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The Effect of Budgeting on the Performance of Private and Public Banks: Case Study of GCB and GT Banks

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Abstract: Budgeting in an organization is associated with benefits and implications that extend further than the organization's management and have much more to do with financial performance measures. In the banking sector, budgeting practices are critical financial tasks by enabling banks to accomplish their principal function, acting as intermediaries for financial products and fulfilling core banking functions. The main objective of the study was to examine the effect of budgeting on the performance of private and public banks using GCB and GT banks. It was discovered that the public bank's budgeting planning is stronger than that of the private bank. The public bank's practices of budget monitoring and control are stronger than the private banks. It can be concluded that budgeting has a significant effect on the performance of private and public banks. This means that the banks (public or private) need budgeting as a critical business tool to promote performance. It is therefore recommended that management must ensure regular staff training on the budget process, its relevance, and an ideal approach to budgeting to be able to tackle the time-consuming nature of the process without major challenges. Banks also need to adapt to the continuous reforms in budgeting guidelines, which require some time to learn.

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1. Introduction

Budget models produced properly can be effectively used in businesses to plan, coordinate, and evaluate performance and motivate employees and maintain an organization's internal control system (Leon et al., 2012). Similarly, Singh and Yadav (2011) posit that budgeting is a critical component of management accounting since it efficiently helps management plan and control effectively. The entire process encompasses clear goals and achievements, as well as long-term and short-term strategies. Budgeting is still widely employed in many organizations and plays a critical part in the corporate management system (Libby & Lindsay, 2010). Every business needs to select a budget model which is most appropriate for it after assessing its corporate culture, history, IT infrastructure, and other requirements (Cardoş, 2014).

1.2 Profile of the Organization

1.2.1 GCB Bank Limited

With 14.2 percent of total industry deposits, GCB Bank Limited, formerly known as Ghana Commercial Bank, is Ghana's largest bank in terms of total operational assets and proportion of industry deposits (PWD, 2019). The Bank of Ghana, the country's central bank, said in August 2017 that it had approved a Purchase and Assumption transaction with GCB Bank Limited for the transfer of all UT Bank and Capital Bank (Ghana) deposits and selected assets to GCB Bank Ltd. (BOG,2019). With 184 branches, GCB Bank Ltd is Ghana's largest indigenous banking institution (GCB, 2018). The bank's total assets were estimated at over GHS9.7 billion (+) in December 2018, with shareholders' equity estimated at GHS1.3 billion (GCB, 2018). GCB Bank Ltd.'s stock is traded on the Ghana Stock Exchange and is included in the exchange's GSE All-Share Index. The Ghanaian government owns 21.4 percent of the bank's stock, while institutional and private investors own the remaining 78.6 percent. The headquarters of GCB Bank Ltd are in Accra, Ghana's capital, and the country's largest city. Following a rebrand in 2014, the bank now has over 184 branches spread across Ghana's major cities, with plans to rebuild several of them.

1.2.2 GT Bank Limited

A universal banking license was granted to Guaranty Trust Bank (Ghana) Limited by the Bank of Ghana on February 23, 2006, allowing it to begin its operations. The Bank is a subsidiary of Guaranty Trust Bank Plc, one of Nigeria's leading banks and the first indigenously owned sub-Saharan bank to be listed on the London Stock Exchange. In 2008, GT Bank Plc became the first new-generation indigenous African bank to gain a banking license in the United Kingdom to conduct full-fledged commercial banking activities. With 14 years of operations in Ghana, GT Bank has established itself as a paradigm of sound business practices and an industry standard. Founded on the strengths of its employees and supported by a solid foundation of structures, policies, and procedures, GT Bank has 32 locations around the country. It has been awarded several accolades, including the Excellence in Innovation and Technology Award at the Ghana Business Awards (2019), the Best Digital Bank of the Year (2019) conferred by the International Center for Strategic Alliances (ICSA), Ghana Information Technology and Telecommunication Awards' 'Technology Advanced Bank of the Year' for 2014, 2015, 2016. In 2017 and 2018, the bank was crowned "Best Digital Banking – Ghana" award winner for the second year in a row. To achieve its vision and goal, the bank aspires to be an example of innovation, quality, and financial performance in the financial industry, as well as a role model for the community.

Despite the potential benefits of a thorough understanding of the relationship between budgeting and service delivery in the public and private sectors, extant research on the topic is still in its early stages. According to Ahmad and Brosio (2009), the subject of how to better public sector service delivery continues to be a primary concern for policymakers and researchers. This is backed by Inkoom (2011) as well as Essuman and Akyeampong (2011), who argued that more than twenty years after Ghana adopted decentralization, real concerns on budgeting practices persist that require further robust empirical evidence study. In a different study, Lavarda and Almeida (2013) discovered that the budgeting practices of public and private companies are an unexplored subject. Thus, the current study examines the effect of budgeting practices on the performance of private and public banks and it is believed that this study will be relevant to managers of public and private banks, stakeholders in the banking industry and academia. It is expected that the study will show the current budgeting practices adopted by public and private capital companies in Ghana.

The study is divided into five chapters. The first chapter comprises of Overview, Background of the Study, Profile of the Organization, Problem Statement, Project Objective(s), Project Significance, Project Outline and Summary. The second chapter is the literature review consisting of the overview, Theoretical Literature, and Empirical Literature. Chapter three includes the Methods, Materials/Data, Analytical Tools and Ethical Issues Addressed. Furthermore, the fourth chapter consists of Discussion of Results and Implications for practice. Finally, the last chapter, which is chapter five presents the Summary, Conclusion, Recommendation(s), and Limitations

2. Literature review

According to Mazikana (2019), budgeting is a financial strategy that focuses on the future and resource allocation for the business. He argues that budgeting is a guideline for how to allocate resources developed by the collection of financial information and the preparation of a budget for the firm's future tasks, which becomes a budget when financial benefits are added. Additionally, Lucey (2015) defined budgeting as a quantifiable data set that spans a certain period and encompasses all financial information, including the company's income and expenditure, assets, and liabilities, as well as every cash flows that the firm has budgeted for. Budgets are produced prior to the beginning of the New Year, which means they are estimations for the next year. As a result, their data is approximate, but the firm's business model is articulated through them. Budgets are communication tools that assist decision-makers in making informed decisions concerning, providing services and business assets, as well as in encouraging stakeholder involvement. As shown in a separate study by Lapsley and Ros (2015), budget is a communication tool that enables public authorities to contact and connect with people and taxpayers. Based on these different definitions, it was deduced that budgeting is a collection of financial forecasts for a corporation and that business use budgets to maintain its financial dealings during the period stipulated in the budget; and the relevance of budget control mechanisms in comparing the financial plans design for the anticipated management of the business's activities in the budget to the real outcomes. This chapter summarizes the findings of past studies on budgeting practices. This includes both theoretical and empirical literature.

The theories which form the foundation of this study are Hofstede's theory of budgeting, and the Theory X and Y approach to budgeting. Hofstede's (1968) study examined whether budgeting theory can be utilized effectively to make decisions and plans. Hofstede (1968) stated that when workers are engaged in decision-making, particularly budget decisions, "they tend to be considerably more driven to adhere to established financial norms". If key individuals in the organization are involved in the process, the budget target amount is likely to be far more practical and feasible. Occasionally, a company's financial budgets are developed in isolation. Finance imposes budget estimates on activities from a top level. Regrettably, operational managers are not always engaged in the yearly budget planning process (Brown & Cregan, 2008). However, budgeting is a vital and crucial decision-making tool of management and is required to plan properly (Hofstede, 1968). Collaboration must therefore be explored to ensure success.

The budget is developed as a result of tracking the progress of goals and assisting in regulating spending and determining income and profit. The primary issue with budgeting is that it cannot be shared. Businesses prepare budgets in order to track progress, manage spending, and estimate cash flow and profit. Budgeting has become extremely challenging as a result of the advancement of technology and globalization.

Andersen (2000) explored how businesses generate budgets. Andersen observed that significant benefits of budget improvement include the process of defining strategic goals, coordinating support for those goals, and enhancing the organization's ability to adapt rapidly to competition. Lucey (2003) reaffirms Anderson's opinion that some key circumstances must exist prior to budgeting and control being performed.

These conditions, which represent industry standards in any organizational budgetary system, have included a specific explanation of long-term goals, a comprehensive organizational structure, an efficient reporting system, classification of the main budget factor and staff participation, the forming of a budget committee, and encouragement and adjustability of the budgeting and budgetary control structure.

Budgeting has long been a priority in government and understanding how it works is critical for shaping government policy. Budgeting is viewed as the critical instrument for transforming political thoughts into action. Budgets are programs "for the achievement of plans with goals and objectives over a certain time period, such as an estimation of resources needed and an estimation of

available resources, typically comparable to one or more previous periods and indicating future needs" (Smith and Lynch 2004).
Budgets, because they link expenditures to the fulfillment of activities planned, are an example of "putting your resources where your mouth is" (Schick, 1992; Van Helden and Hodges 2015). Over the last few decades, studies have emphasized distinct classifications to separate various budgeting functions (Budding and Grossi 2014; Anessi et al. 2016). Robinson (2007) described budgeting practices as consisting of two steps, which entail budget and budgetary control. Budgeting and budgetary control are functions of management. While budgeting is a forward-looking planning activity, budgetary control examines the plans that have been implemented and looks for deviations from these plans.
In other words, budgetary control is concerned with directing the business's activity in accordance with the pattern established in the budget. Budgetary control is the formulation of budgets that link executive duties to policy objectives and the constant comparison of actual to budgeted results, either to ensure the policy's aim through individual action or to provide a foundation for its revision.
Budget control methods begin with the development of the budget. The process of preparing the institution's budget is conducted by financial officials who have expertise in budget preparation. They do so by defining the organization's financial requirements and financial standing. The budget is viewed as a plan for the business's strategic growth since it is devoted to measuring the financial performance of businesses. Budget planning starts with identifying the organization's goals and assessing its financial status.
The most important aspect of the budget is continuous monitoring of its effectiveness and the consequences on its performance, in order to identify the components that fall short of expected performance (Gunawan et al. 2020).
The management of the organization should pay close attention to the budgetary discrepancies in order to assist budget control and organizational administrative and financial reform, as well as increase the budget's efficiency in order to expedite the implementation of corrective actions. To ensure the effectiveness of budgetary controls, the corporate and financial staff should work cooperatively and actively to monitor all budgetary control processes and procedures (Kimani 2014).
Thus, for budgetary controls to function correctly, a budget must be established in such a way that it attempts to meet the organization's financial and administrative performance objectives. Following planning, a continuous monitoring process is used to determine how the laid plans are performing, as depicted in the task of the budget and by providing comprehensive and recurrent reports to the organization's management, so that the process of controlling the differences between what was designed and what was discovered during the monitoring process can begin. Financial managers begin adjusting budget variances in order to achieve the organization's desired financial and administrative performance.
According to Kimani (2014), when suitable planning is done to control the budget, the company can cut its costs and increase the quality of its services with the money it has been allotted, thus helping to achieve the company's goals and raise its level of financial performance. Budget plans must be carefully integrated in order to prevent discrepancies and challenges that financial management may encounter in carrying out the budget's objectives.
According to Koech (2015), planning is connected to budgeting in terms of selecting, setting, and achieving the organization's goals.
To summarize, planning is the process of balancing an organization's resources and costs against the goals it wishes to achieve, as well as determining how to operate the resources assigned to it through the plans established to accomplish those goals and improve financial performance. Observation and Control Monitoring is a critical step in budgetary control. It is a systematic process that is continuously improved, and its benefits include that it establishes the levels of activity in all departments of the organization by establishing the level of financial performance that the organization aspires to, which may increase the effectiveness of monitoring the organization's performance. When directors and heads of departments receive detailed reports on policy and budget objectives, the likelihood of attaining the organization's goals increases (Koech 2015).

The control process will be carried out by comparing the actual revenue and cost performance to the budgeted performance, noting and identifying variances, ascertaining the reasons for the difference, and then reporting the variances to the appropriate officials in order to facilitate the implementation of corrective measures.
It can be stated that monitoring the budget's performance is a critical method for budgetary control since it enables the identification of where and when variances and gaps occur. Since it is a continuous process over the defined time, it must provide its reports in time to allow the organization's management to remedy any discrepancies it may discover.
Controlling Prior to the control stage, the monitoring process was followed, during which a comparison was conducted between the created plans and actual performance, and variations were also communicated to the organization's departments for remedial action.
After reporting on the variances, management establishes a policy to keep expenditures and costs within a defined framework to keep them within the intended, stable boundaries. A sound control system that is based on accurate and timely information enables an organization to accomplish its mission when information must be organized and transmitted effectively and quickly (Joseph, 2012).
According to Etale and Idumesaro (2019), budgeting is related to controlling, as budgeting is a means for monitoring a company's financial performance, while control is viewed as a method for ensuring the attainment of financial and administrative goals. Monitoring is one of the most critical budgetary control operations, owing to the critical role it plays in ensuring that the budget workflow proceeds as planned. Costs can be regulated, and expenditures and resources distributed within the budget's predefined framework using control.

The subject of financial performance has gotten significant consideration from researchers in different regions of business and strategic management. It has additionally been the essential worry of business experts in a wide range of organizations since financial performance influences an organization's wellbeing and at last its survival (Onduso, 2013).

Financial performance is the degree to which financial goals are being or have been achieved (Pimpong & Laryea, 2016). However, budgeting at the early stage of its development was concerned with preparing and permitting correct performance evaluation and consequently rewards. Finance is continually being ignored in financial decision making since it includes venture and financing in the here and now period.

Further, likewise go about as a control in financial performance, since it does not add to return on equity. A very much composed and executed financial management is relied upon to contribute confidently to the formation of a firm's values and beliefs. Many studies with respect to the company's goals put much stress on the maximization of investor's wealth. Managers are in this manner worried about augmenting the investor's wealth as it means prospects, reflects the relentless development, and gives a risk shield.

Many studies have been conducted on the effect of budgeting on performance. For instance, Player (2010) investigated on how budgeting affects the performance of private firms in China. The author reviewed the budgeting process in business firms and performance measurement in private firms and found out that more formal budgeting planning stimulates greater growth of sales returns in private firms, clear and difficult budget goals improve budgetary performance of institutions, a higher level of budgetary complexity results in a lower profit growth of private firms, more formal budgetary control leads to a higher growth of profit in the organizations' and a greater budgetary involvement leads to better managerial performance. Medium-sized firms achieve higher profit growth than small firms and state-owned enterprises achieve better non-financial performance than small firms.
Onduso, (2013) conducted research on the effects of budgets on financial performance of private manufacturing companies in Nairobi County. The study used both primary and secondary data. A statistical package for social sciences was used as an analyzing tool and regression model was adopted to

determine the association between dependent and independent variables. The findings revealed that financial performance as measured by ROA is influenced using budgets and influences of management. The research also revealed that the qualifications of those employed to assess the activities of the firm were not good and hence firms had to employ people from outside to help in the preparation of budgets.
Koech, (2015) assessed the effect of budgetary control on the financial performance of selected private manufacturing companies in Kenya. A descriptive research design and stratified sampling technique was used. In his study, the 10 largest private companies from each subgroup of the manufacturing companies were selected. The respondents were the head of the finance department or an equivalent. Hence the sample size was 50 respondents. The author used both primary and secondary data and used a descriptive analysis to summarize the data collected. The results showed that there is a meaningful relationship between financial performance in private manufacturing companies and the three variables (planning, monitoring and control and participative budgeting) was henceforth obtained.
Mwangi, (2014) in assessing the effects of budgetary planning tools on the financial performance of registered public service vehicle companies in Kenya brought to light that, vehicle companies that adopted budgetary planning techniques had favorable performance ratios and those that did not practice those techniques had unfavorable performance ratios. The author also revealed that most people in the industry were not aware of such techniques and even those who were aware did not use them effectively.

Numerous studies have been undertaken about budgeting practices. While some concentrated on the public sector, others on private sector organizations. Others viewed budgeting practices as a yearly activity that organizations must perform. Scott and Enu-Kwesi (2018) investigated the role of budgeting practices in public service organizations. The study revealed that budgeting practices had a significant and positive effect on service delivery. The authors used a convenience sampling technique to choose a sample of 2008 public sector employees. Among the practices were ensuring that sufficient resources are allocated to diverse initiatives based on clear criteria that stakeholders understand.
Budgeting is a procedure that prioritizes value for money; it is also practical and realistic. Budgeting entails establishing targets against which performance is monitored. Budgeting is preoccupied with mitigating marginalization and inequalities, and budgeting techniques permit concurrent budget and delivery of service assessments.
Mkanjala (2017) used a descriptive survey to understand the factors that influence budget practices in private organizations. External elements such as inflation, taxation, inflationary levels, and product pricing were developed. The study indicated that internal issues such as continuous monitoring, a deficiency in budgeting process skills, and an absence of budgeting process training all have the ability to influence budgeting. Additionally, it was discovered that financial resources have a significant impact on budget formulation, while employee involvement enhances responsibility.
Owusu-Mainu and Yeboah (2016) disclosed the nature and extent of budgeting and budgetary control processes in an institution. These practices include annual budget preparation that adheres to their budget manual, as well as regular review prior to implementation and control. A priority among budgeting practices was the involvement of all important players in the budget preparation process, as well as a clear definition of long-term goals and effective communication mechanisms. The study concluded that improving budgeting practices requires a combination of factors, including skilled labor, the formation of a budget committee, dependable sources of funding, timely reporting systems, motivating staff, and providing feedback, in order for the organization to meet its strategic obligations.

Pimpong and Laryea (2016) examined non-bank financial institutions' budgeting procedures and firm performance in Ghana. According to the study's findings, budget coordination has a statistically significant and moderately beneficial effect on company performance.
Trimisiu (2013) discovered that worker participation in the firm's budgeting process is high and employee motivation is extremely high, propelling the organization to new heights. He decided that the business employed a loyal workforce.

Abdullahi et al. (2015) mentioned, among many other things, that the top management should maintain suitable standards for budget administration, preparation, and process. Additionally, Tahir Guest Palace's staff of various cadres should be allowed to participate in the budget target formulation and process in order to further improve the organization's performance. Furthermore, Badu (2011) found that the responses he gathered from respondents suggested that budgets established at the pharmacy were typically for a one-year period. In actuality, the year is divided into twelve (12) control periods, and the pharmacy is divided into four (4) departments: sales, production, finance, and administration, each of which is overseen by a manager.

According to Badu (2011), budgets are prepared by a budget committee chaired by the budget director, who oversees and manages the budget process. Prior to the budget's initiation, the committee goes through several stages, which are mentioned below. To begin, the primary budget component dictates which budget should be prepared first or last. Typically, the sale volume is prepared first, and it is based on available sales forecasts. Following this budget, all subsequent subsidiary budgets are created and linked to it. The sales budget is the initial component of the master budget; this is because sales have an effect on all other budget components. Regarding budgeting methodologies, it was discovered that Ernest Chemist Limited in Accra, Ghana adopted an incremental budgeting approach. The rationale for implementing this budget technique stated that it helped management in looking forward and making provisions for market conditions, inflation, and unanticipated negative economic shocks, as well as assist management in achieving the intended target.

Badu (2011) discovered that budgetary control processes at Ernest Chemist typically included frequent reporting of actual achievement and cost vs. budgeted achievement, followed by management evaluation and any necessary corrective action. Concerning the extent to which the company has used budgeting control, it was observed from the response that management typically prepares a variance report statement to compare expected income and expenditure to actual income and expenditure in order to demonstrate whether the variance revealed is favorable or adverse. Management does this in order to better plan for future occurrences of this type. Additional studies must be conducted to enable businesses to quantify the budgeting processes that are really used in diverse organizations, with a particular emphasis on the banking industry. This study fills in the gaps in research by focusing on the budgeting practices in the Ghanaian banking industry.

3. Methods and data

Both primary and secondary data would be used for the study. The primary data for this study came from a field survey of employees at the GCB Limited and GT Bank headquarters offices in Accra. The primary data is collected using a questionnaire as the major research tool. Secondary data are gathered from the financial statements of the two selected firms for a period of five years (2016-2021). The study's target demographic consists of 231 employees, including 151 from GCB Bank and 80 from GT Bank's Accra headquarters.

Given this, the Yamane (1967) formula is the most widely used method for calculating sample size (Adam, 2020). The formula $n=N/(1+N(e)^2)$ is used to calculate the sample size required for the study, where n is the sample size, N is the population, and e is the error margin. As a result, for this research project, the minimum sample size is n = 231/ [1+231 (0.05)2] = 146.43. A sample size of 146 would be used based on the estimation. Staff from the finance department, internal control, audit department, heads of departments, and senior staff or other employees from the two banks' operation units made up this group.

Purposive sampling, according to Ilker, Sulaiman, and Rukayya (2016), is a non-probability approach that comprises an intentional selection of specific people to include in the study. Ilker et al. again indicated that individual respondents are picked because they have specific characteristics that the researcher is interested in. Purposive sampling's main goal is to focus on certain characteristics of the population with a lot of knowledge and work experience with bank budgeting methods, which will best enable the researcher to answer the study objectives (Shaughnessy et al., 2011).

Statistical Package for Social Science (SPSS) version 26 was used to analyze the data gathered. The analysis employ statistical tools such as mean scores (average), mode, factor analysis, The dependent variable is return on assets (ROA) and the independent variables are planning, monitoring and control, and participative budgeting. The independent variable would be quantified by using factor analysis and saved as dummy variables for use in the regression analysis.

Model specification, Variable description

The following analytical model would be used to test whether budgeting has effects on the performance of GCB and GT bank;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon,$$

Where
Y indicates Performance of firms (Return on Assets);
βo = Intercept;
β = Coefficient of independent variables;
X_1 is planning,
X_2 is monitoring and control,
X_3 is participative budgeting, and
ε is Stochastic error term.

3. Empirical results and analysis

3.1 Budgeting Practices Adopted by GCB and GT Banks in Ghana

This section shows the budgeting practices adopted by public and private banks. Descriptive statistics were used, which comprised budget planning, budget monitoring and control, and budget participation.

It was discovered from the mean values (Table 3) that; Our budget planning begins by identifying the organization's goals (GCB mean 3.4167, GT Bank mean 4.2838), Our budget plan shows the measures taken in the budget process (GCB mean 3.9028, GT Bank mean 3.6486), and the company makes use of historical data in budgeting (GCB mean 4.2223, GT Bank mean 3.4865). On the other hand, it occurred that the mean score for GT Bank (Private Bank) was higher than the average score for GCB (Public Bank) on these budget planning practices. The company also assesses its financial status during the planning stage (GCB mean3.6806, GT Bank mean 3.8378), and Top management works collaboratively to prepare the budget (GCB mean 3.8333, GT Bank mean 4.0541). Overall, the public bank's budgeting planning was stronger (mean 3.8622) than that of the private bank (mean 3.8111).

Table 3 Budget Planning: GCB Bank vs. GT Bank (Group Statistics)

Budget planning	Bank Name	N	Mean	Std. Deviation	Std. Error Mean
Our budget planning begins by identifying the organization's goals	GCB Bank	72	3.4167	.96049	.11319
	GT Bank	74	4.2838	.78549	.09131
The company also assesses its financial status during the planning stage	GCB Bank	72	3.6806	.81925	.09655
	GT Bank	74	3.8378	.84443	.09816
Our budget plan shows the measures taken in the budget process	GCB Bank	72	3.9028	1.05028	.12378
	GT Bank	74	3.6486	1.01269	.11772
Top management work collaboratively with those preparing the budget	GCB Bank	72	3.8333	1.18678	.13986
	GT Bank	74	4.0541	.90496	.10520
The company makes use of historical data in budgeting	GCB Bank	72	4.2223	.80877	.09531
	GT Bank	74	3.4865	1.18487	.13774
Totals	GCB Bank		3.8622		
	GT Bank		3.8111		

It was discovered from the mean values (Table 4) that the score for GCB (Public Bank) was higher than the average score for GT Bank (Private Bank) on these budget control and monitoring practices; We regularly compare the actual revenue and cost performance (GCB mean 4.4167, GT Bank mean 3.7432) , The organization have measures to note and identify variances or deviations (GCB mean 4.4167, GT Bank mean 3.9595) , The organization put much attention to timely and accurate information (GCB mean 4.2500, GT Bank mean 4.1757), The control of budget begins from lowest levels of employees to the top-level(GCB mean 4.0556, GT Bank mean 3.9865), and Managers engage in the practice of linking strategic plan to operational control during budget control (GCB mean 4.1389, GT Bank mean 4.0405). Overall, the public bank's practices of Budget Monitoring and Control (mean 4.2167) are stronger than the private bank (mean 3.9811).

Table 4: Budget Monitoring and Control : GCB Bank vs GT Bank

Budget Monitoring and Control	Bank Name	N	Mean	Std. Deviation	Std. Error Mean
We regularly compare the actual revenue and cost performance	GCB Bank	72	4.2222	.95272	.11228
	GT Bank	74	3.7432	1.13549	.13200
The organization has measures to note and identify variances or deviations	GCB Bank	72	4.4167	.76453	.09010
	GT Bank	74	3.9595	.97136	.11292
The organization paid much attention to timely and accurate information	GCB Bank	72	4.2500	.93070	.10968
	GT Bank	74	4.1757	.91199	.10602
The control of budget begins from lowest levels of employees to the top level	GCB Bank	72	4.0556	.96252	.11343
	GT Bank	74	3.9865	1.02694	.11938
Managers engage in the practice of linking strategic plans to operational control during budget control.	GCB Bank	72	4.1389	.90858	.10708
	GT Bank	74	4.0405	.97136	.11292
Totals	GCB Bank		4.2167		
	GT Bank		3.9811		

It was discovered from the mean values (Table 5) that the score for GCB (Public Bank) (mean 4.2389) were higher than the average score for GT Bank (Private Bank) (mean 4.0324) on budget participation; Budgeting process is coordinated with the use of computers (GCB mean 4.0417, GT Bank mean 4) , The company encourages the facilitation of information sharing and exchange at every level of management (GCB mean 4.3889, GT Bank mean 4.0676) , Our budget process requires the participation of all employees (GCB mean 4.4167, GT Bank mean 4.0811), and The company communicates the budget decision outcome to all parties (GCB mean 4.1667, GT Bank mean 4), and Employee involvement (GCB mean 4.1806, GT Bank mean 4.0135). This shows that budget participation is stronger in public banks than the private bank.

Table 5: Budget Participation: GCB Bank vs. GT Bank Group Statistics

	Bank Name	N	Mean	Std. Deviation	Std. Error Mean
The budgeting process is coordinated with the use of computers	GCB Bank	72	4.0417	.92596	.10912
	GT Bank	74	4.0000	1.02034	.11861
The company encourages the facilitation of information sharing and exchange at every level of management	GCB Bank	72	4.3889	.49092	.05786
	GT Bank	74	4.0676	.95560	.11109
Our budget process requires the participation of all employees	GCB Bank	72	4.4167	.62235	.07335
	GT Bank	74	4.0811	.97583	.11344
The company	GCB Bank	72	4.1667	.88811	.10466

communicates the budget decision outcome to all parties	GT Bank	74	4.0000	1.02034	.11861
Employee involvement	GCB Bank	72	4.1806	.71850	.08468
	GT Bank	74	4.0135	.98611	.11463
Totals	GCB Bank		4.2389		
	GT Bank		4.0324		

3.2 Factors influencing the budgeting practices of GCB and GT banks.

This section addresses the second research objective by examining the factors influencing the budgeting practices of this company.

Table 6 presents the descriptive scores on the factors influencing the budgeting practices of this company. The findings show that, out of thirteen (13) factors considered, all have mean scores above 3.5 (above medium scale), indicating fair agreement on those factors. However, the mere interpretation of central tendency analysis or descriptive statistics is not satisfactory to justify the results. This calls for further in-depth analysis to reduce factors using factor analysis. As indicated by Swathi (2017) the factor analysis is appropriate as it is recognized for data reduction. Consequently, the factor analysis is operationalized for further analysis (Table 7).

Table 6: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Inflationary levels	146	2.00	5.00	4.3082	.80142
Providing feedback	146	2.00	5.00	4.2945	.79800
Continuous monitoring	146	2.00	5.00	4.2877	.79619
Absence of budgeting process training.	146	2.00	5.00	4.2603	.82257
Motivating staff	146	2.00	5.00	4.2534	.78619
Deficiency in budgeting process skills	146	2.00	5.00	4.2466	.78399
Inflation	146	2.00	5.00	4.2329	.77940
Taxation	146	2.00	5.00	4.2192	.80080
Formation of a budget committee,	146	2.00	5.00	4.2192	.79214
Product pricing	146	2.00	5.00	4.2123	.78967
Timely reporting systems,	146	2.00	5.00	4.1301	.84088
Employee involvement	146	2.00	5.00	4.0959	.86566
Dependable sources of funding,	146	1.00	5.00	3.8767	1.15005
Valid N (listwise)	146				

Factor analysis was considered appropriate for deeper analysis into the descriptive result as it is employed to reduce many variables into a few core challenges (Swathi, 2017). The study initially carried out the Kaiser-Meyer-Olkin (KMO) measure test as well as Barlett's test of Sphericity to decide whether it is proper to conduct principal component analysis for our data. KMO static differs from 0 to 1, presenting the pattern of Correlation. As indicated by Kaiser (1974), satisfactory values should be above 0.5. Furthermore, values above 0.7 is better (Kaiser, 1974), Table 7 presents the KMO static of 0.821, meaning the data is good for principal component analysis. Likewise, Bartlett's measure test revealed a significant value of 0.000 at a 1% significance level. Hence, Bartlett's test is highly significant, so principal component analysis is appropriate.

Table 7: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.821
Bartlett's Test of Sphericity	Approx. Chi-Square	3511.369
	def.	78
	Sig.	.000

The Eigenvalues connected with each factor signify the variance clarified by that specific linear component. The factor analysis shows that two components explain about 86.828% of the total variance of the 13 variables (Table 8). The Eigenvalue above or equivalent to 0.5 was assumed to enable flexibility in the research outcome, meaning that only challenges that account for variances greater or equal to 0.5 are used in the factor extraction. Concerning the coefficient presentation format, small coefficients with an absolute value under 0.5 were suppressed. Consequently, the only factor scores of more than 0.5 are revealed on the 'rotated component matrix' in Table 9.

Table : Total Variance Explained

	Initial Eigen values			Extraction Sums of Squared Loadings		
Component	Total	% Of variance	Cumulative %	Total	% Of variance	Cumulative %
1	10.264	78.954	78.954	10.264	78.954	78.954
2	1.024	7.875	86.828	1.024	7.875	86.828
3	.429	3.300	90.128			
4	.314	2.417	92.546			
5	.263	2.021	94.567			
6	.239	1.838	96.405			
7	.179	1.378	97.783			
8	.118	.908	98.691			
9	.072	.554	99.245			
10	.043	.329	99.574			
11	.036	.277	99.851			
12	.015	.119	99.970			
13	.004	.030	100.000			

Extraction Method: Principal Component Analysis.

Table 9 displays the rotated component matrix after varimaxrotation, and after the variables have been organized by the absolute values of the loadings with six components. At this point, values above 0.90 are highly correlated. Hence, the following six factors were finally discovered Taxation 0.955, Product pricing 0.945, Inflation 0.942, Employee involvement 0.909, Inflationary levels 0.908, and Continuous monitoring 0.905

Table 9 Component Matrix

	Component	
	1	2
Employee involvement	.909	
Formation of a budget committee,	.893	
Dependable sources of funding,	.693	.672
Timely reporting systems,	.857	
Motivating staff	.866	
Providing feedback	.857	
Inflation	.942	

Taxation	.955	
Inflationary levels	.908	
Product pricing	.945	
Continuous monitoring	.905	
Deficiency in budgeting process skills	.894	
Absence of budgeting process training.	.898	

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Effect of Budgeting on the Performance of GCB and GT Banks

This section established the effect of budgeting on the performance of private and public banks. The statistics from the Durbin-Watson show that the study satisfies the assumptions, and that regression can be conducted for this study (see table 10). This score can span from zero to four (Bercu & Proïa, 2013). However, Values less than 1 and more than 3 are cause for worry and can render an analysis unacceptable. The results of this study showed 2.445, which was satisfactory and hence this assumption was also met. The ANOVA significance also established that there is a likelihood of a predictive relationship between budgeting on performance (Table 11).

Table 10 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.591[a]	.350	-.626	.00639	2.445

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

b. Dependent Variable: ROA

Table 11 ANOVA

Model		Sum of Squares	def.	Mean Square	F	Sig.
1	Regression	.000	3	.000	.359	.793[b]
	Residual	.000	2	.000		
	Total	.000	5			

a. Dependent Variable: ROA

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

A significant value was found for budget planning (p-value =0.002), budget monitoring and control (p-value 0.004), and Budget participation (p-value is 0.024) which were all less than 0.05) (Table 12). This established that budgeting has a significant effect on the performance of private and public banks.

Table 12 Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.095	.066		1.440	.013
	Budget Planning	.003	.045	.252	.076	.002
	Budget Monitoring and Control	-.018	.081	-.983	-.223	.004
	Budget Participation	.004	.048	.461	.093	.024

a. Dependent Variable: ROA

3. Discussion of findings and implications

It was established in this study that budgeting has a significant effect on the performance of GCB and GT banks. Budgeting has been found to have significant effect on performance because budgeting allows a firm to plan and measure its achievement as to whether they have spent their resources or efforts in line with what is optimum. The two banks are regarded as banks in good standing in Ghana as they both meet the capital requirement of bank of Ghana and they are in operation. Thus, both banks might have taken budgeting as serious as any good firm will do. This finding is comparable to Pimpong and Laryea (2016)'s study, which discovered that budget has a statistically significant effect on company performance.

Similarly, numerous studies have been carried out on the effect of budgeting on performance, which show the same outcome (Koech, 2015; Onduso, 2013; Player, 2010). Player (2010) investigated how budgeting affects the performance of firms and discovered that more formal budgeting planning promotes greater growth in sales returns for companies. The author likewise established that a higher level of budgetary difficulty leads to lower profit growth of firms and hence concluded that more formal budgetary control can result in higher profit growth in organizations.

Comparatively, Onduso(2013) also researched the effects of budgets on the financial performance of private companies in Nairobi County and concluded that budgeting impacts financial performance (ROA). This is analogous to Koech's (2015) study on budgetary control, which showed a significant relationship between financial performance and budgeting.

This demonstrates that budgeting can have a positive effect on both private and public firms. Important decisions relating to a company's operations, such as increasing employees, reducing unwanted expenditures, or acquiring new equipment, can be driven by a budget. A business owner can plan out spending, accomplish corporate goals, and forecast any operating changes required to maintain the firm using a budget. A budget helps a business figure out how much it costs to run, and it can also be used to track how well the business is doing.

Conclusion

The main objective of the study was to examine the effect of budgeting on the performance of private and public banks using GCB and GT banks. The study specifically sought to examine the budgeting practices adopted by public and private banks in Ghana; and determine the effect of budgeting on the performance of private and public banks using GCB and GT banks.

It was discovered that the public bank’s budgeting planning (mean 3.8622) is stronger than that of the private bank (mean 3.8111).

The public bank’s practices of budget monitoring and control (mean 4.2167) are stronger than the private bank’s (mean 3.9811). It entails regularly comparing the actual revenue and cost performance measures to note and identify variances or deviations and paying attention to timely and accurate information. Furthermore, budget control begins from the lowest levels of employees to the top level, and the managers engage in the practice of linking strategic planning to operational control during budget control. Nevertheless, the study showed the score for GCB (public bank) (mean 4.2389) was higher than the average score for GT Bank (private bank) (mean 4.0324) on budget participation.

The second research objective was addressed as it was established that budgeting has a significant effect on the performance of private and public banks. However, it was discovered that both companies were facing challenges such as the budget process being time-consuming, globalization and technology advancement, rigid decision-making, institutional weakness, inability of user department to utilize the allocated funds, unsatisfactory method used in fund allocation, changing reforms in budgeting guidelines which require some time to learn, and insufficient allocated funds.

It can be concluded that budgeting has a significant effect on the performance of private and public banks. This means that the banks (public or private) need budgeting as a critical business tool to promote performance. It is therefore recommended that management must ensure regular staff training on the budget process, its relevance, and an ideal approach to budgeting to be able to tackle the time-consuming nature of the process without major challenges. Banks also need to adapt to the continuous reforms in budgeting guidelines, which require some time to learn.

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