

THE ROLE OF BUDGETING IN THE MANAGEMENT ACCOUNTING SYSTEM AND ITS INTEGRATION WITH PERFORMANCE INDICATORS: ON THE EXAMPLE OF ELEGANT GARMENT TEXTILE LLC

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Abstract. This article discusses the theoretical and practical aspects of budgeting in the management accounting system, in particular, ways to assess the efficiency of production in the enterprise by integrating them with the KPI system. Using the example of ELEGANT GARMENT TEXTILE LLC, the compatibility of the budget process with responsibility centers and KPI indicators is analyzed, and proposals are put forward to improve efficiency.

Keywords: management accounting, budgeting, KPI, responsibility center, production efficiency, 1C:ERP, scenario budget.

1. Introduction

In the increasingly competitive global market, enterprises are forced to rely on clear management decisions to effectively use their resources, control costs, and increase productivity. Management accounting and budgeting are one of the main tools in this [1]. Budgeting translates strategic goals into practical indicators and allows them to be constantly evaluated in combination with KPIs [2].

These systems are becoming increasingly important in the garment and textile industry of Uzbekistan. In recent years, the production volume in the textile industry of the Republic of Uzbekistan has shown an average annual growth of 12–15% [3]. At the same time, the demand for effective management accounting systems is also growing sharply. However, in practice, there are still cases where they are not automated and are not linked to KPIs across departments. This study aims to analyze this situation in depth using the example of ELEGANT GARMENT TEXTILE LLC.

2. Research methodology

Research object: ELEGANT GARMENT TEXTILE LLC — a full-scale light industrial enterprise employing 1,100 employees.

Research methods:

- Analysis of internal budget documents and KPI reports for 2023–2024;
- Comparison of plan-actual differences across 6 responsibility centers;
- Use of SWOT and GAP analyses;
- Assessment of budget integration with KPI indicators.

3. Research Results

3.1 Budget Structure and Practice

Budget Type	Characteristics
Annual strategic budget	It is compiled based on the overall financial plans of the enterprise.
Monthly operating budget	It is calculated separately for each responsibility center.
KPI based analysis	Budgets are refined based on KPI results

The multi-level and functional structure of budgets has created an effective planning and control system in the enterprise. However, the level of automation in this system is low, which hinders real-time monitoring.

3.2 Integration results with KPIs

KPI indicator	Quantity indicator	plan	current	The difference (%)	Evaluation
Productivity	pieces/day	75	78	+4%	Good
Cost unit	UZS/piece	7 800	8 100	+3.8%	There is an inflationary effect.
The level of fabric use	%	85	87	+2%	Optimal
Budget execution	%	100	102.4	+2.4%	Close to plan

KPI indicators have made it possible to assess the efficiency of operations. In particular, fabric waste has decreased, and budget variances are relatively positive. However, there has been an increase in the unit cost indicator - this is explained by inflationary pressure and rising raw material prices.

3.3 System status through SWOT analysis

Direction	Strengths	Weaknesses	Opportunities	Threats
Budget system	KPI integration is available	Not automated	Implementation of ERP system	Price fluctuations, currency risks

Strengths and weaknesses are clearly identified. Although technological capabilities (ERP) are available, digital transformation is not yet fully completed. External threats (inflation, exchange rates) are negatively affecting budget credibility.

3.4 Expected performance based on proposals and KPIs

Offer	KPI indicator	Expected result	Implementation cost (million uzs)	Coverage period
1C:ERP or implementation	SAP Budget accuracy $\pm 1\%$	The plan-actual gap is reduced	350	12 months
Strengthening the employee incentive system based on KPI	Productivity +5–8%	Labor efficiency increases	120	8 months
Introducing a rolling budget system	Adaptation coefficient	Rapid response to a changing market	0	6 months
Introducing budgeting scenario	Level strategic alignment	of Management decisions that reduce risks	20	4 months

It is clearly defined that the proposals being implemented will have a direct impact on KPIs. Although investment proposals (ERP) require a relatively large investment, they quickly pay for themselves. Non-economic approaches (rolling budget) are highly cost-effective.

4. Discussion

The obtained analyses are consistent with international scientific literature. Kaplan and Norton developed a mechanism for strengthening strategic control and motivating employees

through KPIs [2]. Drury evaluated the alignment of the budget with KPIs as a tool for increasing the accuracy of management decisions [4].

It is clear that the KPI-based budgeting system observed in ELEGANT GARMENT TEXTILE is giving good results in practice. However, this system can be further improved by real-time monitoring, automation, and the formation of deep KPI models by responsibility centers.

5. Conclusion and Practical Recommendations

The following main conclusions were drawn from the study:

- A budgeting system integrated with KPIs improves the quality of control and planning;
- Scenario budgeting allows for early identification of threats;
- KPIs across departments enhance employee accountability and efficiency;
- **Variances can be minimized through automation systems such as ERP.**

Practical recommendations:

- ✓ **Implement ERP software** (e.g., 1C:ERP or SAP) with KPI integration;
- ✓ **Establish performance-linked incentive schemes;**
- ✓ **Adopt rolling and scenario budgeting** models to boost decision-making adaptability;
- ✓ **Train department managers** in KPI analysis to ensure accountability across responsibility cent

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