



Objectives of the Budget at Garment Enterprises in Hanoi

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ABSTRACT:

With the trend of an increasingly open economy, garment businesses have many opportunities but also many challenges. To enhance competitiveness in the market, garment business managers need to be provided with information about revenue and cost budget. When the production and business estimate is well prepared, the information it provides will contribute to helping garment businesses in Hanoi improve communication efficiency and coordinate activities between departments effectively and is especially useful for evaluating business performance. The article surveys 120 garment enterprises in Hanoi, to evaluate the goals of budgeting at these enterprises, and at the same time evaluate the level of use of various types of production and business budget. Survey results show that managers of garment enterprises are aware of the importance of budgeting, and have implemented some types of budgeting in their businesses.

KEYWORDS: Estimate, garment enterprise, Hanoi.

1. INTRODUCTION

The Garment industry is an important manufacturing industry contributing to Vietnam's economic development. For a long time, the industry's average export growth rate is 20 %/year, contributing 16% - 18% of the country's total industrial value, accounting for about 15% of total export turnover. create jobs for more than 2 million workers. In the industrial development planning for 2020 - 2030, the Garment industry continues to be a key industry in Vietnam's industrial structure. With the trend of an increasingly open economy, garment businesses have many opportunities but also many challenges. To enhance competitiveness in the market, garment businesses are required not only to develop financial strategies but also to develop budget and evaluate actual performance results. Following the development of management science, many modern management tools have been formed and used to evaluate business performance. However, production and business budget are still a frequently used tool in business management. This comes from the reason that the estimate does not require many resources of the business but still meets the management functions: planning, checking, evaluating, and decision-making. When the production and business estimate is well prepared, the information it provides will contribute to helping garment businesses in Hanoi improve communication efficiency and coordinate activities between departments effectively and is especially useful for evaluating business performance.

From the above reasons, the article aims to learn about the current situation of production and business budget, evaluate the influence of production and business budget on enterprise performance and thereby make recommendations. Helps improve the efficiency of using production and business budget in garment enterprises in Hanoi.

2. LITERATURE REVIEW

Production and business budget are a basic tool used in business management. Budget are detailed, meticulous and comprehensive calculations, budget and coordination of resources, methods of mobilizing and using resources to carry out a certain amount of work in a certain period of time determination is expressed by a system of indicators of quantity and value. Thus, the estimate includes the main components of calculation and prediction; detailed and comprehensive coordination, resources, and implementation time; system of indicators of quantity and value. According to Argyris (1952), production and business budget support managers' control activities. Through production and business budget, it will improve business efficiency and affect the performance of individuals in the business. Horngren (2008) pointed out that an estimate is considered a plan with specific goals expressed in the form of financial targets. Drury (2000) believes that production and business budget are an integral part of the management accounting information system and through budget, business administrators can achieve their goals. Meanwhile, Joshi (2003) believes that production and business estimation is a process that includes many sequential activities from planning, coordination, communication, control and evaluation of results.

According to Drury (2000), production and business budget are one of the tools frequently used in corporate governance activities with the following functions: planning, coordination of activities, communication, control, evaluate results and motivate employees.

According to Garisson (2011), planning in businesses can be done in the short term or long term. In the long term, the plan is made to implement the business strategy of the enterprise, then the plan aims to mobilize and use financial resources for investment plans. Therefore, planning can be done

monthly, quarterly or annually. The planning function of estimating is to concretize business goals into targets that are quantified on a financial scale and allocate resources effectively. Planning in production and business budget depends on the needs of the manager, the size and characteristics of the business.

According to Glynn and colleagues (2008), the control function of production and business budget is shown through comparison and analysis of differences between actual data and budgeted data. Thereby, it is the basis for business administrators to orient and regulate business activities in all departments of the enterprise. When determining the difference, there will be a favorable difference and an unfavorable difference. This is data for business administrators to adjust operations and determine the cause to have appropriate control plans. Thus, production and business budget play an important role in control activities in management.

The information communication function of the estimate is expressed through the transmission of information between departments in the enterprise. Through budget, senior managers communicate their expectations to subordinates, so that all employees in the business understand and work together to achieve common goals (Drury, 2017). Furthermore, production and business budgets also help senior managers grasp the operating situation in affiliated departments based on information about the difference between actual operating results and estimated data. The more effective the information transmission function of the estimate and the clearer the estimate information, the more effective the enterprise's production and business activities will be.

According to Harold (1999), using production and business budgets to evaluate managers' performance also creates certain influences on their working behavior and motivation. The evaluation function of production and business budget is a useful means for senior managers to evaluate the performance of lower-level managers and is also a tool to evaluate achieved results by the departments. In many businesses, the results of implementing estimated targets are the basis for implementing salary and bonus regimes or promoting individuals (Drury, 2017).

Harold (1999) also believes that evaluating the results of budget and rewards, it will create motivation for department managers and at the same time for employees in the enterprise. The motivational function of the estimate has a close relationship with the goal of the estimate. The goal of a high estimate will be the premise for administrators to strive to achieve that goal. The more difficult and challenging the goal, the higher the motivation created from the business estimate. However, it should be noted that goals that are too difficult are sometimes impossible goals, creating negative behavior and reducing employee motivation (Drury, 2017).

3. RESEARCH METHOD

Quantitative research aims to evaluate the importance of budget and the level of use in implementing production and business budgets in enterprises. Done through the following 3 steps:

Step 1: We build a questionnaire on Google Forms, send it to accountants and business managers via email using a convenient sampling method, and send it to friends, relatives, and partners. ...

Step 2: The number of survey questionnaires distributed was 140, sent to 140 enterprises, and the number of votes collected was 120 from 120 enterprises, reaching 85.7%. All receipts meet the required information requirements.

Step 3: We analyze the data on SPSS 22 software with the following tools: Frequency statistics, mean statistics, and mean difference analysis One-Way ANOVA

The questions in the survey apply the 5-point Likert scale: 1- Strongly disagree; 2 - Disagree, 3 - Normal, 4 - Agree, 5- Strongly Agree.

In the study, the author applied a stratified sampling method to divide the entire study population into different subgroups that satisfy the criteria that elements within the same group are highly homogeneous, and elements between groups have high homogeneity. high variability. The overall study is divided into two groups: (1) large enterprises; (2) small and medium enterprises. The size of large, medium and small enterprises is based on the number of employees of the enterprise according to Decree 39/2018/ND-CP guiding the Law on Support for Small and Medium Enterprises. Accordingly, enterprises with less than 200 employees are classified as small and medium-sized enterprises. Enterprises with 200 or more employees are classified as large-scale or large-scale enterprises.

4. RESULTS

Enterprise scale

The author sent 140 votes to 140 businesses and received information from 120 businesses with 120 votes.

Table 1. Characteristics of surveyed enterprises

Characteristics		N = 120	Percentage (%)
Type	Joint Stock Company	45	38%
	Limited liability company	75	63%
Number of employees	< 10 persons	5	4%

	10- 200 persons	70	58%
	200-300 persons	25	21%
	> 300 persons	20	17%
Capital	< 20 billion VND	71	59%
	20 – 100 billion VND	30	25%
	> 100 billion VND	19	16%

According to survey results, of the 120 responding businesses, 63% were joint stock companies and 38% were limited liability companies. This result also shows that the number of limited liability companies accounts for a large proportion of the textile and garment industry in Hanoi City.

Regarding the results of business capital, the number of enterprises with capital under 20 billion accounts for a large proportion (59% of enterprises), enterprises with capital scale from 20 billion to 100 billion have 30 enterprises with capital scale of 20 billion to 100 billion. 25%, businesses with capital over 100 billion account for 16%.

Regarding the number of employees, 4% of companies have less than 10 employees, 58% of companies have 10-200 employees, 21% of companies have 200-300 employees, and only 17% has a workforce of over 300 people.

In terms of business size, the author found that there are similarities in survey results between the two groups of businesses. The group of businesses with a capital scale of less than 20 billion (59%) is similar to the group of businesses with less than 200 employees (62%). Similarly, the group of businesses with large capital of over 20 billion (41%) is similar to the group of businesses with more than 200 employees (39%).

The goal of building budget in businesses

Survey results show that garment enterprises in Hanoi are most concerned with the goal of controlling and evaluating efficiency with a mean of 4.28. This is also the basic goal of production and business budget, thereby evaluating the operational efficiency of departments, the management efficiency of administrators and, even more importantly, controlling operational efficiency. With a planning goal with a mean value of 4.02, this is the second goal that garment businesses pay attention to when conducting budgeting in the business. Many managers of garment companies believe that using budget is a way for managers to make short-term and long-term plans. With the two goals of transmitting information and motivating employees, these two goals are rated lower with means of 3.97 and 3.98 respectively. Many business administrators have also paid attention to the communication function and the function of motivating employees through budgeting in the business. Estimating is a way for information to be communicated from senior managers to low-level managers and to all employees in the enterprise. Comparison between actual results and estimated data along with appropriate reward regimes to motivate employees are also goals that garment business managers are interested in.

Table 2. Objectives of budgeting

Objectives of budgeting	Mean
Planning	4.02
Transmit information	3.97
Control and evaluate effectiveness	4.28
Motivate employees	3.98

Level of use of various types of budget

The author chose to research the level of use of the following types of budget: Sales Budget, Production Budget, Direct Materials Budget, Direct Labor Budget, Overhead Budget, Selling and Administrative Budget, Cash Budget, Budgeted Income Statement, Budgeted Balance Sheet.

The most used groups of budget include Sales Budget (mean 4.02), Production Budget (mean 4.19), Direct Materials Budget (mean 4.04), and Cash Budget (mean 4.06). This shows that garment businesses in Hanoi City are interested in data on sales volume, production volume, direct material costs, and periodic budgets. With business characteristics in the garment industry, raw material costs account for a large proportion, and for all types of products, raw material norms are established, so business managers are interested in actual raw material cost data. arising and estimated raw material cost data, to evaluate the level of control of raw material costs in the enterprise.

The remaining group of budget, including Direct Labor Budget (mean 2.75), Overhead Budget (mean 2.78), Selling and Administrative Budget (mean 3.04), Budgeted Income Statement (mean 3.54), and Budgeted Balance Sheet (mean 3.21) have used but to a lesser extent.

Table 3. Level of use of assessment criteria

Budget	Mean
Sales Budget	4.02
Production Budget	4.19
Direct materials Budget	4.04
Direct Labor Budget	2.75
Overhead Budget	2.88
Selling and Administrative Budget	3.04
Cash Budget	4.06

Budgeted Income Statement	3.54
Budgeted Balance Sheet	3.21

Compare the level of use of budget according to business size

To evaluate the difference in the level of use of production and business budget in large-scale enterprises and small-medium-sized enterprises, the author conducted a group comparison. The survey results are shown in Table 4. According to the survey results on the current situation of applying budget compared to enterprise size, there are differences between enterprises of different sizes. Businesses with 200 or more employees have a higher level of application of various types of budgets than businesses with less than 200 employees. For businesses with over 300 people, the level of use of budget is almost 100%. Specifically in Cash Budget, almost 100% of large-scale businesses do it, while small and medium-sized businesses only do it at mean 2.35 and 3.23. But in Sales Budget, the level of garment businesses use it a lot, both large and small businesses.

Table 4. Current status of applying budget compared to the number of employees

Budget	Number of employees	N	Mean
Sales Budget	< 10 persons	5	3.50
	10- 200 persons	70	4.02
	200-300 persons	25	4.90
	> 300 persons	20	4.90
Production Budget	< 10 persons	5	2.67
	10- 200 persons	70	3.45
	200-300 persons	25	4.68
	> 300 persons	20	5.00
Direct materials Budget	< 10 persons	5	2.55
	10- 200 persons	70	3.02
	200-300 persons	25	4.68
	> 300 persons	20	5.00
Direct Labor Budget	< 10 persons	5	1.40
	10- 200 persons	70	1.99
	200-300 persons	25	2.95
	> 300 persons	20	3.00
Overhead Budget	< 10 persons	5	1.50
	10- 200 persons	70	1.98
	200-300 persons	25	2.95
	> 300 persons	20	4.00
Selling and Administrative Budget	< 10 persons	5	3.36
	10- 200 persons	70	4.01
	200-300 persons	25	4.90
	> 300 persons	20	4.90
Cash Budget	< 10 persons	5	2.35
	10- 200 persons	70	3.23
	200-300 persons	25	4.78
	> 300 persons	20	4.90
Budgeted Income Statement	< 10 persons	5	2.55
	10- 200 persons	70	3.32
	200-300 persons	25	4.78
	> 300 persons	20	4.90
Budgeted Balance Sheet	< 10 persons	5	2.02
	10- 200 persons	70	2.78
	200-300 persons	25	4.35
	> 300 persons	20	4.90

5. CONCLUSION

Through research results, the author found that garment businesses in Hanoi city are aware of the importance of budgeting in businesses. Administrators are aware of the goals of budgeting: planning, coordinating activities, communicating, controlling, evaluating results and motivating employees. However, most businesses do not fully understand and apply the functions but emphasize two functions: planning and control. Most large-scale enterprises carry out various types of production and business budgets, many of which are implemented by nearly 100% of enterprises. For small and medium enterprises, budgets have also been made, but the level of use of each type of estimate is different. Many budgets are hardly implemented by managers of small and medium-sized garment enterprises.

Thus, it can be said that production and business budgets are important and easy-to-implement tools to provide information for administrators to perform administrative functions. However many garment enterprises in Hanoi are still not fully aware of the importance of budget and have not implemented all production and business budgets in the enterprise. For the budget to be established and operated in garment enterprises in Hanoi, it needs to come from the business administrators themselves. Business administrators should learn about budgeting, especially flexible budgeting, to improve information quality and increase business performance.

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