

A Study on Financial Planning and Budget Management in an IT Company

Jenifa Hernisha J¹ & Dr. Anitha Kumari. D^{2*}

¹MBA, School of Management Studies, Department of Management Studies, Vels Institute of Science, Technology & Advanced Studies, Chennai.

²Associate Professor, School of Management Studies, Department of Management Studies, Vels Institute of Science, Technology & Advanced Studies, Chennai.

*Corresponding Author: anitha.sms@vistas.ac.in

Citation: Hernisha, J. & Kumari, A. (2026). A Study on Financial Planning and Budget Management in an IT Company. *Journal of Modern Management & Entrepreneurship*, 16(03), 58–62. <https://doi.org/10.62823/JMME/16.03.9322>

ABSTRACT

Financial planning and budget management are essential for effective financial decision-making in IT companies. This study examines the practices followed by Skandavel Webtech, focusing on Budget Planning, Cost Control, Resource Allocation and Financial Forecasting. Data were collected from 100 respondents through a structured questionnaire and analyzed using IBM SPSS. Percentage analysis, descriptive statistics, reliability analysis, Chi-Square, ANOVA and Pearson Correlation were used. The findings show a positive perception of the company's financial practices, with 76% positive responses on overall effectiveness. The questionnaire showed excellent reliability with a Cronbach's Alpha of 0.961. The study concludes that effective budgeting, cost control, resource allocation and financial forecasting contribute to better financial management and project performance.

Keywords: Financial Planning, Budget Management, Cost Control, Resource Allocation, Financial Forecasting, IT Company.

Introduction

Financial planning provides an organization with a structured approach for estimating future financial requirements, allocating available resources and making informed financial decisions. Budget management complements this process by converting plans into financial targets and monitoring actual performance against those targets. In an IT organization, these activities are particularly important because software and technology projects can involve changing requirements, human-resource costs, infrastructure expenses, software-related costs and project-management expenditure. The IT industry operates in a competitive environment where organizations are expected to deliver projects within agreed budgets and timelines. A project that is technically successful but financially uncontrolled may still affect organizational profitability. Therefore, management needs reliable budgeting procedures, regular expense monitoring and timely corrective action. Effective financial planning also assists management in identifying potential risks before they become significant financial problems.

The present study focuses on Skandavel Webtech and examines the company's financial planning and budget management practices. The study gives particular attention to Budget Planning, Cost Control, Resource Allocation and Financial Forecasting. These factors are considered important because they influence how financial resources are planned, controlled, distributed and anticipated. The study also examines whether respondents' demographic characteristics are associated with their perceptions of financial planning and budget management.

Review of Literature

A review of literature helps establish the theoretical background of a research study and identifies the major concepts that guide the analysis. Earlier research on budgeting and project financial management has emphasized the importance of forecasting, budgetary control, cost estimation, participation, resource utilization and performance evaluation.

Zwikael, Globerson and Raz examined approaches for forecasting the final cost of projects. Their work emphasized the value of forecasting models in improving cost estimation and understanding when project cost estimates become more stable. This is relevant to IT organizations because early and continuous cost forecasting can support more realistic project budgets.

Hartmann examined budgetary control and managerial performance and highlighted the influence of organizational conditions and management approaches on the effectiveness of budget control. The study supports the view that budgeting is not merely a numerical exercise; it also depends on how management uses budget information for control and decision-making.

Hansen, Otley and Van der Stede reviewed developments in budgeting and emphasized the continuing importance of budgets as mechanisms for planning and management control. Their work demonstrates that budgeting remains relevant even when organizations adopt newer management techniques.

Hansen and Van der Stede identified several roles of budgeting, including operational planning, performance evaluation, communication of objectives and strategy formation. These roles demonstrate that budgets can support both financial control and wider organizational coordination.

Chong, Eggleton and Leong examined budgetary participation and managerial performance. Their work suggests that participation in budgeting can influence managerial outcomes under appropriate organizational conditions. This indicates that communication and involvement may strengthen the usefulness of financial planning processes.

Research Methodology

- **Research Design**

The study follows a descriptive research design. The design is appropriate because the purpose of the study is to describe and analyze respondents' perceptions regarding financial planning and budget management practices in the selected IT company.

- **Population and Sample Size**

The study was conducted with a sample of 100 respondents. The respondents provided their opinions through a structured questionnaire containing 25 statements related to financial planning, budgeting, cost control, resource allocation, forecasting and overall effectiveness.

- **Sampling Technique**

Convenience sampling was used to collect data from readily available respondents. This method made data collection easier within the study period, but the results may be limited to the selected sample.

- **Data Collection**

Primary data were collected using a structured questionnaire. Secondary information was obtained from books, research articles, journals, company-related information, websites and reports to support the conceptual and literature background of the study.

- **Variables of the Study**

The conceptual framework includes four independent variables: Budget Planning, Cost Control, Resource Allocation and Financial Forecasting, with Financial Planning and Budget Management as the dependent variable. It shows how these factors support better resource utilization, cost control, decision-making and project performance.

• **Conceptual Framework**

Independent Variables	Role in the Study	Dependent Variable
Budget Planning	Preparation and review of project budgets	Effective Financial Planning and Budget Management
Cost Control	Monitoring expenditure and corrective action	Effective Financial Planning and Budget Management
Resource Allocation	Assignment and efficient use of resources	Effective Financial Planning and Budget Management
Financial Forecasting	Estimation of future financial needs and risks	Effective Financial Planning and Budget Management

Results and Discussion

• **Respondent Profile**

The demographic results provide context for interpreting the responses. The sample contains a larger share of female respondents and is concentrated in the younger age categories. Students form the largest designation group, while postgraduate and undergraduate respondents together account for most of the educational profile. The experience distribution also indicates that a large proportion of participants have relatively limited work experience.

Variable	Category	Frequency	Percentage
Gender	Male	41	41.0%
Gender	Female	59	59.0%
Age	Below 25 years	78	78.0%
Age	25–34 years	19	19.0%
Age	35–44 years	3	3.0%
Designation	Student	67	67.0%
Designation	Employee	25	25.0%
Designation	Other	8	8.0%
Education	Undergraduate	43	43.0%
Education	Postgraduate	46	46.0%
Education	Professional qualification	6	6.0%
Education	Diploma	5	5.0%
Experience	0–1 year	74	74.0%
Experience	2–4 years	18	18.0%
Experience	Above 4 years	8	8.0%

Interpretation: The profile indicates that the study mainly captures the views of younger and less-experienced participants. This should be kept in mind when considering the generalizability of the findings beyond the selected sample.

• **Descriptive Statistics**

The descriptive statistics show that the questionnaire statements generally received favourable mean scores. The overall mean values range from 3.77 to 4.07 on a five-point Likert scale. The standard deviation values range from 0.909 to 1.149, indicating a moderate level of variation in responses. The results therefore indicate a generally positive perception of budget planning, cost control, resource allocation, financial forecasting and overall financial management practices.

Among the statements, the company regularly reviewing and updating financial forecasts received a mean of 4.07. Statements relating to effective resource allocation and financial forecasting also recorded mean values around 4.04. These results indicate that respondents generally recognize the importance of planning resources and anticipating future financial requirements. The statement that financial resources are allocated according to project requirements recorded a comparatively lower mean of 3.77, suggesting that resource allocation can be an area for continued improvement.

- **Overall Effectiveness**

The overall statement—'The financial planning and budget management practices followed by the company are effective'—received 47% agreement and 29% strong agreement. Thus, 76% of respondents provided a positive response. A further 13% remained neutral, while 11% expressed disagreement or strong disagreement. The result indicates that a substantial majority of respondents perceive the company's financial planning and budget management practices positively.

- **Reliability Analysis**

Reliability was assessed using Cronbach's Alpha. The 25-item questionnaire produced an alpha value of 0.961 for 100 valid cases. This is well above the commonly used 0.70 benchmark and indicates excellent internal consistency. The instrument was therefore considered suitable for further statistical interpretation.

Reliability Measure	Value
Cronbach's Alpha	0.961
Number of items	25
Valid cases	100
Excluded cases	0

- **Chi-Square Analysis**

The Chi-Square analysis examined whether demographic characteristics were associated with perceptions of the effectiveness of financial planning and budget management.

Test	Pearson χ^2	df	p-value	Decision at 5%
Age × overall effectiveness	7.979	8	0.436	Not significant
Designation/related grouping × overall effectiveness	14.444	8	0.071	Not significant

Interpretation: The Pearson Chi-Square statistic was 7.979 with 8 degrees of freedom and a significance value of 0.436. Since the value is above 0.05, the null hypothesis was retained, indicating no statistically significant association between age group and the overall perception.

- **One-Way Anova**

The first ANOVA examined whether respondents from different age groups differed in their views on the statement that effective financial planning improves overall company performance.

ANOVA comparison	F	p-value	Decision
Age groups → financial planning improves performance	0.396	0.674	Not significant
Groups → financial planning improves resource utilization	0.397	0.530	Not significant

Interpretation: The reported F statistic was 0.396 and the significance value was 0.674, so no significant difference was identified. A second ANOVA reported F = 0.397 and p = 0.530 for the relationship concerning efficient resource utilization, again indicating no significant difference at the 5% level.

- **Pearson Correlation Analysis**

The first correlation showed a moderate positive and significant relationship between regular expense monitoring and achieving financial objectives ($r = 0.441$, $p < 0.001$). The second correlation also showed a moderate positive and significant relationship between financial forecasting and improved company performance ($r = 0.448$, $p < 0.001$).

Relationship tested	Pearson r	Significance	Interpretation
Expense monitoring ↔ achievement of financial objectives	0.441	< 0.001	Moderate positive, significant
Financial forecasting ↔ overall company performance	0.448	< 0.001	Moderate positive, significant

Interpretation: Expense monitoring and financial forecasting both have a moderate positive and significant relationship with financial objectives and company performance.

Findings

- Overall, respondents have a positive opinion of financial planning and budget management.
- 76% gave a positive response on overall effectiveness.
- Budget planning, cost control and resource allocation are viewed positively.
- Cronbach's Alpha value of 0.961 shows excellent reliability.
- Chi-Square and ANOVA results show no significant differences.
- Expense monitoring has a moderate positive relationship with achieving financial objectives.

Suggestions

- Prepare realistic project budgets before starting projects to identify financial requirements early. Budget estimates should consider project needs and available financial resources.
- Prepare realistic project budgets before starting projects to identify financial requirements early. Budget estimates should consider project needs and available financial resources.
- Prepare realistic project budgets before starting projects to identify financial requirements early. Budget estimates should consider project needs and available financial resources.
- Review financial forecasts periodically according to project requirements and changes. This helps management make better future financial decisions.
- Improve resource allocation and financial monitoring through proper planning and suitable budgeting tools.

Conclusion

The study indicates that Skandavel Webtech follows generally effective financial planning and budget management practices. Respondents expressed positive views about budget preparation, cost monitoring, resource allocation and financial forecasting. The strong reliability score confirms that the questionnaire provided consistent measurement across its 25 items. The inferential results did not show significant demographic differences in the selected tests, while the correlation analysis identified moderate positive relationships involving expense monitoring and financial forecasting. These findings suggest that financial planning should be treated as a continuous management activity rather than a one-time budgeting exercise. For an IT organization, the combination of realistic budgeting, disciplined cost control, efficient resource allocation and regular forecasting can support better project execution, financial decision-making and long-term organizational performance.

References

1. Hansen, S. C., Otley, D. T., & Van der Stede, W. A. (2003). Practice developments in budgeting: An overview and research perspective.
2. Hansen, S. C., & Van der Stede, W. A. (2004). Multiple facets of budgeting: An exploratory analysis.
3. Hartmann, F. G. H. (2000). The appropriateness of RAPM: Toward the further development of theory.
4. Zwikael, O., Globerson, S., & Raz, T. (2000). Evaluation of models for forecasting the final cost of projects.
5. Chong, V. K., Eggleton, I. R. C., & Leong, M. K. C. (2005). The impact of market competition and budgetary participation on performance.
6. Van Maanen, H., & Berghout, E. (2011). Cost management in IT organizations.
7. Robinson, M., & Brumby, J. (2005). Does performance budgeting work? An analytical review of the empirical literature.
8. Agbejule, A., & Saarikoski, L. (2006). The effect of cost management knowledge on the relationship between budgetary participation and managerial performance.
9. Sivabalan, P., Booth, P., Malmi, T., & Brown, D. A. (2009). An empirical investigation of budgeting and forecasting practices.

