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EASTERN UNIVERSITY

**THE IMPACT OF BUDGETING PROCESS ON FIRM
PERFORMANCE OF BANKING SECTOR IN COLOMBO
DISTRICT**

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ABSTRACT

This study was undertaken with the objective of finding out the relationship between budgeting process and performance of banking sector. In this research budgeting processes measured by; formal budgeting planning, goal clarity, goal difficulty, budgeting sophistication, formal budgeting control and participation to budgeting. And firm performance measured by financial and non-financial performance of banking sector as well as ascertaining the effect of budgeting processes on the performance of the industry.

Data were collected through the survey of 151 bank managers in Colombo district. Structured questionnaire was used to collect the primary data from the sample, and data were analyzed by using univariate, bivariate analyses. Pearson Product Moment Correlation Coefficient was used to determine the level of association between budgeting processes and organizational performance. Simple regression analysis was used to determine the effect of budgeting processes on the performance of the banking sector.

The results of regression analysis show that budgeting processes has a significant effect on firm performance of banking sector in Colombo district. It is however recommended that, banking sector in Colombo district should intensify efforts in following budgeting processes as it improves performance of banking sector in Colombo district in terms of shareholders wealth and put in place budget manual for monitoring and control of the process.

Key words: Budgeting process, Performance

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