



ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
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FACTORS AFFECTING BUDGET EFFECTIVENESS IN YEKA SUB CITY
OFFICE OF FINANCE & ECONOMIC DEVELOPMENT

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A Thesis Submitted to the Department of Accounting & Finance, Addis Ababa University College of Business and Economics, in Partial Fulfillment of the Requirements for the Degree of Masters of Accounting and Finance

February, 2022
Addis Ababa, Ethiopia

STATEMENT OF DECLARATION

I, Ms. BEMNET AMANUALE TAYE, declare that the thesis entitled “examines FACTORS AFFECTING BUDGET EFFECTIVENESS IN YEKA SUB CITY OFFICE OF FINANCE & ECONOMIC DEVELOPMENT: the result of my hard work. I have conducted the thesis independently with the guidance and support of the research advisor TAKELE FUFA (PHD). The research has not been submitted to any other university for the award of a degree. It is submitted to the Department of Accounting & Finance, Addis Ababa University College of Business and Economics, in Partial Fulfillment of the Requirements for the Degree of Masters of Accounting and Finance

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STATEMENT OF CERTIFICATION

Certified that the dissertation entitled “examines the FACTORS AFFECTING BUDGET EFFECTIVENESS IN YEKA SUB CITY OFFICE OF FINANCE & ECONOMIC DEVELOPMENT: submitted by Ms. BEMNET AMANUALE TAYE, thesis is his work and has been done under my supervision. It is recommended that this dissertation be placed before the examiner for evaluation.

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Acknowledgment

My sincere thanks to my advisor TAKELE FUFA (PHD).for his valuable advice and constructive comments and the time he availed until the finalization of this paper.

My thanks were also extended to my friends for their support and encouragement.

All my family members do have their shares in this work; they were continuously praying, helping, and encouraging me throughout working the paper.

I am extremely grateful to the institutions, respondents, and officials who contributed significantly to the study by completing questionnaires.

Finally, I would like to thank the authors of the secondary source literature from which I derived the thesis content.

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Acronyms

BE	Budget effectiveness
BP	Budget planning
BR	Budget preparation
ME	Monitoring and evaluation

Abstract

The main purpose of this study was to investigate the factors that affect budget effectiveness in the Yeka sub-city finances and economic development office. The study use explanatory styles of research design with a quantitative research approach. From the total population of 58, censuses method was applied to determine sample of 58 respondents from management teams, the internal and external auditors, budget experts, finance officers, tax and planning experts of the selected public organization were the sources for the required data to the researcher through the structured questionnaires. The SPSS version 24.0 was used to analyze the data using descriptive statistics, including mean, standard deviation and multi variable regression used to analyze inferential output. For this study, four independent variables are identify including budgeting planning, budget preparation, budget implementation, and budget monitoring. The dependent variable is budget effectiveness should be measured under multi variable regression. According to the multi variable regression output, Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation have a significant effect (positive relationship) on Budget effectiveness. The study concluded that, Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation should be embraced since they demonstrated a significant positive relationship with the dependent variable. Furthermore the study recommend, since the effective implementation of budget is not simple matter, it is advisable to exist clear and open budget transparency, communication among managers, workers and departments for better performance and to achieve the goal of the office.

Key Words: Budget, SPSS, Multiple Linear regression, Budget effectiveness, Finance, Yeka

CHAPTER ONE

1. Introduction

1.1. Background of the study

Budget management is difficult process in any organization whatever they are public or private. Without budget management organizations cannot meet their targeted plan which is the central point for firm`s success. According to Campbell (1985), a budget is a quantitative analysis prior to a defined period of time, of a policy to be pursued for that period to attain a given objective. Its main purpose is to aid in the achievement of objectives and direct managerial effort (through planning, co-coordinating, measuring and rewarding) throughout the organization towards global purpose. Like Campbell (1985), other writers, such as Drake and Fabozzi (2010) have agreed that budgeting is mapping out the sources and uses of funds for future periods. Moreover, the budget is a contract between citizens and the state that outlines how resources are raised and allocated for the delivery of public services. If such a document is to command trust and serve as a basis for accountability, it must be clear, transparent, and credible (OECD, 2014). Budgets are categorized under the management control designed to promote the efficient use of resources and providing support for other critical functions. The extent to which any budget is successful is very much dependent on its acceptance and the attitudes of workers towards it (Raghuandan et al., 2012). A good budgeting practice includes a long term perspective, establishes linkages to organizational goals, focuses budget decision on results and outcomes and promotes effective communication with concerned bodies (Bhat et al., 2020).

Nearly every enterprise, regardless of size, complexity or sector, relies heavily on budgets and budgetary systems to achieve strategic goals. The success and importance of budgeting relates to the identification of organizational goals, allocation of responsibilities for achieving these goals, and consequently its execution (Robinson 2007). It is one of the most successful and useful management accounting techniques, and if properly understood and implemented, it can yield handsome rewards. Thus, budgeting is critical for any organization; it assists management in improving appropriate financial management and project implementation (Yesuf Ahmed 2015). To enhance the quality of budget practice, it is mandatory to make sure that the required finance

is obtained on time and the existing financial resources should be utilized properly in organizations.

Public sector budget management highly concentrated on to meet government agenda which mean to satisfy citizen`s main interest and country economic growth issue. Budget in the public organization is essential instrument to address good governance and welfare of the nation. There are several factors which affect budget management in public organizations, such as, the absence of a hard expenditure constraint at the start of the process, which forces early decisions, will invariably lead to one or more of a number of dysfunctional practices in budgeting (Shah, 2008). In order to sustain economic growth and reduce poverty, it is important to link physical planning, budgeting policy priorities. Failure to link policy, planning and budgeting is an important factor contributing to poor budgeting outcomes at the macro, strategic and operational levels in developing countries. In many countries, the systems are fragmented; this is because most often policy making, planning and budgeting take place independently of each other (Dejene and Semeneh, 2016).

A study shows that in public budget management, lack of predictability of financial resource, undermines strategic prioritization, unclear budgetary rule and not uniformly applied to everyone and transparency of fiscal and financial information are problems existed in the public sector (Lewis, 2007). Though, the budget process in Ethiopia is guided by a guideline (financial calendar) issued by the Ministry of Finance and Economic Development (MoFED) to all entities classified as public bodies. This directive includes a budget calendar to ensure that budgeting and planning are prepared, approved, allocated, and implemented in accordance with the development agendas that have been established (MoFED, 2010). However, Studies shows that lack of experience in program budget preparation and implementation is the major factors affected budget management in selected public Universities in Ethiopia (Dejene and Semeneh, 2016). This research tries to find out factors, such as, budget planning, budget preparation, budget implementation, and budget monitoring weather it have significant effect on budget effectiveness at Yeka sub city office of finance & economic development.

1.2. Statement of the problem

The main purpose of the study was to find out factors that affect budget effectiveness in Yeka sub-city at finance and economic development office. Budget is key element for proper utilization of public resources. In addition to this finances are used to aid longer-term planning, co-ordinate operations, control expenses, aid short-term planning, evaluate performance, inspire managers, motivate employees, and communicate plans to employees (Uyar and Bilgin, 2011). The activities of the organization as a whole depend on a well-prepared budget proposal and its efficient use and proper budget management and implementation plan which are one of the key guarantees of achieving the desired goals. Budget practice incorporates long-term vision, establishes links to organizational objectives, focuses on budget decisions on outcomes and outcomes, and promotes effective communication with relevant councils. Moreover, to help economic growth and reduce poverty, it is important to coordinate physical planning, prioritizing budget policy. On the other hand, failure to coordinate policy, planning and budgeting is a major factor contributing to the negative impact of the budget on major, strategic and operational levels in developing countries. In many countries, programs are fragmented. This is because policy-making, planning and budgeting often take place independently individually (World Bank, 1998). The presence of an effective budget practice in the office is linked to the internal audit management system, which enhance organizational effectiveness and efficiency, reduces information asymmetry during decision making, and guarantees the internal reliability of the financial reporting system (Geleta et al., 2020).

Public organization budget practice is influenced by both internal and external factors. According to Orina et al (2019) study made at county governments in Kenya find out budget officers skills, participation of staff and other stakeholders in the budget preparation affect budget allocation process. In the Ethiopian public sector, the time to start a budget or financial year runs from 1 July to 31 June. During this period, the budget cycle for the medium-term expenditure plan is followed in the preparation and implementation of the national budget. Expenditure is the actual budget and expenditure on planned activities. In a financial year, not all funds are spent according to plan. The above budget cycle will also be followed at each stage in matters that may affect the implementation of the revised budget (Amena, 2021). In the country public administration organizations are categorized under the public body which is nearly

entirely their budget financed by the government budget source and focused with providing basic government services to the society which is achieved over all fiscal discipline, allocation of resource to priority needs, and efficient and effective provision of public service (MOFED, 2004; cited by Geletaw and Mesfin, 2019). Study made by Dejene and Semeneh (2016) investigate that Decentralized budget administration system, absence of result oriented evaluation of budget performance and regular revision of plan in accordance with the available budget, lack of effective communication, lack of effective budget monitoring and evaluation, and absence of full involvement of the line managers in planning process were identified as the most important internal factors that affected budget utilization in public universities. There are also others factors that affecting budget utilization in Bahirdar city administration, such as, management support, organizational work culture, employee`s related factors, and monitoring and evaluation(Saheb et al., 2019). Moreover, Geleta et al (2020) study on factors affecting the budgetary practice effectiveness in public sectors organization at Assosa Town proved that the budgeting process, employee motivation, accounting reporting, monitoring activities and information and communication are very important for the budget practice effectiveness in the public organization.

Overall research on factors affecting budget effectiveness in yeka sub city office of finance & economic development is sparse; to the best of knowledge of the researcher, there is no empirical work available that specifically investigates , also the above researchers most studies focus on related in assessment of budget preparation, utilization, and determinants of budget control. Therefore, the gaps of the research factors are not hypothesized over and under budget utilization. So this study concentrate on the factors affecting budget effectiveness in case of Yeka sub-city on governmental organization, selectively focused on four factors this factors are budget planning, budget preparation, budget implementation, & budget monitoring.

1.3. Research questions

1.3.1. General research questions

How factors (budget planning, budget preparation, budget implementation, and budget monitoring) influence on budget effectiveness in the public organization?

1.3.2. Specific research questions

- How effective budget planning affect budget effectiveness in public organization at Yeka sub-city-city finance and economic Development office?
- What kinds of influence on budget effectiveness during budget preparation in the public sector at Yeka sub-city finance and economic Development office?
- How budget implementation process influence on budget effectiveness in public organization at Yeka sub-city finance and economic Development office?
- How budget monitoring processes in the public organizations affect budget effectiveness at Yeka sub-city finance and economic Development office?

1.4. Objective of the study

1.4.1. General objectives

The main purpose of this study was to identify factors affecting budget effectiveness on the dimensions of budget planning, budget preparation, budget implementation, and budget monitoring in Yeka sub-city administration

1.4.2. Specific objectives

- To identify the influence of budget planning process on budget effectiveness in public sector organization at Yeka sub-city finance and economic Development office
- To find out the effect of budget preparation on budget effectiveness in public sector organization at Yeka sub-city finance and economic Development office
- To investigate the influence of budget implementation process on budget effectiveness in public sector organization at Yeka sub-city finance and economic Development office
- To assess the influence of budget monitoring process on budget effectiveness in public sector organization at Yeka sub-city finance and economic Development office

1.5. Significance of the Study

The study has many benefits for the general public and for all sub-sectors and BOFED participating in the budget process. It can serve as an inclusion for various stakeholders such as government agencies, policies and decision makers to form and interpret findings from nearby organizations and add insight into existing structures of cohesion. It contributed to the body of knowledge in the academic field. The study also sensitized the citizens on their rights with regard

to the budget making process, effective budget utilization and budget and budget implementation. It provided reference information for purposes of implementing budgets effectively. The study will help city officials become more aware of budget management. In addition, it can create an awareness of the organization about effective budgeting and control system. To other researchers, the study provided useful basis upon which further studies on effective management of budgets would be conducted. The study made a contribution to the academic literature and therefore contributed to the body of knowledge in budgetary issues and the related fields.

1.6. Scope of the study

Determinants of budget management are very wide issue and difficult to cover within a given period of time. This research was focused on the factors of budget effectiveness (budget planning process, budget preparation process, budget implementation, and budget monitoring) in public organization. It focus particularly in the case of Addis Ababa city administration Yeka Sub-City Finance and Economic Development Office in three departments (Procurement & asset management, Plan & budget, M&E core process, and Finance Administration core process).

The location of Yeka sub city is found and bounded at the North & eastern direction Oromiya regional state, at western Kirkos, Arada and Gulele sub city, and at south Bole sub city. Based on ECSA 2021 G.C projection the total population of the sub city estimated at about 694,999. The population of district lives in 14 woredas of the sub city. This area of research location purposely selected to facilitate the data collection process and to manage the research under taken with the available time and resource. It help the researcher to stay focused and get quality data cop up with the available time and other resource limitation.

1.7. Limitation of the study

The primary limitation of the study was time and resource limitation. Some respondents were hesitant to tell the truth, they said “all budget documents and information’s are confidential”. Additionally the researcher experience and knowledge could affect the result of the study. There was lack of secondary data and previous studies on the area in Ethiopia. Access to important information from multiple sources and individuals were difficult because of bureaucratic nature of some sectors.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter will focus on effective budget management practice that deals with general theory and specific independent and dependent variables of the study, empirical review of budget effective management practice with strong argument via relating independent variables with outcome. Finally the chapter deals on conceptual framework of the study.

2.1. Theoretical Concepts

2.1.1. Theory of Budgeting

As Young & Shields(1993)states finances acts as a detector of variances among organizational targets and overall performance and critical component to the umbrella idea of an powerful budgetary overall performance and budgets venture destiny monetary overall performance which permits comparing the monetary viability of a designated strategy. In maximum groups this technique is formalized through making ready annual budgets and tracking overall performance towards budgets.

Budgets mirror the economic implication of commercial enterprise plans, figuring out the amount, quantity, and timing of sources needed(Young & Shields, 1993)They shape benchmarks through evaluating real consequences with budgeted plans and taking corrective movements if necessary. Budgets do have an effect on the conduct and selections of personnel through translating commercial enterprise targets and presenting a yardstick in opposition to which to evaluate overall performance. Kamau et al.(2017)even have taken into consideration such operational making plans because of the spine of management. A price range permits a purpose and a fashionable of overall performance to be mounted with the next evaluation of real consequences with the created fashionable. It calls for the ones concerned to be forward-searching as opposed to searching back (Pack, 2003). Budgets make desires explicit, code getting to know, facilitate control, and agreement with outside parties(Ranjan,2018). Fisher exemplified this through “linking repayment to overall performance measures in opposition to the price range”, thereby making desires explicit, speaking desires, and thereby coding getting to know and clarifying overall performance measures for man or woman personnel of an organization (Raghunandan et al., 2012).

2.1.2. Agency Theory

The Agency idea is the primary maximum essential idea of company governance each in non-public and public organizations(Jensen and Meckling, 1976). Superior to the paintings of Berle and Implies (1932) to provide you with the speculation Agency courting is stated to be a situation in which one party delegates another to carry out administrations on their sake and offers them the specialization to create picks. The essential preface of this speculation is that the ones humans entrusted with an illustration of others must sooner or later dedicate the company belongings to price maximization for the ones they communicate to the marketers are predicted to paintings tirelessness and look at due care in making company picks and assure the interface of the main is defended.

2.1.3. Stakeholder Theory

Richard E. Freeman is the only one who advanced the above theory in 1984. This is a concept that introduces business-primarily based totally methods to public region management and control. The concept defines a stakeholder as a person or institution of humans who has power or may be affected if the company meets or does now no longer meet its objectives. This version offers methods via which the decision-makers with inside the public region can examine their environments for present possibilities and threats. This way that proponents of the general public region and economic control reforms must examine the social-monetary and political environments to appearance out for possibilities or threats for the increase that allows you to recognize in which to prioritize them to be had sources all through the coverage and finances masking (R. Edward Freeman and Robert A. Phillips, 2019).

2.1.4. Accounting theory

The accounting principle is aimed closer to the provision of a coherent set of logical ideas that shape the overall body of reference for the assessment and improvement of sound accounting practices and coverage improvement(Roslender, 2004). According to (Baldvinsdottir et al., 2010)the reason for growing a principle of accounting is to set up Standard for judging the acceptability of accounting techniques.(Kamau et al., 2017)argues that the accounting techniques that fail to satisfy the same old need to be rejected. The accounting principle facilitates in explaining and guiding control movements in figuring out and finding statistics vital for use in

price range guidance. The cash size idea in accounting has contributed to an extra volume in presenting yardstick for quantifying, conversion, and translating diverse inputs in terms of materials, and machines required with inside the guidance of price range. The accounting principle has essential normative position with assessment of price range and manages techniques to be adopted. It has assisted in making predictions of the in all likelihood final results of price range motion in a given set of occasions and the impact of any extrude in occasions. Fauzan et al.(2019) argue that accounting principle perspectives a corporation as a separate entity wherein its sports are wonderful from its proprietors and this precept serves as an impetus to the overall philosophy of price range itself as a device for powerful control.

Budget as a device for standard-placing and overall performance size makes use of numerous accounting ideas to an extra volume. Accounting principle has advanced fashions wherein requirements may be set. Management accounting principle additionally affords numerous yardsticks for use for management. That is variance analysis. Since the price range is a device of the plan. It affords a framework of given comments to the control at the implementation of the price range. When enforcing the accounting principle historic information is instrumental considering that this information serves as enter for making forecasts. The fee accounting principle advanced through Wedgwood with inside the early twentieth century which stresses fee identification, allocation, and sales maximization has supplied fundamental perception and blueprint in price range and manages with inside the organization. The matching idea in accounting additionally performs a position as a reference problem in price range analysis(Flamholtz & Randle, 2012).

2.1.5. Theory of Control

Adequate manipulate could be very crucial to each business enterprise be it man or woman or government-owned all around the world. This is due to the fact if there's no ok manipulate of sources with inside the business enterprise, it'll be almost not possible to screen budgets. The theory of control specifies the obligations of government/ industries in providing social and basic amenities to the citizens. It indicates that government-owned industries are a basic principle of control on those scarce resources they are meant to manage(Kamau et al., 2017).

Young & Shields (1993) contend that government industries ought to provide both resources and employment to the citizens for meeting the laid down objectives. This implies that the

government, board members, and staff have a joint responsibility to ensure proper accounting practices and timely budgetary implementation and appropriations by building effective management controls and directions. As per this theory, state corporations are expected to live to their responsibility of establishing standards, adequate controlling mechanisms, and acceptable accounting practices. Government enterprises need not have unethical persons acting outside controls as an ineffective control system in every organization can negatively affect organizational profitability and sustainability as well as companies' resources and performance

2.1.6. Incrementalism: the old paradigm

“Budgeting is incremental, not comprehensive,” wrote Aaron Wildowski in 1964. “The beginning of knowledge about an agency budget is that it is not actively reviewed every year. Instead, it is based on the previous year’s budget. Agencies also often have open castings that you can attend to get selected. The average annual growth was seen as a confirmation of an increase of 5 to 10 percent (Khan and Hildreth, 2002). In times of sustainable economic expansion, the government may expand to absorb rising tax revenues, in other words, the “budget for growth”. However, according to the era and the environment, growth as a comprehensive theory of the budget has many problems. This confuses the process of mutual adjustment and bargaining with budget results. Incrementalism is built on a series of analytical alternatives that, as a theory, severely limit its application and are inappropriate to describe the types of changes in the budget (Ibid).

Incrementalism looks at budgets by an agency and not by work or by a broader combination. It has seen a change in more than a year than in overtime. No distinction was made between voluntary expenses and other mandatory categories. Total budget, revenue, deficit or surplus, and other budgetary measures other than the given accounts are ignored. Incrementalism was tautology because it has always been true in budget making that this year’s budget looks like last year’s budget. Above all, the increase was distributed as a paradigm because it became a mere figment of the imagination of what was really happening in the budget world. (Khan and Hildreth, 2002). A consensus gap has been reached about the appropriate role of incrementalism but it remains the main budgeting method enjoying the most, sometimes heated, debate. Many have pointed out incrementalism limitations as a "theory" of budgeting and have presented situational-specific substitutions to escape it (Neuby, 1997).

2.2. Factors Affecting Budget Effectiveness Management Practices

2.2.1. Budget planning

The goals and objectives of budget planning are to increase the potential for economic development by contributing to the achievement of national development goals, increasing investment activity, and forming a fair, competitive environment (Romenska et al., 2020). Budget planning is a component of budget management, which, along with other interrelated components, such as budget execution, budget accounting, budget reporting, and control over budget execution, is studied by (Romenska et al., 2020). The authors argue that a well-organized budget planning process involves mutually agreed relations and constructive cooperation of all participants at the state and local levels from budgetary institutions to line ministries and departments and plays an important role in determining priority areas of budget funds based on available budget resources.

2.2.2. Budget preparation

(Taye & Tanu, 2021) mentions that the system of getting ready and agreeing on a price range is a method of translating the general targets of the organization right into a detailed, possible plan of action. Public price range guidance is one of the tedious responsibilities that any of us need to appear upon. The guidance system for the once-a-year price range entails an outstanding deal of energy, time, and expense. Hence, it's miles vital that a rustic should be capable of observing as it should be all of the techniques of getting ready an annual price range. In budgeting, the point of interest isn't always the simplest to put together the price range however extra importantly to have an observe-up operation for budgeting and to behave consistently with regarded data. Heppke-Falk & Hfner (2005) states that budgets are monetary expressions of a rustic's plan for a length of time and the way the organization will spend cash and where the cash will come from to pay those expenses. Preparation is on the coronary heart of the political system: its miles the selection on the way to allocate the state's constrained assets to compete for demands.

2.2.3. Budget implementation

According to Omosidi et al.(2019),The implementation of the budget is as important as the budget plan itself. This is because if budget is not effectively implemented there is the tendency of misappropriation and/or mismanagement of funds allocated to institutions and they noted that budget implementation controls the financial behavior of administrators in a governmental system because it prevents waste or reckless spending of funds provided for various services. Budget implementation is a public expenditure policy and therefore the manner in which public expenditure is managed would impinge on the implementation of the budget (IMF Fund, 1995). Implementation or execution of the budget is an activity that took place throughout the financial year and was the cutting edge of the budget as it involved all branches of the government unlike the more technical and selective participation of officials in budget formulation(Elizabeth, 2010).

2.2.4. Budget monitoring

Monitoring is a continuing process that uses methodical collection of data to deliver the budget administration and its applicable stakeholders with clues on the extent of progress and achievement of aims and progress in the use of allocated coffers. It identifies the strength and demerits in arrangements accomplishment, enabling decision makers to deal with problems, find answers and acclimate to changing circumstances in order to ameliorate budget performance (Bhat, 2020). Either, circumstances for which the internal control system was originally designed also may change. Because of changing conditions, administration needs to determine whether the internal control system continues to be applicable and capable to address new dangers(Gomero & Arabia, 2020). Budget monitoring is an important aspect of dollars-and-cents answerability in the academe, and ensures that control is more effective(Bruin, 2014). Monitoring conditioning is one of the constituents of internal control which is systems of courses and procedures that bulwark the capital of an association beget calculable dollars-and-cents reporting, promote compliance with laws and regulations and achieve effective and effective operations (Olurankinse, 2012).

2.3. Budget effectiveness management practice

Effectiveness refers to success in achieving end results or success in achieving objectives (Ullah& Bagh, 2019). This study relates the input/output to the very last goals to be achieved: i.e. the final results that are frequently connected to welfare or boom goals and consequently can be encouraged with the aid of using more than one element along with outputs and different environmental elements. Effectiveness is greater tough to evaluate than performance for the reason that final results are encouraged with the aid of using political choices. The difference between output and final results is frequently blurred; hence, they're frequently utilized in an interchangeable manner, even though the significance of the difference among each idea is recognized. In a stricter sense, effectiveness indicates the fulfillment of the assets utilized in reaching the goals set. With appreciate to federal budgeting, it way the volume to which budgetary allocation is in congruence with countrywide cum citizen's priorities and the volume to which the one's priorities are achieved. According to (Mathenge et al., 2017), the final purpose of budgeting is to enhance the lives of humans. To that volume, if a price range does now no longer result in development with inside the lives of the humans it does now no longer qualify as being effective. For budget to be effective budgeting cycle which includes planning, preparation, implementation and monitoring should be applied(Gomero& Arabia, 2020). As (Ullah & Bagh, 2019)states by being effective, an organization should be able to provide outputs that customers and the publics in the external environment will desire value and accept and afford. Effectiveness includes being able to meet budgeted targets.

2.4. Empirical Concepts

2.4.1. Budget Planning and budget effectiveness

The hypothesis tested by Samuel (2016)states that subordinates participate in budget planning, and that such participation leads to goal clarity and budget goal acceptance. Developing capacity in budget management is a time consuming process, but a forward step is to articulate an improvement strategy, and seek sufficient support to implement it and this also should be reviewed and rolled forward annually in consultation with stakeholders(Foster, 2000).Focusing on budget performance is an integral attribute of a modern budget planning system and the formation of a full-f ledged budget planning system requires significant time(Romenska et al., 2020).There is inadequate and inexperienced manpower that has been worsening results of plan

and budget preparations disparities; there is also lack of awareness of budget users about the role of plan and budget to the government organizations(Taye& Tanu, 2021). In this study how budget planning without participation of stockholders, especially governmental organizations under the sub-city was analyze.

2.4.2. Budget Preparation and budget effectiveness

According to (Baran,2019) Notifying preliminary spending limits early with inside the price range instruction calendar and growing the duties of line ministries in price range instruction are typically needed, despite the fact that the implementation technique desires to be tailor-made to the country's institutional context and Close coordination with inside the instruction of the unique additives of the price range (revenue, present day and capital prices, prices from funds, etc.) is required, regardless of the administrative preparations and in international locations in which duties for the capital price range are separated from duties for the present day price range, joint evaluations of the 2 additives of the price range are required at every degree of price range instruction and at every administrative level.

2.4.3. Budget Implementation and budget effectiveness

It is legally obliged to ensure the spending measures and revenues authorized by it are well implemented and has a budget policy development plan to enhance budget implementation and ensures the budget policy document is implemented properly and efficiently(EbrahimAli, 2020).Kimani(2014 as cited by Bhat, 2020) argues that to facilitate effective implementation of budgetary practice, the management should define proper budgetary control processes; this is achieved through effective participation during planning, monitoring, evaluation and control. The challenges confronting capital budget implementation include weak conceptualization of projects, late release of funds, lack of implementation plans, lack of technical capacity among departments, lack of a commitment to budget implementation, inadequate monitoring of budget performance, and delays in budget enactment(Ogujiuba, 2014).To have sound budgeting implementation in the governmental organizations under review, it is necessary to provide technical assistants to units and departments concerned on how to prepare a workable fiscal budget for effective implementation and this can be achieved by adapting the budget manual of the federal/state government on how to implement her plan on education for each year(Omosidi

et al., 2019). The researcher focuses on how poor budget implementation policy and late release of budget and untrained man power affects the effectiveness of budget management.

2.4.4. Budget monitoring and budget effectiveness

Budget monitoring ensures that resources are used for their planned purposes and are properly accounted for and ensures not only that economic resources are deployed effectively and efficiently, but also that the potential obstacles and opportunities are identified for timely mid-course corrections. This implies that administrative structures for managing the budget cycle are securely in place, that they are well resourced and adequately staffed, and that the responsible personnel are well trained, aware of their roles and responsibilities, and competent to undertake their assignments(Deshpande, 2016). systems related to accounting and reporting for monitoring must be applied in organizations, these systems are: Handling funds received and expended by the organization; Preparing appropriate and timely financial reporting to board members and officers; Conducting the annual audit of the organizations financial statements; Evaluating staff and programs; Maintaining inventory records of real and personal property(Bhat, 2020). In this research how monthly monitoring activity affect the budget effectiveness management practice will analyze.

2.5. Historical background of budget management in Ethiopia

The Ethiopian starts the budget process early in the states of Hailesilase. However, initially, it was not organized in such a way as to allow for a successful investment management, but over time further changes to the budget process were made before it reaches its present state. The budget plan varied in different ways based on each administrative structure the government followed. In the middle plan, resource allocation and financial management a great burden of great government. According to BOFED (2010) budget manual stated, the first step in budget preparation is each public sector should seriously analyze and prepare their annual work plan based on government priorities and their mandate before budget request. The budget will be built with resources distributed by central government. The whole spending system was also under close proximity the direction of the executive in the central government. On the other hand, in a pending government structure, the financial burden management is developed in an independent and private government unit such as service offices, regional and local governments. Ethiopia's

budget plans are reaching the current level, after a number of changes. This amendment is authorized by the country's constitution. Federal Democratic the Constitution of the Republic of Ethiopia (FDRE) briefly outlines the budget plan and structure under article 65 and proclamation No.1 / 1995, 57/1996 and 17/1997.

One of the main goals of developing countries is accelerating social speed as well economic development, but a general effort to achieve this development objective remains unclear and hard work, this is partly due to a lack of funding resources, resource allocation problems and inefficiencies use of resources in the public sector. In Ethiopia, however, budget adjustments and costs Planning projects have tried to deal with it weakness of the budget system and try to reconcile the conflict between the ideas of the annual budget and medium-term horizons, a successful modern budget and the system remains an ongoing national problem (Getachew, 2005). Descriptive and qualitative analyses show that there were no systems in place to facilitate the allocation of resources in the public sector based on a yearly updated policy framework and development priorities. Budget is primarily an input-oriented system as opposed to a performance-oriented system. There is no unit cost and no activity standardization to estimate operational and project costs (Abid 1). In the 1950s and 1960s, Ethiopia was the first African country to develop and implement national development plans (Dejene, 1996).

As mentioned in the theoretical and empirical literature, various researchers have identified the government's budget process in the public sector in different countries. In Ethiopia various studies focused on budget adjustment and budget allocation and to some extent it was mentioned as there are different issues in Ethiopia on the national budget system. However, those studies are limited to showing how government agencies view the budget process from planning to management to the public sector at local level; to examine the linkages between the organizational plan and budget adjustment and their budget implementation plan and to identify key issues encountered in the local budget process. This is because; the general public budget is very critical and challenging especially in a developing country like Ethiopia where there is a constitutional power and resource sharing between different spheres of government. For example, the Ethiopian constitution, adopted in 1994, established defeated provincial states recognizing that states must formulate and implement their own economic and social development policies and procedures, and regulate their design costs and various tax obligations

(i.e., the right to adjust, authorize and implement their own budget). Therefore, the purpose of this paper is to review the budget process of public entities with a particular focus on budget preparation, authorization, auditing and inspecting.

Preparing for management the section begins with a decision by the Department of Finance estimates. These institutions do guidelines for government agencies to prepare their budget applications. Application for ratings informs key areas of government, important issues that date of delivery and support material texts. Government agencies or agencies conduct a comprehensive study of their budgets in accordance with the roof, policy guidelines and priorities. Where community organizations or agencies have adjust their ratings, they will deliver to the appropriate institutions. These institutions are reviewing, compile, recommend and if necessary, amend the official national budget and present it to committees. After review and approval by cabinet, it will be referred to parliament for final approval. parliamentary approval of the national budget is based on government policies, rules, important, and the ability to generate resources in spite of all economic development the obvious way. After the approved budget the stage of organizing the organization should be to control allocating a planned budget for real survival and ultimately responsible bodies from the organization evaluates and evaluates the budget for the item in particular

2.6. Ethiopian Budgetary Process

Ethiopia has a dual budgeting system in which recurrent and capital expenditure are considered separately. Until recently these two budgets were prepared separately by the Ministry of Finance and the Ministry of Economic Development and Cooperation, respectively. In October 2001 these two ministries were merged to form the Ministry of Finance and Economic Development. The new Ministry determines budget ceilings for federal ministries and agencies and for the regions (Omitoogun and Hutchful, 2006). MoFED is the major clearing house for the preparation of the federal budget in Ethiopia, although this is done in consultation with the various ministries that are the beneficiaries of the budget. The responsibilities of the Minister of Finance and Economic Development, as stipulated in the Council of Ministers Financial Regulations No 17/1997, consist of formulating and issuing directives that detail government financial policies in all areas of government finances; developing and maintaining appropriate standards of work and conduct for application throughout all public bodies; internal auditing functions; and pre-paring

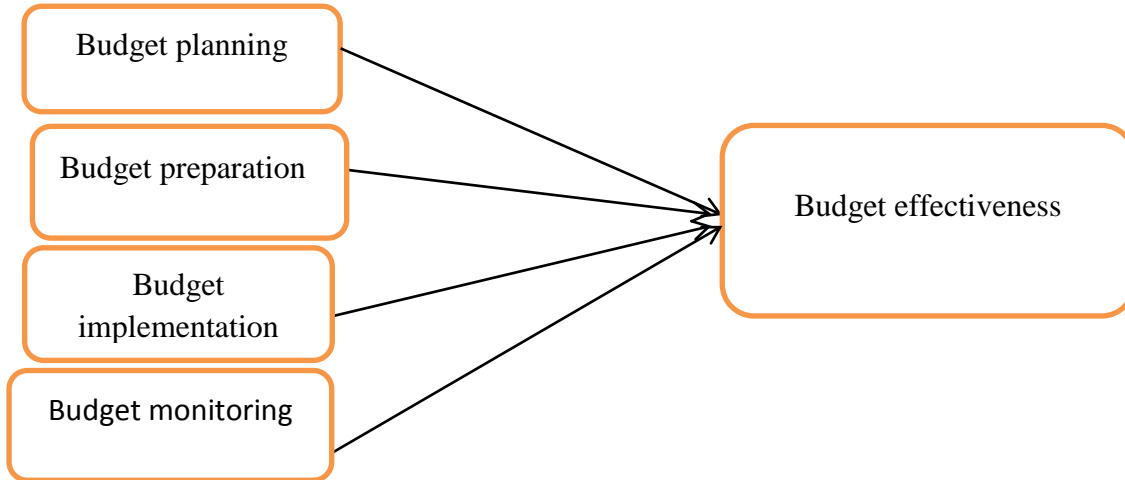
a financial plan for the country. Each public body needs to take the initiative to commence budget preparations before they receive the budget call letter from Ministry of finance and economic development (MoFED) with their budget ceilings, such as development of unit costs (where appropriate), a midyear program review, and the preparation of work plans.

The budget process is guided by a directive (known as Financial Calendar) issued by the Ministry of Finance and Economic Development (MOFED) to all entities listed as public bodies. This directive has a schedule to ensure that planning and budgeting are prepared, approved, appropriated and executed accordingly. Budget preparation is guided by a document known as Macro-Economic and Fiscal Framework (MEFF) prepared by MOFED. The MEFF provides, among others, forecast of government revenue and expenditure, expenditure financing, the split of aggregate expenditures between federal and regional, and the split of federal expenditures between recurrent and capital for the next three years. Based on this 3 year MEFF, MOFED prepares annual fiscal plan by January 24, which includes identification of the amount of resources (foreign and domestic) known as the resource envelop, the amount of money needed known as the expenditure requirement, setting the block grant amount for regional governments and administrative councils from all sources (domestic and foreign), and split the federal share between capital and recurrent budget. Following this MOFED prepares the totals of the annual subsidy budgets and notifies the regional governments and administrative councils by February 8 at the latest. This is the starting point of the budget preparation. Ethiopia's budget process has conducted following four stages at all level of jurisdiction (Federal, Regional, and Woreda government. These are: 1) budget preparation, 2) budget approval, 3) budget implementation, and 4) budget control (MoFED Report 2012). Accordingly the budget preparation stage has also four phases. Firstly, all public bodies are required to perform all budget preparation activities including mid-year program review for the current fiscal year, preparation of unit costs and work plan for the upcoming fiscal year. This phase facilitates the second phase, the submission of budget request on time. The second phase of budget preparation includes a budget call letter issued by MOFED/BOFED to all public bodies. The budget call letter includes recurrent and capital expenditure budget ceilings, priority or focal areas to be considered in preparing the budget, submission date of the budget request by public bodies to the respective finance and economic development institutions at all jurisdictions. Public bodies are required to respond to the budget call by preparing their budget according to the guidelines with their action plan. If a

public body fails to submit its budget request with the time specified in the budget call letter, MOFED/BOFED shall recommend a public body's budget based on the information available before. The third phase is conducting a budget hearing of the public bodies with MOFED/BOFED. Based on this discussion and government policies and priorities, total expenditure ceiling, allocated ceilings for each public body; the requested budget will be reviewed, adjusted and consolidated for each entities separately. The fourth phase is summarization of the recommended budget by MOFED/BOFED/woreda to be presented to the executive body, Council of Ministers, Regional Council, and Woreda Council. The executive body at all level can review and recommend the budget. The second stage of the budget process/cycle is budget approval and appropriation. After the recommended budget is reviewed and adjusted by the respective executive body at all levels, it is then presented to legislative bodies of the federal house of people's representatives, regional house of people's representatives, and woreda house of people's representatives for approval of the budget and annual appropriation of the approved budget at all levels. These, legislative bodies review, amend, and approve the budget. The third stage is budget execution. Once the budget is approved and appropriated by the legislative bodies of the respective levels, MOFED/BOFED prepares the budget allocation guideline and the notification to public bodies indicating the source of finance and line item of expenditures for the disbursement of the approved budget. Then after, the public bodies use the budget to carry out their activities for the year. The last stage of Ethiopian budget cycle is budget control. At this stage the performance review will be conducted on each quarter by MOFED/BOFED and also by all public bodies too. It helps all the offices to understand their weakness in advance and to ensuring whether the revenue utilization is according to rules and regulations, the disbursement is made according to budget, public property is kept safe, and also the recording and accounting procedures are up to the required standard. The office of the general auditor is in charge of auditing public bodies and presents its findings before the House of Peoples Representative (Fetiya and Meskerem, 2019).

2.7. Conceptual framework

The framework below that how effective budget management is dependent on independent variables like: budget planning, budget preparation, budget implementation and budget monitoring. The frame work can be conceptualized as the following:



Source: Own conceptual framework based on the literature for the study (2022)

CHAPTER THREE

3. RESEARCH METHODOLOGY

Introduction

This section is concerned with the conceptual structure within which the research conducted. This includes the research design and approach, target population, sampling technique, sample size determination, method of data collection, data analysis method, and ethical consideration.

3.1. Research design

According to Kumar, (2011) research design is a study plan structure and approach to solve research problems. The study describes and critically assesses factors that determine budget effectiveness in Yeka sub city Finance & Economic Development Office. This study used an explanatory research design with regression method. Addition to this the regression method is used to know cause and effect relation between variables. To know the relationship between the determinants factors and budget effectiveness the study use person correlation. These regressions, correlation and explanatory methods of studies are important for explaining the relationship of phenomena (Kumar, 2011).

3.2. Research approach

According to Creswell (2014) research approach is a plan and procedure of a research that follow sequential step from general assumption to detailed methods of data collection, analysis, and interpretation. He also mentioned that quantitative research is an approach for testing objectives theories by examining the relationship among variables. The variables can be measured and analyzed using statistical procedure. So this research is non-experimental quantitative research (causal-comparative research) in which compares two and more independent variables, such as, budget planning, budget preparation, budget implementation, and budget monitoring. Due to this study involves the collection and analysis of quantitative data, its quantitative technique was used to answer the research questions. In this study, a quantitative approach was used to test the factors-budget effectiveness relationship using cross-sectional data from administration finance officers and managers.

3.3. Total Population of the study

Total population in the scope of this organization which is Yeka sub city finance and economic office is currently totally 58 workers and managers. A total of 58 workers used as research population in this study.

3.4. Sampling Technique and Procedure

Sampling technique is a very important tool to obtain the sample from the population. Accordingly, the researcher used non-probability sampling techniques to draw a representative sample. According to Kotari (2004) mentioned that “A complete enumeration of all items in the `population` is called census inquiry”. However, in this study the size of population is small; due to this the researcher used all the population as a sample size. All the official's and experts engaged on the budget management activities was the part of this research findings.

3.5. Research method

3.5.1. Source data

Based on the objective of the study, both primary and secondary data were collected. Primary data was collected directly from respondents such as, planning and program experts, finance and procurement department, department heads and internal audit experts. Secondary data were collected from Finance and Economic development office of the sub-city, audited annual reports, proclamations, and regulations.

3.5.2. Method of data collection

This study used both primary and secondary data sources. The primary data was collect by using structured close ended self-administered questionnaire which is designed to collect quantitative data and secondary data was gather from yearly financial report of the sub-city. To avoid conception gaps, the questionnaire was first converted into domestic language of Ethiopia (Amharic) by translators, who are fluent in both languages. Before the questionnaire was distributed it was tested from Yeka sub city administration Finance and Economic development office. The structure questionnaire is a mixed that includes measuring the dependent variable (budget effectiveness) and use different structured questionnaires for independent variables, such as budget planning, budget preparation, budget implementation, and budget monitoring.

3.5.3. Method of data analysis

To achieve its objective, the study used descriptive statistics and econometric modeling. The descriptive analysis was performed using mean, standard deviation, percentage and frequency distributions. Additionally the descriptive statistics mean was used to describe the variables influence on budget effectiveness in Yeka sub-city administration Finance and Economic development office. To show the variance between the variables the study calculated standard deviation of variables. The data analysis, interpretation and discussion were depending on the dependent and explanatory variables. The study was used multivariable regression analysis method to assess the cause and effect relationship between variables. Person correlation method was used to know the relationship between independent variables and dependent variable. To change the collected data in to useful information the analysis was helped by statistical package for social science (SPSS version 24).

3.6. Ethical Considerations

Efforts was made to make the research process professional and ethical. To this end, the researcher was tried to clearly inform the respondents about the purpose of the study that is purely for academic. In addition to this, they were informed that their participation in the study is based on their consents. The researcher also does not personalize any of the response of the respondents during data presentations, analysis, and interpretation. Furthermore, all the materials that used for this research was fully acknowledge. In addition to this, the researcher told for the respondents the existence of anonymity and confidentiality.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.1 Introduction

As indicated in the preceding chapters, this research study attempted to examine the factors affecting budget effectiveness in yeka sub city office of finance and economic development. A total of 58 questionnaires were distributed to 58 workers and managers and 95% useable questionnaires were obtained valid and used for further analysis. The data collected were presented, analyzed and interpreted using SPSS software version 24. Given that all of the independent and dependent variables of the study consist of Likert scale data, and given that the aim of investigation was to test the effect of the independent variables (Budget planning, Budget preparation, Budget implementation, Budget monitoring and evaluation) on the dependent variable (Budget effectiveness), the most appropriate statistical test for testing the hypothesis of the study was found to be measures of central tendency (mean & standard deviation), ANOVA, and multiple linear regression analysis.

4.2 Demographic Background of Respondents

Descriptive statistics using frequencies was used to analyze the demographic characteristics of the respondents and hence the result of the analysis is described in detail here under.

Table 4.1 Gender of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid female	33	60.0	60.0	60.0
male	22	40.0	40.0	100.0
Total	55	100.0	100.0	

Source: - own survey 2021

Table 4.1 present the demographic information of the respondents. As can be seen from the above table, female respondents took the biggest share of the sample population, which is 60% of the sample. Indicating that majority of the workers and managers are males.

Table 4.2 Educational background of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid primary level	2	3.6	3.6	3.6
TVT certificate	11	20.0	20.0	23.6
college diploma	13	23.6	23.6	47.3
university degree	27	49.1	49.1	96.4
university MA	2	3.6	3.6	100.0
Total	55	100.0	100.0	

Source: - own survey 2021

The educational status of the majority of the respondents are degree graduated which is 49.1 %, followed by diploma graduated 23.6 % and others respondents covered only 27.3%. This indicates that most of the managers and workers are educated.

Table 4.3 Age of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 18-29 years	16	29.1	29.1	29.1
30-39 years	23	41.8	41.8	70.9
40-55 years	13	23.6	23.6	94.5
> 55 years	3	5.5	5.5	100.0
Total	55	100.0	100.0	

Source: - own survey 2021

With regard to age it can be noticed that the highest percentage share belongs to the participants between 30-39 years (41.8%), 18-29 years (29.1%), and 40-55 years (23.6%) while only 3 respondents (5.5%) were found years above 55 years of the respondents, which means the office composed with highly energetic and productive age groups employees.

Table 4.4 Work experience of Respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid < 1 years	4	7.3	7.3	7.3
1-5 years	29	52.7	52.7	60.0
6-10 years	15	27.3	27.3	87.3
> 10 years	7	12.7	12.7	100.0
Total	55	100.0	100.0	

Source: - own survey 2021

According to the above table, 52.7 % of the respondents are found to be having a work experience of 1-5 years, followed by those having a work experience of 6-10 years (27.3%) and those having a work experience of above 10 years (12.7%) and 7.3% it means only one respondent is below 1 years. This implies that majority of the workers and managers working experience is below between 1-5 years.

Table 4.5 Respondents service in finance

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid < 1 years	13	23.6	23.6	23.6
1-5 years	29	52.7	52.7	76.4
6-10 years	11	20.0	20.0	96.4
> 10 years	2	3.6	3.6	100.0
Total	55	100.0	100.0	

Source: - own survey 2021

Majority of the employees have relatively shorter existence in the finance office. And to be specific, 52.7% of the respondents have been working with the finance office for at least 1 up to 5 years, whereas 23.6% of the respondents have an experience 1 years or less. Moreover, the other 20% of the respondents have an experience which spans from 6 up to 10 years and the remaining 3.6% have longer experience (which is 10 years and above) in the company. This signified that majority of the respondents service in finance were junior employee.

4.3 Descriptive Analysis

Descriptive statistics was employed to examine the percentage, mean & standard deviation of the responses of respondents with regards to the factors affecting budget effectiveness (Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation) on Budget effectiveness. Mean value provides the idea about the central tendency of the values of a variable. Standard deviation is to give the idea about the dispersion of the values of a variable from its mean value.

4.3.1 Descriptive analysis of budget effectiveness

Table: 4.6 descriptive statistics of budget effectiveness

budget effectiveness factors	Mean	S. dev	Strongly disagree		Disagree		Not sure		Agree	
			frequency	%	frequency	%	frequency	%	frequency	%
Budget effectiveness item 1	2.33	.883	10	18.2	22	40	18	32.7	5	9.1
Budget effectiveness item 2	2.47	.900	11	20	27	49.1	15	27.3	2	3.6
Budget effectiveness item 3	2.15	.780	8	14.5	19	34.5	23	41.8	5	9.1

Source: - own survey 2021

The study sought to investigate the perception of workers and managers on budget effectiveness. In this variable the three questions rose for the respondents in Likert scale and based on the response the following point presented.

According to the data for no budget request without a plan 40% of the respondents disagree, 32.7% were not sure and 18.2% of the respondents strongly disagree and 9.1% of the respondents strongly agree, this indicates there is budget request without plan and majority of finance office workers and managers agreed on the problem. A practice of regular follow up on budget utilization disagreed by 49.1% of the respondents, 27.3% are not sure, 20% strongly disagree and 3.6% of the respondents agreed, this indicates there is not practice of regular follow up on budget utilization and majority of finance office workers and managers agreed on the problem. Furthermore underutilization of budget in office disagreed by 34.5%, 41.8% not sure,

14.5% strongly disagree and 9.1% of the respondents agree. This indicates there is no existing underutilization of budget in office. Therefore above data perception of workers and managers on budget effectiveness implies there is a lack of budget transparency on budget effectiveness.

4.3.2 Descriptive analysis of budget planning

Table: 4.7 descriptive statistics of budget planning

budget planning factors	Mean	S. dev	Strongly disagree		Disagree		Not sure		Agree	
			frequer cy	%	frequer cy	%	frequer cy	%	frequer cy	%
Budget planning item 1	2.27	.849	8	14.5	29	52.7	14	25.5	3	5.5
Budget planning item 2	2.24	.793	10	18.2	24	43.6	19	34.5	2	3.6
Budget planning item 3	2.22	.832	9	16.4	29	52.7	14	25.5	2	3.6
Budget planning item 4	2.16	.938	12	21.8	28	50.9	11	20.0	2	3.6
Budget planning item 5	2.25	.751	7	12.7	30	54.5	15	27.3	3	5.5
Budget planning item 6	2.29	.712	6	10.9	29	52.7	18	32.7	2	3.6

Source: - own survey 2021

According to the table presented above In order to examine budget planning factors six questions raised on the questionnaire in Likert scale (strongly agree, agree, no sure, disagree and strongly disagree) for finance office workers and managers. The respondents were given that answer for each questions within related to their office. On the first question 52.7% of the respondents disagree on the adequate understanding to prepare budget, 25.5% not sure, 14.5% strongly disagree and 5.5 % of the respondents agree. This indicates majority of the respondent disagreed on the adequacy of knowledge and skill for prepare budget. On the second question majority of the respondents (43.6%) disagreed on budget is always prepared for each program, 34.5% not sure, 18.2% strongly disagree, 1% disagree and 3.6% agree. This figure shows majority of the office workers and managers agreed on the budget is not always prepared in each department. Furthermore 52.7% of the respondents disagreed on the budget is linked to program and organization activities, 25.5% not sure, 16.4% strongly disagree and 3.6% agree. This indicates majority of the respondents agreed on the gap between budget and program and organization activities linked. 50.9% of the respondents disagreed on the budget is always prepared based on reliable data, 21.8%strongly disagree, 20% not sure and 3.6% agree. This indicates majority of the respondents agreed on the budget is not preparing based on reliable data.

Furthermore 54.5% of the respondents disagreed on the budget amount is properly estimated for each program, 27.3% not sure, 12.7% strongly disagree and 5.5% agree. This indicates majority of the respondents agreed on the organization budget amount is not estimated properly each program. Finally for the budget demand prepared by organization is based on approved plan disagreed by majority of the respondents (52.7%), 32.7% not sure, 10.9% strongly disagree and 3.6% agree. This indicates majority of the respondents agreed on the budget is not preparing based on approved plan. The implication of data given in table 4.7 shows that there lack of transparency, lack of skills of the body who prepare the budget, there is a gap between budget and program and organization activities linked which implies there are factors which affect budget effectiveness.

4.3.3 Descriptive analysis of budget preparation

Table: 4.8 descriptive statistics of budget preparation

budget preparation factors	Mean	S. dev	Strongly disagree		Disagree		Not sure		Agree	
			frequency	%	frequency	%	frequency	%	frequency	%
Budget preparation item 1	2.16	.834	12	21.8	25	45.5	15	27.3	3	5.5
Budget preparation item 2	4.45	.939	7	12.7	7	12.7	15	27.3	25	45.5
Budget preparation item 3	2.18	.796	10	18.2	28	50.9	14	25.5	3	5.5
Budget preparation item 4	2.09	.752	11	20	30	54.5	12	21.8	2	3.6
Budget preparation item 5	2.02	.733	13	23.6	29	52.7	12	21.8	1	1.8

Source: - own survey 2021

In order to examine budget preparation factors five questions raised on the questionnaire in Likert scale (strongly agree, agree, no sure, disagree and strongly disagree) for finance office workers and managers. The respondents were given that answer for each questions within related to their office. On the first question 45.5% of the respondents disagree on the budget demand always prepared in department is based on approved plan, 27.3% not sure, 21.8% strongly disagree and 5.5 % of the respondents agree. This indicates majority of the respondent disagreed on the budget demand always prepared in department is based on approved plan. On the second

question majority of the respondents (45.5%) agreed on usually problem of matching plan with budget, 27.3% not sure, 12.7% disagree, and 12.7% strongly disagree. This figure shows majority of the office workers and managers agreed on usually problem of matching plan with budget in department. Furthermore 50.9% of the respondents disagreed on all staff participates in budget preparation and discussion, 25.5% not sure, 18.2% strongly disagree and 5.5% agree. This indicates majority of the respondents agreed on there is not all staff participates in budget preparation and discussion. 54.5% of the respondents disagreed on the budget allocation are adequate, 20% strongly disagree, 21.8% not sure and 3.6% agree. This indicates majority of the respondents agreed on the budget allocation are not adequate.

Furthermore 52.7% of the respondents disagreed on the well appropriate budget in office, 21.8% not sure, 23.6% strongly disagree and 1.8% agrees. This indicates majority of the respondents agreed on there has not well appropriate budget in office. The implication of data given in table 4.8 shows that there is gap of the budget demand preparation in department based on approved plan, problem of matching plan with budget, below average participation in budget preparation and discussion which implies there are factors which affect budget effectiveness.

4.3.4 Descriptive analysis of budget implementation

Table: 4.9 descriptive statistics of budget implementation

budget implementation factors	Mean	S. dev	Strongly disagree		Disagree		Not sure		Agree	
			frequency	%	frequency	%	frequency	%	frequency	%
Budget implementation item 1	2.22	.786	9	16.4	28	50.9	15	27.3	3	5.5
Budget implementation item 2	2.16	.714	8	14.5	32	58.2	13	23.6	2	3.6
Budget implementation item 3	2.09	.800	13	23.6	26	27.3	14	25.5	3	5.5
Budget implementation item 4	2.07	.716	11	20	30	54.5	12	23.6	1	1.8
Budget implementation item 5	2.24	.922	11	20	26	47.3	13	23.6	4	7.3
Budget implementation item 6	4.45	.978	5	9.1	8	14.5	17	30.9	23	41.8
Budget implementation item 7	2.31	.690	5	9.1	30	54.5	18	32.7	2	3.6
Budget implementation item 8	2.33	.747	7	12.7	25	45.5	21	38.2	2	3.6
Budget implementation item 9	2.27	.651	5	9.1	31	56.4	18	32.7	1	1.8

Source: - own survey 2021

The study sought to investigate the influence of budget implementation factors on budget effectiveness, in order to identify the relationship between two variables questioner segregate to workers and managers. In this factor the nine questions rose for the respondents in Likert scale and based on the response the following point presented.

According to the data for well effective procurement system 50.9% of the respondent disagree, 23.6% were not sure, 20% strongly disagree and 5.5% of the respondents agree, this indicates there is not well effective procurement system. Majority of the respondents (58.2%) disagree, 23.6% are not sure, 14.5% strongly disagree and 3.6% of the respondents agreed. This implies the respondent agreed on the office is not prepares monthly cash flow demand based on its plan. On the other hand 47.3 % disagreed, 25.5% not sure, 23.6% strongly disagree and the rest 3.6% agree. This indicates expenditures are not always shown in appropriate account codes. All expenditures are sufficiently documented disagreed by 54.5% of the respondents, 20% are strongly disagreed, 1.8% agreed and 23.6% of the respondents not sure, therefore All expenditures are not sufficiently documented. Furthermore the department always use their budget based on planned cash flow disagreed by 47.3%, 20% strongly disagreed, 23.6% not sure and 7.3% of the respondents agree. This indicates the department is not always use their budget based on planned cash flow. 41.8 % agreed 30.9% not sure, 14.5% disagree and the rest 9.1% strongly disagreed. This indicates there is always a problem of matching annual plan with actual expenditure. Organization has easy payment system disagreed by 54.5% of the respondents, 9.1% are strongly disagreed, 3.6% agreed and 32.7% of the respondents not sure, therefore Organization has not easy payment system. Spending is in accordance with set government priorities disagreed by 45.5% of the respondents, 12.7% strongly disagreed, 38.2% not sure and 3.6% agreed. Then Spending is not in accordance with set government. Furthermore finance and economic office usually accept request cash without modification disagreed by 56.4%, 9.1% strongly disagreed, 32.7% not sure and 1.8% of the respondents agree. This indicates the finance and economic office usually accept request cash with modification.

The implication of the data on the table 4.9 are there is not well effective procurement system, expenditures are not always shown in appropriate account codes, All expenditures are not sufficiently documented, the department is not always use their budget based on planned cash flow, a problem of matching annual plan with actual expenditure, Organization has not easy

payment system, Spending is not in accordance with set government so all these factors are affect effectiveness of a budget which shows inappropriate use of budget utilization.

4.3.5 Descriptive analysis of monitoring and evaluation

Table: 4.10 descriptive statistics of monitoring and evaluation

monitoring and evaluation factors	Mean	S. dev	Strongly disagree		Disagree		Not sure		Agree	
			freque ncy	%	freque ncy	%	freque ncy	%	freque ncy	%
monitoring and evaluation item 1	2.22	.762	9	16.4	27	30.9	17	30.9	2	3.6
monitoring and evaluation item 1	2.35	.886	9	16.4	24	43.6	16	29.1	6	10.9
monitoring and evaluation item 1	2.29	.975	14	25.5	17	30.9	18	32.7	6	10.9
monitoring and evaluation item 1	2.09	.867	15	27.3	23	41.8	14	25.5	3	5.5
monitoring and evaluation item 1	2.04	.816	15	27.3	25	45.5	13	23.6	2	3.6
monitoring and evaluation item 1	2.05	.826	15	27.3	24	43.6	14	25.5	2	3.6
monitoring and evaluation item 1	2.33	.904	13	23.6	14	25.5	25	45.5	3	5.5
monitoring and evaluation item 1	2.13	.924	17	30.9	17	30.9	18	32.7	3	5.5

Source: - own survey 2021

According to the budget utilization reports are consistent with the plan 49.1% of the respondent disagree, 30.9% were not sure, 16.4% strongly disagree and 3.6% of the respondents agree, this indicates budget utilization reports are not consistent with the plan. Majority of the respondents (43.6%) disagree, 29.1% are not sure, 16.4% strongly disagree and 10.9% of the respondents agreed. This implies the respondent agreed on the organization has not budget policies that monitor budget spending. On the other hand 30.9 % disagreed, 32.7% not sure, 25.5% strongly disagree and the rest 10.9% agree. This indicates office is not returns unspent cash to finance and economic office on time. The organization performance and evaluation reports are prepared on timely basis disagreed by 41.8% of the respondents, 27.3% are strongly disagreed, 5.5% agreed and 25.5% of the respondents not sure, therefore organization performance and evaluation reports are not prepared on timely basis. Furthermore there is timely, explanatory and complete budget utilization disagreed by 45.5%, 27.3% strongly disagreed, 23.6% not sure and 3.6% of the respondents agree. This indicates there is not timely, explanatory and complete budget utilization. 3.6 % agreed 25.5% not sure, 43.6% disagree and the rest 27.3% strongly disagreed. This indicates there is not good financial discipline in budget procedures. There is proper cash management practice for resource allocation disagreed by 25.5% of the respondents, 23.6% are

strongly disagreed, 5.5% agreed and 45.5% of the respondents not sure, therefore There is not proper cash management practice for resource allocation. Internal auditors well conduct performance auditing to evaluate effectiveness of budget utilization disagreed by 30.9% of the respondents, 30.9% strongly disagreed, 32.7% not sure and 5.5% agreed. Then internal auditors are not well conduct performance auditing to evaluate effectiveness of budget utilization.

The implication of the data given in table 4.10 are budget utilization reports are not consistent with the plan, organization has not budget policies that monitor budget spending, organization performance and evaluation reports are not prepared on timely basis, untimely budget utilization; therefore the factors are affect effective use of budget and creates poor effective utilization of budget.

4.4 Correlation Analysis

In this study, correlation analysis was conducted to understand the factors affecting budget effectiveness in Yeka sub city office of finance and economic development. Pearson's correlation coefficient was used to indicate the strength of the effect. In addition, the p-value was used to indicate the significance of the relationship. Pearson correlation coefficient was used to gauge the relationship between independent variables (Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation) and dependent variables (Budget effectiveness). The results indicated that Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation have a significant effect (positive relationship) on Budget effectiveness. The table below indicated that the p-value was at $p=.000$ and this meets the threshold since $p<0.05$.

Table 4. 11 Correlation Matrix

		BE	BR	BP	BI	ME
BE	Pearson Correlation	1	.600**	.750**	.442**	.518**
	Sig. (2-tailed)		.000	.000	.001	.000
	N	50	50	50	50	50
BR	Pearson Correlation	.600**	1	.567**	.631**	.542**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	50	50	50	50	50
BP	Pearson Correlation	.750**	.567**	1	.591**	.535**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	50	50	50	50	50
BI	Pearson Correlation	.442**	.631**	.591**	1	.663**
	Sig. (2-tailed)	.001	.000	.000		.000
	N	50	50	50	50	50
ME	Pearson Correlation	.518**	.542**	.535**	.663**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	50	50	50	50	50

** . Correlation is significant at the 0.01 level (2-tailed).

Source: - own survey 2021

According to the above table, Pearson correlation results shown on that budget planning factor is leading with the highest influence on budget effectiveness with a correlation of 0.750, followed by budget preparation factor at 0.600, then monitoring and evaluation factor with a correlation of 0.518 and finally budget implementation factor with a correlation of 0.442.

4.5 Regression Analysis

The study further carried out regression analysis to establish the statistical significance relationship between the independent variables Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation on the dependent variable which was budget effectiveness. Regression is a technique that can be used to investigate the effect of one or more predictor variables on an outcome variable. Regression allows us to make statements about how well one or more independent variables will predict the value of a dependent variable. The regression analysis results were presented using regression model summary tables, Analysis of Variance (ANOVA) table and beta coefficients tables.

4.6 Combined Effect Model

4.6.1 Multi-co linearity

One importance assumption that applies in multiple regression analysis is the existence of a very high correlation between the independent variables of the study which is termed as Multi-co linearity Burns (2008) in this research multi co linearity was checked with tolerance and VIF statistics. Andy (2006) suggests that a tolerance value less than 0.1 almost certainly indicates a serious co linearity problem. Burns (2008) also state that a VIF value greater than 10 is also a concern. In this study, all of the independent variables were found to have a tolerance of more than 0.1 and a VIF value of less than 10 (see table 4.12 below) which indicates that Multi-co linearity is not an issue in this study.

Table 4.12 result of Multi co linearity test

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
BP	.568	1.760
BR	.531	1.882
BI	.428	2.337
ME	.517	1.935

Source: - own survey 2021

4.6.2 Assessing Normality Assumption

Data screening procedures, in particular, can frequently address normalcy prior to hypothesis testing. Prior to hypothesis testing, researchers can assess for normality and factors affecting the shape of the distribution, which can help them draw more accurate conclusions and identify potential problems early on, which can affect the results of the statistical analysis and assumptions underlying it. Highly skewed or kurtosis data can inflate bootstrapped standard error estimates, underestimating the statistical significance of the path coefficients (Chernick, 2011). Because multiple regression requires normally distributed independent variables in the analysis, normality was checked using Kurtosis, which measures whether the data is heavily tailed or lightly tailed to the normal distribution, and skewness, which is a measure of symmetry, prior to

running the regression As a rule of thumb, skewness and kurtosis should be between -2 and 2 if the data is normally distributed

	BP	BR	BI	ME
Skewness	.383	.420	.609	.552
Std. Error of Skewness	.152	.152	.152	.152
Kurtosis	.201	-.564	.079	-.097
Std. Error of Kurtosis	.303	.303	.303	.303

Source: analysis of survey data using SPSS 24

4.6.3 Assessing Linearity Assumption

In this case, the dependent variable is defined as a linear function of the predictor, the independent variable. Standard multiple regression can only accurately estimate the relationship between independent and dependent variables if their relationships are linear in nature. However, if this is not done, the regression analysis results will understate the true relationship and produce incorrect statistical results (Jensen and Ramirez, 2013 as cited by Hussaini et al). Curve estimation was performed on all of the relationships in the model and found to be sufficiently linear to be tested using a covariance-based SEM algorithm

4.6.4 Multiple Linear Regression for all Variables

The study aimed at finding out the overall effect of the independent variables that is Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation on budget effectiveness. The model $Y = \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ explained 60.3% of the variations in budget effectiveness as shown in Table 4.13. This showed that Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation explained 60.3% of the variation in budget effectiveness.

Table 4.13 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.797 ^a	.635	.603	.41545

a. Predictors: (Constant), ME, BP, BR, BI

Source: - own survey 2021

The analysis of variance results Table 4.14 indicates that the model fit is significant at $p=0.000$, $F=19.598$ with 49 degrees of freedom. This implies Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation has a significant and positive combined effect on budget effectiveness.

Table 4.14 Analysis of variance (ANOVA)

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.531	4	3.383	19.598	.000 ^b
	Residual	7.767	45	.173		
	Total	21.298	49			

a. Dependent Variable: BE

b. Predictors: (Constant), ME, BP, BR, BI

Source: - own survey 2021

The overall model as shown on Table 4.15 indicated that Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation were highly significant at $p=0.696$, $p=0.000$, $p=0.021$, $p=0.102$, and $p=0.168$ respectively. The fitted model was $Y=0.119+0.768x_1+ 0.378x_2 + 0.320x_3+ 0.185x_4$

Table 4.15 Combined Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.119	.304		.391	.698
BP	.768	.147	.625	5.230	.000
BR	.378	.158	.296	2.394	.021
BI	.320	.192	.230	1.671	.102
ME	.185	.132	.176	1.402	.168

a. Dependent Variable: BE

Source: - own survey 2021

4.6.5 Regression Coefficients

The findings on the individual coefficients shown in Table 4.15 above revealed that two independent variables (budget planning and budget preparation), had a positive and significant impact on budget effectiveness in Yeka sub city office of finance & economic development while budget implementation and monitoring and evaluation had a fairly small impact on budget effectiveness in Yeka sub city office of finance & economic development which was not significant.

The results obtained on individual coefficients indicated that budget planning had a positive and significant relationship on budget effectiveness in Yeka sub city office of finance & economic development with a coefficient of correlation (0.7681, P= 0.000) at 5% significance level. This implied that budget planning contributed about 76.8% towards effectiveness of budget in in Yeka sub city office of finance & economic development. Budget preparation had a positive and significant relationship on budget effectiveness in Yeka sub city office of finance & economic development with a coefficient of correlation (0.378, P=0.021) at 5% significance level. This implied that budget preparation contributed about 37.8% towards budget effectiveness in Yeka sub city office of finance & economic development. Budget implementation had a fairly low positive impact towards budget effectiveness in Yeka sub city office of finance & economic development with a coefficient correlation of (0.320, P=0.102) at 5% significance level. While

the monitoring and evaluation a positive and fairly relationship on effective budget effectiveness in Yeka sub city office of finance & economic development with a coefficient of correlation (0.1852, P=0.168) at 5% significance level. This implied that monitoring and evaluation contributed about 18.6% towards budget effectiveness in Yeka sub city office of finance & economic development.

The findings from the result indicated that budget planning the highest impact on budget planning contributed about 76.8% towards effectiveness of budget in in Yeka sub city office of finance & economic development. Implied that a unit increase in budget planning led to 76.8% improvement in budget effectiveness in Yeka sub city office of finance & economic development. a unit increase in budget preparation led to 37.8% improvement in budget effectiveness in Yeka sub city office of finance & economic development.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter presents a summary of major findings of this study, sets out the relevant conclusions and makes recommendations for practice and suggestions for further research based on the findings of this study. The study sought to examine the factors affecting budget effectiveness in yeka sub city office of finance and economic development.

5.1 Summary of Findings.

The study sought to establish the relationship between (Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation) and budget effectiveness in yeka sub city office of finance and economic development. Specifically, the study was guided by the following objectives; to investigate the relationship between (investigate the effect of independent variables) budget planning, budget preparation, budget implementation and budget monitoring and evaluation and budget effectiveness and the study using quantitative approach.

The data obtained was analyzed using quantitative analysis. Multiple linear regression models were used to test whether Budget planning, Budget preparation, Budget implementation and Budget monitoring Budget and evaluation and budget effectiveness. It was found that Budget planning, Budget preparation, Budget implementation and Budget monitoring and evaluation had a significant relationship with budget effectiveness in that all the identified factors are predictors of budget effectiveness ($r^2 = 0.603$). Pearson correlation results shown on that budget planning factor is leading with the highest influence on budget effectiveness with a correlation of 0.750, followed by budget preparation factor at 0.600, then monitoring and evaluation factor with a correlation of 0.518 and finally budget implementation factor with a correlation of 0.442. The study concluded that budget planning factor followed by budget preparation were the most prominent indicators of budget effectiveness in yeka sub city office of finance and economic development.

5.1.1. Relationship between budget planning factor and budget effectiveness

Descriptive statistics were used to analyze this research objective and other subsequent analysis was done. The respondents were given that answer for each questions within related to their office. On the first question 52.7% of the respondents disagree on the adequate understanding to prepare budget, 25.5% not sure, 14.5% strongly disagree and 5.5 % of the respondents agree. This indicates majority of the respondent disagreed on the adequacy of knowledge and skill for prepare budget. On the second question majority of the respondents (43.6%) disagreed on budget is always prepared for each program, 34.5% not sure, 18.2% strongly disagree, 1% disagree and 3.6% agree. This figure shows majority of the office workers and managers agreed on the budget is not always prepared in each department. Furthermore 52.7% of the respondents disagreed on the budget is linked to program and organization activities, 25.5% not sure, 16.4% strongly disagree and 3.6% agree. This indicates majority of the respondents agreed on the gap between budget and program and organization activities linked. 50.9% of the respondents disagreed on the budget is always prepared based on reliable data, 21.8% strongly disagree, 20% not sure and 3.6% agree. This indicates majority of the respondents agreed on the budget is not preparing based on reliable data.

Furthermore 54.5% of the respondents disagreed on the budget amount is properly estimated for each program, 27.3% not sure, 12.7% strongly disagree and 5.5% agree. This indicates majority of the respondents agreed on the organization budget amount is not estimated properly each program. Finally for the budget demand prepared by organization is based on approved plan disagreed by majority of the respondents (52.7%), 32.7% not sure, 10.9% strongly disagree and 3.6% agree. This indicates majority of the respondents agreed on the budget is not preparing based on approved plan.

The correlation analysis also indicated that there is a positive significant relationship between budget planning factor and budget effectiveness

Regression analysis was conducted to determine the significance relationship of budget planning factor and budget effectiveness. The results obtained on individual coefficients indicated that budget planning had a positive and significant relationship on budget effectiveness in Yeka sub city office of finance & economic development with a coefficient of correlation (0.7681, P=

0.000) at 5% significance level. This implied that budget planning contributed about 76.8% towards effectiveness of budget in in Yeka sub city office of finance & economic development

5.1.2 Relationship between budget preparation and budget effectiveness

Descriptive statistics were used to analyze this research objective and other subsequent analysis was done. The respondents were given that answer for each questions within related to their office. On the first question 45.5% of the respondents disagree on the budget demand always prepared in department is based on approved plan, 27.3% not sure, 21.8% strongly disagree and 5.5% of the respondents agree. This indicates majority of the respondent disagreed on the budget demand always prepared in department is based on approved plan. On the second question majority of the respondents (45.5%) agreed on usually problem of matching plan with budget, 27.3% not sure, 12.7% disagree, and 12.7% strongly disagree.

Furthermore 52.7% of the respondents disagreed on the well appropriate budget in office, 21.8% not sure, 23.6% strongly disagree and 1.8% agrees. This indicates majority of the respondents agreed on there has not well appropriate budget in office.

The correlation analysis also indicated that there is a positive significant relationship between budget preparation and budget effectiveness. Regression analysis was conducted to determine the significance relationship of budget preparation and budget effectiveness. Budget preparation had a positive and significant relationship on budget effectiveness in Yeka sub city office of finance & economic development with a coefficient of correlation (0.378, $P=0.021$) at 5% significance level. This implied that budget preparation contributed about 37.8% towards budget effectiveness in Yeka sub city office of finance & economic development

5.1.3 Relationship between budget implementation and budget effectiveness

The study sought to investigate the relationship between budget implementation factor and budget effectiveness. According to the data for well effective procurement system 50.9% of the respondent disagree, which indicates there is not well effective procurement system. Majority of the respondents (58.2%) disagree, 23.6% are not sure, 14.5% strongly disagree and 3.6% of the respondents agreed. This implies the respondent agreed on the office is not prepares monthly cash flow demand based on its plan. On the other hand 47.3 % disagreed, 25.5% not sure, 23.6%

strongly disagree and the rest 3.6% agree. This indicates expenditures are not always shown in appropriate account codes. All expenditures are sufficiently documented disagreed by 54.5% of the respondents, 20% are strongly disagreed, 1.8% agreed and 23.6% of the respondents not sure, therefore All expenditures are not sufficiently documented. Furthermore the department always use their budget based on planned cash flow disagreed by 47.3%, 20% strongly disagreed, 23.6% not sure and 7.3% of the respondents agree. This indicates the department is not always use their budget based on planned cash flow. 41.8 % agreed 30.9% not sure, 14.5% disagree and the rest 9.1% strongly disagreed. This indicates there is always a problem of matching annual plan with actual expenditure. Majority of the respondents suggest the Organization has no easy payment system. Also majority of the respondents agree that the Spending is not in accordance with set government. Furthermore finance and economic office usually accept request cash without modification disagreed by 56.4%, 9.1% strongly disagreed, 32.7% not sure and 1.8% of the respondents agree. This indicates the finance and economic office usually accept request cash with modification.

The correlation analysis also indicated that there is a positive significant relationship between budget implementation and budget effectiveness. The positive relationship was represented by correlation coefficient of 0.442

5.1.4 Relationship between budget monitoring, evaluation and budget effectiveness

Moreover, majority of the respondents (49.1) are agree budget utilization reports are not consistent with the plan Majority of the respondents (43.6%) agreed on the organization has not budget policies that monitor budget spending. More over organization performance and evaluation reports are not prepared on timely basis. Furthermore there is timely, explanatory and complete budget utilization which indicates there is not timely, explanatory and complete budget utilization. Also most of the respondents agree on no proper cash management practice for resource allocation. Internal auditors well conduct performance auditing to evaluate effectiveness of budget utilization disagreed by 30.9% of the respondents, 30.9% strongly disagreed, 32.7% not sure and 5.5% agreed. Then internal auditors are not well conduct performance auditing to evaluate effectiveness of budget utilization.

The correlation analysis also indicated that there is a positive significant relationship between budget monitoring, evaluation factor and budget effectiveness.

5.2 Conclusion

Regarding budget planning and preparation the study found that the strategic plan of the bureau is not effectively aware to lower level management and workers (sub city). The problem of inappropriately using the two processes occur, because the office does not properly integrate them and have no unit that support strategic management as a result, when lower management request planed budget, top management decreased its amount without having acceptable justification. This top management decision foster budget holders to submit highly exaggerated budget in succeeding budget years. Therefore, resulting from lack of integration work between budget holder and budget approval office did not proposed the needed budget.

The blame occurs during budget preparation also affect budget utilization of the office accordingly, the office more affect by underutilization of the estimated budget. Relevant data elaborate that such underutilization arose from low capacity to utilize approved budget.

Concerning budget monitoring, the study found that the office perform monitoring not in consistence schedule for all departments. However, it is difficult to affirm all department report at the same time some of the department may need frequently report while some may not. Therefore budget concerning monitoring results are not thinking divisional activities and work nature.

Concerning budget evaluation, the study found that, the office monitoring and evaluation system is depending on financial audit and department report. However, the office did not use other kinds of methods to monitor and evaluate budget performance, such as, monitoring using bench mark on the use of budget, like separating, operation performance and revenue performance, as a results budget evaluation did not make specific feedback for budget utilize.

5.3 Recommendation

Based on the data finding and conclusion made, the study suggests the following recommendations.

As implied in the finding parts, lower level of management and were not participated on the master budget plan of the office, as a result there were absence between need of budget and approved budget. Therefore, to minimize such a difficulty the study recommends that, top level of management think participation of lower level of management in the cooperate planning of the Office and submit to budget to budget holder divisions for discussion and revision of the budget plan.

Concerning budget implementation there were a challenge of effective implementation of budget, since the effective implementation of budget is not simple matter, it is advisable to exist clear and open communication among managers, workers and departments for better performance and to achieve the goal of the office.

There were blames to observe on budget deficit and variance minimization problem in the studied Office. Despite that, the Office presents report every quarter it may not be sufficient to controlled variance. Besides, it is advisable to the Office to present performance report monthly, take immediate corrective action and control variance.

There should be need completely review and analysis of budget expenditure of the past year experience to increase budget efficiency of current year also it must be supported by plan research and development for newly established project budget requirement.

Regarding budget preparation, budget should be prepared according to tangible plan, tangible in relation to financial requirement.

The budget and planning office should analyze in detail the request budget before approved. In addition, the office should employee external expert for analyze the proposed budget fairness.

There should be sufficient budget monitoring system at each stage of budget cycle. This will be achieving by engaging office computer network system and having sufficient expert.

Finally, the researcher recommends that future studies should be carried out to make confirm the challenges related to the budgetary process in Yeka sub city finance and economic development.

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Appendices

Appendix 1: Info participant's survey

I am in the process of completing my studies towards for the Degree of Masters of Accounting and Finance and this research study forms part of the requirements of the qualification. The objective of this thesis is to assess the FACTORS AFFECTING BUDGET EFFECTIVENESS IN YEKA SUB CITY OFFICE OF FINANCE & ECONOMIC DEVELOPMENT.

Your participation in this study is entirely voluntary. This project is not associated with any foreseeable risks. However, if you are uncomfortable answering any of the questions, you can exit the survey at any time. Your survey responses will be kept strictly confidential, and data from this study will only be reported in aggregate. Your information will be coded and kept private.

If you have any questions about the survey or the procedures, please feel free to contact me at any time at the following addresses: 09 13135179 (Bemnet)

I apologize for the length of the questionnaire; however, the nature of the study prevents me from shortening it in any way. I must learn your thoughts. Your assistance is greatly valued and appreciated, and I would like to express my heartfelt gratitude in advance for your gracious participation.

Note:-

You don't need to write your name.

Thank you ahead of time.

Appendix 2: Questionnaire

Research Project survey questionnaire

Addis Ababa University College of Business & Economics

Accounting and Finance Department

Dear Respondent

This questionnaire is intended to collect data for the master thesis on the subject of factors that affect budget effectiveness in the case of Yeka sub-city to fulfill the Partial requirements of the Master of Accounting and Finance. The aim of this study is to determine how budget effectiveness is influenced by factors (budget planning, budget preparation, budget implementation and budget monitoring). Your honest response and willingness to take part in this research undertaking is therefore deeply appreciated. Since this research is approved by the University of Addis Ababa for academic purposes only, be sure the information you provide will be remain secret. It is also not important to write down your name. For the success of this report, your participation is of great importance, and I would therefore like to thank you in advance for your kind cooperation in filling out this questionnaire. If you have any question about this questionnaire, please contact

BEMNET AMANUALE

Mobile no. 09-13-13-51-79

Part one. General Information: Please put sign (√) in the box for the choice appropriate for you.

1. What is your gender?

Female Male

2. please indicate your age group

18-29 year 30-39 year
40-55 year
>55 year

3. What is your highest level of education?

Primary level
TVT Certificate
TVT or College (diploma)
University (Graduate) Degree
University (Postgraduate) MA
Others (Specify) _____

4. Length of Service only in the Current Work office

Less than 1 year
1-5 years
6-10 years
More than 10 years

5. Total year of service as worker of Finance and Economic Development Office

Less than 1 year
1-5 years
6-10 years
More than 10 years

Part two. Budget effectiveness questionnaires

Please read each statement carefully and indicate your degree of agreement with each of the following statements by making (√) on one number that best represents your opinion. The scale ranges from weaker to stronger (Strongly Disagree (1) Disagree (2) Not sure (3) Agree (4) Strongly Agree (5))

	Budget effectiveness	1	2	3	4	5
1	There is no budget request without a plan					
2	There is no practice of regular follow up on budget utilization					
3	There is no utilization of budget in your office					

Part three. Factors of Budget management questionnaire

Please read each statement carefully and indicate your degree of agreement with each of the following statements by making (√) on one number that best represents your opinion. The scale ranges from weaker to stronger (Strongly Disagree (1) Disagree (2) Not sure (3) Agree (4) Strongly Agree (5))

	Budget planning	1	2	3	4	5
	You have adequate understanding to prepare budget					
	Budget is always prepared for each program in your department					
	When budgeting, outcomes, goals and objectives are linked to programs and organizational activities					
	Budget is always prepared based on reliable data					
	The amount of your organization budget prepared for each program line item is always properly estimated					
	The budget demand prepared by your organization is based on approved plans					

	Budget preparation	1	2	3	4	5
	The budget demand always prepared by your department is based on approved plans					
	There is usually problem of matching plan with budget in your organization					
	All staff participates in budget preparation and discussion within their department					
	The budget allocation are adequate					
	There has well appropriate budget in your office					
	Budget implementation					
	There have well effective procurement system when your department asks for purchase planed objects					
	Your office prepares monthly cash flow demand based on its plan					
	Expenditures are always shown in appropriate account codes					
	All expenditures are sufficiently documented in your office					
	Your department always use their budgets based on their planned cash flow					
	There is always a problem of matching annual plan with actual expenditure in your department					
	Your organization has easy payment system					
	Spending is in accordance with set government priorities					
	Finance and Economic office usually accept your requested cash flow without modification					
	Monitoring and Evaluation					
	The budget utilization reports are consistent with the plans					
	The organization has budget policies that monitors budget spending					
	Your office returns unspent cash to Finance and Economic office on time					
	The organization performance and evaluation reports are prepared on timely basis					
	There is timely, explanatory, and complete budget utilization report					
	There is good financial discipline in budgeting procedures					
	There is proper cash management practice for resource allocation					
	Internal auditors well conduct performance auditing to evaluate effectiveness of budget utilization					