Effects of Global Economic Changes on Business Budget Management

Samira Khan[1], Amna Juma'a Qazaq[1], Walaa Magdy Esmeil Rezk[1], Jasiya Mohammad mrafiq[2], Eman Obeid Abdalla[1] and Anu Dhawan[2]

[1]Financial Sciences Department, The Applied College, Imam Abdulrahman bin Faisal University.
[2]Deanship of preparatory Year and supporting studies, Imam Abdulrahman bin Faisal University.
Email: sgkhan@iau.edu.sa.

Abstract

Budget management is a perilous aspect of business decision-making, directly urging an organization's financial growth and stability. In today's competitive and rapidly changing global market, the process of budgeting has become all the time more complex. Our study investigates the impact of global economic changes on business budget management, aiming to understand how external economic factors shape budget planning and operation within organizations. The research reconnoiters key areas, including the importance of a well-structured business budget plan, the influence of global economic factors such as currency fluctuations, inflation, and international trade policies, and the challenges businesses face in managing budgets in unpredictable economic conditions. Through a thorough literature review, the study highlights the interrelation of various factors, such as income opportunities, resource availability, and market competition, in determining effective budget management strategies. Findings suggest that global economic fluctuations significantly impact the accuracy and effectiveness of business budgets, often complicating investment decisions and reducing organizational confidence. The study also categorizes key challenges, including the unpredictability of market conditions, shifts in consumer behavior, and technological advancements, which further obscure the budgeting process. Moreover, the research emphasizes the need for businesses to adopt adaptive budget management practices that consider these global factors to mitigate potential risks and enhance financial resilience. By investigating these dynamic forces, the study provides valuable insights into the development of more vigorous and flexible budgeting strategies that can help organizations navigate the complexities of the global economy. These findings contribute to the broader understanding of budget management in an international context and offer practical recommendations for businesses seeking to improve their financial planning in the face of global economic tests.

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1. Introduction

Budget management is an essential part of business decision-making as the growth of a business is demarcated through financial development. The complexity of the budget-making processes is gradually increasing in this contemporary market situation as the number of competitors increases. This study has analysed the effectiveness of global economic changes on the budget management system of organisations. This helps to know all the important factors related to the budget-making processes and global factors that impact budget management policies. A detailed analysis of global factors that affect organisational budget management helps to develop better business strategies and effective budget plans.

Aim

This study aims to analyse the impact of global economic changes on the processes of business budget management.

Research Objectives

RO1: To understand the importance of a business budget plan for business development

RO2: To determine the effectiveness of global economic changes in managing business budgets

RO3: To know the challenges that occurred while managing business budgets after examining global economic factors

RO4: To suggest the most suitable ways to manage business budgets to reduce the possibility of business risks

Research questions

RQ1: What is the importance of a business budget plan for developing a fruitful business?

RQ2: How do global economic factors influence the business budget management system?

RQ3: What are the important challenges related to implementing effective business budgets after analysing the global economic factors?

RQ4: What are the best ways to develop business budgets to prevent the possibilities of losses from global economic factors?

2. Literature review

Concept of business budget and its interrelated factors

Business budgets are the integrated part of a business through which an organisation conducts investments to stabilise or enlarge the business. According to the views of Kuntadi & Puspasari (2023), business budget management systems have become complex due to increasing competition in the market. This means the increasing competition causes to decrease in the organisational potentiality of obtaining profits and it creates confusion in making an accurate budget for business development. On the other hand, Dorokhova et al. (2023) argued that

business budgets depend on the availability of income and resources as budgets depend on the quantity of resources.

The most interrelated factors related to business budgets are income opportunity, the future possibility of growth, available resources, loan facilities and so on. The most important factors related to the business budgets are investors, availability of resources, current business policies, technological growth and future change possibilities of all these business factors. Based on the views of Abirami et al. (2023), the scenario of business management has become complicated and it raises obstacles to the business growth. Modern market trends are also changing and customers follow those trends for making purchasing decisions. As per the views, of Lino, Azevedo & Belote (2023), the opportunity of making business budgets increases with increasing the source of resources such as capital and other important sources required to develop a decent business. Budget is planning through which a businessman can demarcate the amount of capital required for developing a business and this varies according to business size and nature.

Effects of global economic changes on the processes of business budget management

The global economic condition depends on the economic condition of different countries and the policies followed by the World Trade Organisation (WTO). The international business policies are determined by WTO for developing effective business policies and which protect businessmen from breaching contracts and other unethical issues. Several economic factors affect business budget management such as currency fluctuation, inflation differences, changes in interest rates and different trade policies of different countries. According to the views, of Namazi & Rezaei (2023), international businesses are complicated in comparison to domestic businesses as international trade consists of the trade policies of different countries and it may adversely affect business management. The budget plan of domestic businesses is not complicated and it becomes a complicated task while developing international trade. On the other hand, Ramírez (2023) argued that the exchange rates of the currencies are volatile and it creates problems in understanding the actual cost that is required for investment. This means the global economic challenges are related to fluctuations in the monetary values and different trade policies.

Global economic condition varies as per the exchange rates, different tariffs, technological advancements and all these factors affect the budget preparation for developing a business. As per the views of Pan, Amini & Shoushtari (2023), budget management is a complicated task as the price of commodities re gradually increasing in this contemporary market situation due to having high inflation rates. The possibility of increasing inflation rates depends on the production quantity of resource management capability. Based on the views of Meyer et al. (2023), a high inflation rate causes increased volatility condition in the international market and this cause to creates an uncertain economic condition. The high fluctuation rates of currencies cause increased challenges in calculating the actual budget needed to develop a business. Thus, it has been observed that international economic factors such as trade policies, currency values, and regulatory changes affect business budget management and it ceases the confidence of investors in making investments.

Challenges related to developing business budgets in volatile economic conditions

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The most important challenges in developing effective business budgets are related to different global supply chain dynamics, changes in consumer behaviour, and changes in trade policies and taxation systems. According to the views of Aripin, Fitrianti & Fatmasari (2023), business budget management is dependent on modern market trends as the investors need to understand the actual budget required to develop an attractive business. An effective budget plan helps to understand the requirement of capital investment and the possibility of future returns from that business. On the other hand, Cui et al. (2023), argued that the most important challenge of making a suitable budget is related to uncertain market conditions and it adversely affects the business development strategies too. Thus, it has been understood that increasing interest rates, high inflation history, and technological advancement are the main challenges. Based on the views of Witt et al. (2023), the technological revolution obscures the business and for this, there need to implement modernised technology to sustain the business in the future. The challenge of business development is increasing due to fluctuations in the global market situation which adversely impacts planning and budgeting policies.

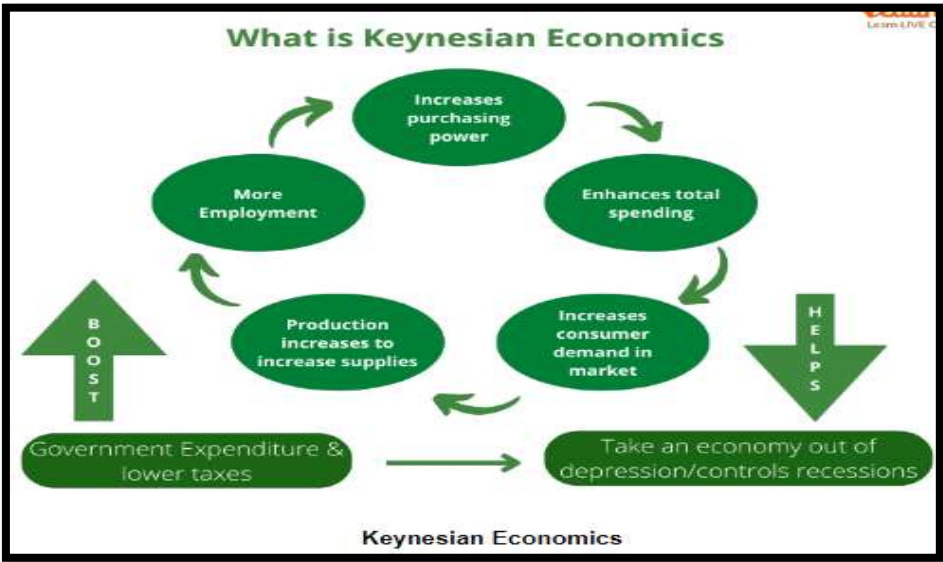## 3. Theoretical framework

Keynes investment theory

Figure 1: Keynes's investment theory

(Source: Influenced by Fernández-Huerga, Pardo & Salvador, 2023)

This theory suggests conducting investment after analysing all the interrelated factors related to investment policies. According to the views of Fernández-Huerga, Pardo & Salvador (2023), this

theory explains that the investment needs to be conducted after analysing the interest rate, production possibility, marginal rate and possible business returns. This theory is important to understand the importance of an effective budget for conducting an effective investment. On the other hand, Dorokhova et al. (2023) argued that the implication of an effective business investment plan helps to increase business outputs and budget for growing the business. This theory also assists the suitable ways to make an effective economic cycle through which an effective business environment could develop.

4. Methodology

This study has been prepared based on the primary data collection and quantitative analysis processes. The determinants of business budget management and global economic factors can be understood by using primary data obtained from the respondents. According to the views of Kawasaki et al. (2023), the collection of real-time data helps to enhance data quality and increases the quality of the study. This research is based on the collected data from 55 respondents who were interrelated with the business activities. According to the views of Wang & Luan (2024), the processes interrelated with quantitative processes all the variables by calculating their values. The demographic data was represented after analysing their frequencies with the help of statistical tools.

The respondent's data was analysed using the quantitative analysis processes as this helps to find the differences among the factors that influence the study topic. On the other hand, descriptive research design also helps to collect data in an adequate way which enhances the data quality and further helps in data analysis processes. Based on the views of Kawasaki et al. (2023), systematic data can be easily evaluated and it increases the possibility of getting positive results from the study. Thus, the quantitative analysis process has been used to enhance the quality of the study and to obtain unbiased results.

There are several important methods which are interrelated with the quantitative analysis also have been used such as the deductive research approach, positivism philosophy, and descriptive design. The implicated strategies improve data collection processes and help to collect real data from the respondents and also assist in developing a deep knowledge of the topic. Based on the views of Drakopoulos (2024), positivist philosophy helps to connect the concept with real-life features and it increases the understanding capability. This analysis includes numerical calculation and statistical analysis processes such as descriptive, correlation and regression analysis of all the factors. Deductive approach helps to find the most important factors that influence the study topic after analyzing all generalized factors.
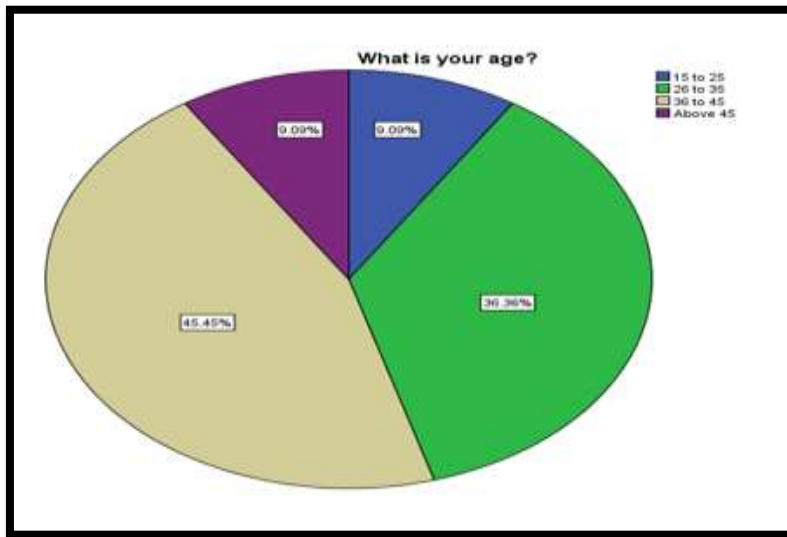
5. Finding and analysis

 Demographic Analysis

Age

Figure 2: Age Group of participants

(Source: IBM SPSS)

What is your age?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	15 to 25	5	9.1	9.1	9.1
	26 to 35	20	36.4	36.4	45.5
	36 to 45	25	45.5	45.5	90.9
	Above 45	5	9.1	9.1	100.0
	Total	55	100.0	100.0	

Table 1: Age of participants

(Source: IBM SPSS)

The age data of the respondents have been represented in the above-mentioned table for representing the number of participants belonging to different age groups. The highest number of respondents was from 36 to 45 years age groups and this determined that they were more interested in this survey in comparison to other age groups.
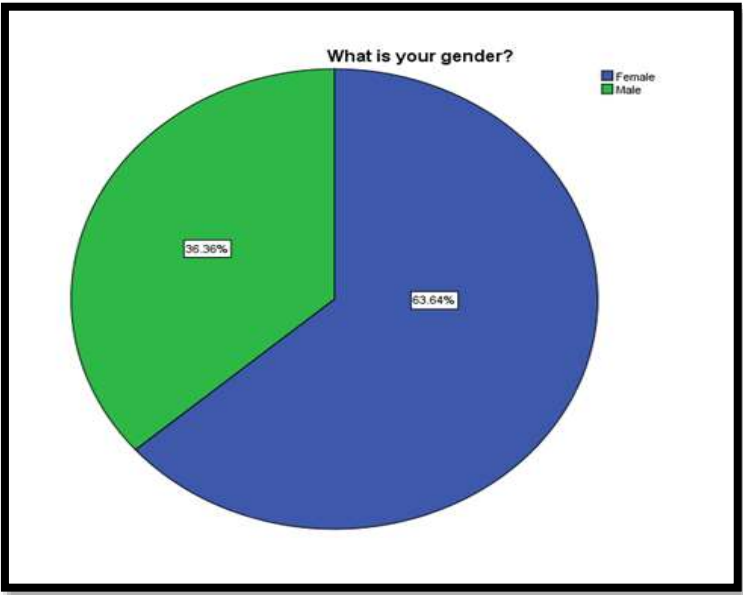
Gender

Figure 3: Gender of participants

(Source: IBM SPSS)

What is your gender?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	35	63.6	63.6	63.6
	Male	20	36.4	36.4	100.0
	Total	55	100.0	100.0	

Table 2: Gender of participants

(Source: IBM SPSS)

Gender analysis data is important to know the background of the participants who have participated in the survey. There were 63.6% male and 36.4% female candidates and this helps to understand that the male respondents were more interested in the survey.

Marital status

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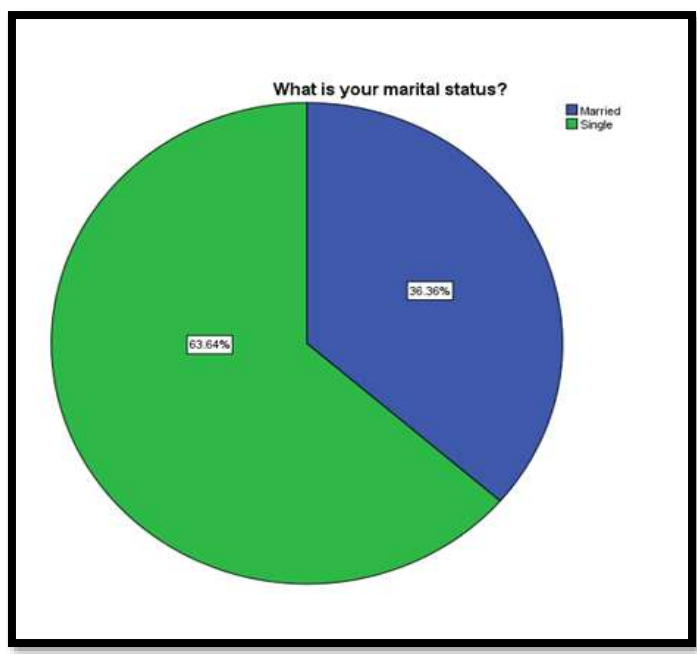
Figure 4: Marital status

(Source: IBM SPSS)

What is your marital status?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	20	36.4	36.4	36.4
	Single	35	63.6	63.6	100.0
	Total	55	100.0	100.0	

Table 3: Marital status

(Source: IBM SPSS)

The above table helps to recognize the marital status of the respondents which is important to analyse the detailed background of the respondents.

Statistical analysis

Descriptive Analysis

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
DV	55	12.00	3.00	15.00	11.6364	3.70867	13.754	-1.306	.322	.650	.634
IV1	55	8.00	2.00	10.00	8.5455	2.69992	7.290	-1.722	.322	1.293	.634
IV2	55	12.00	3.00	15.00	12.9091	4.07009	16.566	-1.762	.322	1.372	.634
IV3	55	8.00	2.00	10.00	8.5455	2.69992	7.290	-1.722	.322	1.293	.634
Valid N (listwise)	55										

Table 4: Descriptive analysis of the variables

(Source: IBM SPSS)

Descriptive analysis includes a detailed analysis of data quality that has been used in this study. This includes mean, mode and median data of the collected information which further helps to calculate deviation values. Standard deviation values help to understand the difference of values from the mean value and that depends on the range of data.

Hypothesis 1: Business budget management depends on the currency functions

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	.926	.858	.856	1.40962	.858	320.791	1	53	.000	2.347

a. Predictors: (Constant), IV1
b. Dependent Variable: DV

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig
1	Regression	637.415	1	637.415	320.791	.000
	Residual	105.312	53	1.987		
	Total	742.727	54			

a. Dependent Variable: DV
b. Predictors: (Constant), IV1

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig
1	(Constant)	.762	.636		1.198	.236
	IV1	1.273	.071	.926	17.911	.000

a. Dependent Variable: DV

Table 5: Linear regression analysis of hypothesis 1

(Source: IBM SPSS)

The above-mentioned table helps to analyse the relation between the variables. This table represents regression analysis which includes a detailed analysis of internal relations among the variables present in this. The significance value of this regression analysis of 0 which is an indicator of having a positive relation between the variables. Thus, it has been proved that business budget management is affected by currency fluctuating factors.

Hypothesis 2: Business budget management effected by change in interest rates

Table 6: Regression analysis for Hypothesis 2

(Source: IBM SPSS)

This regression analysis helps to understand the relationship between business budget management and changes in interest rates. The significance value of this analysis is 0 and this represents that the variables of this hypothesis are well connected.

Hypothesis 3: Business budget management affected by trade policies and tariffs

Table 7: Regression analysis for Hypothesis 3

(Source: IBM SPSS)

The significance value of this regression analysis is 0 and this represents that the variables are strongly interrelated with each other.

Pearson Correlation Test

Correlations		DV	IV1	IV2	IV3
DV	Pearson Correlation	1	.926**	.924**	.936**
	Sig. (2-tailed)		.000	.000	.000
	N	55	55	55	55
IV1	Pearson Correlation	.926**	1	.982**	.975**
	Sig. (2-tailed)	.000		.000	.000
	N	55	55	55	55
IV2	Pearson Correlation	.924**	.982**	1	.990**
	Sig. (2-tailed)	.000	.000		.000
	N	55	55	55	55
IV3	Pearson Correlation	.936**	.975**	.990**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	55	55	55	55

Table 8: Correlation test of the research

(Source: IBM SPSS)

Correlation analysis helps to identify the relation between all variables and this demarcates the relationship strengths among the variables by valuing it from 0 to 1. The correlation value increases with increasing the relationship strengths. There is a positive correlation value present in the above table and that demarcates that the relation between all variables is highly strong. This analysis also helps to represent all the important factors of the study and their internal relation.

6. Discussion

Global business policies are continuously changing and it creates a challenge to develop an organisational budget as the investors and budget calculators are not able to understand the upcoming business changes. According to the views, of Nachum et al. (2023), the trade policies of each country are different and it affects managing international trade as well this changing policy creates a complex business situation. The development of a business depends on the budget, planning, and management system in which the management of the required budget is the most important task. Based on the views of Igbinenikaro & Adewusi (2024), the budget depends on the business strategies and the business extension plan and the amount of budget varies from time to time. Business budgets are gradually increasing with the inflation rate and it creates a depression situation in the market. The opportunity for business development also gradually decreases with increasing business competition in the contemporary market situation. As per the views of Ratten (2023), the complex nature of the international market is the consequence of currency fluctuation, inadequate business plans and volatile interest rates. International business policies are controlled by WTO who control the laws and orders of international business and controls all kinds of unethical activities such as breaching of contracts.

Most business budget planning issues arise from two important factors which are the fluctuating value of currencies and differences in business laws. As per the views of Dorokhova et al. (2023), budget calculation has become a complicated task in this highly inflated market situation and it causes to hike in the budget. This reduces the opportunity of the organisations to expand the

business as the risk of businesses increases with increasing the investment amount. This has been analysed that, different trade policies are increasing the challenge of calculating the actual capital needed as an investment. According to the views of Namazi & Rezaei (2023), an effective budget plan is dependent on contemporary and future market trends. This means budget can be calculated by understanding the modern market trends and demand factors. The budget should be equivalent to the amount of business returns in the business and this becomes complex to understand market scenario.

7. Conclusion

This study has analysed that the most important factors that cease the potentiality of making effective business budgets are related to the volatile market situation, changing market trends, technological advancements, changes in business policies and uncertain currency values. The analysis of future trends is important for analysing the business development policies and expected budget for fruitfully developing the business. The opportunity for an effective budget plan is reduced with increasing uncertainty features of the market situation. This budget analysis risk can be managed by adding additional amounts to reduce the risks of the business. This helps to manage the risks that are arriving from currency value fluctuation and different taxation policies.

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