

ISSN (ONLINE) 2598 9928



INDONESIAN JOURNAL OF LAW AND ECONOMIC
PUBLISHED BY
UNIVERSITAS MUHAMMADIYAH SIDOARJO

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Indonesian Journal of Law and Economics Review

Vol. 21 No. 3 (2026): Agustus
DOI: 10.21070/ijler.v21i3.1602

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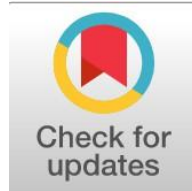
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The Role of Flexible Budgeting in Enhancing Financial Performance Efficiency in Industrial Companies

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Abstract

Volatile economic environments require adaptive corporate accounting frameworks to secure resource distribution efficiency. **General Background** Conventional static budgeting systems frequently fail to accommodate sudden market developments, generating severe operational misalignments. **Specific Background** This rigidity undermines short-term planning accuracy and distorts corporate resource allocation within manufacturing enterprises. **Knowledge Gap** This study examines the strategic utility of variable financial tracking systems within industrial organizations experiencing revenue instability. **Aims** The empirical design evaluates operational data collected from accounting managers and internal control specialists across major corporate entities, utilizing Spearman correlation and linear regression analysis. **Results** The statistical findings reveal a strong direct correlation ($r = 0.804$) between flexible budget deployment and financial performance efficiency, particularly regarding departmental resource distribution. Linear regression models confirm that systematic cost separation into fixed and variable components significantly drives variance minimization and reduces operational waste. **Novelty** This evidence proves that moving beyond rigid assumptions to a dynamic multi-level volume framework directly mitigates corporate exposure to market fluctuations. **Implications** Consequently, corporate administrators must integrate automated reporting technologies and expand technical accounting capabilities to preserve long-term financial stability and operational viability.

Keywords: Flexible Budget, Financial Performance, Industrial Companies, Variance Analysis, Cost Control

Key Findings Highlights

Empirical assessments confirm a strong direct correlation of 0.804 between variable budget application and structural performance efficiency.

Structured cost separation into fixed and variable classes serves as the primary driver for successful corporate tracking.

Linear regression models verify that dynamic multi-level planning systems systematically minimize cost variances and operational waste.

Published date: 2026-07-01

Introduction

Due to increasing economic and financial volatility witnessed globally and in Iraq in particular, and given that the budget is one of the most important administrative and financial tools relied upon by institutions for planning their resources, directing spending, and monitoring performance—playing a pivotal role in achieving strategic objectives and ensuring optimal use of available resources—traditional budgeting methods have become insufficient to keep pace with these rapid fluctuations. The flexible budget emerged as one of the modern approaches that allows adaptation to different activity levels, enables review and adjustment of financial estimates in line with actual activity volume, and contributes to improving planning, control, and performance evaluation efficiency. The flexible budget has special importance for industrial companies given its effective and vital role in supporting economic development. Despite the growing importance of flexible budgeting, many industrial companies still rely on traditional budgets, which weakens their ability to face sudden changes and thus negatively affects their financial performance.

Research Problem

Given the challenges faced by industrial companies in financial planning and resource control due to economic fluctuations, changes in industrial activity levels, and instability of their revenues—as these companies rely on traditional budgets prepared on fixed assumptions without considering actual changes in activity volume—significant financial variances arise between planned and actual outcomes, negatively reflecting on the efficiency of financial control and the difficulty of performance evaluation. The research problem is therefore represented in the following question:

What is the extent of the flexible budget's impact on enhancing financial performance efficiency in industrial companies?

Research Hypotheses

The research is based on the following hypotheses:

1. There is a statistically significant relationship between the application of the flexible budget and financial performance efficiency.
2. The application of the flexible budget in industrial companies contributes to enhancing financial performance efficiency.

Research Objectives

The research aims to:

1. Clarify the concept of the flexible budget.
2. Identify the role of the flexible budget in enhancing financial performance efficiency.
3. Provide recommendations that help improve financial management efficiency through proposals for developing the use of the flexible budget in industrial companies.

Research Significance

The research has great importance as it addresses a modern topic. From a scientific perspective, it contributes to enriching the literature related to financial management and flexible budgeting, which leads to improved financial performance. From a practical perspective, it benefits company management and decision-makers in government companies in improving financial planning and control.

Theoretical Framework

Section One: The Flexible Budget

The flexible budget is one of the planning and control tools. It is an accounting instrument used to measure the financial results achieved by an institution compared to planned activities in order to identify variances that help management in control and to recognize actual results versus planned results. It thus reflects an improvement in management efficiency. The flexible budget is the translation of the institution's objectives and plans into numbers. It therefore has great importance as a work program and future plan aimed at controlling variances between actual and planned performance, and enabling management to correct and address the variances that arise.

Concept of the Flexible Budget

There are several definitions of the flexible budget, and we will address some of them:

- "It is a detailed plan expressed quantitatively for obtaining resources used during a specific time period." (Hilton, 1999, 336)
- "It is a quantitative and financial expression of the project's objectives and plans for using project resources to achieve these goals, after these plans have been approved by those responsible for their implementation, based on certain assumptions." (Drury, 2000, 236)
- "It is a detailed plan specified for the work to be implemented and communicated to all those responsible, serving as a guide for their actions and as the basis for performance evaluation." (Jeannie, 2002, 236)
- "It is a work plan aimed at organizing the activity aspects of a specific establishment within the limits of available human and financial resources." (Attorneys, 2010, 203)

Section Two: Types of Budgets by Flexibility

Budgets are classified according to their flexibility into the following types:

- Fixed Budget: Also known as the static budget. It is prepared on the basis of a single activity level and compares actual results with planned costs according to the budget at the planned activity level. (Horngren, 2012, 103)
- Flexible Budget: Sometimes called the variable budget. It is the budget that covers a range of activity levels rather than a single level as in the fixed budget. It thereby achieves control and provides information that helps management in planning and decision-making. (Anthony, 2007, 165)

Characteristics of the Flexible Budget

The characteristics of the flexible budget can be identified by comparing it to the fixed budget as follows:

- The flexible budget is not confined to a single level of operations; rather, it is designed to operate across a number of levels within a given range.
- Actual results are not compared to planned results without considering the actual level of activity achieved, but rather across all levels within the specified range of the budget. A new budget can be prepared to compare actual performance against it if results differ from the original planned level of activity. Hence the name 'flexible budget.'
- It is dynamic and not rigid or static; it is adjustable in line with the requirements of the activity level.

Properties of the Flexible Budget

- It is oriented toward all activity levels within the appropriate range rather than a single activity level.
- It is dynamic rather than static by nature. The budget can be tailored to any activity level within the appropriate range, even after the period ends. The manager must look at the activity level actually achieved during the period and then refer to the flexible budget to determine the costs required for the achieved actual activity level. (Ray and Eric, 2002, 550)

Objectives of the Flexible Budget

The flexible budget has several objectives it aims to achieve, which are the same as the primary objectives of budgets:

- It serves as a tool and means to communicate future plans to all parts of the organization.
- It is an important tool in the planning process as it is prepared in advance for a coming period.
- It reveals potential or expected bottlenecks before they occur.
- It serves as a control tool by comparing actual results with planned ones and directing efforts toward achieving the targeted goals and objectives.
- The flexible budget enables the determination of overhead absorption rates for indirect industrial costs in order to determine the production cost in advance.
- The flexible budget clarifies the authority and responsibilities of the manager responsible for its implementation.
- It is a communication tool between management levels in the project.
- It enables the application of the principle of decentralization of responsibility and centralization of control, and also develops management's capacity for planning. (Garrison & Noreen, translated, 419, 2001)

Section Two: Financial Performance

Given the developments witnessed worldwide in all fields, which cause economic and governmental institutions to face several challenges that threaten their continuity in the market, one of these challenges is the management of financial resources, which is one of the most important challenges facing the institution as it is a fundamental element for its success and continuity. It achieves financial sustainability for the institution in the long run, which positively reflects on financial performance. Therefore, financial resources must be managed rationally. Financial performance must be evaluated in order to determine the effectiveness and efficiency of financial activities within the institution, based on which one can judge the extent of the institution's efficiency in achieving its economic objectives.

First: Definition of Financial Performance

There are several definitions of financial performance:

- "Financial performance is the measurement of achieved or expected results in light of predetermined criteria to determine what can be measured and the extent of goal achievement, to know the level of effectiveness, and also to determine the relative importance between results and resources used, allowing judgment of the degree of efficiency." (Abd Al-Ghani, 2006, 41)
- "It is the diagnosis of the financial health of the institution to determine its capacity to create value and face future challenges by relying on financial statements represented by balance sheets, income statement tables, and supplementary tables, taking into account the economic conditions and the industrial sector to which it belongs. On this basis, performance diagnosis is done by reviewing the economic return of the institution and the rate of profit growth." (Awadi, 2020, 85)
- "It is the extent of the economic institution's ability to optimally exploit its financial resources through short and long-term use in order to form wealth." (Safia, 2021, 221)
- "It is management's efforts in using the company's resources to maximize the value provided to shareholders." (Dang, 2023, 182)
- "It is a picture of the financial condition of the company analyzed through a series of financial analysis tools so that the health of the company's financial condition can be known, which can also reflect operational performance during a certain period." (Herdiyana et al., 2021, 31)

Second: Importance of Financial Performance

The importance of financial performance lies in its aim to improve company performance from multiple angles in a way that serves financial stakeholders—users of financial statements—to identify the company's strengths and weaknesses, and to rely on financial performance data to rationalize financial decisions for users. It also helps monitor companies' operations and behavior, evaluate their performance levels and effectiveness, and direct performance toward the right direction by identifying obstacles, clarifying their causes, and proposing corrective actions. It rationalizes the general uses of companies and directs their investments according to general objectives, contributing to making sound decisions to maintain continuity and competitiveness. (Al-Khateeb, 2010, 46-47) The importance of financial performance is represented in:

- It is a reason for the company's success and its ability to develop and excel.
- It helps exploit various investment opportunities, which in turn contribute to enhancing the company's success and achieving the objectives of stakeholders.
- Actual performance evaluation helps determine whether the current performance conforms to the plan that was set, thereby identifying the

true level of achievement of the company's objectives.

- It helps measure company objectives and compare their results, determine the level of effectiveness in achieving them, and also determine the relative importance between results and resources used to achieve them, allowing knowledge of the degree of efficiency in achieving its objectives. (Al-Trawna, 2015, 13-14)

Third: Objectives of Financial Performance

Financial performance can achieve the following objectives:

- It allows the investor to monitor and know the institution's activity and its nature, and also helps in following up on the surrounding economic and financial conditions and estimating the impact of financial performance tools on share prices.
- It helps the investor carry out analysis, comparison, and interpretation of financial data and understand the interaction between data to make appropriate decisions for the institution's conditions. (Ghanim, 2021-2022, 35)

Fourth: Financial Performance Standards

Due to the lack of true meaning in financial indicators if they are not compared with reference numbers or standards that enable assessment of the strength or weakness of the institution's financial position, financial analysts have relied on a set of comparison methods that are fundamental in financial performance analysis and enable drawing accurate conclusions about the institution's situation, including:

- **Historical Standards:** These standards rely on the institution's performance in previous years. The importance of this standard derives from its usefulness in giving an idea of the general trend of the bank, revealing areas of weakness and strength, and showing its current financial position compared to previous years for the purpose of controlling the required year and evaluating performance by senior management, in addition to improving the efficiency of financial management.
- **Sectoral Standards:** These standards refer to the average performance of a group of institutions in the same sector, i.e., comparing the company's financial ratios with the financial ratios of banks of equal size and nature of service provision. Sectoral standards are greatly useful in financial analysis as they are derived from the same sector, which is the industrial sector to which industrial companies belong.
- **Absolute Standards:** These are the least important of the other standards and refer to the existence of an inherent characteristic, taking the form of a fixed value for a specific ratio shared by all institutions, measured against actual fluctuations.
- **Target Standards:** These standards rely on past results compared to policies, strategies, and budgets as well as plans prepared by institutions, i.e., comparing planning standards with actually achieved standards for a past time period. (Najwa Filali, 2020, 54-55)

Fifth: Steps for Evaluating Financial Performance

There are several steps that must be followed in order to evaluate financial performance:

- **Collecting Information:** This first step involves collecting all available information about the company, products, markets, and competitors, whether from public data (published financial statements, management reports, press articles) or through (sector studies, financial analysts' observations). This stage is usually completed with general knowledge of the institution and interviews with senior and executive management, as well as field visits.
- **Conducting Economic Diagnosis:** Economic analysis is primarily used to understand the business model of the institution or group. From a strategic and financial point of view, strategic analysis allows a look at the institution's competitive position and available market opportunities, identifying its strengths and weaknesses, and financial analysis to identify the determinants of the institution's long-term economic and financial performance and analyze the financing structure to assess its financial strength.
- **Selecting the Correct Evaluation Method:** At this stage, the method to be used in performance evaluation is determined. The selection of a specific method depends on several factors, including investment, and this choice also depends on data availability, or market conditions at the time of evaluation.
- **Developing a Work Plan:** From a theoretical perspective, the actuarial method is usually the most appropriate as it assumes that the institution's value equals the present value of cash flows generated from its activities. However, this method requires a work plan to develop and evaluate a certain amount of interaction possibilities in the case of a merger with another group. The plan is based on several assumptions related to changes in cash auditing, working capital needs, or investment expenditure.
- **Determining Assumptions and Evaluation Determinants:** In this stage, the assumptions or criteria on which performance evaluation is based are established, and this depends on the type of performance being evaluated.
- **Building an Evaluation Group and Determining Value Range:** During this stage, the evaluator or analyst seeks to build a set of values by determining the minimum and maximum values for the element to be evaluated.
- **Results, Determining Variances and Responsibilities:** After the process of determining and limiting values, the values that do not conform to the established criteria are identified, the size of their deviation from the standard is determined, and those responsible for these variances are identified. (Mattar, 2006: 73-74)

Section Three: The Extent of the Flexible Budget's Impact on Financial Performance

The budget is considered one of the important tools for planning and financial control in economic institutions, as it represents a quantitative translation of its strategic objectives that the institution seeks to achieve within a specific period. With the acceleration of economic changes and increasing complexity of the business environment, traditional budgets are no longer able to meet management's needs in planning and control, leading to the emergence of the flexible budget as a more realistic and appropriate alternative. Since the flexible budget is defined as the budget prepared on the basis of more than one activity level, with its items changing according to changes in production or sales volume, it makes it an effective tool for evaluating financial performance compared to the fixed budget. It also helps management distinguish between variances resulting from changes in activity level and those resulting from weak operational efficiency. The importance of the flexible budget lies in being an effective control tool that allows comparison between actual and planned performance according to the real, not hypothetical, activity volume, contributing to improving the accuracy of financial analysis. (Hamdan, 45, 2018)

The use of the flexible budget leads to raising the level of financial performance efficiency in industrial and service institutions alike. The flexible

budget also supports the financial decision-making process by providing accurate information about the relationship between costs and activity volume, enabling management to formulate more effective financial policies. (Abdullah, 78, 2019)

The flexible budget is one of the most important modern approaches in administrative control for the information it provides, which helps correct the financial course in a timely manner. The flexible budget contributes to improving financial performance indicators such as increasing profitability and rationalizing costs, allowing management to reallocate resources more efficiently based on realistic data. (Al-Kubaisi, 2020, 112)

Based on the foregoing, the researcher believes that the relationship between the flexible budget and financial performance serves as a tool for dynamic planning and control, directly affecting the efficiency of resource utilization and achieving the institution's financial objectives. The more flexible the budget is in responding to changes in activity volume and economic conditions, the more positively this reflects on financial performance indicators.

The flexible budget also contributes to improving financial performance by providing a realistic picture of costs and revenues at different activity levels, which in turn helps management discover variances and analyze their causes with high accuracy. It enables distinguishing between increases resulting from activity expansion and those resulting from weak operational efficiency, enabling decision-makers to make sound corrective decisions. Adopting the flexible budget contributes to raising the level of financial control through an evaluation process built on fair comparison between planned and actual performance at the same activity level, which enhances fairness in evaluating the performance of different units and motivates them to improve production, ultimately reflecting on profitability, liquidity, and financial stability. Not adopting the flexible budget leads to distortion of the financial performance picture, as comparisons will be made on an unrealistic basis, and thus financial decisions will be incorrect and unsound, such as cutting necessary expenditures or continuing unjustified waste. Thus, the relationship between the flexible budget and financial performance is a direct relationship: the more effective and accurate the application of the flexible budget, the more positively it reflects on improving the institution's financial performance in terms of efficiency, profitability, and sustainability.

Practical Part of the Research

The practical part of the research addresses (the role of the flexible budget in enhancing financial performance efficiency) through applying the questionnaire tool to a sample of industrial companies operating in Iraq, namely: Baghdad Packaging Materials Company, Baghdad Soft Drinks Company, and the Iraqi Cardboard Industries Company. These companies were selected because they represent diverse industrial sectors that heavily depend on financial planning and cost control amid fluctuations in production and sales levels, making the flexible budget an appropriate tool for measuring its impact on enhancing financial performance efficiency.

The study relied on a questionnaire composed of two main axes, where the first axis measures the level of flexible budget application within the companies under study, while the second axis measures the extent to which that application is reflected on financial performance efficiency.

The questionnaire was distributed to a group of accounting managers, accountants, and employees of internal control departments. The five-point Likert scale was adopted to measure the level of response.

Response Scale: 1 = Strongly Disagree | 2 = Disagree | 3 = Neutral | 4 = Agree | 5 = Strongly Agree

Measuring the Role of the Flexible Budget in Enhancing Financial Performance Efficiency

Tables (1) through (2) illustrate the descriptive statistics for the research sample, represented by the arithmetic mean, standard deviation, and relative importance for the independent variable (flexible budget application) and the dependent variable (financial performance efficiency).

Table (1): Descriptive Statistics for the Flexible Budget Variable

| Items / Clauses | N | Mean | Std. Dev. | Relative Importance % | Direction |
|--|----|-------|-----------|-----------------------|-----------|
| The institution separates costs into fixed and variable when preparing the budget. | 61 | 4.361 | 0.462 | 0.872 | Agree |
| The budget is prepared according to multiple activity levels (low – medium – high). | 61 | 3.979 | 0.476 | 0.796 | Agree |
| Management updates the budget when changes occur in production or sales volume. | 61 | 4.090 | 1.704 | 0.818 | Agree |
| The institution relies on cost behavior analysis when preparing the budget. | 61 | 3.487 | 0.384 | 0.697 | Neutral |
| The flexible budget is used as an internal control tool. | 61 | 4.058 | 0.762 | 0.812 | Agree |
| The flexible budget helps identify variances resulting from changes in activity level. | 61 | 3.496 | 0.636 | 0.699 | Neutral |
| Management relies on the flexible budget to evaluate the performance of different departments. | 61 | 4.026 | 0.729 | 0.805 | Agree |
| There is a clear mechanism for analyzing variances between planned and actual results. | 61 | 4.050 | 0.673 | 0.810 | Agree |

| Items / Clauses | N | Mean | Std. Dev. | Relative Importance % | Direction |
|--|----|-------|-----------|-----------------------|-----------|
| The flexible budget helps distinguish between efficiency variance and activity variance. | 61 | 3.726 | 0.459 | 0.745 | Agree |
| Operational departments are involved in preparing the flexible budget. | 61 | 3.669 | 0.640 | 0.734 | Neutral |
| The company relies on accurate financial data when preparing the flexible budget. | 61 | 4.026 | 0.703 | 0.805 | Agree |
| Employees are trained on using the flexible budget approach. | 61 | 4.198 | 0.563 | 0.840 | Agree |
| The flexible budget contributes to improving short-term financial planning. | 61 | 4.341 | 0.548 | 0.868 | Agree |
| The flexible budget provides real-time information to support decision-making. | 61 | 3.641 | 0.648 | 0.728 | Agree |
| The flexible budget is considered a fundamental part of the financial system. | 61 | 3.469 | 0.583 | 0.694 | Agree |
| Flexible Budget Application (Overall) | 61 | 3.719 | 0.730 | 74.38 | Agree |

Source: Prepared by the researcher

It is evident from the statistical analysis results shown in the above table for the independent variable (flexible budget application) that the item ("The institution separates costs into fixed and variable when preparing the budget") ranked first in terms of relative importance (0.872) with a mean of (4.361) and a standard deviation of (0.462). The item ("The flexible budget is considered a fundamental part of the financial system in the institution") ranked last in terms of relative importance (0.694) with a mean of (3.469) and a standard deviation of (0.583).

Table (2): Financial Performance Efficiency

| Items / Clauses | N | Mean | Std. Dev. | Relative Importance % | Direction |
|---|----|-------|-----------|-----------------------|-----------|
| The flexible budget helps reduce cost variances. | 61 | 3.728 | 0.460 | 0.746 | Agree |
| The flexible budget helped increase the profit margin. | 61 | 3.981 | 0.477 | 0.796 | Neutral |
| The flexible budget improved the accuracy of revenue and expense forecasting. | 61 | 4.092 | 1.705 | 0.818 | Agree |
| The flexible budget contributed to reducing financial waste. | 61 | 3.489 | 0.385 | 0.698 | Agree |
| The flexible budget improved the efficiency of financial resource utilization. | 61 | 4.060 | 0.763 | 0.812 | Agree |
| It enhanced control over operating expenses. | 61 | 3.498 | 0.637 | 0.700 | Agree |
| It helped improve the institution's financial liquidity. | 61 | 4.028 | 0.730 | 0.806 | Agree |
| It supported sound investment decision-making. | 61 | 4.052 | 0.674 | 0.810 | Agree |
| The flexible budget improved the efficiency of budget allocation among departments. | 61 | 4.363 | 0.463 | 0.873 | Agree |
| It contributed to achieving better financial stability. | 61 | 3.671 | 0.641 | 0.734 | Agree |
| It led to a reduction in the expense-to-revenue ratio. | 61 | 4.028 | 0.704 | 0.806 | Agree |
| It enhanced transparency in presenting financial data. | 61 | 3.471 | 0.584 | 0.694 | Neutral |
| It helped reduce financial risks. | 61 | 4.343 | 0.549 | 0.869 | Agree |
| It improved overall financial performance indicators. | 61 | 3.643 | 0.649 | 0.729 | Agree |

| Items / Clauses | N | Mean | Std. Dev. | Relative Importance % | Direction |
|---|----|-------|-----------|-----------------------|-----------|
| It contributed to achieving the institution's financial goals with higher efficiency. | 61 | 4.200 | 0.564 | 0.840 | Agree |
| Financial Performance Efficiency (Overall) | 61 | 3.910 | 0.666 | 0.782 | Agree |

Source: Prepared by the researcher

It is clear from the statistical analysis results shown in the above table for the dependent variable (financial performance efficiency) that the item ('The flexible budget improved the efficiency of budget allocation among departments') ranked first in terms of relative importance (0.873) with a mean of (4.363) and a standard deviation of (0.463). The item ('It enhanced transparency in presenting financial data') ranked last in terms of relative importance (0.694) with a mean of (3.471) and a standard deviation of (0.584).

Results Analysis and Hypothesis Testing

First Main Hypothesis

The first main hypothesis of the research states that 'there is a statistically significant relationship between the application of the flexible budget and financial performance efficiency.' To test the above hypothesis, Spearman's correlation coefficient was used as shown below:

Table (3): Spearman's Correlation Coefficient Between Study Variables

| Correlations | | Flexible Budget Application | Financial Performance Efficiency |
|--|--------------------------|-----------------------------|----------------------------------|
| Spearman's rho | Correlation Coefficient: | 1.000 | 0.804** |
| | Sig. (2-tailed) | .. | .000 |
| | N | 61 | 61 |
| | Correlation Coefficient: | .804** | 1.000 |
| | Sig. (2-tailed) | .000 | . |
| | N | 61 | 61 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |

It is evident from the above table that there is a positive direct relationship between the application of the flexible budget and financial performance efficiency, where the positive correlation degree reached .804** with a significance level of 0.00. This indicates a positive effect between the independent and mediating research variables. Accordingly, through testing Spearman's correlation coefficient, the first research hypothesis is confirmed: 'There is a statistically significant relationship between the application of the flexible budget and financial performance efficiency.'

Second Main Hypothesis

The second main hypothesis of the research states that 'the application of the flexible budget in industrial companies contributes to enhancing financial performance efficiency.' To test the above hypothesis, simple regression analysis was used as shown below:

Table (4): t-Test for the Simple Linear Regression Model

| Coefficients a | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| Model | | | | | |
| 1 (Constant) | 0.830 | 0.153 | | 5.913 | .000 |
| Flexible Budget Application | 0.794 | 0.059 | 0.055 | 0.429 | .567 |

a. Dependent Variable: Financial Performance Efficiency

$$Y_i = 0.830 + 0.794 X_i$$

From the simple linear regression model above, it is shown that there is a positive direct relationship between flexible budget application in industrial companies and financial performance efficiency. Accordingly, through simple regression analysis, the second main research hypothesis is confirmed: 'The application of the flexible budget in industrial companies contributes to enhancing financial performance efficiency.'

Conclusions

- The results confirmed the existence of a positive and statistically significant relationship between the application of the flexible budget and financial performance efficiency of industrial companies.
- The flexible budget contributes to improving the accuracy of financial planning by adapting between production volume and activity level.
- The flexible budget contributes to reducing financial variances between planned and actual costs compared to traditional fixed budgets.
- The flexible budget contributes to reducing operating expenses and improving the exploitation of available resources, which is positively reflected in achieving high profitability and liquidity, unlike companies that do not rely on it.
- There is a relationship between the level of flexible budget application and the quality of financial and administrative decisions, where it supports management in facing economic fluctuations.
- The results indicated the existence of obstacles to non-application of the flexible budget, including weak accounting awareness and lack of technical expertise.

Recommendations

- The necessity of applying the flexible budget in industrial companies as a primary tool in financial planning and control.
- The necessity of training accounting and financial cadres on how to prepare and apply the flexible budget using advanced electronic programs that contribute to preparing and analyzing the flexible budget.
- Activating the incentives and rewards system by linking it to the performance results based on the flexible budget.
- The necessity of developing and activating the flexible budget application process to include other sectors such as the service and banking sectors through future studies and programs.
- Encouraging the application of the flexible budget through government support on the administrative and financial side.
- In order to improve financial performance and address performance deficiencies, it is necessary to analyze financial variances periodically and analyze the flexible budget.

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