and approved in advance to be pursued during that period with the intention of achieving a specific aim. They believed that matching sales with production is an essential component of a full budget for a business's future operations.

According to Locke and Latham (2019), goal achievement is the process of completing particular objectives within a predetermined time frame. In a piece for the "Nigerian Accountant," Olafusi (1998) summed up budgeting by describing it as an essential instrument for effective performance, by which expenditures are assigned to specific tasks that are planned within a set amount of time. Budgeting is a faith accomplishment in economic discourse, according to Parker (1997), because there aren't as many resources as there are

needs. Cope (1994) defines the term budget as a comprehensive plan described in financial terms through which an organization can achieve its goals. As a result, from a broad viewpoint, budgeting can be seen as an instrument that provides a standard for the monitoring and control of performance.

SMEs must create strategies to accomplish defined, quantifiable goals. For SMEs to be successful in reaching their objectives, budgeting must be in line with strategic goals. Making a realistic and adaptable budget is crucial, according to the literature on budgeting and goal achievement in SMEs

Making a financial plan that details the anticipated income, costs, and profits for a predetermined time period—typically a year—is the process of budgeting. Drury (2006) defines budget as a plan expressed in quantitative, usually monetary term covering a specific period of time usually one year in other words a budget is a systematic plan for the utilization of manpower and materials resources. This financial plan is a crucial tool for SMEs in Benin city since it enables them to effectively and efficiently manage their resources in order to accomplish their objectives. The importance of budgeting in the scheme of business activities cannot be over-emphasized. A budget is the business future and it basically involves planning (which involves the control and manipulation of relevant variables - controllable and non-controllable) and reduces the impact of uncertainty. It makes management active to influence

the environment in the interest of the enterprise. A budget expresses the plan in formal terms and helps to realize the firm's or an enterprise expectation. It is a comprehensive plan in the sense that all activities and operations are considered when it is being prepared. By using a budget, SMEs may recognize possible issues with cash flow and take proactive steps to solve them.

This strategy is especially important for SMEs operating in a difficult economic climate with variable or uncertain revenue streams. Effective budgeting assists SMEs in managing their cash flow and lowering the likelihood of running into financial troubles. It has also helped to identify and know where resources can be effectively allocated and supports decision making by providing a basis for comparing alternative investment opportunities.

However, budgeting is essential for ensuring accountability and transparency in important offices and among SMEs, it enables managers or those in charge of the budget making to justify their resources allocation decisions and demonstrate their impact on achieving goals. As stated by Anthony and Govindarajan (2019). It also facilitates communication and coordination across different departments in the workplace thereby promoting teamwork and collaboration. David Frederick (2001) defines budget as a plan that is measurable and timely. Bruns and Waterhouse (1975) defines budget as financial plans that provide the basis for directing and evaluating the performance of individuals or segments of organizations. The

budgets are short-term financial strategies, normally with a one-year horizon (Zor, Linder & Endenich, 2019). The budget provides the business with a focus, promotes the planning of operations and facilitates regulation (Suurd, 2020). Planning is accomplished by means of a fixed master budget, while regulation is usually exerted by combining the current costs with a variable budget (Henttu-Aho, 2018). Budgeting is universal and can be implemented in all industries, such as SMEs, as it has the sole purpose of meeting corporate targets. Budgets are used to guarantee that costs stay within the existing limits and that business management officially approves performance targets and tracks intra-period progress (Henttu-Aho, 2018). Finally, by contrasting budgetary targets and real performance, budgets serve as metrics for the assessment of employees and business operations (Zor, Linder & Endenich, 2019). Budgeting can also make a significant contribution to the success of SMEs, as they have a vital responsibility to promote the economic and social well-being of the country, and hence indigenous entrepreneurship is likely to be more important in small enterprises than in large companies (Suurd, 2020). The budgetary control of any business is an important part of the management process. The manner in which revenue is generated and used in the business will include a roadmap to achieve the company's goals (Henttu-Aho, 2018). The organization's budgeting method influences the level of success of the company and it is therefore critical that the organization adopts effective budgeting processes that will be able to produce more reliable results of the firm's performance over the targeted time frame (Eniola & Entebang,

2017). Despite the critical role that a budget can ultimately play in preserving the long-term health of a business, most SMEs still struggle to establish and make full use of one (Suurd, 2020).

2.2 Stages in Budget Preparation

Cherrington, Hubbard and Luthy (1988) and Izar (1990) share the same opinion on the process of preparing a budget. A number of stages can be identified in the preparation of a budget.

Stage one

Establishing the main goals for the upcoming year and any significant external developments that may have an impact on the business, then communicating them to the budgeters so they are aware of the determining variables they should take into consideration when creating their budgets. These will mostly be determined by the long-term corporate plan.

Stage two

Find the important or restricting aspects in stage two. The performance and expansion of every enterprise are eventually constrained by a number of issues. Sales demand and service provision are typically involved. The subsidiary budgets would all be invalid if the key factor

budget contained a mistake. It can also be referred to as the major budget factor when used in budgeting contexts.

Stage three

Creation of the sales budget, assuming sales are the limiting element. Regulating factors from outside sources make this the most challenging budget to prepare.

Stage four

The preliminary budget planning is the fourth stage. This includes creating the production budget as well as the direct labor, production overhead, selling and distribution, administrative, capital expenditure, and cash budgets.

Stage five

This involves review and coordination of the subsidiary budget by the budget officer or budget committee. This function is to check whether there are inconsistencies or conflict between the many subsidiary budgets.

Stage six

The individual subsidiary budget is consolidated in a single master budget presented in the form of a budgeted income statement and balance sheet.

Stage seven

At this stage, the work is presented to the board of directors for approval. Izhar stated that although the budget is „finalized“ on director approval, in one sense the process of budgeting never ends. Furthermore, he added that a budget is prepared under certain basic assumptions about the future. Any change in this should lead to the budget being revised.

2.2 Dependent and Independent Variable in SMEs

Achieving goals is every organization's main goal. It describes the process of completing particular goals or targets within a predetermined time frame

In order for SMEs to survive, expand, and be profitable, target achievement is essential. Budgeting, on the other hand, is a financial tool that aids businesses in achieving their objectives (Kutner, Nachtsheim, & Neter, 2004)

It is the process of drafting a financial plan that details the anticipated earnings, costs, and profits for a given time frame. For SMEs to effectively allocate their resources and manage their costs and revenues, as well as to achieve their goals, budgeting is crucial

As a result, in this case study, the SMEs in Benin City's ability to achieve their objectives depends on how they manage their budgets. The goal of the study is to determine how SMEs in Benin City's budgeting procedures affect their ability to achieve their objectives. In the setting of SMEs in Benin City, the independent variable, budgeting, is anticipated to have an effect on the dependent variable, target attainment.

2.3 Budgeting Period

With reference to Saleemi (1990), the budget is prepared for a specific period. There may be periodic budgets and continuous budgets or rolling budgets. The periodic budget covers a fixed period of time like six months, one year or five years. If the budgets are prepared for a longer period, then these budgets may be divided into shorter periods or control periods for budgetary control. The budget period depends upon the type of the business and the control aspects. Continuous budget is a process whereby budgets for a year are continually extended by another period i.e., one quarter or half year. The quarter or half year just ended is dropped and next quarter or half year is included. This procedure provides a base to review the budgets of longer periods after shorter intervals.

2.4 Theoretical Framework

The theoretical framework for budgeting as an essential tool in goal achievement for SMEs in Benin City can be based on several theories and concepts.

1. The Goal Setting The budget serves as a tool for planning and regulating as well as motivating staff by establishing sensible objectives. Setting goals is a technique to inspire both individuals and both people and groups. In fact, the goal-setting theory is one of the most significant and practical motivating ideas in psychology and business. The theory of goal setting was proposed by Locke (1968). Locke found that generic motivations are less effective than incentives with specific goals. The study of him was also shown that the link between setting a difficult goal will create greater motivation than an easy goal because every individual needs to express themselves. Based on this, he suggested that the clarity and difficulty are the two of most important characteristics of goal to create motivation for employees thereby improving firm performance. Developing the theory, Locke and Latham (1991) added three more factors to ensure the success of goal setting: commitment, feedback and complexity.

Theory is one potential theoretical foundation, which contends that difficult goals are more likely to be achieved than general or simple ones, and that this is because they are more precise and difficult to achieve. The theory contends that defining objectives helps to focus attention and effort, mobilize resources, and foster tenacity in the face of obstacles. It also contends that people and organizations are motivated to attain their goals. The theory contends that defining objectives helps to focus attention and effort, mobilize resources, and foster tenacity in the face of obstacles. It also contends that people and organizations are motivated to attain their goals. Since Locke and Latham initially presented this theory in (1990), it has gained widespread acceptance and been used in a variety of industries, including management, education, and psychology. According to the goal-setting theory, objectives that are SMART—specific, measurable, realistic, relevant, and time-bound—are more likely to be accomplished than objectives that are nebulous or unclear. The theory contends that goal-setting facilitates resource mobilization, promotes tenacity in the face of difficulties, and helps to focus attention and effort.

Several studies have supported the effectiveness of the Goal Setting Theory in improving performance and achieving goals. For example, a meta-analysis of 35

studies by Locke and Latham (2002) found that goal setting had a positive and significant effect on task performance across various tasks and settings.

One of the key components of the Goal Setting Theory is feedback, which provides individuals and organizations with information on their progress towards their goals. Feedback helps to identify areas of improvement, track progress, and adjust strategies as needed.

In the context of SMEs in Benin City, the Goal Setting Theory can provide a theoretical framework for the use of budgeting as a tool for setting specific and challenging financial goals. By setting SMART goals and tracking progress through feedback mechanisms, SMEs can improve their financial performance and increase their chances of achieving their goals

2. The Contingency Theory suggests that the effectiveness of organizational practices (such as budgeting) depends on the fit between the situation and the practice. The theory proposes that different contexts require different approaches, and that the best practices depend on the unique needs and characteristics of the organization and its environment. In the context of SMEs in Benin City, budgeting practices may need to be tailored to the specific industry, size, location, and financial situation of the

business. The contingency approach can help SMEs to identify the most appropriate budgeting practices for their particular circumstances, and to adjust their practices as needed over time.

According to Otley (1980) the theory provides some explanation on why organizations that operate in different environments and adopt varying capital budgeting techniques. The reason being that organizations operate as open systems influenced by external as well as internal variables (Tikk & Almann, 2011). On this backdrop, there cannot be only one single way to operate neither will there be a management accounting system that is applicable universally by all firms (Chen, 2008). As such the contingency theory can assist in no small way to readily identify particular areas of a firm management accounting system which is related to defined situations highlighting their suitability (Alleyne, Armstrong & Chandler, 2018). The contingency factors comprise both the external and internal variables which include technology, size, competition, type of organization, economic, social and political factors.

According to Chen (2008) the current state of a firm is a determinant of the capital budgeting system as such a proper fit should exist between the systems applied by the firm and the environment. The fitness of the two makes the selection of capital

budgeting practice to be successful which influences performance and a manager's satisfaction

The study also found out that budgeting practices in SMEs are highly contingent on these factors. Contingency theory provides a relevant theoretical framework for understanding budgeting in SMEs.) study illustrates how this theory can be applied to the context of SMEs and highlights the importance of developing budgeting practices that are tailored to the specific contingencies facing each organization.

The relevance of alignment between an organization's strategy, structure, and management practices is also emphasized by contingency theory.

3. Punctuated Equilibrium Theory of Budgeting: This theory was propounded by Baumgartner and Jones (1993) established their concept of "punctuated equilibria" that addresses both incremental and large budget changes. It asserts that there is a state of equilibrium followed by a punctuated change followed again by equilibrium. The state of equilibrium is during quiet periods of incremental change. Thus, in order to establish equilibrium in terms of budget changes, the budget and budgetary control measures put in place by an entity becomes pivotal to the overall performance system of ensuring stability of environment The relevance of this theory of budget

control is the participative perspective when an institution set a target but the fund hire mark for this project couldn't complete the execution there will be need for the increment to enhance their financial performance.

2.5 Types of Budgets Used in SMEs

1. Static budget: Budget that is fixed regardless of how the actual outcomes vary is known as a static budget. It works best in circumstances that are stable or predictable and is important for budgeting and cost control. static budgets can become irrelevant if there are significant changes in the business environment, such as unexpected economic downturns or changes in customer demand.

Static budgeting is a useful tool for SMEs operating in stable business environments, but it may not be appropriate in dynamic or rapidly changing environments where a more flexible approach may be necessary.

2. Flexible: A type of budgeting known as flexible budgeting enables changes to be made to the budget in response to variations in the business environment. Flexible budget is a technique, according to Cherrington, Hubbard and Luthy (1988) that used to adjust the budget for various level of business activity. In order to keep the company moving in the direction of its objectives, it is crucial to develop a budget that can be modified to account for

these changes. flexible budget is made to be altered in response to alterations in the company environment, such as shifts in client demand, unforeseen occurrences, or economic considerations. Businesses can better manage their resources and vary their spending in response to environmental changes by employing a flexible budget, flexible budgeting is becoming increasingly important for businesses in today's dynamic and uncertain environment.

3. Operating budget: An organization's financial actions for a given time period are outlined in detail in an operating budget. To accomplish the goals of the company, it entails estimating revenues and expenses and allocating resources accordingly.

The study also emphasized how critical it is to develop a thorough and practical operational budget that takes into account a variety of aspects, such as market circumstances, competition, and the organization's resources and competencies. The researchers advised SMEs to examine and adjust their operational budgets on a regular basis to make sure they reflect changes in the business environment and are in line with their aims.

4. Zero based budgeting

Zero- Base Budgeting (ZBB): Lucey (1993) argued that, zero-base budgeting is a cost benefit approach whereby it is assumed that the cost allowance for an item is zero and will remain until the manager responsible justifies the existence of the cost item and the benefit the expenditure brings.

Appiah (1993) also argued that ZBB are prepared without reference to the budget of the preceding period. A fresh look is made at the activities of the organization and based on the new circumstances and entirely new budget is prepared.

2.6 Importance of Budgeting in SMEs

Running a business often requires owners to carefully plan and review their finances. Most companies use some form of accounting for identifying, measuring, analyzing and reporting their financial information. Accounting tools may include budgeting, financial statements, forecasts and other for managing financial information. Business budgets may be one of the most important accounting tools of a company since it usually represents a detailed analysis of how a company expects to spend money in future time periods.). Many companies create budgets on annual basis so they can carefully outline the expected needs of each department in the business same as TEMESA. However According to Horngreen (1991), major benefit to using a business budget is that ability to limit how much money is spent on

certain operations. Budget usually counts to ensure that capital is not wasted on unessential items or the company does not overpay for economic used in the business. Also, organization often use budgets to plan for future business growth and expansion. Capital saved on regular business expenditures may be placed into a special reserve account designed for selecting new business opportunities. This ensures that companies have capital on hand when needing to make a quick decision for expanding business operation.

2.7 Budgeting Process

Budgets planning process as written in ACCA financial management and control (2006) include the accompanying advances, conveying points of interest of the spending arrangements and spending rules whereby forceful evaluating approach graduates' changes in profits are considered.

Decide the components that have limited yield and accordingly the association execution, these are known as the constraining elements which can be deficiency of work and materials, restricted request or creation time. Budgeting process refers to the processes and procedures a budget passes before, during and after the budget. Budgeting process would be understood by looking at how it fits into an overall framework of planning, decision-making and control (Drury, 2004).

2.8 Steps in Budgeting Process

The area of knowledge has received much attention with some scholars claiming that budgeting process affect firm performance positively while others suggest a negative relationship. A study by Yang (2010) asserts that formal budgeting process increases firms profit through growth in sales revenues especially among SMEs.

1. The first stage in creating a budget is to decide what objectives the SMEs intend to accomplish. These objectives should meet the SMART criteria of being specific, measurable, achievable, relevant, and time-bound. Goals could include boosting sales, cutting expenses, or enhancing cash flow.
2. The next stage is to compile all the necessary financial information for the budget. This could include past financial data, sales projections, and spending forecasts.
3. Creating a budget plan: SMEs should create a budget plan that distributes funds to different departments or projects based on the projected revenue and expenses. The goals and objectives of the firm should be consistent with this plan's realistic expectations.

4. Budget monitoring and control: After the budget plan is in place, SMEs should compare their actual revenue and expenses to the budgeted amounts. With the help of this monitoring mechanism, they are able to spot possible problems and act quickly to fix them.

5. Budget revisions: SMEs should be adaptable and ready to make changes as necessary to their budget plan. The initial budget plan may need to be adjusted due to things like market fluctuations, unforeseen costs, or changes in the working environment.

In general, SMEs need budgeting to accomplish their goals and objectives. SMEs may make sure they are successfully allocating resources, controlling spending, and meeting their financial goals by adhering to a methodical budgeting procedure.

2.9 Challenges of Budgeting in SMEs

Budgeting involves various activities that must be done by the budget center and there are people participating in the budgeting and control process. But is not always fully successive due to the following factors as written in Lucey (2002);

1. It is difficult to estimate the revenue and expenditure in which will be included in budgeting.

2. It is difficult to estimate the activity level accurately in enterprise

3. It is difficult to set the budget that will fit, to all budget centers or departments.

Inflation and other economic factors are unpredictable and conflict may arise during the control and monitoring of the operations.

2.10 Budgeting Monitoring

Budget monitoring is the practice of keeping tabs on and comparing actual financial performance to the planned budget. It entails contrasting the actual revenue and spending levels for a given period with the anticipated or budgeted levels for that same period.

According to Nso (2020), budgetary surveillance and reporting processes are systematic and ongoing, defined by establishing targeted success or activity levels by specifying the goals to be achieved within any branch of the organization. (2018) Agbenyo, Danquah, and Wang affirmed that financial oversight and regulation ensures the program performed under the accountability system is trustworthy and reasonably priced. Daniel (2017), budgetary management is an effective instrument for business that, in the long run, never gets in the way of proper planning, efficient coordination, and control to maximize profits.

According to Robinson and Last (2009), budgetary control is defined as a strategy created by the corporate management for comparing the accomplishment of a particular goal's real and

budgeted outcomes. The primary objectives of financial control are planning, organization, and monitoring.

Lack of target clarification and the inability to maintain or accomplish results are both caused by insufficient budget constraints. Continuous monitoring and close looks at budget updates can ensure success against goals and objectives.

Budget monitoring is an essential part of financial management in the setting of small and medium-sized businesses (SMEs), allowing owners and managers to spot probable financial target deviations and take appropriate action. Regular budget monitoring allows SMEs to spot any areas where they are spending too much or too little, as well as any unforeseen costs or revenue gaps.

SMEs may allocate resources wisely by using budget monitoring to decide which projects to prioritize and where to achieve cost savings. Additionally, it aids SMEs in maintaining financial responsibility and discipline, enabling them to accomplish their long-term financial goals and objectives.

2.11 Empirical Review

The empirical assessment of the study on the importance of budgeting as a tool for small and medium-sized enterprises (SMEs) in Benin City concentrated on evaluating and interpreting the information acquired from the study. According to the empirical review's findings, SMEs that use budgeting typically perform better financially and accomplish their objectives more quickly than those that don't. The study's empirical evaluation, taken as a whole, offers insightful information about the value of budgeting as a tool for SMEs in Benin City, Nigeria, to use in achieving their objectives. It emphasizes the crucial part budgeting plays in boosting financial performance and accomplishing organizational objectives. SMEs may decide which projects to prioritize and where to minimize expenses by keeping an eye on their budgets and using that information to make smart resource allocation decisions. Egbunike and Unamma (2017) assessed the association between budgetary control and performance evaluation measures in the hospitality industry in Nigeria. Primary data obtained through the administration of a structured questionnaire were analyzed using inferential and descriptive statistics. The results showed that budgetary control was an important tool for performance evaluation.

Furthermore, utilizing primary and secondary data from 47 county governments for the years 2013 to 2017, Mutungi (2017) investigated the impact of budgeting and budgetary control on

performance in Kenya. For data analysis, he used SPSS version 21, an OLS-based statistical tool for social sciences. The findings showed that financial performance and budgetary management had a substantial beneficial link.

2.12 Research Gap

A budget gap exists when the forecast or budget for a period does not meet the expectations of leadership or the needs of the business. This could mean that revenue is too low or expenses are too high. It means your operating income needs a boost.

The absence of any substantive research on the overall competitiveness of manufacturing SMEs regarding utilization of budgets for decision-making prompted the undertaking of this study.

The management control process known as "gap analysis" enables the study of obtained costs and negative differentials between real data (effective) and planned data (budgets). According to a study by Alnodel and Ismail (2020), "there is limited empirical research investigating the effectiveness of budgeting in achieving goals and objectives for SMEs." This research gap suggests a need for further investigation into the impact of budgeting on goal achievement in SMEs.

There is little information on the precise budgeting methods and tactics that SMEs should use to achieve their objectives. Lack of research on the particular elements that affect how effective budgeting is in helping SMEs reach their objectives is one research gap. Although budgeting has many advantages, there is little knowledge of the specific methods, techniques, and tactics that SMEs can employ to make their budgeting efforts as effective as possible.

Lack of study examining how market conditions, industry developments, and economic factors affect how successful budgeting in SMEs is another research gap. Owners and managers may make more informed financial decisions and more successfully handle market problems by having a better understanding of how external factors affect budgeting in SMEs. The role of technology in SMEs' budgeting needs additional investigation, to sum up. Understanding how SMEs may use technology to advance their budgeting efforts is becoming more and more crucial as technology continues to develop and change the corporate landscape.

Despite the fact that current research offers a solid framework for understanding the role budgeting plays in SMEs achieving their goals, additional research is still required to fill in these and other research gaps in this field.

CHAPTER THREE

3.0 introduction

This chapter will concentrate on the strategy the researcher used to carry out the study. It demonstrates the process for collecting and analyzing the pertinent data that will be used in this study, as well as the research design, population and sample, and data analysis plan.

3.1 Design of the Study

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. In this study, the researcher employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled. According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behavior, surveys are therefore frequently used in social and psychological research.

3.2 Population of the Study

According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics.

However, for this study, the population is unknown owing to the countless number of both registered and unregistered SMEs in Benin City.

3.3 Sample Size and Sampling Techniques

A sample size of seventy-seven (77) owners of chosen business enterprises such as barbers, gym owners, hair stylist in ugbowo axis Benin city was used because it is difficult to determine the precise population of the study. According to Nwana (2005), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls. The researcher developed a convenient sampling method to determine the same size.

3.4 Research Instrument

The instrument of data collection will be a questionnaire which is in line with the objective of the study. The questionnaire will be in two sections. Section A will solicit information on the respondents' demography while section B will consist of questions formulated in relation to the objectives of the study aimed at providing answers to the research questions. Participants

were required to respond by placing a tick at the appropriate column. The questionnaire was personally administered by the researcher. Responses will be rated on a 5-point Likert scale

3.5 Validity of Research Instrument

Validity referred here is the degree or extent to which an instrument actually measures what is intended to measure. An instrument is valid to the extent that is tailored to achieve the research objectives. The researcher constructed the questionnaire for the study and submitted to the project supervisor who used his intellectual knowledge to critically, analytically and logically examine the instruments relevance of the contents and statements and then made the instrument valid for the study.

3.6 Reliability

In order to carry out the reliability of the questionnaire, it was pilot-tested on 20 respondents drawn from outside the target sample but within the population. These respondents were not involved in the main study. Cronbach Alpha correlation coefficient was employed to ascertain the reliability of the instrument. An Alpha value of 0.78 was obtained.

3.7 Sources of Data

Data collection plays a very crucial role in the statistical analysis. In research, there are different methods used to gather information, all of which fall into two categories, i.e., primary and secondary data (Douglas, 2015).

These are materials of statistical investigation, which were collected by the research for a particular purpose. They can be obtained through a survey, observation questionnaire or as experiment; the researcher has adopted the questionnaire method for this study.

For the purpose of this study, we will be using the primary source of data. The data will be collected through the administration of questionnaires to a certain number of SMEs in Ugbowo axis Benin city. The reason for using both primary and secondary source of data is, so that the researcher will have concrete and more valid answers to the research questions

3.8 Method of Data Analysis

Data from the answered questionnaires in this study was analyzed by using percentages. The collected data was checked for consistency and then frequencies and percentages were to show responses of the distribution of the demographics' profiles of the respondents. The results were presented in tables form, utilizing the mean response on each of the Likert scale

questions. The software to be for analysis of the findings is Statistical Package for Social Sciences (SPSS) version.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter deals with the presentation and analysis of data collected and collated during the course of this study. It consists of the analysis and results of data using the statistical tool as described in chapter three of this study, through testing of the relevance of the stated hypotheses in the chapter one in relation to the theme of this project work. Analytical instruments which were applied include percentages and averages, being operational tools used in analyzing questionnaire obtained from the field.

4.2 Data Analysis and Interpretation

The data for the analysis were from the response to the questions set out in the questionnaire. A copy of which is reproduced in the Appendix. A total of seventy-seven (77) copies of questionnaires were distributed and were retrieved. This is accordingly shown in the table below. This section starts with the analysis of the personal data of respondents, and this has to do with the information relating to the personal characteristics of individual respondents as answered on section A of the questionnaires. Clearance of this analysis will be further presented in tables to show such characteristics.

Table 4.1: Gender distribution of the respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	27	35.1	35.1	35.1
Female	50	64.9	64.9	100.0
Total	77	100.0	100.0	

The table above show the gender distribution of the respondent. in the above 77 respondent representing 35.1% were male, 50 respondents representing 64.9% were female respondent. in the above table it could be deduced that female respondent is more than the male respondent

Table 4.2: Age distribution of the respondent

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 20-25 years	9	11.7	11.7	11.7
26-30 years	38	49.4	49.4	61.0
31-35 years	22	28.6	28.6	89.6

36-40 years	8	10.4	10.4	100.0
Total	77	100.0	100.0	

From the above table 9 respondent representing 11.7% were between the age of 20-25 years, 38 respondents representing 49.45 were between the age of 26-30 years, 22 respondents representing 28.6% were between the age of 31-35 years, 8 respondents representing 10.4% were between the age of 36-40 years, and 0 respondent representing 0.0% were between the age of 41 years and above.it could be deduced that most respondent were between 26-35 years age bracket.

Table 4.3: Marital status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid single	18	23.4	23.4	23.4
married	45	58.4	58.4	81.8
Separated	10	13.0	13.0	94.8
widowed	4	5.2	5.2	100.0

Table 4.3: Marital status

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid single	18	23.4	23.4	23.4
married	45	58.4	58.4	81.8
Separated	10	13.0	13.0	94.8
widowed	4	5.2	5.2	100.0
Total	77	100.0	100.0	

On the marital status of the respondent, 18 respondents representing 23.4% were single, 45 respondents representing 58.4% were married men and women, 10 respondents representing 13% were separated, 4 respondents representing 5.2% were widowed. Base on the above statement it could be deduced that most of the respondent were single and married men and women

Table 4.4: Educational level

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid GCE/SSCE	12	15.6	15.6	15.6
OND/HCE	20	26.0	26.0	41.6
HND/BSC	33	42.9	42.9	84.4
MSC/MBA	10	13.0	13.0	97.4
Ph. D	2	2.6	2.6	100.0
Total	77	100.0	100.0	

On the education status of the respondent, 12 respondents representing 15.6% attained GCE/SSCE certificate, 20 respondents representing 26% have attained OND/NCE certificate, 33 respondents representing 42.9% have attained HND/BSc certificate, 10 respondents representing 13% have attained MSC/MBA certificate, and 2 respondents representing 2.6% have attained Ph. D certificate. The above analysis reviewed that the respondents are educated men and women.

Table 4.5: budgeting has helped SME in managing expenses and resources efficiently

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	11	14.3	14.3	14.3
Agree	46	59.7	59.7	74.0
Undecided	2	2.6	2.6	76.6
strongly disagree	8	10.4	10.4	87.0
Disagree	10	13.0	13.0	100.0
Total	77	100.0	100.0	

11 respondents representing 14.3% and 46 respondents representing 59.7% agree and strongly agree that budgeting has helped SME in managing expenses and resources efficiently, 2 respondents representing 2.6% were undecided, 8 respondents representing 10.4% strongly disagree and 10 respondents representing 13.0% disagree. From the above table it could be seen that budgeting helped SME in managing expenses and resources efficiently.

Table 4.6: budgeting supports out SME in adapting to changing market conditions

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	8	10.4	10.4	10.4
Agree	56	72.7	72.7	83.1
undecided	2	2.6	2.6	85.7
strongly disagree	3	3.9	3.9	89.6
disagree	8	10.4	10.4	100.0
Total	77	100.0	100.0	

When respondent was asking if budgeting supports out SME in adapting to changing market conditions, 8 respondents representing 10.4% strongly agree, 56 respondents representing 72.7% agree, 2 respondents representing 2.6% were undecided, 3 respondents representing 3.9% strongly disagree, 8 respondents representing 10.4% disagree. The analysis above reviewed that budgeting supports out SME in adapting to changing market condition.

Table 4.7: budgeting has a positive impact on controlling expenses and reducing financial waste in SMEs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	12	15.6	15.6	15.6
agree	46	59.7	59.7	75.3
undecided	1	1.3	1.3	76.6
strongly disagree	14	18.2	18.2	94.8
disagree	4	5.2	5.2	100.0
Total	77	100.0	100.0	

On if budgeting has a positive impact on controlling expenses and reducing financial waste in SMEs. 12 respondents representing 15.6% strongly agree, 46 respondents representing 59.7% agree 1 respondent representing 1.3% were undecided, 14 respondents representing 18.2% strongly disagree and 4 respondents representing 5.2% disagree

Table 4.8: budgeting supports out SME in adapting to changing market conditions.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	13	16.9	16.9	16.9
agree	52	67.5	67.5	84.4
undecided	2	2.6	2.6	87.0
strongly disagree	4	5.2	5.2	92.2
disagree	6	7.8	7.8	100.0
Total	77	100.0	100.0	

On if budgeting supports out SME in adapting to changing market condition, 13 respondents representing 16.9% strongly agree, 52 respondents representing 67.5% agree, 2 respondents representing 2.6% were undecided, 4 respondents representing 5.2% strongly disagree, and 6 respondents representing 7.8% disagree. The above statement concluded that budgeting supports out SME in adapting to changing market conditions.

Table 4.9: Most SMEs finds it challenging to react to changing circumstances since budgeting frequently results in rigid decision-making

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	45	58.4	58.4	58.4
agree	12	15.6	15.6	74.0
undecided	12	15.6	15.6	89.6
strongly disagree	6	7.8	7.8	97.4
disagree	2	2.6	2.6	100.0
Total	77	100.0	100.0	

in the above table most of the respondent agree that most SMEs finds it challenging to react to changing circumstances since budgeting frequently result in rigid decision-making. 45 respondents representing 58.4% strongly agree, 12 respondents representing 15.6% agree, 12 respondents representing 15.6 were undecided, 6 respondents representing 7.8% strongly disagree, 2 respondents representing 2.6% disagree.

Table 4.10: In SMEs, the amount of time needed to finish the budgeting process is a significant barrier that could have an effect on other activities

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	9	11.7	11.7	11.7
agree	10	13.0	13.0	24.7
undecided	8	10.4	10.4	35.1
strongly disagree	32	41.6	41.6	76.6
disagree	18	23.4	23.4	100.0
Total	77	100.0	100.0	

9 respondents representing 11.7% and 10 respondents representing 13% strongly agree and agree that in SMEs, the amount of time needed to finish the budgeting process is a significant barrier that could have an effect on other activities. 8 respondents representing 10.4% were undecided, 32 respondents representing 41.6% strongly disagree, 18 respondents representing

23.4% disagree. From the above statement it could be deduced that amount of time needed to finish the budgeting process is a significant barrier that could have an effect on other activities.

Table 4.11: our SMEs budgeting results are occasionally received with blame, which can result in a toxic work atmosphere

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	5	6.5	6.5	6.5
Agree	16	20.8	20.8	27.3
Undecided	8	10.4	10.4	37.7
strongly disagree	44	57.1	57.1	94.8
Disagree	4	5.2	5.2	100.0
Total	77	100.0	100.0	

When respondent was asking if SMEs budgeting results are occasionally received with blame, which can result in a toxic work atmosphere, 5 respondents representing 6.5% strongly agree, 16 respondents representing 20.8% agree, 8 respondents representing 10.4 were undecided, 44 respondents representing 57.1% strongly disagree, 4 respondents representing 5.2%

disagree. From the above it could be deduced that budgeting results are occasionally received with blame, which can result in a toxic work atmosphere.

Table 4.12: our SME faces challenges in budgeting due to a lack of skilled personnel with the necessary financial expertise

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	29	37.7	37.7	37.7
agree	36	46.8	46.8	84.4
undecided	2	2.6	2.6	87.0
strongly disagree	8	10.4	10.4	97.4
disagree	2	2.6	2.6	100.0
Total	77	100.0	100.0	

When respondent was asking if faces challenge in budgeting due to a lack of skilled personnel with the necessary financial expertise, 29 respondents representing 37.7% strongly agree, 36 respondents representing 46.8% agree, 2 respondents representing 2.6% were undecided, 8 respondents representing 10.4% strongly disagree, and 2 respondents representing 2.6% disagree with the assertion. The above statement denoted that faces

challenges in budgeting due to a lack of skilled personnel with the necessary financial expertise

Table 4.13: Budgeting is an effective tool for SMEs to keep their spending in check ensuring financial discipline and control

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	38	49.4	49.4	49.4
agree	28	36.4	36.4	85.7
undecided	2	2.6	2.6	88.3
strongly disagree	7	9.1	9.1	97.4
disagree	2	2.6	2.6	100.0
Total	77	100.0	100.0	

Respondent reviewed that budgeting is an effective tool for SMEs to keep their spending in check ensuring financial discipline and control. On the above table, 38 respondents representing 49.4% strongly agree, 28 respondents representing 36.4 agree, 2 respondents representing 2.6% were undecided, 7 respondents representing 9.1% strongly disagree, 2 respondents representing 2.6% disagree. The above analysis showed that budgeting is an

effective tool for SMEs to keep their spending in check ensuring financial discipline and control.

Table 4.14: budgeting assists SMEs in managing their financial resources effectively and staying on track with their saving goals

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	11	14.3	14.3	14.3
agree	50	64.9	64.9	79.2
undecided	4	5.2	5.2	84.4
strongly disagree	2	2.6	2.6	87.0
disagree	10	13.0	13.0	100.0
Total	77	100.0	100.0	

Most of the respondent asserted that budgeting assists SMEs in managing their financial resources effectively and staying on track with their saving goals. In the above table 11 respondents representing 14.3% strongly agree, 50 respondents representing 64.9% agree, 4 respondents representing 5.2% were undecided, 2 respondents representing 2.6% strongly disagree, and 10 respondents representing 13.0% disagree. The above statement deduced that

budgeting assists SMEs in managing their financial resources effectively and staying on track with their saving goals.

Table 4.15: Budget benefits SMEs by enabling them to accumulate greater savings over time and achieve financial stability

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	16	20.8	20.8	20.8
agree	46	59.7	59.7	80.5
undecided	2	2.6	2.6	83.1
strongly disagree	3	3.9	3.9	87.0
disagree	10	13.0	13.0	100.0
Total	77	100.0	100.0	

The above to showed that budgeting benefits SMEs by enabling them to accumulate greater savings over time and achieve financial stability. 16 respondents representing 20.8% strongly agree, 46 respondents representing 59.7% agree, 2 respondents representing 2.6% were

undecided, 3 respondents representing 3.9 strongly disagree, 10 respondents representing 13.0% disagree. It could be concluded that budget benefit SMEs by enabling them to accumulate greater savings over time and achieve financial stability.

Table 4.16: budgeting is a useful tool for SMEs to manage and monitor their spending because it gives them a clear picture of their financial situation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	15	19.5	19.5	19.5
agree	40	51.9	51.9	71.4
undecided	4	5.2	5.2	76.6
strongly disagree	10	13.0	13.0	89.6
disagree	8	10.4	10.4	100.0
Total	77	100.0	100.0	

15 respondents representing 19.5% and 40 respondents representing 51.9% strongly agree and agree that budgeting is a useful tool for SMEs to manage and monitor their spending because it gives them a clear picture of their financial situation. 4 respondents representing 5.2% were undecided, 10 respondents representing 13% strongly disagree, 8 respondents

representing 10.4% disagree. The analysis above showed that budgeting is a useful tool for SMEs to manage and monitor their spending because it gives them a clear picture of their financial situation.

Table 4.17: Maintaining flexibility in budgeting and forecasting procedures can help SMEs overcome problems.

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	25	32.5	32.5	32.5
agree	40	51.9	51.9	84.4
undecided	1	1.3	1.3	85.7
strongly disagree	7	9.1	9.1	94.8
disagree	4	5.2	5.2	100.0
Total	77	100.0	100.0	

On if maintaining flexibility in budgeting and forecasting procedure can help SMEs overcome problems. 25 respondents representing 32.5% strongly agree, 40 respondents representing 51.9% agree, 1 respondent representing 1.3% were undecided, 7 respondents representing 9.1% strongly disagree, 4 respondents representing 5.2 disagree. The above

analysis showed that maintaining flexibility in budgeting and forecasting procedure can help SMEs overcome problems.

Table 4.18: Within the SMEs, regular and transparent communication, particularly with regard to budgeting, can lessen difficulties and increase comprehension

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	19	24.7	24.7	24.7
Agree	42	54.5	54.5	79.2
undecided	4	5.2	5.2	84.4
strongly disagree	8	10.4	10.4	94.8
Disagree	4	5.2	5.2	100.0
Total	77	100.0	100.0	

On if within the SMEs, regular and transparent communication, particularly with regard to budgeting, can lessen difficulties and increase comprehension, 19 respondents representing 24.7% strongly agree, 42 respondents representing 54.5% agree, 4 respondents representing 5.2% were undecided, 8 respondents representing 10.4% strongly disagree, and 4 respondents representing 5.2% disagree.

Table 4.19: setting clear and well-defined financial goals is a solution that can enhance the budgeting process and outcomes in SMEs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	47	61.0	61.0	61.0
Agree	18	23.4	23.4	84.4
undecided	6	7.8	7.8	92.2
strongly disagree	4	5.2	5.2	97.4
disagree	2	2.6	2.6	100.0
Total	77	100.0	100.0	

Respondent up hold the view that setting clear and well-defined financial goals is a solution that can enhance the budgeting process and outcome in SMEs. From the table above, 47 respondents representing 61% strongly agree, 18 respondents representing 23.4% agree, 6 respondents representing 7.8% were undecided, 4 respondents representing 5.2% strongly disagree, 2 respondents representing 2.6% disagree. The above table analyzed showed that setting clear and well-defined financial goals is a solution that can enhance the budgeting process and outcome in SMEs.

Table 4.20: SMEs may prepare for uncertainty and make informed decisions by considering a wide range of scenarios and making plans for them during the budgeting process

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid strongly agree	35	45.5	45.5	45.5
Agree	30	39.0	39.0	84.4
undecided	4	5.2	5.2	89.6
strongly disagree	6	7.8	7.8	97.4
disagree	2	2.6	2.6	100.0
Total	77	100.0	100.0	

Table 4.20 above showed that SMEs may prepare for uncertainty and make informed decisions by considering a wide range of scenarios and making plans for them during the budgeting process. From the above 35 respondents representing 45.5% strongly agree, 30 respondents representing 39% agree, 4 respondents representing 5.2% were undecided, 6 respondents representing 7.8% strongly disagree, 2 respondents representing 2.6% disagree. The above statement means that SMEs may prepare for uncertainty and make informed

decisions by considering a wide range of scenarios and making plans for them during the budgeting process

4.3 Testing of Hypothesis

Hypothesis One

Ho: there is no significant relationship between budgeting and goal achievement

Hi: there is significant relationship between budgeting and goal achievement

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	47.893 ^a	16	.000
Likelihood Ratio	38.771	16	.001
Linear-by-Linear Association	7.451	1	.006
N of Valid Cases	77		

a. 21 cells (84.0%) have expected count less than 5. The minimum expected count is .05.

The above table showed the result if there is significant relationship between budgeting and goal achievement or not. In the above the significant value stand at .000 which is less than 5% alpha significant value with association chi-square value at 47.893. From the above figure it can be deduce that there is significant relationship between budgeting and goal achievement. There we reject the alternative and accept the null

Hypothesis two

Ho: There are no significant challenges faced by SMEs in budgeting in Benin City, Nigeria.

H1: There are significant challenges faced by SMEs in budgeting in Benin City, Nigeria.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	77.000 ^a	16	.000
Likelihood Ratio	104.539	16	.000
Linear-by-Linear Association	5.433	1	.020
N of Valid Cases	77		

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	77.000 ^a	16	.000
Likelihood Ratio	104.539	16	.000
Linear-by-Linear Association	5.433	1	.020

a. 21 cells (84.0%) have expected count less than 5. The minimum expected count is .21.

The Chi-square above showed if there are significant challenges faced by SMEs in budgeting in Benin City, Nigeria from the table above the significant value stand at .000 which is less than 5% alpha significant value. Therefore, we reject the alternative and accept the null that there is a significant challenges face by SMEs in budgeting in Benin City, Nigeria

Hypothesis three

Ho: Budgeting is not perceived as significantly important for SMEs in Benin City, Nigeria.

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	58.963 ^a	16	.000
Likelihood Ratio	54.800	16	.000
Linear-by-Linear Association	.171	1	.679
N of Valid Cases	77		

a. 22 cells (88.0%) have expected count less than 5. The minimum expected count is .05.

Chi-Square table show if Budgeting is perceived as significantly important for SMEs in Benin City, Nigeria. the significant value stand at .000 which is less than 5% alpha significant value with association Chi-square value at 58.963. Therefore, the alternative hypothesis is rejected and the null hypothesis is accepted since budgeting is perceived as significant important for SMEs in Benin City.

4.4 Discussion of Findings

Small and Medium scale business has been considered to be business own by group of people, association of individual with the aim of making profit. Budgeting has been seen to

be important tools for business growth. Effective budgeting can help businesses overcome these challenges by providing a framework for making informed decisions, setting realistic goals, and managing resources efficiently according to Mbuthia & Omagwa (2019). Several literatures on the impact of effective budgeting on the SMEs support the view that Effective budgeting helps SMEs to control their expenses, manage their cash flow, and allocate resources effectively to achieve their objectives. To add to the existing literature this study was carried out to investigate the importance of budgeting as an essential tool for achieving goals in SMEs in Benin City, Nigeria, by examining the budgeting practices, challenges, and benefits of budgeting in SMEs.

The finding of the study showed that budgeting is an important tool for SMEs to achieve its goal. It was discovered that budgeting has helped SMEs in managing expenses and resources efficiently and it has a positive impact on controlling expenses and reducing financial waste in SMEs. Some of the challenges SME faces in budgeting lack of skilled personnel with the necessary financial expertise, and another issue is that the amount of time needed to finish the budgeting process is a significant barrier that could have an effect on other activities.

The finding also reviewed that some of the solutions that problems are setting clear and well-defined financial goals is a solution that can enhance the budgeting process and outcomes in

SMEs and also Maintaining flexibility in budgeting and forecasting procedures can help SMEs overcome problems.

The study also concluded that the performance of SMEs adopting the proper budget and budgetary control activities, based on the findings are influenced by budget planning, budget coordination, and budgetary control. The findings of the study are consistent with previous studies such as that of Akande and Oluwaseun (2014), Nwanyanwu and Nkiru (2018) and Mbuthia and Omagwa (2019). All these studies found budgetary practices having a substantial positive correlation with firms' performance

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Summary of finding

The study focused at reviewing budgeting as an essential tool in goal achievement, a case study of SMEs in Benin city. Other objective is to identify the significant impact of budgeting on SMEs goal achievement, to identify the challenges SMEs face in budgeting in Benin City, Nigeria, to ascertain the importance's of budgeting on SMEs, to Evaluate the solutions that can be uttered to those problems. 77 questionnaire was distributed to seek for the opinion of the respondent on the issues of impact of budgeting on SMEs. Data from the answered questionnaire in this study was analyzed by using percentages. The collected data was checked for consistency and then frequencies and percentage were to show respondents of the distribution of the demographics profile of the respondent. the result was presented in tables from, utilizing the means response on each of the Likert sale questions. Base on the result of the analysis of the respondent opinion it was discovered that budgeting has helped SMEs in managing expenses and resources efficiently and it has a positive impact on controlling expenses and reducing financial waste in SMEs. SME in Benin city faces budgeting challenges which some of them are lack of skilled personnel with the necessary financial expertise, and amount of time needed to finish the budgeting process is a significant barrier

that could have an effect on other activities. setting clear and well-defined financial goals is a solution that can enhance the budgeting process and outcomes in SMEs and also Maintaining flexibility in budgeting and forecasting procedures can help SMEs overcome problems was seen to be some of the soluble solution to all the SME budgeting problems.

5.2 Conclusion

In empirically examine the important of budgeting and its role on SMEs in Benin city, study the study showed that:

1. For SMEs to achieve goal and objective Budgeting is an important tool, it budgeting helps SMEs in managing expenses and resources efficiently. And also, it has a positive impact on controlling expenses and reducing financial waste in SMEs.
2. There are challenges faced be SMEs in Benin City. Some of the challenges is lack of skilled personnel with the necessary financial expertise, and another issue is that the amount of time needed to finish the budgeting process is a significant barrier that could have an effect on other activities.
3. setting clear and well-defined financial goals was discovered to be one of the solutions that can enhance the budgeting process and outcomes in SMEs and also

Maintaining flexibility in budgeting and forecasting procedures can help SMEs overcome problems

5.3 Recommendation

Base on the finding of this study, the following recommendation were made

1. manager, and business owners should also have much to prepare budget in the business as it will enhance quick achievement of goal and objective in their business
2. Business owners and manager should always contact trained personnel with the necessary financial expertise
3. Manager and business owners should always set clear and well-defined financial goals that can enhance the budgeting process and outcomes in SMEs and also
Maintain flexibility in budgeting and forecasting procedures

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APPENDIXES

QUESTIONNAIRE

Please tick (✓) for your most preferred choice(s) in the options presented below as; Strongly Agree(A), Agree(A), Disagree(D), Strongly Disagree (SD).

SECTION A

PERSONAL INFORMATION

Gender: Male () Female ()

Age: 20-25 () 26-30 () 31-35 () 36-40 () 41 and above

Marital Status:

Singe () Married () Separated () Widowed ()

Education Level: GCE/SSCE () OND/HCE () HND/BSc () MSc/MBA () Ph.D.()

SECTION B

Is there any significant impact of budgeting in achieving SMEs goals?

S/N	Item	SA	A	U	SD	D
1	Budgeting has helped SMEs in managing expenses and resources efficiently					
2	Budgeting supports our SME in adapting to changing market conditions.					
3	Budgeting has a positive impact on controlling expenses and reducing financial waste in SMEs					
4	Budgeting supports our SME in adapting to changing market conditions.					

Indicate the degree to which you agree that SMEs face challenges in budgeting

S/N	ITEM STATEMENT	SA	A	U	SD	D
1	Most SMEs finds it challenging to react to changing circumstances since budgeting frequently results in rigid decision-making					
2	In SMEs, the amount of time needed to finish the budgeting					

	process is a significant barrier that could have an effect on other activities					
3	Our SME's budget results are occasionally received with blame, which can result in a toxic work atmosphere.					
4	Our SME faces challenges in budgeting due to a lack of skilled personnel with the necessary financial expertise.					

Indicate the degree to which you agree budgeting importance on SMEs

S/N	ITEM STATEMENT	SA	A	U	SD	D
1	Budgeting is an effective tool for SMEs to keep their spending in check, ensuring financial discipline and control."					
2	Budgeting assists SMEs in managing their financial resources effectively and staying on track with their savings goals.					
3	Budgeting benefits SMEs by enabling them to accumulate greater savings over time and achieve financial stability.					
4	Budgeting is a useful tool for SMEs to manage and monitor their spending because it gives them a clear picture of their financial situation					

Indicate the degree to which solutions can be uttered to the problems of budgeting on SMEs

S/N	ITEM STATEMENT	SA	A	U	SD	D
1	Maintaining flexibility in budgeting and forecasting procedures can help SMEs overcome problems.					
2	Within the SME, regular and transparent communication, particularly with regard to budgeting, can lessen difficulties and increase comprehension.					
3	Setting clear and well-defined financial goals is a solution that can enhance the budgeting process and outcomes in SMEs.					
4	SMEs may prepare for uncertainty and make informed decisions by considering a wide range of scenarios and making plans for them during the budgeting process					

RELIABILITY

```
/VARIABLES=VAR00001 VAR00002 VAR00003 VAR00004 VAR00005 VAR00006 VAR00007  
VAR00008 VAR00009 VAR00010 VAR00011 VAR00012 VAR00013 VAR00014 VAR00015  
VAR00016  
/SCALE ('SANNI KATE MARIANA') ALL  
/MODEL=ALPHA.
```

Reliability

[DataSet0]

Scale: SANNI KATE MARIANA questionnaire

Case Processing Summary

		N	%
Cases	Valid	16	100.0
	Excluded ^a	0	.0
	Total	16	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.782	16