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Budgetary Process and Organizational Performance of Apparel Industry in Sri Lanka

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Abstract
The budgetary process has been a part of management control system of the organization. This process encourages managers to plan, consider the stakeholders involved, provides information for improved decision making, increases and enhances communication and coordination among departments, and for evaluation. This paper seeks to evaluate budgetary process of apparel industry in Sri Lanka (BPA) and see whether budgetary process has significant impact on performance of such industry. The budgetary process of apparel industry was assessed by using variables such as planning, coordination, control, communication and evaluation. The performance of apparel industry in Sri Lanka was examined by using Return on Assets. Based on the data extracted from apparel industry's financial statements, correlation coefficients and regression analysis showed that budgetary process have significant associations with the organizational performance of apparel industry in Sri Lanka. This confirms that efficient apparel companies maintain sound budgetary process which contributes to higher levels of organizational performance.

Keywords: budgetary process; organizational performance; apparel industry.

INTRODUCTION

Accounting is the process of identifying, measuring, accumulating, analyzing, preparation, interpreting and communicating information that helps managers fulfills organizational objectives (Horngren, Sundem and Stratton, 2001). An important component of the accounting system is the management accounting system which makes information available to managers, assisting them in decisions such as planning, organizing, and control and coordinating activities within their authority. An important component of the management accounting system in organization is the budgeting system which is essential part of above activities involve the budgetary process (Seaman, Landry Jr, Williams, 2011).

Budget, a short term finance planning tool of management, is used to focus attention on company's' finance and overall operations of an organization. Budget highlights potential problems and advantages early, allowing management to take steps to avoid these problems or use the advantages wisely a budget is a tool that helps managers in both their planning and control. Budget can be used as a benchmark as a control system, that allows managers to compare actual performance with estimated or desired performance. Hence, the budget widely used as a managerial technique tool in an organization (Horngren, Sundem and Stratton, 2001). Many researchers highlight that effective contribution of budgetary process such helps to improve the overall performance of the organization. Over time, several studies provide critical evaluations of different aspects of this contingency literature on budgeting and organizational performance (Omolehinwa, 1989; Abdulla, 1998; Hartmann & Moers, 1999; Raili, 2000; Otley, 2001; Welmilla, 2001;Hartmann & Moers, 2003; Hansen, Otley& Van der Stede, 2003;Gustafsson&Parsson, 2010; Caleb, 2011; Collins; 2011). According to Hansen and Van der Stede (2004), there are four potential reasons for budgeting in organizations, operational planning, performance evaluation, communication of goals, and strategy formation. The budget arises in different circumstances and that performance is associated with different budgeting characteristics.

LITERATURE REVIEW

Apparel Industry

Apparel industry becomes Sri Lanka's largest export industry since 1986(Dheerasena, 2009).In 1992 under garment factory programme, the garment industry had become the largest foreign exchange earner in the country overtaking the tea industry. Apparel industry in Sri Lanka provides better contribution to the Sri Lanka economy (Central bank 2010). Central bank (2010) further reports that the GDP contribution of Apparel industry in Sri Lanka for 2009 is Rs. 376 million and 2010 is Rs. 395 million. The apparel industry is identified as a buyer driven value chain that contains three types of lead firms: retailers, marketers and branded manufacturers (Dias, 2009). The apparel industry of Sri Lanka which producing