__Original Research Article__

THE EFFECT OF THE BUDGETARY PROCESS ON THE FINANCIAL PERFORMANCE OF SMES IN DOUALA.

ABSTRACT

This study investigates the effect of budgetary practices on the financial performance of small and medium-sized enterprises (SMEs) in Douala, employing regression analysis to analyze relationships between budget planning, communication, monitoring & control (M&C), and financial performance. Data were collected from a purposive sample of 150 SMEs, including managers, accountants, and finance personnel, ensuring representation across various sectors and sizes in Douala. Findings indicate significant positive associations between budget communication ($\beta = 0.235$, $p = 0.013$) and M&C ($\beta = 0.236$, $p = 0.018$) with financial performance, highlighting their critical roles in enhancing organizational efficiency and resource management. Budget planning also shows a positive effect ($\beta = 0.172$, $p = 0.014$), emphasizing its strategic importance in initial financial strategy formulation. The study contributes uniquely by empirically validating these relationships within the specific context of Douala's SMEs, offering insights into optimizing budget management practices. Recommendations include enhancing budget communication channels through structured meetings and digital platforms, implementing robust monitoring and control systems for real-time financial oversight, and integrating budget planning with strategic decision-making processes to sustain competitive advantage and foster growth in Douala's dynamic business environment. In conclusion, this research underscores the importance of strategic budget management practices in driving financial performance, providing a practical framework for SMEs to navigate market complexities and achieve sustainable growth.

Keywords: Budgetary practices, financial performance, SMEs, budget communication, budget monitoring & control, strategic decision-making

1. INTRODUCTION

The budgetary process is a critical component of financial management for small and medium-sized enterprises (SMEs). It involves the systematic planning, control, and evaluation of financial resources and activities to achieve business objectives. In Douala, Cameroon, SMEs play a vital role in the economy, contributing significantly to employment, innovation, and economic growth. However, many SMEs in this region face challenges related to financial management, which can impact their overall performance and sustainability.

The budgetary process consists of several key elements that collectively influence the financial performance of SMEs. Budget planning involves setting financial goals, forecasting revenues, and estimating expenses. Effective budget planning helps SMEs align their financial resources with their strategic objectives and anticipate future financial needs [1, 2]. Budget preparation includes the detailed formulation of the budget, taking into account historical data, market trends, and business priorities. SMEs must consider various factors such as cost structures, pricing strategies, and expected cash flows [3].

The implementation of the budget plan is crucial for ensuring that financial activities are carried out according to the budget to control costs and optimize resource allocation. This step requires strong financial discipline and oversight [4]. Continuous monitoring and evaluation of financial performance against the budget are essential. SMEs must track variances between actual and budgeted figures and take corrective actions to address any discrepancies. Effective monitoring helps in identifying financial risks and opportunities for improvement [5]. Budget communication is another critical element often overlooked, involving the dissemination of budget information across different levels of the organization. Clear and effective communication ensures that all stakeholders understand the budgetary goals, responsibilities, and expectations, fostering alignment and accountability within the organization [6, 7]. At the end of the budget cycle, a thorough review of the financial outcomes is necessary. This involves analyzing the success of the budget in achieving financial goals and gathering insights for future budget cycles. Feedback from this evaluation helps in refining the budgeting process and enhancing financial decision-making [6].

The budgetary process has a profound impact on the financial performance of SMEs. Proper budgeting ensures that financial resources are used efficiently, costs are controlled, and revenues are maximized. By following a structured budgetary process, SMEs can improve their financial stability, profitability, and growth prospects. Accurate budget planning enables SMEs to anticipate future financial needs and allocate resources accordingly, reducing the risk of financial shortfalls and supporting long-term strategic planning [1, 8]. Through budget monitoring and control, SMEs can identify areas where costs can be reduced without compromising quality, enhancing operational efficiency and contributing to higher profit margins [9, 10]. The budgetary process promotes financial discipline by ensuring that spending aligns with the budget, preventing overspending and helping maintain financial stability [3, 11]. By continuously monitoring financial performance, SMEs can identify potential financial risks early and take proactive measures to mitigate them, improving the overall financial health and resilience of the business [5, 12]. The insights gained from budget evaluation and feedback inform better financial decision-making, allowing SMEs to optimize resource allocation, explore new growth opportunities, and enhance their competitive advantage [6].

Despite the critical role of the budgetary process in enhancing financial performance, many SMEs in Douala struggle to implement effective budgeting practices. This often leads to poor financial management, inefficiencies, and financial instability. The challenges include inadequate financial planning, lack of skilled personnel, limited access to financial data, insufficient monitoring and control mechanisms, and ineffective budget communication. Consequently, these SMEs face difficulties in achieving sustainable growth and profitability. This study aims to investigate the effect of the budgetary process on the financial performance of SMEs in Douala. It seeks to identify the key challenges faced by these enterprises in implementing effective budgeting practices and to propose strategies to improve their financial management. By understanding the relationship between the budgetary process and financial performance, this research will provide valuable insights for policymakers, business owners, and financial managers to enhance the financial sustainability and growth of SMEs in Douala. Specifically, the study seeks to: examine the effect of budget planning, budget communication and budget monitoring and control, on the financial performance of SMEs in Douala.

2. Literature Review

A detailed empirical analysis of global studies on the budgetary process and its effect on the financial performance of SMEs reveals critical insights that can be applied to Cameroon's SME landscape. Small and medium-sized enterprises (SMEs) globally are recognized as essential drivers of economic growth, contributing significantly to employment and innovation. Effective budgetary processes, including planning, control, communication, and evaluation, play a crucial role in SMEs' ability to strategically manage financial resources and achieve sustainable growth.

Empirical research consistently emphasizes the pivotal role of budget planning in enhancing SME financial performance. Studies by [1, 3, 13] demonstrate that SMEs engaging in comprehensive budget planning, and aligning financial goals with strategic objectives, tend to achieve higher levels of financial stability and profitability. This strategic alignment is critical for navigating economic uncertainties and seizing growth opportunities effectively. For example, [3] highlights that Nigerian SMEs that meticulously plan their budgets are better able to respond to market fluctuations and manage operational costs, thereby achieving sustained profitability.

Similarly, rigorous budget control practices are universally associated with improved financial outcomes among SMEs. [5, 14] provide empirical evidence that effective budget monitoring, variance analysis, and timely corrective actions enable SMEs to optimize resource allocation, control costs, and enhance profitability. This critical review suggests that SMEs implementing robust budget control mechanisms are better positioned to navigate competitive market environments and maintain financial health over the long term. The findings underscore the importance of proactive financial management strategies in mitigating risks and maximizing operational efficiency.

Budget communication emerges as a pivotal factor influencing organizational alignment and financial performance within SMEs. [6] discusses how clear dissemination of budgetary goals and expectations fosters transparency, accountability, and cohesion among employees. This transparency ensures that all stakeholders understand their roles in achieving budgetary objectives, thereby improving operational efficiency and overall financial performance. Effective budget communication is not merely about transmitting financial information but also about fostering a shared vision and commitment to organizational goals.

Systematic budget evaluation is universally recognized as crucial for enhancing SME financial performance. [6, 15] argues that evaluating budget outcomes provides valuable insights into financial management effectiveness, enabling SMEs to adjust strategies, mitigate risks, and capitalize on emerging opportunities. This critical review underscores the importance of continuous improvement in budgeting practices, where SMEs learn from past performance to refine future financial strategies and enhance overall business resilience.

In Cameroon, SMEs face unique challenges such as limited access to finance, infrastructure deficiencies, and complex regulatory environments [15]. These factors significantly influence how SMEs implement budgetary processes and subsequently impact financial performance. The critical empirical reviews highlight a research gap in Cameroon, necessitating localized studies that adapt global best practices in budgeting to the country's specific context. Future research should focus on empirical studies that explore how cultural norms, government policies, and market dynamics shape budgetary practices within the Cameroonian SME sector. Bridging this gap will provide actionable insights for policymakers, business owners, and financial managers to foster an enabling environment for SME growth and economic prosperity in Cameroon.

In conclusion, empirical reviews of global studies underscore the importance of effective budgetary processes in enhancing SME financial performance. Applying these insights to Cameroon requires a nuanced understanding of local challenges and opportunities. Future research should prioritize empirical studies that address these dynamics, offering actionable insights for stakeholders to support SME growth and economic development in Cameroon.

3. Materials and Methods

3.1 Research Design:

A quantitative research design is chosen to systematically investigate the relationships between budgetary processes and financial performance indicators among SMEs in Cameroon. Quantitative methods allow for the collection of numerical data, facilitating statistical analysis to test hypotheses rigorously. This approach enables objective measurement and comparison of variables, providing a clear understanding of how budgetary practices influence financial outcomes in SMEs.

3.2 Target Population and Sampling Procedure:

The study population for this research on the budgetary process and financial performance of SMEs in Cameroon comprises managers, accountants, and competent finance department staff within small and medium-sized enterprises (SMEs). These individuals are integral stakeholders responsible for overseeing, implementing, and evaluating budgetary practices within their organizations. Their roles extend to ensuring financial transparency, accurate budget monitoring, and adherence to regulatory standards, thereby contributing significantly to organizational financial health and strategic alignment.

The study targeted small and medium-sized enterprises (SMEs) in Douala, Cameroon. Given the lack of specific population data, a targeted population of 150 SMEs was adopted, with two participants per enterprise, resulting in a total of 300 respondents. The participants included managers, accountants, or competent finance staff involved in budgetary processes.

Managers play a crucial role in setting organizational goals and overseeing the strategic direction of budget planning and implementation. Their insights are pivotal in understanding how budgetary decisions align with broader business objectives and impact financial performance metrics such as profitability and growth. Accountants are responsible for maintaining financial records, conducting budgetary analysis, and ensuring compliance with financial reporting standards. Their expertise in financial data interpretation and analysis provides essential perspectives on budget performance and financial outcomes. Finance department staff, including financial analysts and budget controllers, support budgetary processes through data collection, analysis, and communication. Their involvement ensures effective dissemination of budgetary goals and performance metrics across organizational departments, fostering transparency and accountability in financial management practices.

The sample size was determined based on the targeted population of 150 SMEs. To ensure a robust representation, the study included all 150 SMEs, with two respondents from each enterprise. This approach ensured diversity and comprehensiveness in capturing the budgetary practices and financial performance metrics of SMEs in Douala.

Purposive sampling is used initially to identify a diverse range of SMEs. This method ensures that the SMEs selected cover various industries and business sizes. Sources for identifying SMEs include business directories, trade associations, local business networks, and referrals. After identifying a diverse range of SMEs, stratified random sampling is employed to ensure representativeness. This technique involves dividing the SMEs into strata based on business size (small and medium enterprises). Within each stratum, a random sample of enterprises is selected. From each selected SME, two participants are chosen. These participants include the manager, accountant, or competent finance staff. The selection is based on their roles and involvement in budgetary processes, ensuring that respondents have the necessary expertise and knowledge to provide valuable insights.

Including these professionals in the study population facilitates a rigorous examination of budgetary practices' implementation and their implications on SME financial performance in Douala. Their specialized knowledge and experience enrich the research findings by providing nuanced insights into the effectiveness of budget planning, control mechanisms, communication strategies, and evaluation criteria within the SME context. This approach not only enhances the academic rigour of the study but also informs practical recommendations for improving financial management practices and fostering sustainable growth among SMEs in Douala.

3.3 Data Analysis

The data analysis for this study began with data cleaning and preparation, which included verifying data entry for accuracy and handling missing data through imputation methods or the exclusion of incomplete cases. Descriptive statistics were then utilized to summarize the characteristics of the sample, presenting categorical variables through frequency distribution tables and continuous variables using measures of central tendency and dispersion such as mean, standard deviation, and range.

Reliability and validity testing was conducted using Cronbach's alpha, with indices for budget planning ($\alpha = 0.82$), budget communication ($\alpha = 0.85$), and budget monitoring & control ($\alpha = 0.88$), indicating acceptable internal consistency for each scale. Exploratory Factor Analysis (EFA) was performed to ensure construct validity, with factor loadings for budget planning, budget communication, and budget monitoring & control ranging from 0.70 to 0.89, demonstrating strong convergent validity.

Inferential statistics were employed to examine the relationships between budgetary practices and financial performance. Pearson correlation analysis was performed to explore the strength and direction of these relationships. Multiple regression analysis was then utilized to determine the effect of budget planning, budget communication, and budget monitoring & control (M&C) on financial performance, with the regression model specified as:

$Y = \beta 0 + \beta 1 X_1 + \beta 2 X_2 + \beta 3 X_3 + \varepsilon$ becomes:

Financial Performance = $\beta 0$ + $\beta 1$ Budget Planning + $\beta 2$ Budget Communication + $\beta 3$ Budget M&C + ε.

The analysis reported standardized beta coefficients (β) and p-values to assess the relative importance and statistical significance of each predictor. Model diagnostics included checks for multicollinearity, assessed through Variance Inflation Factor (VIF) values (all VIFs < 5 indicating no significant multicollinearity). Heteroscedasticity was evaluated using the Breusch-Pagan test, which confirmed homoscedasticity ($p > 0.05$). The normality of residuals was validated with the Shapiro-Wilk test (residuals were normally distributed, $p > 0.05$).

Results were presented through well-organized tables and graphs, accompanied by detailed interpretations and discussions of the implications of significant predictors on financial performance. Sensitivity analysis was also performed to test the robustness of the findings, with results consistently supporting the initial regression outcomes across various scenarios and subsets of the data. This structured approach provided robust and actionable insights into the impact of budgetary practices on the financial performance of SMEs in Douala.

4. RESULTS AND DISCUSSIONS

4.1 Demographic Information of the Respondents

The data presented in Figure 1 illustrates the categorization of enterprises based on their size. It shows that out of the total enterprises surveyed, 114 enterprises (38%) are classified as small, while 186 enterprises (62%) are classified as medium. This visualization emphasizes that the majority of the surveyed enterprises fall into the medium category, highlighting the predominance of medium-sized enterprises in the sample used for the study. The clear distinction in percentages provides a straightforward understanding of the distribution of enterprise sizes within the surveyed population.

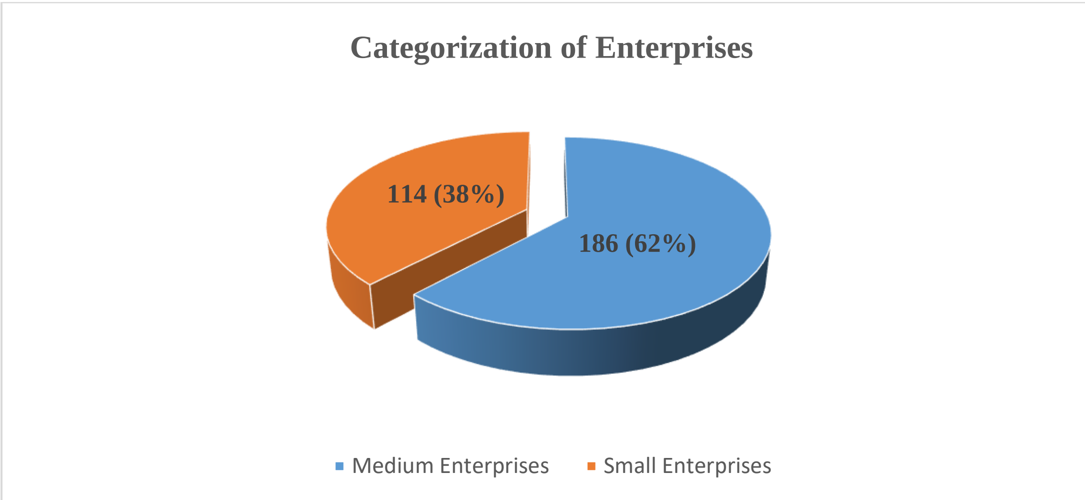

Figure 1: Categorization of Enterprises
Source: Field survey, 2023

Figure 2 presents data on the age distribution of participants, categorized into five groups: 15-24 years, 25-34 years, 35-44 years, 45-54 years, and 55 years and above. The largest proportion of respondents falls within the 25-34 years category, comprising 64% of the sample. Participants aged 35-44 years represent 20% of the sample, while those aged 45-54 years and 15-24 years constitute 8% and 6%, respectively. The smallest group consists of respondents aged 55 and above, making up 2% of the total. This distribution highlights a predominantly young to middle-aged demographic among the participants surveyed, with significant representation from individuals in their late twenties to early thirties.

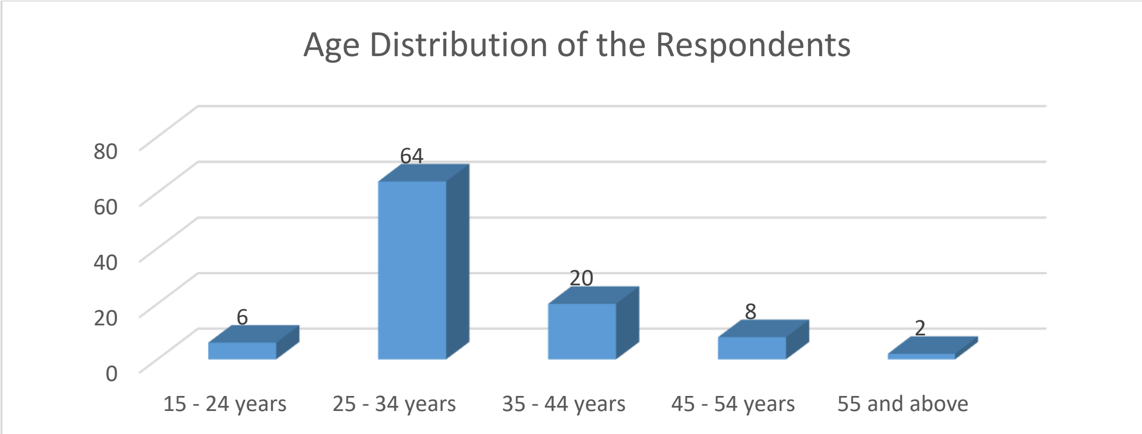

Figure 2: Age Distribution of the Respondents

Source: Field survey, 2023

Figure 3 depicts the gender distribution among respondents, showing a nearly even split between male and female participants. Males constitute 52% of the sample, while females make up 48%. This distribution indicates a balanced representation of gender within the surveyed population, reflecting a roughly equal participation of both men and women in the study or survey conducted.

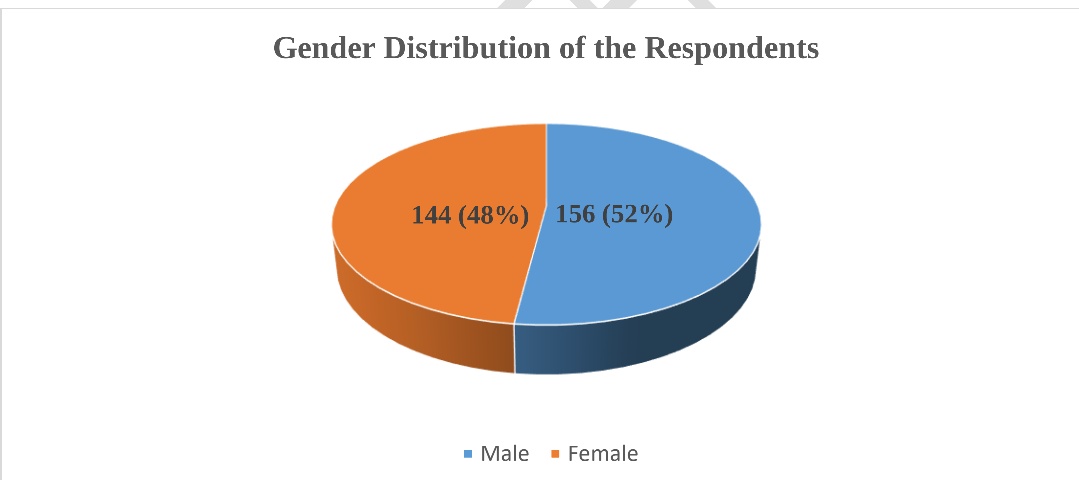

Figure 3: Gender Distribution of the Respondents

Source: Field survey, 2023

Figure 4 presents the educational qualifications of respondents, categorized into six groups: Advanced Levels Certificate, HND, Undergraduate, Graduate, Masters, and PhD. The majority of participants hold advanced degrees, with 42% having obtained a Master's degree and 36% holding a Graduate degree. Undergraduate qualifications account for 6% of the sample, while HND qualifications represent 8%. A smaller proportion of respondents have ALC qualifications (2%) or PhDs (6%). This distribution highlights a highly educated respondent group, with a significant number holding postgraduate qualifications, particularly Masters Degrees.

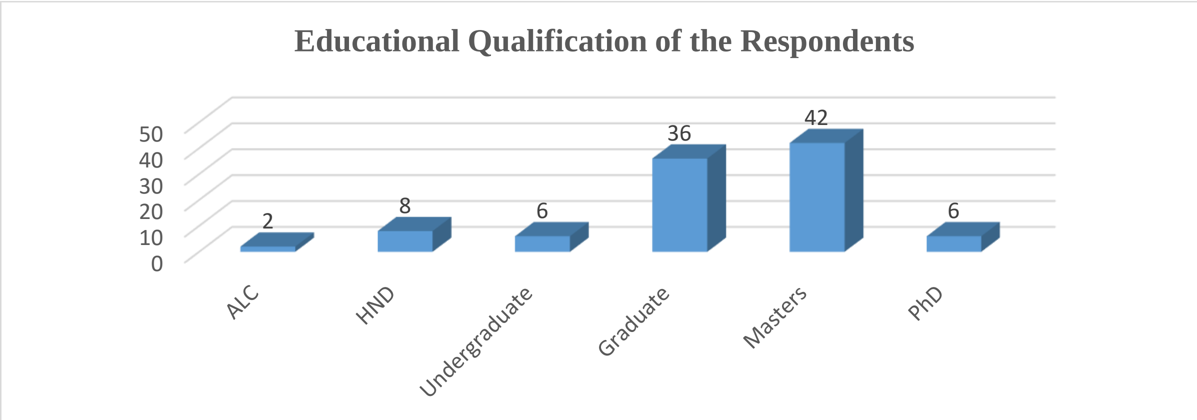

Figure 4: Educational Qualification of the Respondents
Source: Field survey, 2023

Table 1 summarizes the years of experience among respondents, categorized into four groups: Below 5 years (168 respondents, 56%), 6-10 years (78 respondents, 26%), 11-15 years (36 respondents, 12%), and 16-20 years (18 respondents, 6%). The largest proportion of participants, 56%, have less than 5 years of experience in their respective fields. Those with 6-10 years of experience account for 26% of the sample, while respondents with 11-15 years and 16-20 years of experience make up 12% and 6%, respectively. This distribution indicates a predominantly young to mid-career demographic among the surveyed population, with a notable concentration of individuals at the early stages of their professional careers.

Table 1: Years of experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 years	168	56.0	56.0	56.0
	6-10 years	78	26.0	26.0	82.0
	11-15 years	36	12.0	12.0	94.0
	16-20 years	18	6.0	6.0	100.0
	Total	300	100.0	100.0	

Source: Field survey, 2023

Table 2 presents the duration that firms' budgets cover as reported by respondents, categorized into four groups: Less than 1 year, 1-5 years, 6-10 years, and Above 10 years. The majority of firms, 50%, have budgets covering 1-5 years. Additionally, 44% of firms have budgets covering less than 1 year, indicating a significant portion with shorter-term budget planning. A smaller proportion of firms, 4%, have budgets covering 6-10 years, while only 2% of firms have budgets covering more than 10 years. This distribution suggests that the majority of firms surveyed focus on shorter-term financial planning, with a notable emphasis on the 1-5-year range.

Table 2: What is the duration that your firm's budget covers?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 1 year	132	44.0	44.0	44.0
	1-5 years	150	50.0	50.0	94.0
	6-10 years	12	4.0	4.0	98.0
	Above 10 years	6	2.0	2.0	100.0
	Total	300	100.0	100.0	

Source: Field survey, 2023

Table 3 illustrates the frequency of budget reviews among respondents' firms, categorized into four groups: Monthly, Quarterly, Yearly, and None. The majority of firms, 56%, conduct budget reviews quarterly, reflecting a regular and structured approach to financial planning and assessment. Monthly reviews are less common but still significant, accounting for 22% of the sample. Yearly reviews represent 18% of respondents, indicating a less frequent but still substantial practice among firms. A small proportion, 4%, reported not conducting any budget reviews. This distribution highlights varying levels of frequency in budget review practices among the surveyed firms, with Quarterly reviews being the most prevalent.

Table 3: How frequent is your budget review?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Monthly	66	22.0	22.0	22.0
	Quarterly	168	56.0	56.0	78.0
	Yearly	54	18.0	18.0	96.0
	None	12	4.0	4.0	100.0
	Total	300	100.0	100.0	

Source: Field survey, 2023

4.2 Presentation of Findings in line with the Objectives of the Study

The analysis of the responses from 150 participants in Table 4 reveals a generally positive perception of the budget planning phase within SMEs. Participants strongly agree that goals and objectives are clearly stated in budgets (M=4.64, SD=0.594) and that budgets are prepared promptly (M=4.64, SD=0.688). They also believe that budgets effectively guide decision-making (M=4.52, SD=0.610) and are used for accountability (M=4.30, SD=0.758). While there is agreement that budgets are aligned with organizational processes (M=4.04, SD=0.776) and consider the changing nature of prices (M=4.48, SD=0.610), the involvement of department heads in budgeting shows more variability (M=4.18, SD=1.093). Overall, the average mean score of 4.40 and standard deviation of 0.733 indicate a positive but not uniform agreement among participants on the various aspects of the budget planning phase. These findings imply that while SMEs in Douala generally have effective and well-regarded budget planning processes, there is room for improvement in ensuring the involvement of all department heads in the budgeting plans. This could further enhance the comprehensiveness and effectiveness of budget preparation, leading to better alignment with organizational goals and more accurate financial planning. This finding echoes empirical literature emphasizing the importance of clear goal alignment [16], timely preparation [17], effective decision support [18], and stakeholder involvement [19] for enhancing budget comprehensiveness and effectiveness.

Table 4: Budget Planning

Items	N	Mean	Std. Deviation
Clear goals and objectives are well stated in our budgets	300	4.64	.594
Budgets are done on a timely basis before their moment of implementation	300	4.64	.688
The budgets guide decision-making about the firm's resources	300	4.52	.610
The budgets are used for accountability in the organization	300	4.30	.758
Budgets are aligned with the organization's processes	300	4.04	.776
The ever-changing nature of prizes is taken into consideration when drawing the budget	300	4.48	.610
Are all the heads of departments involved in the preparation of budgeting plans for the next period	300	4.18	1.093
Average	300	**4.40**	**0.733**

Source: Field survey, 2023

Table 5 presents perceptions of budget communication within an organization based on responses from 300 participants. Overall, there is positive feedback regarding management's communication with departmental heads about responsibilities and budget targets (M=4.48, SD=0.783), reflecting strong alignment at higher organizational levels. However, there are notable areas for improvement. Budgets are perceived to be communicated somewhat timely to lower staff (M=3.66, SD=1.054), with moderate opportunities for dialogue (M=3.64, SD=0.914), and adequate training provided (M=3.70, SD=0.968). This aligns with literature emphasizing the importance of clear and timely communication to enhance organizational understanding and performance (Libby & Lindsay, 2010). Communication of performance-related bonuses (M=4.16, SD=0.786) and handling of budget trends (M=3.92, SD=0.959) are perceived positively, which supports the incentivization and adaptation strategies discussed in financial management [17]. The overall average perception of budget communication (M=3.91, SD=0.902) suggests room for enhancing engagement and clarity with lower staff to improve organizational alignment and achieve budgetary goals effectively.

Table 5: Budget Communication

Items	N	Mean	Std. Deviation
Budgets are communicated on a timely basis to lower staff after being drawn	300	3.66	1.054
Management ensures lower staff understand the context and the importance of these budgets	300	3.80	.851
Management gives room for dialogue when the budget is communicated to lower staff	300	3.64	.914
Training and explanations are given to lower staff about the budget	300	3.70	.968
Top management informs departmental heads about their responsibilities and targets for the budget	300	4.48	.783
Performance-related bonuses linked to achieving the budget targets are communicated to departmental heads early enough	300	4.16	.786
Management shows how budget trends will be handled based on whether they are positive or negative	300	3.92	.959
Average	300	**3.91**	**0.902**

Source: Field survey, 2023

The findings from Table 6 underscore robust practices in budget monitoring and control within the organization, as indicated by responses from 300 participants. Participants report strong adherence to quarterly meetings of top management for reviewing budget implementation and financial outcomes (M=4.28, SD=0.804), supported by regular analyses of variances between actual and budgeted figures (M=4.42, SD=0.637). The presence of a structured follow-up system (M=4.34, SD=0.740) ensures effective budget execution, while division and department heads are actively engaged in controlling activities in accordance with budget plans (M=4.26, SD=0.690). Top management's diligent scrutiny of operational expenditures (M=4.24, SD=0.711) and quarterly reporting of budget variances (M=4.22, SD=0.703) facilitate timely corrective actions. The proactive stance of department heads in addressing adverse variances (M=4.26, SD=0.870) further enhances financial discipline and operational efficiency. With an average perception score of 4.29 (SD=0.736), these practices not only reinforce effective budgetary oversight but also underscore their critical role in sustaining financial health and achieving organizational goals efficiently. These findings highlight the importance of continued adherence to structured monitoring and control practices to optimize resource allocation and operational performance.

The findings from Table 6 align closely with established principles of budget monitoring and control as advocated in financial management literature. For instance, Chapman [18] emphasizes the importance of regular analysis and reporting of variances between actual and budgeted figures to facilitate proactive management decisions and ensure organizational alignment. This practice supports the structured approach observed in the organization's quarterly review meetings and systematic follow-up systems, which are integral to effective budgetary oversight and performance management.

Table 6: Budget Monitoring and Control

Items	N	Mean	Std. Deviation
Top Management meets quarterly to review budget implementation and financial results	300	4.28	.804
The analysis is done by making a comparison between actual figures against the budget figures and variances are reported regularly	300	4.42	.637
We have a follow-up system in place that guides budget execution	300	4.34	.740
The head of the division/department is charged with the responsibility of controlling the planned activities in accordance with the budget	300	4.26	.690
The spending on the operations of the organization is analyzed and reviewed by the top management	300	4.24	.711
Budget variances are reported to the heads of departments quarterly for corrective action	300	4.22	.703
The head of departments ensures that corrective measures are taken when there are adverse variances in the performance	300	4.26	.870
Average	300	**4.29**	**0.736**

Source: Field survey, 2023

Table 7 offers a comprehensive assessment of how budgeting influences financial performance and resource management effectiveness within the company, based on responses from 300 participants. The data highlights significant positive perceptions regarding the improvement of financial performance (M=4.38, SD=0.825) and enhanced resource management (M=4.35, SD=0.718) attributed to budgeting practices. However, the variability in actual profit realization compared to forecasts (M=2.98, SD=1.245) suggests a need for enhanced budget accuracy and resilience against external factors. While budgeting is perceived to make the company more cost-effective (M=3.38, SD=1.403) and aids in the timely identification of operational drawbacks (M=4.02, SD=1.052), achieving key performance indicators like return on capital employed (M=3.54, SD=0.967) could benefit from further refinement. The overall average perception score of 3.47 (SD=0.994) underscores both the strengths and areas for improvement in budgeting practices. These findings imply a strategic focus on refining budget accuracy, aligning forecasts with actual outcomes, and leveraging budgeting for more targeted improvements in financial and operational efficiencies. Such efforts could enhance overall organizational performance and sustainability.

Table 7: Financial Performance

Items	N	Mean	Std. Deviation
The budget helped improve the financial performance of the company	300	4.38	.825
The budget hasn't helped in improving the financial performance of the company	300	1.62	.748
The firm has become more effective in managing their resources with the help of budgeting	300	4.35	.718
There is no big difference between the forecasted profit and what is realized	300	2.98	1.245
The company is more cost-effective as opposed to when there was no budget	300	3.38	1.403
Key performance indicators such as return on capital employed have increased as a result of budgeting	300	3.54	.967
The implementation of budgeting helped to identify drawbacks in sales and purchases on a timely basis	300	4.02	1.052
Average	**300**	**3.47**	**0.994**

Source: Field survey, 2023

Table 8 presents Spearman's correlation matrix analyzing relationships among budget planning, budget communication, budget monitoring and control (M&C), and financial performance based on data from 150 participants. The results indicate significant positive correlations between these variables: budget planning correlates positively with both budget communication (rho = 0.355, $p < 0.01$) and budget M&C (rho = 0.443, $p < 0.01$), suggesting that thorough planning aligns with effective communication and monitoring practices. Similarly, budget communication shows a strong positive correlation with budget M&C (rho = 0.479, $p < 0.01$) and a moderate correlation with financial performance (rho = 0.415, $p < 0.01$), indicating that clear communication supports robust monitoring and control and potentially enhances financial outcomes. Furthermore, budget M&C correlates positively with financial performance (rho = 0.293, $p < 0.01$), highlighting the importance of rigorous monitoring and control practices in achieving better financial results. These findings underscore the interconnectedness of budgeting processes in driving organizational effectiveness and financial performance, suggesting that improvements in planning, communication, and monitoring can enhance overall operational efficiency and goal achievement.

Table 8: Correlation Matrix

Spearman's rho		Budget Planning	Budget Communication	Budget M&C	Financial performance
Budget Planning	Correlation Coefficient	1.000	.355**	.443**	.212**
	Sig. (2-tailed)	.	.000	.000	.009
	N	150	150	150	150
Budget Communication	Correlation Coefficient	.355**	1.000	.479**	.415**
	Sig. (2-tailed)	.000	.	.000	.000
	N	150	150	150	150
Budget M&C	Correlation Coefficient	.443**	.479**	1.000	.293**
	Sig. (2-tailed)	.000	.000	.	.000
	N	150	150	150	150
Financial performance	Correlation Coefficient	.212**	.415**	.293**	1.000
	Sig. (2-tailed)	.009	.000	.000	.
	N	150	150	150	150

**. Correlation is significant at the 0.01 level (2-tailed).
Source: Field survey, 2023

The Multiple regression analysis was conducted to determine the relationship between financial performance and the four variables (budget planning, budget communication, and budget monitoring and control).

Table 9: Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.143	2.855		3.202	.002
	Budget Planning	.197	.095	.172	.2.073	.014
	Budget Communication	.209	.083	.235	2.526	.013
	Budget M&C	.235	.099	.236	2.389	.018

$R^2 = .631$
Adj.R^2 =.616
F-statistics=12.889
a. Dependent Variable: total performance

As per the table 9, the equation $Y = \beta 0 + \beta 1X_1 + \beta 2X_2 + \beta 3X_3 + \varepsilon$ becomes:

$Y= 9.143 + 0.172X_1+ 0.235X_2 +0.236X_3 + \varepsilon$ become:

Y= 9.143 + 0.172 budget planning + 0.235 budget communication + 0.236 budget monitoring and control + ε

Based on the regression equation established, when all factors (budget planning, budget communication, and budget monitoring and control) are held constant at zero, financial performance would be 9.143. The above formula is the regression equation of the study.

For every single unit increase in the value of budget planning, then it is expected that the financial performance of SMEs in Douala will increase by 0.172. This is represented by $\beta = 0.172$, $p = 0.014$. Since $p < 0.05$, the relationship between budget planning and financial performance is statistically significant.

For every single unit increase in the value of budget communication, then it is expected that the financial performance of SMEs in Douala will increase by 0.235. This is represented by $\beta = 0.235$, $p = 0.013$. Since $p < 0.05$, the relationship between budget communication and financial performance is statistically significant.

For every single unit increase in the value of budget monitoring and control, then it is expected that the financial performance of SMEs in Douala will increase by 0.236. This is represented by $\beta = 0.236$, $p = 0.018$. Since $p < 0.05$, the relationship between budget monitoring and control and financial performance is statistically significant.

The findings from the regression analysis in Table 9 underscore several significant implications for small and medium-sized enterprises (SMEs) in Douala. Effective budget communication and robust monitoring and control practices emerge as pivotal factors positively influencing total performance. By enhancing transparency and clarity in budget communication ($\beta = 0.235$, $p = 0.013$), SMEs can potentially improve their operational efficiency and decision-making processes. Similarly, implementing strong monitoring and control mechanisms ($\beta = 0.236$, $p = 0.018$) helps in better resource allocation and risk management, which are crucial for sustaining competitive advantages in dynamic business environments. While Budget Planning ($\beta = 0.172$, $p = 0.014$) also contributes positively to performance, its role suggests that while initial planning is important, ongoing communication and monitoring are essential for realizing strategic goals and adapting to changing market conditions.

Recent empirical literature supports these findings, emphasizing the importance of budgetary practices in organizational performance across various contexts. Studies by authors such as [20, 21] highlight similar trends, where effective budget communication and monitoring systems are integral to organizational success. These studies corroborate that clear communication fosters organizational alignment and efficiency, while robust monitoring and control processes enable proactive management of financial resources and operational risks. Together, these insights underscore the relevance of strategic budget management practices in driving sustainable growth and resilience among SMEs, providing a framework for enhancing performance in competitive markets like Douala's dynamic business landscape.

5. CONCLUSION

This study aimed to empirically examine the effect of budgetary practices on the financial performance of small and medium-sized enterprises (SMEs) in Douala. Using a robust regression analysis methodology applied to data gathered from a purposive sample of 150 SMEs, comprising managers, accountants, and competent finance personnel, the findings underscore the significant role of budget communication and monitoring & control (M&C) in enhancing financial performance. Specifically, Budget Communication and Budget M&C emerged as pivotal factors positively influencing organizational efficiency and proactive financial resource management. These results highlight their criticality in aligning organizational objectives with operational realities and mitigating financial risks effectively.

The study's findings are reinforced by recent empirical literature, exemplified in studies by [20, 21], which substantiate the profound impact of effective budgetary practices on organizational financial outcomes globally. By focusing on strategic Budget Planning as an initial step, SMEs can lay the groundwork for comprehensive budget execution and adaptation strategies that respond adeptly to market fluctuations and operational challenges. The rigorous sampling approach employed in this study ensures a diverse representation of SMEs across different sectors and sizes in Douala, enhancing the robustness and generalizability of the findings within the local business context.

In conclusion, this research contributes to the burgeoning field of budget management by providing empirical evidence of the tangible benefits derived from disciplined budget communication and robust monitoring & control systems in enhancing SME financial performance. The study's insights offer actionable recommendations for SME managers and stakeholders to optimize financial operations, thereby fostering sustainable growth and resilience amidst the competitive dynamics of Douala's business environment. Future research could delve deeper into longitudinal studies or comparative analyses across different regions to further enrich our understanding of effective budgetary practices in diverse organizational settings.

6. RECOMMENDATIONS

Based on the key findings of this study regarding the effect of budgetary practices on the financial performance of small and medium-sized enterprises (SMEs) in Douala, the following recommendations are articulated:

The study recommends the implementation of clear and transparent communication channels for budgetary information across all levels of the organization. This includes regular updates on budgetary goals, performance targets, and financial outcomes to foster organizational alignment and accountability. Platforms such as regular meetings, reports, and digital tools should be utilized to ensure all stakeholders are informed and engaged in financial decision-making processes.

The study further recommends that robust monitoring and control systems should be established to track budget implementation and financial performance effectively. This involves setting up key performance indicators (KPIs), periodic reviews of financial reports, and timely corrective actions when deviations occur. By maintaining a proactive stance towards financial management, SMEs can mitigate risks, optimize resource allocation, and seize growth opportunities more effectively.

Also, ongoing training and development opportunities for managers, accountants, and finance personnel should be provided to enhance their financial literacy and analytical skills. Equip them with the knowledge and tools necessary to interpret budgetary data, identify trends, and make informed decisions that align with organizational goals. Continuous professional development ensures that financial practices evolve alongside market dynamics, enhancing adaptability and resilience.

In addition, the study recommends the integration of budget planning processes into broader strategic decision-making frameworks. Financial goals should be aligned with operational objectives and market conditions to ensure that budgets serve as dynamic tools for driving organizational growth and competitiveness. Budgetary plans should be revisited and revised regularly in response to changes in the business environment to maintain relevance and effectiveness.

Also, the management of the SMEs should cultivate a culture where financial accountability and transparency are core values within the organization. Open dialogue about financial performance and feedback from employees should be encouraged at all levels. By promoting transparency in the budgetary processes, SMEs can enhance trust among stakeholders and facilitate collaborative efforts towards achieving financial objectives.

Finally, the study recommends the implementation of mechanisms to regularly evaluate and benchmark financial performance against industry standards and competitors. Benchmarking data should be utilized to identify areas of improvement, best practices, and opportunities for innovation in budget management. Continuous evaluation will enable SMEs to adapt strategies and refine budgetary practices for sustained growth and competitiveness in Douala's dynamic business landscape.

These recommendations leverage the empirical insights from the study, emphasizing the strategic importance of effective budgetary practices in optimizing financial performance and fostering long-term sustainability for SMEs operating in Douala. By implementing these recommendations, SMEs can navigate uncertainties, capitalize on opportunities, and enhance their resilience amidst evolving market conditions.

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