



**ADDIS ABABA UNIVERSITY COLLEGE OF BUSINESS
AND ECONOMICS**

DEPARTMENT OF ACCOUNTING AND FINANCE

**THE EFFECT OF BUDGETARY CONTROL SYSTEM ON
ORGANIZATIONAL EFFECTIVENESS: A CASE STUDY IN
SOME SELECTED ETHIOPIAN COMMERCIAL BANKS**

**A Thesis submitted to College of Business and Economics
Department of Accounting and Finance in partial fulfillment of the
requirements for the Degree of Master of Science in Accounting
and Finance**

By

Gizework Sintayehu Kassa

**ADDIS ABABA, ETHIOPIA
June, 2022**

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DECLARATION

I declare that, “**The impact of Budgetary control system on Organizational Effectiveness: a case study in some selected Ethiopia commercial banks**” is my own work and that all the sources that I have used or quoted have been showed and recognized or Acknowledged by means of complete references.

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Abstract

The general objective of this study is to examine the impact of budgetary control system on organizational effectiveness of the banking sectors in Ethiopia. The methodology to carry out this study, the findings and recommendation are stated briefly as follows: the researcher used explanatory research method. And he used also quantitative research method for nature of data he would collect. Moreover, primary and secondary source of data were applied using structured questionnaires and periodical reports of the bank respectively for data analysis purpose. The Finance managers, supervisors and accountants in accounting and finance departments and auditing department, and Departmental managers, supervisors, other staffs in budget offices of 10 banks were the sampling frame of this study. Descriptive statistics and inferential statistics were be used for data analysis too. The findings of the study revealed that there is positive impact of budgetary control system on organizational Effectiveness, Assignment of the right person on the right position, Job Satisfaction, High performance working, efficient utilization of resources, Organizational competitiveness and operational Efficiency. Finally, the researcher comprehends this study reveals some sort of understanding on the relationship between budgetary control system and organizational effectiveness especially in Ethiopian commercial banks, so he recommends that all commercial banks in Ethiopia should strengthen their budgetary control system as it is the core mechanism to bring their banks effectiveness.

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Key words: Budgetary control system, Organizational Effectiveness, Assignment of the right person on the right position, Job Satisfaction, High performance working, Organizational Competitiveness, Efficient utilization of resources and Operational Efficiency.

Acronyms:

BSC: Budgetary control system

ORE: Organizational Effectiveness

ARPRP: Assignment of the right person on the right position

JBS: Job Satisfaction

HPE: High performance working

ORCO: Organizational Competitiveness

EUR: Efficient Utilization of resources

OE: Operational Efficiency

Chapter One

1. Introduction

1.1 Background of the Study

Budgetary control is essential to control spending and meet various financial objectives. Organizations depend deeply on budgetary control to manage their spending activities (Dunk, 2009, as cited in Ifrah, Kerosi, & Ondabu, 2015). Due to these facts, most organizations use budget regulator as the primary means of business internal controls. It serves as a complete management stage for efficient and effective allocation of resources. It also allows the management squad to make strategies for the future through applying those strategies and nursing activities to see whether they conform to the strategy (Carr and Joseph, 2000, as cited in Ifrah, Kerosi, & Ondabu, 2015).

On the other hand, organizational effectiveness measures how an organization attains its objectives. Every worker in a company contributes to organizational effectiveness. Taking into account talents, information, stimulation and rank, some staffs play a better role than others. These are the people who donate to the growth of organization mainly with their knowledge (Scott, 1977, as cited in Serkaddis, 2017). The effectiveness of an organization, between others, is usually dignified against standards such as production, profits, growth, incomes, constancy and harmony. Rational perspectives stress on the accomplishment of previously set purposes and on yield variables such as quality, productivity and efficiency. Natural system perspectives stress on the cooperative objectives of the organization such as employee satisfaction, self-confidence and personal skills. Open system perspectives stress on the networks with the environment; which includes information discussing, productivity, elasticity and adaptability (Campbell, 1977, as cited in Serkaddis, 2017).

Ethiopia's commercial banking sector currently contains of 17 banks (16 private, 1 public), a distinguished transformation from the solitary state-owned bank that worked in 1990 and just 7 banks that were working as recently as the year 2000. The banking sectors of Ethiopia is in a quick growth and a competitive sector. Competition in banking sector obviously involves opening more branches with the hope of increasing the market share. As the size of the banks upsurge, they may be exposed to weak internal control systems. This may hinder proper application of policies, rules and procedures of the bank. In this context the question becomes whether the existing governance structure is adequate or not (Banking", 2019).

The application of budgetary control system would enhance the internal control system of the banks and it would bring also commitment and motivation of employees which in turn finally adhere them to the stated plans, targets and goals of the bank and thereby it would create good corporate governance on which the shareholders, creditors and other various stakeholders have confidences. Therefore, the main rationale behind this study is to investigate the extent to which the banking sector's budgetary control is contributing to the organizational effectiveness.

1.2 Statement of Problem

In profit oriented organization, enhancement of internal control system, minimization of costs and maximization of profit would support the company to continue its operation for a long period of times and thereby enable it to achieve its long term goals and maintain suitable long term strategies. These would be happened if the company uses well designed budgetary control system as one of sub systems of the company.

Budgetary control is a system of procedures used to ensure that an organization's actual revenues and expenditures adhere closely to its financial plan. The system typically involves setting personal goals for managers that are based on the budget, along with a set of rewards that are triggered when the goals are attained. In addition, budget versus actual reports are routinely issued to anyone having responsibility for a line item in the financial statements; they are then expected to take action to correct any unfavorable variances.

Further, the results of the business are closely monitored by a budget committee, which provides feedback to managers whenever actual results threaten to fall below expectations (Steven, 2020).

Certain foreign studies have been conducted on budgetary control system by various Authors on different sectors. Balogun, Mamidu, & Owuze (2015) examined budgetary control and organizational performance, specifically to identify the problems associated with budgets and budgetary control and to improve organizational performance through budgetary control measures. Abdullahi, Abubakar, Kuwata, & Muhammed (2015) investigated the role of budget and budgetary control on organizational performance: a case study in Guest house Nigeria which specially examines the impact of budgetary administration, budget settings and budget process on organization process.

Local studies like, Darge (2018) assessed the impact of budget and budgetary control system on effectiveness of public organization which basically focuses on the influence of budget planning, budget monitoring & control, budget evaluation and participation of budget on effectiveness. Mulu (2018) carried out assessment of budget implementation and control system: a case of Ethio- Telecom which specifically assess the budget implementation practice of the organization, budget controlling and monitoring of the organization and examine the corrective measure on the weakness of budget utilization of the organization.

There are also some studies related with budgetary control system in banking industry Ifrah, Kerosi, & Ondabu (2015) performed Analysis of the Effectiveness of Budgetary Control Techniques on Organizational Performance at Dara-Salaam Bank Headquarters in Hargeisa Somaliland. The objectives were to find out how responsibility accounting influences organizational performance, to determine whether variance cost analysis affects organizational performance and to establish how zero based budgeting affects organizational performance. Daniel (2012) examined Impact of budgetary control process and their impact on financial performance in the banking industry in Kenya which especially focused on budgetary control process, participation and commitment, organizational commitment and budget accuracy. Kassahun (2019) carried out Effect of

budget and budgetary control on non-financial performance: in case of Ethiopian banking industry which specifically focused on the effect of budget and budgetary control on non-financial performance (customer, internal process and learning and growth) in Ethiopian banking industry and examined budgetary controlling features, human factors within budgetary controls, budgetary control process, and challenges of budgetary control systems.

As we have noted from the above literatures on various sectors other than banking industries, the studies focused on the effect of budgetary control measures, budgetary administration, budget settings, budget process, budget planning, budget monitoring & controlling, budget evaluation, budget participation and budget implementation practices on organizational effectiveness or performance. Researches related to the banking industry documented the effect of budgetary control and process on organizational, financial and non-financial performance related with responsibility accounting, variance analysis, zero based budgeting, participation and commitment, budgetary controlling features, human factors and challenges of budgetary control systems.

However, none of the above studies have shown whether the use of budgetary control system in an organization could facilitate an assignment of the right person on the right position and whether it can bring high performance working, job satisfaction, organizational competitiveness, efficient utilization of resources and operational efficiency. This is the gap this study tried to fill. The overall goal is to assess the impact of budgetary control system on organizational effectiveness in general, and specifically its impact on assignment of the right person on the right position, high performance working, job satisfaction, organizational competitiveness, efficient utilization of resources and operational efficiency.

1.3 Research objectives and hypothesis

General Objective

The overall objective is to assess the impact of budgetary control system on organizational effectiveness in selected Ethiopian commercial Banks.

Specific Objectives

- To find out whether budget control system would have positive impact on assignment (recruiting) of the right person on the right position.
- To find out whether budget control system would have positive impact on high performance working.
- To find out whether budgetary control system would have positive impact on job satisfaction.
- To investigate the impact of budgetary control on organization competitiveness.
- To examine the impact of budgetary control on efficient utilization of resources.
- To examine the impact of budgetary control on operational efficiency.

In the light of the above statement of problem the following main hypothesis is formulated:

H1: Budgetary Control system has positive impact on organizational effectiveness.

Ho: Budgetary Control system has no positive impact on organizational effectiveness

The following specific hypothesis will be tested:

H1: Budgetary control system has positive impact on the assignment of the right person on the right position.

H2: Budgetary control system has positive impact on high performance working.

H3: Budgetary control system has positive impact on job satisfaction.

H4: Budgetary control system has positive impact on organizational competitiveness.

H5: Budgetary control system has positive impact on efficient utilization of resources.

H6: Budgetary control system has positive impact on operational efficiency.\

1.4 Significance of the Study

The findings of the study will help the managements of the bank to understand that through implementation of budgetary control system properly in the bank will ensure or force them for the application of proper human or labor recruitment procedures which enable the bank to have employees who can do things right & better and thereby the bank could achieve its budget targets easily either it be in quantity or in quality in each area of

the bank. It also ensure for an efficient and effective utilization of resources like time, human and material and thereby reducing costs and maximizing profit. Moreover the study will help the managements to understand the use of budgetary control system properly in the bank would create them every time an opportunity to know the behavior of their subordinates easily either they are satisfied, dissatisfied, motivated or committed. It can be also used as a reference for researchers who are interested to do further studies on this topic.

1.5 Scope and Limitation of the study

The general purpose of the study is limited to the banking sectors in Ethiopia. It used 10 banks out of the existing eighteen commercial banks as its sample. The study used primary data collected through distributed questioner and secondary source documents like financial statement and other reports. The limitation of the study was lack of availability of the secondary source documents to some degree due to their level of confidentiality to banks.

Chapter Two

2. Literature reviews and conceptual framework

This literature reviews have six sections under theoretical review such as detail explanations for 1. Independent variable (budgetary control system). 2. Dependent Variable (Organizational Effectiveness). 3. Budgetary control system and Organizational Effectiveness. Under Empirical literature review 1. Empirical literature review for study from abroad. 2. Local Empirical literature review 3. Summary of literature review. And Finally 3. Conceptual Framework

2.1 Theoretical Literature review

2.1.1 Budgetary Control system

Budgetary planning and control is the most noticeable use of accounting information in the management control procedure. By setting criteria of performance and providing response, by means of variance reports, the accountant provides much of the important

information necessary for overall planning and control (Clive, David, & Kenneth, 1990). Besides, we can see the system of budgetary control involves the following key principles: 1. setting principles to get together and regulator the budget process (policies and procedures). 2. Recording and gauging present financial presentation (preparing budgets). 3. Creating assessment among actual and budgeted outcomes (variance analysis). 4. Taking appropriate remedial action as necessary. 5. Budget target setting ("Budgetary", 2019). We can hereby describe one by one the above budgetary control elements as follows:-

2.1.1.1 Budget Process

The budgeting process is the process of setting a budget in place. This process involves planning and predicting, applying, checking and supervisory, and finally assessing the performance of the budget ("Process", 2021). There are two main approaches to the budgeting process. These are:

2.1.1.1.1 Top-down approach

This budgeting process involves arranging the budget by the company's senior management based on the company's purposes. The departmental managers are apportioned the responsibility for its successful application. Every department can choose to create its own budget based on the company's broader budget allocation and objectives ("Process", 2021). This approach's advantage is that the lower management saves many time and gets off the rack budget to be followed. They scarcely take part in the preparation of the essential budget. The senior managers' knowledge, coupled with past-performance figures, comes in handy in such budgeting procedures ("Process", 2021).

2.1.1.1.2 Bottom-up approach

This budgeting process starts at the departmental level and moves up to higher levels. Every department within the company is required to prepare plans for its proposed activities for the next budget period and estimate the costs it will incur. These individual budgets are combined to create a bigger all-inclusive budget ("Process", 2021). The budgeting process with this method can be long and laborious. However, employees and

managers are more interested to attain the budget goals since they have arranged it. They have the complete information of what the budget really supposes them to do and how to attain that. Such budgets incline to be more precise and nearer to the real condition on the ground ("Process", 2021).

2.1.1.2 Budgetary Preparation

Budget preparation involves hard selections regarding competing demands and policy agendas. How can this financial management tool be formulated to ensure policy significances are met, given limited resources? How are spending levels strong-minded and managed? (Schiavo & Tommasi, 1999) Effective public expenditure management involves consideration of, (1) policies essential to encounter strong-minded fiscal targets, (2) expenditure limits and, (3) a concern with cost-efficient processes. In countries with deprived financial discipline, successful budget formulation can enhance budget application. Better budget preparation will also advance suitable resource allocation and spending control (Schiavo & Tommasi, 1999). Many organizations prepare budgets that they use as a technique of comparison when appraising their actual results over the next year. The procedure of preparing a budget should be highly well-ordered and follow a set schedule, so that the completed budget is ready for use by the start of the next fiscal year ("Preparing", 2017).

When the researcher is discussing about budget preparation, he has to look budget from different theoretical perspective, for that matter, the researcher would like to discuss about budget from different perspective. Most modern organizations have budgets. So he can see the pervasiveness of budgeting from four theoretical perspectives - institutional, resource dependency, and transaction-cost (Keith, 2019). The researcher would look them one by one below:

2.1.1.2.1 Institutional Perspectives on Budgets

According to institutional isomorphism (Dimaggio and Powell, 1983, as cited in Keith, 2019), budgeting dispersed via three tools. Under mimetic diffusion, organizations adopt budgets because they detect that other groups develop more financially self-assured and

successful with a systematic budgeting process”. As budgeting became more widespread, there were forced pressures to accept budgets. Stockholders who request thorough financial management may expect yearly budgets for key events. Philanthropic organizations will inspect budgets of benevolent organizations to safeguard future donations are spent perceptively. Employees suppose formal budgets to remain self-assured that money is available for salaries and vital projects (Keith, 2019).

Lastly, accountants and financial managers employed by firms convey normative pressures to adopt standardized budget practices. Budgeting is a rational extension of credit-debit accounting principles and is taught in every business school (Keith, 2019). Budgets have also become a "rational myth" for present organizations. According to Meyer & Rowan, the acceptance of these mythologies is often ceremonial (Meyer & Rowan, 1977, as cited in Keith, n.d). Budgets essential for legality can be de-coupled from everyday operations. Money may be moved from one budget group to another to cover over expenditures. Often there are slight weights to uphold budgeted expenditure levels once it has been established.

2.1.1.2.2 Resource Dependency Perspective on Budgets

Budgets are universal in organizations because they help explain internal resource dependences. Frequently the hierarchy of budgets disclose organizational priorities and dependencies better than formal organizational charts. The approved budget can also signify a "rationalized" declaration of purpose for the approaching year agreed by both employees and outsiders (Keith, 2019). More prominently, budgets are significant tools of power (Pfeffer, 1992, as cited in Keith, 2019). Meanwhile departments are usually dependent on budgets for general processes, those who control budgeting control assets. Budget planners and approvers can feat these unequal dependencies to accrue power. Outside groups can also put forth internal impact by studying and/or approving yearly budgets. The budget scheduling procedure at a given level is often a zero-sum game where politics and impact is most obvious (Keith, 2019). Budgets are also valuable control tools because there are more bendable than contracts. Not like contracts, you can rapidly change a budget to affect a sub-group's action (Keith, 2019).

2.1.1.2.3 Transaction-Cost Perspective on Budgets

From a transaction-cost viewpoint (Williamson, 1975, as cited in Keith, 2019), budgets are omnipresent because they help control the internal marketplace. A decent budget can lower internal transaction costs by diminishing doubts, delaying opportunism, and arbitrating internal disagreements. Organizational participation in budget groundwork can help explain future dealings between sub-groups. For example, describing advertising budgets for each product line aids the marketing department plan actions more efficiently. Prudently inspected budgets and expenditure restrictions can reduce the possible of opportunism. Budgets can also be used to arbitrate arguments between organizational members by describing the priorities and boundaries of organizational action (Keith, 2019). As also specified in the resource dependence viewpoint, budgets are not agreements. They propose the normative advantages of outside agreements with the flexibility of future alteration (Keith, 2019).

2.1.1.3 Variance analysis

Variance analysis is the study of nonconformities of actual behavior versus forecasted or planned behavior in budgeting and management accounting. This is fundamentally worried with how the difference actual and planned behaviors designates how business performance is being impacted ("Variance", 2022). Variance analysis can be broken down in to two steps ("Variance", 2022): 1. Calculating and recording individual variances. 2. Understanding the cause of each variance.

2.1.1.4 Budget Evaluation and Control

Budget evaluation refers to the final stage of the budget cycle when there is an assessment of whether organizational resources have been used appropriately and effectively ("Evaluation", 2022). Budget control is financial jargon for managing income and expenditure. In practice it means regularly comparing actual income or expenditure to planned income or expenditure to identify whether or not corrective action is required ("Control", 2021).

2.1.2 Organizational Effectiveness

Organizational effectiveness clarifies effectiveness of an organization is in attaining the results, it aims to produce. The factors affecting the organizational effectiveness are diverse and complex including organizational policies and plans, atmosphere of trust, honesty and genuineness in the organization, sense of belongingness, pay, gratitude and rewards, leadership styles, career opportunities, suggestions, sentiments and instructions from seniors culture composition, rules and regulations, freedom of work, training, check and balance, opportunity of condensed work week etc (Jain & V.K, 2013).

In the current time of growing competition, it is very difficult for an organization to persist unless it pays care to improve overall success at all levels in the organization (Jain & V.K, 2013). Organizations face contests while they live in an energetic and competitive environment. The effectiveness of a business establishes its capability to do a function with best levels of input and output. Cultivating organizational effectiveness is an abstemious concern for any organization as a matter of being. This has to be attained through application of significant organizational effectiveness factors. Improving organizational effectiveness is the important for success in any business and subsequently managers are expected to upsurge the efficiency of their work environment (Amin & Shila, 2015).

So as to make it more clear, I would like to clarify organizational effectiveness as there are three methods that have been most usually used inside the examination of organizational effectiveness specifically the goal approach, the systems resource approach, and the process approach. A fresher method has also emerged called the multiple constituency approach, which is a combination of the initial three. In the model of goal approach, the effectiveness of connotation "is measured as stated by the ability of the connotation to reach wanted objectives. In the systems approach to organizational effectiveness, which sketched on the general structures hypothesis, effectiveness is assessed concerning the association's ability to safe infrequent resources. The process approach points out to the inside procedures and general working inside an association; for example, the work environment and worker contentment. An appropriate voting to the objective, frameworks,

and process approaches for examining and measuring organizational effectiveness is the multiple constituencies (MC) approach. This model is acknowledged to have been advanced in an effort to attempt to improve the inadequacies of the objective, methodology, and framework displays by joining the two perspectives. (Amin & Shila, 2015).

2.1.3 Budgetary Control System and Organizational Effectiveness

The efficiency and effectiveness of the processes of a business relies on the controls nearby to management. There are numerous actions happening alongside in all business organizations, for example, production, and procurement, distribution, marketing and financing a product. These activities are unified in such a manner that they impact the attainment of the business aims. Thus, management wants to safeguard that the rare resources obtainable to the organization are justifiably dispersed in order that none of these activities are put aside (Emmanuel, 2015). A budget and budgetary control system serves as one of the means of controlling the scarce resources available to individuals and business entities (Emmanuel, 2015). As budget and budgetary control give the requisite benchmarks against which performance could be measured, the budget can therefore be used to assess the performance of the organization (Emmanuel, 2015).

Moreover, as stated by Mkrue, budgetary control is a technique applied to the control of total expenditure on materials, wages and overhead by comparing actual performance with planned performance. This technique is also believed to be another valuable aid in cost control and coordination (Mkrue, 2013, as cited in Olaniyan & Efuntade, 2020). According to Wesley et al, (2015), as cited in Tafadzwa, L.C (2017) budgetary controls impact profitability as it lead to a reduction in operating costs since resources are channeled to specific activities.

In a typical business environment, budgetary control involves a departmental head receiving a copy of the departmental budget. The budget will clearly show positive,

negative or no variance between actual expenditure and budgeted expenditure for each departmental vote head. From this information, appropriate corrective action should be taken. This is in line with the common budgeting practice that calls for variance explanation to be done by the responsible sectional head in a business enterprise. Besides, the departmental head is expected to act accordingly to avoid future possible adverse variances (Mohamed et al., 2015, as cited in Amida, D.N, 2018).

Performance of any institution is often evaluated by measuring success in meeting the budget. When the budgetary control is successfully implemented, the organization's objectives will be realized and once this has been done the organization is said to have achieved at performance level (Turakira, 2004, as cited in Amida, D.N, 2018). Resbery and Lormorie, (1986), as cited in Amida, D.N (2018) stated that 21 in practice, many organization compare actual performance with the original budget, but if the circumstances expected when the original budget was set differ, there will be a planning and control conflict.

Budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance. If deviations occur, reasons for difference are ascertained and recommendation of remedial action to match actual performance with plans is done. The basic objectives of budgetary control are planning, coordination and control. It is difficult to discuss one without mentioning the other (Kipkemboi, 2013, as cited in Amida, D.N, 2018). Inadequate budgetary controls lead to objectives not being cleared and performance not being achieved or satisfactory. This reduces output because employees do not know or are doubtful about what to do, when and how to do it. They spend a lot of time seeking clarifications from executives. Thus, leading to delays in identification of deviations from plans, which lead to failure in goal achievement and hence poor performance (Adongo and Jagongo, 2013, as cited in Amida, D.N, 2018).

Isaac et al., (2015), as cited in Amida, D.N (2018) argues that for the smooth implementation of an organization's budget, budgetary planning and control must be properly done. Under budgetary control, evaluation that is a process by which an appraisal of performance is systematically conducted with a view to measure individual, department and organizational contribution should be done. It is conducted in order to take appropriate action. In particular, evaluation of budgetary control is a process of assessing performance against budget standards and performance targets with intents to take corrective action (Emmanuel and Otley, 1985, as cited in Amida, D.N, 2018). Budgetary standards and targets tend to be the criteria upon which the performances of organizational members, the superiors in particular are evaluated. These standards and targets provide a basis for identifying and appraising selected aspects of organizational performance, since they are the criteria used to guide and motivate it.

Adongo and Jagongo (2013), as cited in Amida, Dobah (2018), stated that the evaluation standards should be very fine statements derived from budgetary planning goals of the previous period, budgetary control experience with respect to budgetary goals of the previous year and from the experience of comparable performance aspects with respect to the past periods. Once this is done, budgetary control will be achieved, and the organizations objectives will be properly implemented and hence efficiently achieved.

The Chartered Institute of Management Accountants CIMA (2004), as cited in Emmanuel (2015), defines a budget as a financial and/or quantitative statement, prepared and accepted preceding to a clear period of time, of the policy to be followed during that period for the purpose of achieving a given objective. Drury (1992), as cited in Sunkar (2005) specified that, —a budget delivers a course of action over a specific period of time, which helps the processes of the business entity. —Budget aids as a tool for organizing and evaluating the enactment of individuals or sections of an organization and also structure the decision making environment (Bruns and Warehouse, 1975, as cited in Kpedor, 2012). Thus, they look to be a appropriate control scheme affecting the enactment of organizations (Emmanuel, 2015).

2.2. Empirical Reviews

2.2.1 Empirical Literature Review for abroad studies

There are many studies that have been done on budgetary control system and its relation or impact on organizational performance. Among them, Balogun, Mamidu, & Owuze (2015) studied budgetary control and organizational performance. For their study, they used well structure questionnaires as their data collection instrument and they applied simple random sampling techniques to select their respondents, and they used also frequency of percentage and chi square for their data analysis. The findings of their study showed us there is a strong relationship between budgetary control and organizational performance. As they have stated in their study's findings, for instance, budgetary control can give a structural support for every organization to achieve their goals and objectives, and maximization of profit through resource allocation and control. They also tried to note that the problem associated with budgetary control is most of the time managers are not appreciating the importance of budgetary control in organization they lead.

Their final conclusion and recommendation about the study are managers in an organization should use budgetary control and they have to connect their budgets to their general plans and goal line, and they have to avoid also imprecise and partial financial approximations to make their budgetary control system much more valuable. They lastly, specified in their conclusion and recommendation, budgetary control can be used as internal control actions, it can also be an essential form of an organization internal control, and it ought to be made the only instrument device for resource distribution and control (Balogun, Mamidu, & Owuze, 2015).

Similarly, according to Ifrah, Kerosi, & Ondabu (2015) study that is Examination of the Efficiency of Budgetary Control Methods on Organizational Performance at Dara-Salaam Bank Headquarters in Hargeisa Somaliland. Their findings on the study showed responsibility accounting, variance analysis and zero based budgeting improve budget control and progress efficiency and output. They also noted that variance cost investigation alone may not mark performance of an organization but it will effect decision making and which will in turn touch organizational effectiveness. Their

recommendation on the study were employees in organization ought to be skilled on existing budgetary control methods to improve business decision making and progress efficiency and productivity.

On top of the above, Abdullahi, Abubakar, Kuwata, & Muhammed (2015) studied the role of budget and budgetary control on organizational performance: a case study of tahir guest house, kano state, nigeria. Findings on this study revealed that budget administration, budget target settings, and budget process all have significant impact on organizational performance. Finally, the authors of this study recommended as it is presented below: (i) the highest level management of Tahir guest palace ought to uphold suitable standard on budget administration and preparation, and budget process. Specifically, the usage of the current budget process on preceding budget presentation ought to be highlighted in gaging performance year in year out, as this will enable the management to screen the organizational development and or effectiveness as budgeted; (ii) the workforce of various cadres at Tahir guest palace ought to also be permissible to take part in the budget target setting and process to additional improve the organizational effectiveness. If the aforementioned recommendations are applied it will not only increase the organizational performance of Tahir Guest Palace but will also be a clue to upsurge in subordinates hard work and task performance.

Other study performed on this area is like, Daniel (2012) investigated that Impact of budgetary control process and their impact on financial performance in the banking industry in kenya. His study was descriptive in nature and he used survey method. He also used 44 commercial bank in Kenya as his population of the study and his data collection instrument was semi structured questionnaires. His data analysis techniques were both content analysis and descriptive analysis. Furthermore, he used pie chart, tables and graphs as a means of data presentation for “ease of understanding and analysis”.

The findings of his study were continuance promise concerns an individual’s need to continue working for the organization based on the apparent costs associated with leaving the organization to a very great extent, budgetary involvement can be seen as interferences

to upsurge organizational promise and consequently firm effectiveness. The lack of organizational commitment leads to low rates of employee involvement, psychological drawing established in lower degrees of personal investment and poor risk-taking behavior and that performance improves if organizations move away from traditional control oriented tactic to a commitment-oriented method to managing people to a great extent (Daniel, 2012).

One more study like, Ida Haryanti & Radiah (2012) carried out examination on budgetary involvement: how it touches performance and promise. To carry out this study the researchers used dispersed questionnaires to central level managers involved in the budget procedure of a government ministry to identify their budgetary involvement level and the impact on managerial effectiveness. We can look at further their findings on this study reveal that budgetary participation has a significant effect on managerial effectiveness by improving organizational commitment. Generally, the study findings provide a better thoughtfulness of the effects of budgetary involvement in the public sector, letting governments to progress organizational commitment among employees and improve budgetary processes so more employees can partake. (Ida Haryanti & Radiah, 2012)

2.2.2 Empirical literature review for local studies

Budgetary control system in organizations Darge (2018) examined to show that Proper application Budget and budgetary control system in an organization will have positive effect on the performance of the organization. For example it will improve for effective budget scheduling, budget checking and supervisory, budget appraisal and involvement in budget, and thereby improve organizational performances. However on his finding in East Wollega Zone Finance and Economic Development Offices, he did realize that there were no proper budget control practices, as it can be seen from the replies to questions relating to elements of budgetary controls such as budget scheduling, budget checking and regulator, budget appraisal and budget involvement. But one could understand from this literature that there would have been limitation on the sample size used in this research that may have been relatively minor to allow a general image of the total Finance and Economic Development Offices in East Wollega Zone. The researcher also recommends

that for other researcher to do study on this areas by having large sample of their population.

Similarly, Amen & Getachewu (2019), investigated to reveal that Proper application of budgeting process in an organization will bring performance in the organization. For instance it will improve budget scheduling, budget groundwork, budget application and budget supervisory and thereby brings improvement in organization performance. On their findings they could show that there are direct relationship between the effect of budget scheduling, budget regulatory, budget application and tax income planning on the performance of the organization. But their findings were not as they are expected because the study showed that the influence of budget scheduling for the achievement of organizational success appears not promising as others did. Thus, its meaning was not as strong as others. Inefficient budget use and Budget regulator in their organizations was not likely as expected.

The authors also recommended that authorizing main stakeholders in budget scheduling, cultivating the performance of budget application, founding budget control system and Providing Teaching Programs for Employees to Increase Organizational Success in Finance Sectors, improving organizational capability in the budget process were advanced to overwhelmed organizational success challenges in the study area. Moreover as we have noted from this study there were methodological gap on using very limited literatures for their review which enable to substantiate their main idea of their study.

Like the above study Mulu (2018) examined to show that whether there are Proper budget application and supervisory practice or not, and to see specifically how the budget application, budget supervisory and checking and the remedial measures on weakness of budget use of organization look like. However, on her findings she revealed that budget application and regulatory system of the organization is influenced through numerous issues such as, absence of lower level management involvement on budget groundwork of the company, time postponement in the accepted budget, underutilization of the appraised budget, time postponement in reporting budget alteration, absence of higher officials

checking and assessment system. Based on the findings the study recommended, that, it is healthier to involve lower level structural management in arrangements of the organization budget and discussing tactical plan for all, to avoid underutilization of budget in the organization, it is better to perceive the preceding years' knowledge.

In contrast to above all, Kassahun (2019) examined to show that Proper application of budget and budget regulator in an organization would have an impact of non-financial effectiveness of the organization. For example investigative the structures of budgetary control, studying the result of budgetary control, measuring the result of budgetary control systems, gauging the result of budgetary procedure and regulate the association between tasks affecting budgetary control and non-financial performance, and thereby these will improve effectiveness in non-financial performance of the organization.

Therefore, on his findings he could realize that budget and budgetary regulator had an important association with non-financial performance of the bank. Features of budgetary mechanisms have indications to cost effective procurement which make a result on effectiveness of the bank. Human issues within budgetary regulator like managerial promise, employees' inspiration, employee teaching and capability as well as the approach affect the budget regulator procedures. Budgetary regulator procedures showed optimistic important effect on non-financial effectiveness of banks through influence on financial purposes, the distribution of capitals as well as investment schemes that organization undertakes.

He would also recommended that the banks should use budgetary regulator to inspire employees to do their best. The organizations ought to safeguard complete involvement by managers in venue of their budgetary targets and make satisfactory control actions to improve non-financial effectiveness. Budgetary regulator procedures ought to keep cooperation between the management and finance function.

2.3 Summary of Literature review

The above review of the literatures indicated that the available researches related to the budgetary system focused on the effect of budgetary control measures, namely, budgetary administration, budget settings, budget process, budget planning, budget monitoring & controlling, budget evaluation, budget participation and budget implementation practices on organizational effectiveness or performance.

It is only a handful of researches that stated about the effect of budgetary control and process on organizational, financial and non-financial performance related with responsibility accounting, variance analysis, and zero based budgeting, participation and commitment, budgetary controlling features, human factors and challenges of budgetary control systems.

However, none of the above studies have shown as whether the use of budgetary control system in an organization could facilitate an assignment of the right person on the right position and whether it can bring high performance working, job satisfaction, organizational competitiveness, efficient utilization of resources and operational efficiency thereby it could bring organizational effectiveness in the banking sector.

Therefore, this study would like to fill the gap created in the above studies especially on banking industries that is the impact of budgetary control system on organizational effectiveness in general, and specifically its impact on assignment of the right person on the right position, high performance working, job satisfaction, organizational competitiveness, efficient utilization of resources and operational efficiency.

2.4. Conceptual Frame work

2.4.1 General Objective variables

This study would like to examine the impact of budgetary control system on organizational effectiveness. So in this research the independent variable is budgetary control system and the dependent variable is organizational effectiveness.

2.4.1.1 Independent variable

Budgetary control is a system of procedures used to ensure that an organizations income and expenses align with the financial plan (Steven, 2020). “It can be measured through the following key principles: 1. setting standards to coordinate and control the budget process (policies and procedures). 2. Recording and measuring current financial performance (preparing budgets). 3. Making comparison between actual and budgeted results (variance analysis). 4. Taking appropriate corrective action as required” ("Budgetary", 2019).

2.4.1.2 Dependent variables

Organizational effectiveness can be defined as the efficiency with which an association is able to meet its objectives. This means an organization that produces a desired effect or an organization that is productive without waste. Organizational effectiveness is about each individual doing everything they know how to do and doing it well; in other words organizational efficiency is the capacity of an organization to produce the desired results with a minimum expenditure of energy, time, money, human and material resources. The main measure of organizational effectiveness for a business was generally be expressed in terms of how well its profitability compares with its target profitability. Additional measures might include growth data, the result of customer satisfaction surveys and sustainable economic growth (Morales, 2014).

2.4.2 Specific Objective Variables

This study would also have other variables in its specific objective like Budgetary control system as independent variables and on the other hand like assignment of the right person on the right position, high performance working, job satisfaction, efficient utilization of resources, organizational competitiveness and operational efficiency as dependent variables.

2.4.2.1 Assignment of right person on right position

Assignment of the right person on the right position can be defined as putting the right person (it may be related with the person’s qualifications like work experiences and level of educations) on the right position (a function you serve at a company). So it can be

measured with the number of work experiences and level of educations which are relevant with the position.

2.4.2.2 High performance working

A high performance working is defined as “a general approach to managing an organizations that aims to stimulate more effective employee involvement and commitment to achieve high level of performance” (Belt, 2009). “It can be measurement with work design, promotion mechanism, skill training, level of employee commitment, motivation” (Chunling, Anqi, & Guoling, 2018).

2.4.2.3 Job satisfaction

Job satisfaction refers to a person’s feeling of satisfaction on the job, which acts as a motivation to work. It is not the self-satisfaction, happiness or self-satisfaction, happiness or self-commitment but satisfaction on the job. Job satisfaction relates to the total relationship between an individual and the employer for which he is paid. Satisfaction means the simple feeling of attainment of any goal or objective. Job dissatisfaction brings an absence of motivation at work (shiyani, 1999). “Job satisfaction can be measured with task meaningfulness, relation with supervisor and colleagues, compensation & benefits and promotion & career development” ("causes", 2019).

2.4.2.4 Efficient utilization of resources

Efficient utilization of resources can be defined as a proper use of resources like time, human (labor) and material of the organization. “It refers to getting the things done in the right manner, in minimum time with the minimum cost incurred and with no wastage of resources” ("Efficient", n.d). It is also the process of strategically measuring how effective resources are. A resource utilization example is checking if a certain employee is being maximized in between projects (Pales, 2018). It is utilization that makes your project successful. It is measured with planned working hours (booking)/ Available hours for human resources and level or degree of wastage for other resources ("Measure", n.d).

2.4.2.6 Organizational competitiveness

Organizational Competitiveness is the ability of organization, the economic branches and the state to operate, maintain, advance, and work according to the principles of efficiency and effectiveness to surpass the competition. Thus, competition is superiority over rivals and other competitors in the market (Katerina & Tamara, n.d). It can be measured with growth rate, net profit margin, and return on investment (ROI) and market share (Jim, 2012).

2.4.2.7 Operational efficiency

Operational efficiency can be defined as “the relationship between organizations’ output and input that when healthy, helps business cut down on unnecessary costs while increasing revenue. It’s what business strive to do: produce a high quality product at scale with as few resources as possible” (“Operational”, 2022). It is measured with the ratio of output gained to the input expended (operational expenditure, capital expenditure, people resources, revenue, customer satisfaction and quality) (Jo, 2019).

2.4.3 The relationship of Independent variable and Dependent variables of the specific objective

The researcher would like to show the relationship of the Independent variable that is budgetary control system and the dependent variables in the specific objective based on some evidences even though it is not full evidences in the following paragraph. That is why the researcher is hypothesizing them and going to make these hypothesis to be fact based on empirical evidence and statistical analysis.

In budgetary control system, there are activities such as budget target settings, budget preparation and budget participation, in order to accomplish this tasks, management needs to have experienced and educated man power in each job places. For example management may have annual budget objectives, these objectives will be break down in to monthly, weekly and daily targets in each departments and sections. Therefore, for consistent accomplishment of their targets perfectly, they need to put or assign the right person on the right position in each job places of departments, sections and branches. That

is why the researcher perceive or hypothesis the impact of budgetary control system on assignment of the right person on the right position.

Moreover, in budgetary control system like preparation of budget needs involvement of employees, meaning it brings budget participation, then employees will have a chance to know the objectives, policies, procedures and the strategies to achieve these objectives and the budget targets easily. This will bring employees' motivation and commitment, since every employee needs to be rewarded and promoted to high position when they consistently accomplish their tasks as it is intended by the management. Therefore, these motivation and commitment of employees bring high performance working in the company. Meaning the employees are able to accomplish their tasks which can meet their customers' expectation. Since they are motivated and committed, they can easily understand their supervisor' instruction, policies, procedures and strategies for the accomplishment of the tasks and goals. This will also contribute for the profitability of the company.

As one can understand above, budget preparation, variance analysis and budget participation will bring also job satisfaction. For example if employees can achieve their target level of tasks consistently and if their variance analysis shows favorable, they feel that their tasks are meaningful for them or they may expect promotion, benefits, and reward and career development from the company. In budgetary control system, there are budget sales target for revenue centers, budget cost target for cost center and budget profit target for profit center. For example in order to achieve their sales target, the revenue centers will exercise promotions like advertisements , market penetration, market development, product development and may use also market niches to increase their market share as compared to its competitors. So this will bring organizational competitiveness which also contribute to customer satisfaction and profitability of the organization.

The other may be in order to meet their responsibility accounting, the cost center needs to be efficient to avoid wastage, they also needs to use their time, labor and resources

efficiently. Since they are cost center, their efficiency is measured how they are efficiently utilizing their resources and achieve favorable variances as compared to their budget cost target. Therefore, efficient utilization of resources will bring profitability of organization. As we have seen above due to the presence of budgetary control system, the revenue center needs to maximize revenues through various strategies like market penetration, product development and market niches, the cost center needs to minimize cost of inputs like time, labor and material resources efficiently. So if the company uses less inputs and maximize its revenues, we can say that it is operationally efficient.

On the other hand, the researcher used many dependent variables and one independent variable. But here, we have to note that the dependent variables in the specific objectives are related with the dependent variable in general objective. Meaning if the researcher can show that the impact of budgetary control system on specific objective's dependent variables, it is easy for him to show that the impact of budgetary control system on general objective's dependent variable. For example an application of assignment of the right person on the right position in each job place will help the company to have more expertize man power in each job place who can accomplish the work with the attainment of its specification, quality, quantity and target within the specified time frame.

So the researcher can say this will contribute a lot for profitability, customer satisfaction, growth rate and sustainable economic growth which are the measures of his dependent variable in the general objective that is Organization effectiveness. The same is true for the rest of five dependent variables of his specific objective, they will also have their own contribution on profitability, customer satisfaction, growth rate and sustainable economic growth.

For example, as Saylor Foundation (2013) stated that “When multiple dependent variables are different measures of the same scale – especially if they are measured on the same scale – researchers have the option of combining them into a single measures of that construct”. “Schnall and her colleagues were interested in the harshness people’s moral judgements. To measure this construct, they presented their participants with seven

different scenarios describing morally questionable behaviors and asked them to rate the moral acceptability of each one. Although they could have treated each of the seven rating as separate dependent variable, these researchers combined them into a single dependent variable by computing their mean”. “The advantage of this is that multiple-response measures are generally more reliable than single-response measures, However, it is important to make sure the individual dependent variables are correlated with each other by computing an internal consistency measure such as Cronbach’s α ”.

2.5 Conceptual Model

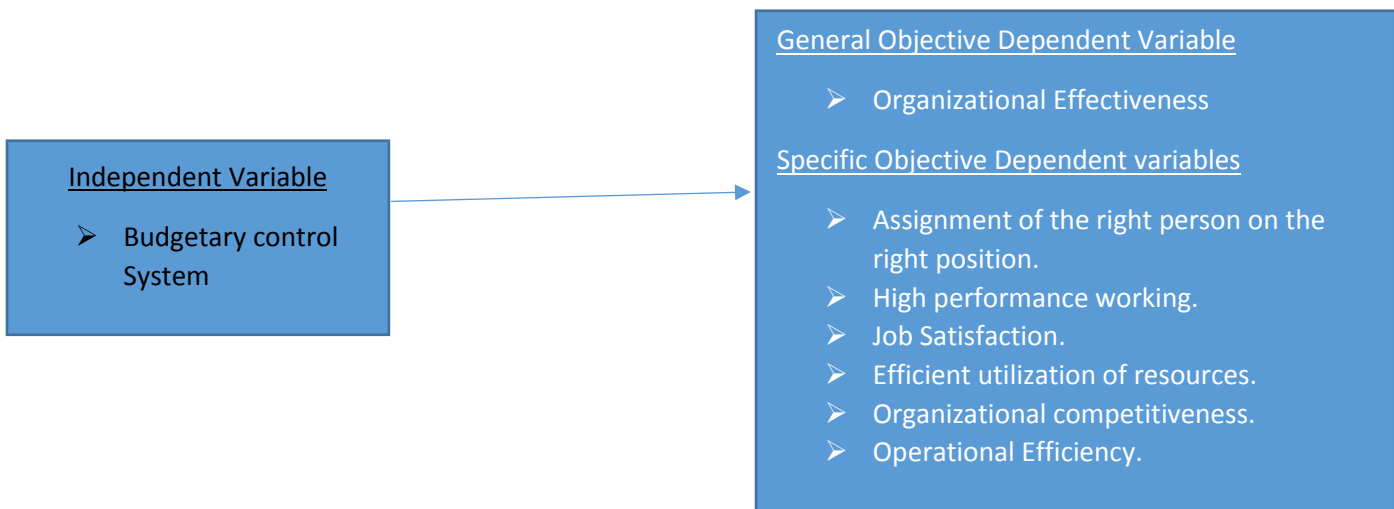


Figure 2.1

Chapter Three

3. Research Methodology

3.1 Introduction

In this part of the thesis the researcher addressed how the population, the sample, the sampling technique, the data collection method and data analysis look like.

3.2 Research Design

The research design refers to the overall strategy that you choose to integrate the different components of the study in a coherent and logical way, thereby, ensuring you will effectively address the research problem, it constitutes the blue print for collection, measurement, and analysis of data (De Vaus & D.A, 2001) & (Trochim & William, 2006). The researcher used Explanatory quantitative research method.

3.2.1 Target Population

The Target population, or group, that a researcher is interested in researching and analyzing ("Target", 2022). All staffs in accounting and finance department and in Budget office (office of strategy) of 18 commercial banks of Ethiopia have been taken as target population.

3.2.2 Sampling Frame

A sampling frame is a list of things that you draw a sample from. The sampling frame is all staffs in accounting & Finance department, Auditing Department and in Budget office (office of strategy) of 14 banks out of 18 commercial banks of Ethiopia.

3.2.3 Sample

A Sample space is a list of all possible outcomes for an experiment. The Finance managers, Audit managers supervisors and accountants in accounting and finance

departments, Auditing department and Departmental managers and supervisors in budget offices of 10 banks will be the sample of this study.

3.2.4 Sample Size

Sample Size = $\frac{(Z\text{-score})^2 \times \text{StdDev.} \times (1 - \text{StdDev.})}{(\text{Confidence Interval})^2}$ (Frankline, 2021).

A standard deviation of 0.5 is a safe choice where the figure is unknown (Frankline, 2021)

The researcher choose a 95% confidence level , a standard deviation of 0.5, and a confidence interval or margin Error of + or - 5% .

$$\text{Sample Size} = \frac{(1.96)^2 \times .5 \times (1-.5)}{(.05)^2} = \frac{3.8416 \times .25}{.0025} = 384.16$$

The sample size should be 385

3.2.5 Data collection instruments and procedures

This stud used both primary and secondary data for its investigation. Through interviews and structured questionnaires, he was able to collect primary data. And for about secondary data, the researcher used financial statements, budget reports and other financial and non-financial reports.

3.2.6 Reliability

Reliability refers to how consistently a method measures something. If the same result can be consistently achieved by using the same methods under the same circumstances, the measurement is considered reliable (Fiona, 2020). To test the reliability the researcher used Cronbach's alpha. A general accepted rule is that α of 0.6 – 0.7 indicates an acceptable level of reliability, and 0.8 or greater a very good level (George, Ioana, & Adriana, 2015).

3.2.7 Validity

Validity refers to how accurately a method measures what it is intended to measure (Fiona, 2020). The researcher could ascertain the validity of the measurement of variables through primary data that is data from structured questionnaires by the related

measurement of the variables through secondary data like financial statements and other non-financial reports which are a fact measures.

3.2.8 Data Analysis

For data analysis purpose, the researcher used Sata 16 Statistics/Data Analysis software. Hypothesis tests were used whether to reject the null hypothesis or not and in order to determine statistical significance of the study. Pearson correlation and simple linear regression were used to check the relationship and effect between variables. Descriptive statistics and inferential statistics were used for data analysis, and used to show the findings and to come to conclusion about the whole population.

3.2.8.1 Analytical Model

The algebraic expression of the regression model takes the following form (Serkaddis, 2017):

3.2.8.1.1 General Objective Analytical Model

$$Y = \alpha + \beta_1 X_1 + \mu_t$$

Where;

Y = the dependent variable = Organization Effectiveness

α = a constant

β_1 = the slope of the regression

X_1 = the independent variable = Budgetary control System

μ_t = Model error

3.2.8.1.2 Specific Objective Analytical Model

“The general Objective is a statement that summarizes the central idea and purpose of a work. The specific objective details the process necessary for the complete performance of the work. Thus, the sum of the specific objectives would have to meet the general objective.” (Nesaab, n.d)

$$Y_1 = \alpha_1 + \beta_2 X_1 + \mu_1$$

$$Y_2 = \alpha_2 + \beta_3 X_1 + \mu_2$$

$$Y_3 = \alpha_3 + \beta_4 X_1 + \mu_3$$

$$Y_4 = \alpha_4 + \beta_5 X_1 + \mu_4$$

$$Y_5 = \alpha_5 + \beta_6 X_1 + \mu_5$$

$$Y_6 = \alpha_6 + \beta_7 X_1 + \mu_6$$

Where

$\bar{Y}$ = Mean ($Y_1, Y_2, Y_3, Y_4, Y_5, Y_6$)

$Y_1, Y_2, Y_3, Y_4, Y_5, Y_6$ = Dependent variables = Assignment of the right person on the right position, High performance working, Job satisfaction, Efficient utilization of resources, Organizational competitiveness and Operational efficiency respectively.

$\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5, \alpha_6$ = constants

$\beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ = the slopes of the regression

X_1 = the independent variable = Budgetary control System

$\mu_1, \mu_2, \mu_3, \mu_4, \mu_5, \mu_6$ = Model error

Chapter Four

4. Data Analysis and their results

4.1 Reliability and Validity of data

The researcher calculate the Cronbach alpha and found 0.95168 which showed the reliable data. The researcher used secondary source document like financial statement to validate his data from his informants. In order to do this, he calculate ROI and ROE, net profit, minimization of expenses and maximization of revenues. The ROI and ROE of the banks show incremental from 2018 to 2021, you can see it in the appendix part, And also there is incremental in profit of the banks from year 2018 to 2021, at the same time, there are maximization of profit and minimization of ratio of personnel Expenses and other

operating Expense to revenue from 2018 to 2021, the researcher did not include depreciation and amortization expenses as he understand they can't show real performance of the bank. The researcher could also realize that the banks use their job specifications to hire their employees as he understands from some banks' supervisors and some relevant source document from Abyssinia bank, you can refer it in the appendix part. However, there is limitation to find like this much more relevant source documents of the banks to the study especially to validate the data about assignment of the right person on the right position in the selected sample banks, because of confidentiality problem.

4.2 Descriptive statistics

4.2.1 General Information

Out of 385 sample size 374 informants gave their answers through my structured questionnaires. Among them 27.27% are females and 72.73% are males (Ref. Table 4.1).

Table 4.1. The Respondents' Percentage Distribution across Sex.

SEX	Freq.	Percent	Cum.
Female	102	27.27	27.27
Male	272	72.73	100.00
Total	374	100.00	

51.87% are from 20 to 35 years old, 31.55% from 36 to 40 , 8.56% from 41 to 45 and 8.02% above 45 years old(Ref. Table 4.2).

Table 4.2. Age Percentage Distribution of Respondents

AGE (Category in	Freq.	Percent	Cum.

years)			
20-35	194	51.87	51.87
36-40	118	31.55	83.42
41-45	32	8.56	91.98
Above 45	30	8.02	100.00
Total	374	100.00	

Based on their marital status, my informants, 34.22% are single, 64.71% married and 1.07% are Divorced (Ref. Table 4.3).

Table 4.3. Respondents' Percentage distribution across Marital Status

Marital Status	Freq.	Percent	Cum.
Single	128	34.22	34.22
Married	242	64.71	98.93
Divorced	4	1.07	100.00
Total	374	100.00	

With regard to their Educational Status of my informants, 0.53% diploma level, 45.99% BSC/BA Level and 53.48% MSC/MA level (Ref. Table 4.4).

Table 4.4 Respondents' Percentage distribution across their Educational Status

Level of Education	Freq.	Percent	Cum.
Diploma	2	0.53	0.53
BSC/BA	172	45.99	46.52
MSC/MA	200	53.48	100.00
Total	374	100.00	

Besides, the researcher would like to show the statistics of his data base of Banks to which the informants are working in and based on their experiences in the bank too. Among them 14.44% are from Abyssinia Bank, 12.83% from Buna International Bank, 12.83% from Abay Bak, 12.30% from Addis International Bank, 11.23% from Awash bank,

10.70% from Hibret Bank, 9.09% from Zemen Bank, 5.35% from Enat bank, 7.49% from CBE and 3.74% are from Nib International Bank(Ref. Table 4.5).

Table 4.5 Respondents' Percentage distribution across the name of their banks to which they belong.

Name of Banks	Freq.	Percent	Cum.
Bank of Abyssinia	54	14.44	14.44
Buna Bank	48	12.83	27.27
Abay Bank	48	12.83	40.11
Addis Int. Bank	46	12.30	52.41
Awash Bank	42	11.23	63.64
Hibret Bank	40	10.70	74.33
Zemen Bank	34	9.09	83.42
Enat Bank	20	5.35	88.77
CBE	28	7.49	96.26
Nib Int. Bank	14	3.74	100.00
Total	374	100.00	

Finally based on their Experiences across all banks in the sample size, 30.48% are up to 4 years' Experience, 43.85% from 5 to 10 years, 16.04% from 11 to 15 years, 9.63% are Above 15 Years of Experience (Ref. Table 4.6).

Table 4.6 Respondents' Percentage distribution across their Experience in bank they are working in.

Years of Experience Category	Freq.	Percent	Cum.
Up to 4	114	30.48	30.48
5-10	164	43.85	74.33

11-15	60	16.04	90.37
Above 15	36	9.63	100.00
Total	374	100.00	

4.2.2 Likert Scale Interval

The researcher used the following five point Likert scale interval to analysis his data's mean for his independent and dependent variables (Erol & Ufuk, 2019).

Table 4.7 Likert Scale Interval Range

Interval	Represented by
1.00-1.80	Strongly disagree
1.81-2.60	Slightly disagree
2.61-3.40	Neutral
3.41-4.20	Slightly agree
4.21-5.00	Strongly agree

4.2.3 Budgetary Control System

The following table shows the Mean and Std. Dev. results when the informants are questioned about the existence of Policies, procedures, preparation of budget, budget target setting, Variance analysis and Evaluation & control within their banks' budgetary control system (Ref. Table 4.7).

Table 4.8. Mean and Standard deviation about budgetary control system

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
BCS	374	4.220588	0.7923503	0.18773458	1.5	5

As the Mean of the answer of the respondents from above table 4.220588 is within the Likert Scale Interval Range (4.21-5.00) Ref. Table 4.7, the researcher could say that most of the informants strongly agreed that budgetary control system has been applied in the sample banks. Moreover, as most statistician believe that Coefficient of variation less one

has lower variation ("Cv", 2016), and the lower the value of coefficient of variation the more precise the estimate ("CoeV", 2016), CV 0.18773458 shows good variation and the data is accepted.

4.2.4 Assignment of the right person on the right position

Table 4.8 below shows the results of their responses when the informants are asked through structured questionnaires about their bank budgetary system contribution to assignment of person on their position relevant to their experience, education level, and banks' requirement procedures.

Table 4.9. Mean and Standard deviation about assignment of the right person on the right person.

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
ARPRP	374	3.716578	.8828227	.23753644	1	5

As the Mean of the response of the respondents from the above table which is 3.716578 is within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7, the researcher is able to say that most of the informants slightly agreed on the positive influence of their budgetary control system to the assignment of the right person on the right position. CV 0.23753644 shows good variation and the data is accepted.

4.2.5 Job Satisfaction

The following table shows the Mean and Std. Dev. results while the informants are interrogated through structured questionnaires whether their achievement and participation in budgetary control system of the bank could bring them to feel their task meaningfulness and improvement in their relationship with their colleagues and supervisors and whether it also helps them in achievement of compensation, benefit, promotion and career development.

Table 4.10. Mean and Standard deviation about Job Satisfaction.

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
JBS	374	3.781818	.7698688	.20357109	1	5

Accordingly, the researcher could say that most of informants slightly agreed on the improvement of their job satisfaction due to the budgetary control system of the banks, as we look from above table the mean i.e 3.781818 is within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7. CV .20357109 shows good variation and the data is accepted.

4.2.6 High Performance Working

Table 4.10 below shows the results of their responses at the time informants are queried through structured questionnaires about the impact of their bank budgetary control system on the improvement of work design, promotion mechanism, skill training, commitment and motivation to work.

Table 4.11. Mean and Standard deviation about High Performance Working.

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
JBS	374	3.779679	.8062849	.213321`	1	5

On perspective of the above table, the researcher would say that most of the informants slightly agreed on the impact of their bank budgetary control system on high performance working, as we see here the mean that is 3.779679 is within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7. CV .213321 shows good variation and the data is accepted.

4.2.7 Efficient Utilization of Resources

The following table shows also the Mean and Std. Dev. results during the time the informants are inquired through structured questionnaires about the influence of the budgetary control system of their banks on the improvement of utilization of labor hours, mitigation of wastage on resource utilization and alleviation of working capital problem.

Table 4.12. Mean and Standard deviation about Efficient Utilization of resources.

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
EUR	374	4.096257	.8559596	.2089614	1	5

In accordance with the above table informants' reply statistics that is mean 4.096257 is within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7 and CV is less than one, the researcher could say that most of the informants slightly agreed on the positive contribution of the banks' budgetary Control system on the improvement of efficient utilization of resources.

4.2.8 Organizational Competitiveness

Table 4.12 below shows the results of their responses in the course of the time the informants are enquired about the effect of budgetary control system of their bank on maximization of revenues, minimization of expenses and increment of asset and market share.

Table 4.13. Mean and Standard deviation about Organizational Competitiveness.

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
ORCO	374	4.012032	.7900535	.19692104	1	5

As the researcher has well-read from the aforementioned table which shows the mean result which is 4.012032 is within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7 and the CV is less than one, he is able to say that majority of the informants slightly agreed upon the positive effect of budgetary control system on Organizational Competitiveness.

4.2.9 Operational Efficiency

The following table shows also the Mean and Std. Dev. results when the informants are asked the impact of budgetary control system on the improvement of revenue, customer satisfaction, quality of service and efficient on input expended.

Table 4.14. Mean and Standard deviation about Operational Efficiency.

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
OE	374	3.863636	.8203927	.21233695	1	5

As majority of the informants slightly agreed on the above subject matter (Mean 3.863636 within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7, and CV is less than one), the researcher is able to understand that the presence of the effect of budgetary control system on operational efficiency, despite further inferential statistical test and analysis are expected as it is done below.

4.2.10 Organizational Effectiveness

As the above six dependent variables are different measure of organizational Effectiveness, the researcher could calculate mean from the means of the above six dependent variables that are Assignment of the right person on the right position, Job satisfaction, High performance working, Efficient utilization of resources, Organizational competitiveness and operational Efficiency (Saylor Foundation, 2013). The results of mean and Standard deviation are as follows:

Table 4.15. Mean and Standard deviation about Organizational Effectiveness.

Variable	Obs	Mean	Std. Dev.	CV(Coefficient of variation) (Std. Dev./ Mean)	Min	Max
ORE	374	3.875	.6430137	.16593902	1.333333	5

4.3 Inferential statistics

4.3.1 Normality Test

The researcher used Q-Q Normality Test and in Conjugation with Histogram Normality test to make things more clearly for his audience. One could refer more <https://Statisticsbyjim.com/basics/assessing-normality-histograms-probability-plots/>, about the two tests.

4.3.1.1 Histogram normality Test

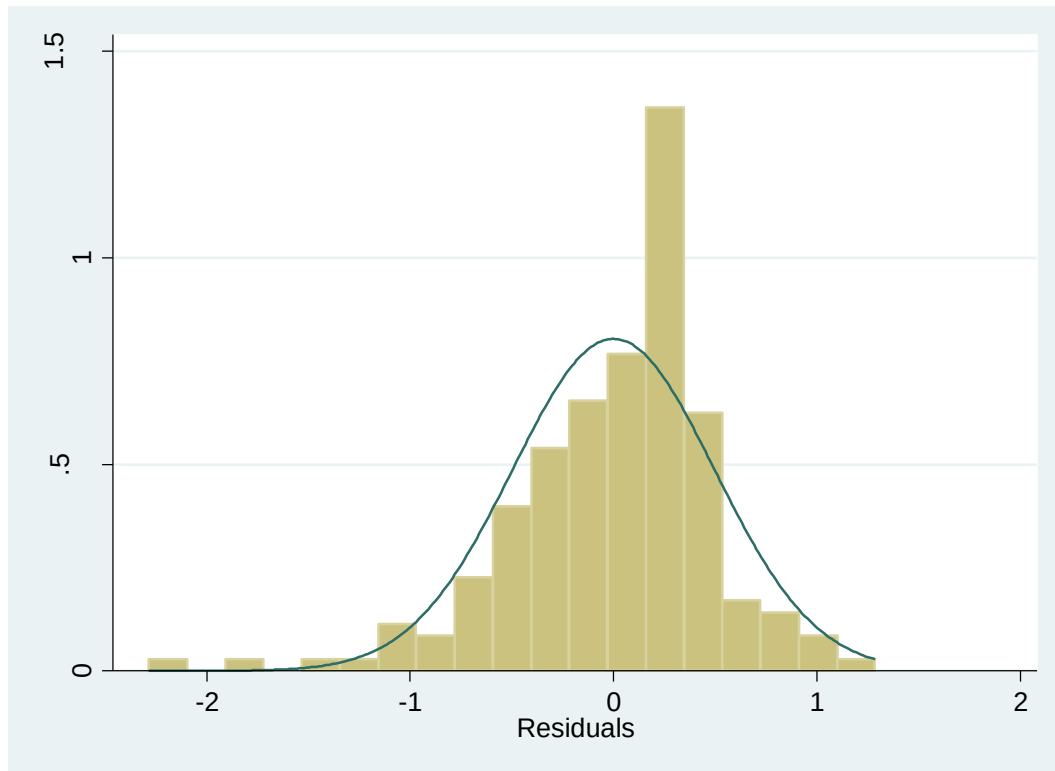


Figure 4.1

4.3.1.2 Q-Q Plot Normality Test

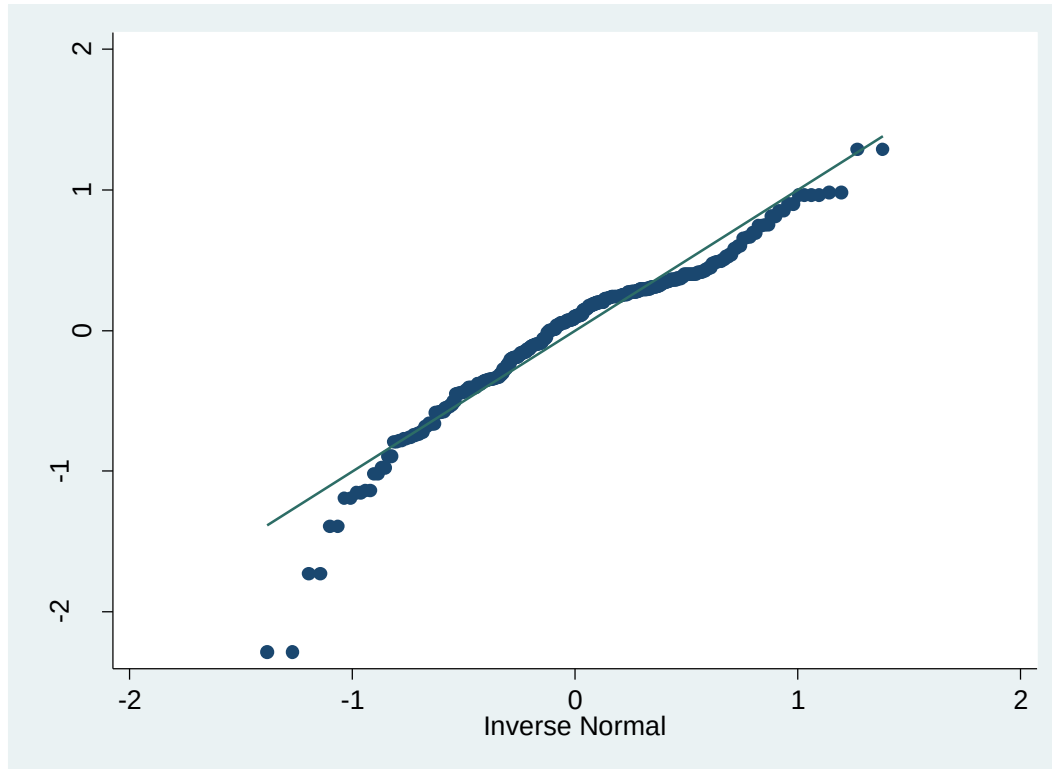


Figure 4.2

As the two pictures roughly show that the residuals of the model are normally distributed, the researcher conclude that this research statistical data model do not violet the assumption of normality.

4.3.2 Heteroscedasticity Test

As the researcher used vce (robust) liner regression, it is believed to free from heteroscedasticity problem.

4.3.3 Pearson's Correlation

In order to know the Existence of linear relationship between organizational Effectiveness and Budgetary Control system, the researcher did Pearson correlation using stata, the result would be as follows:

Table 4.16. Pearson's Correlation of ORE and BSC

Name of Variable	BSC	ORE
BSC	1.0000	0.6361
ORE	0.6361	1.0000

Stata Code and its Result

pwcorr ORE(Organizational Effectiveness) BSC, sig star(.05) obs

```

      ORE    BSC
-----+-----
ORE | 1.0000
    | 374
BSC | 0.6361* 1.0000
    | 0.0000
    | 374      374

```

As the Pearson correlation coefficient i.s 0.6361 is a positive and above 0.5, there is a strong positive linear relationship between the organizational Effectiveness and Budgetary Control System.

4.3.4 Hypothesis Test

4.3.4.1 Organizational effectiveness.

H1: Budgetary Control system has positive impact on organizational effectiveness.

Ho: Budgetary Control system has no positive impact on organizational effectiveness

General Objective

$$Y = \beta_0 + \beta_1 X_1 + \mu$$

Where;

Y = the dependent variable = Organization Effectiveness

β_0 = a constant

β_1 = the slope of the regression

X_1 = the independent variable= Budgetary control System

μ = Model error

Based on the above information, the researcher formulate the following for Ho and H1

Ho: $\beta_1 \leq 0$

H1: $\beta_1 > 0$

To test these hypothesizes, we can use linear regression Test. Hypothesis testing is used to confirm if our beta coefficients are significant in a linear regression model (Akansha.k, 2021). To do this for our significant level that is $\alpha = 0.05$, we should have p-value less than α and t critical value less than t values to reject the null Hypothesis and to be statistically significant.

The following tables shows the regression using stata

Stata Code and its Result

Regress ORE (Organizational Effectiveness) BSC (Budgetary Control System), vce (robust)

Table 4.17 Linear regression for ORE and BSC

					Number of obs = 374	
					F(1, 372) = 169.15	
					Prob > F = 0.0000	
					R-squared = 0.4046	
					Root MSE = .49684	
ORE	Robust		t	P> t	[95% Conf. Interval]	
	Coef	Std. Err.				
BSC	.5161884	.0396893	13.01	0.000	.4381449	.5942318
_cons	1.696382	.1733505	9.79	0.000	1.355512	2.037251

Since the above regression test is two sided but our Hypothesis test is one sided, the researcher has to convert the P-Value to test his hypothesis.

For Ho: $\beta_1 \leq 0$, Positive estimated Coefficient, P-Value = P-Value of Regression/2 (Sided", n.d)

In the above regression estimated coefficient is .5161884 which is greater than zero.

Regression P-value = 0.000. So for one sided test P-Value = $0.000/2 = 0.000$

For one sided test the critical value for t-value at degree of freedom = 373 and at $\alpha = 0.05$ is 1.648949, and the critical value for F-value at Numerator degree of freedom (df1) = 1 & Denominator degree of Freedom (df2) = 372 and at $\alpha = 0.05$ is 3.8853.

From the above regression table, the researcher found t value is 13.01. Since this t-value is greater than the t critical value 1.648949 and p-value is 0.000 which is below Alpha i.e 0.05, and besides, F Statistics i.e 169.15 is greater than the F critical Value i.e 3.8853, there is statistical significance and the null hypothesis is to be rejected; instead the alternative hypothesis would be accepted. That means budgetary control system has positive impact on organizational Effectiveness. In above regression table above demonstrates that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent variables) R square equals 0.4046, i.e, 40.46 % of the total variation in organization effectiveness is explained the changes in budgetary Control system.

When the researcher come to the model and substitute the value of β Constant and β_1 Coefficient from the regression Table, he would get the following result:

$$Y = \beta_0 + \beta_1 X_1 + \mu$$

$$Y = 1.696382 + 0.5161884X_1$$

This means when budgetary control system(X_1) is increased by one unit the Organizational Effectiveness will be increased by .5161884 units. This indicates that there is positive impact of budgetary control on organizational Effectiveness.

While the researcher refer other research work related with this study, he found the following, Rebeccah (2014) “The F statistic is the regression mean square (MSR) divided by the residual mean square (MSE). Since the significance value of the F statistic is small (0.000 smaller than say 0.05) then the predictors variables table banking, financing costs, investments risks, investment and financing knowledge, management weakness explain the variation in the dependent variable which is investment decision of SMEs. Consequently, the study accepted the hypothesis that all the population values for the regression coefficients are not 0. Contrary, if the significance value of F was larger than

0.05 then the independent variables would not explain the variation in the dependent variable, and the null hypothesis that all the population values for the regression coefficients are 0 should have been accepted”. “Analysis in table above shows that the coefficient of determination (the percentage variation in the dependent variable being explained by the changes in the independent 36 variables) R square equals 0.326, that is, 32.6% of the total variation in organization effectiveness is explained the changes in planning, monitory and control, evaluation, adequate availability of finance, cost reduction and performance”.

Daniel (2012) “The significance value is .0073 which is less than 0.05 thus the model is statistically significant in predicting Impact of Budgetary Control Process on financial Performance, Participation and commitment, Organizational Commitment and Budget Accuracy. The F critical at 5% level of significance was 3.23. Since F calculated is greater than the F critical (value = 52.400), this shows that the overall model was significant”.

4.3.4.2 Assignment of the right person on the right position

Stata Code and its Result

Regress ARPRP (Assignment of the right person on the right posion), BSC (budgetary control system), vce (robust)

Table 4.18 Linear regression for ARPRP and BSC

					Number of obs = 374	
					F(1, 372) = 43.04	
					Prob > F = 0.0000	
					R-squared = 0.0970	
					Root MSE = .84005	
ARPRP	Robust				[95% Conf. Interval]	
	Coef	Std. Err.	t	P> t		
BSC	.346992	.0528903	6.56	0.000	.2429906	.4509933
_cons	2.252067	.2207395	10.20	0.000	1.818014	2.686121

Since the p-value i.e 0.000 is less Alpha 0.05 and the t-value that is 6.56 is greater than the critical value 1.648949, and besides, F Statistics which is 43.04 is greater than F critical Value 3.8853, there is statistical significance in which the null hypothesis is to be rejected, and then the researcher could accept the alternative hypothesis that budgetary control system has positive impact on assignment of right person on the right position.

The researcher could substitute the estimated β Constant and coefficient in the model and see their effect:

$$Y_2 = \beta_2 + \beta_3 X_1 + \mu_1$$

$$Y_2 = 2.252067 + .346992 X_1$$

This means when there is one unit increase in budgetary control system, there will be 0.346992 increase in Assignment of the right person on the right position.

4.3.4.3 Job Satisfaction

Stata Code and its Result

Regress JBS (Job Satisfaction) BSC (Budgetary control System), vce (robust)

Table 4.19 Linear regression JBS and BSC

					Number of obs = 374	
					F(1, 372) = 133.30	
					Prob > F = 0.0000	
					R-squared = 0.3115	
					Root MSE = .63964	
	Robust				[95% Conf. Interval]	
JBS	Coef	Std. Err.	t	P> t		
BSC	.542326	.0469728	11.55	0.000	.4499605	.6346915
_cons	1.492883	.2066185	7.23	0.000	1.086597	1.89917

Since the p-value which is 0.000 is less Alpha 0.05 and the t-value i.e 11.55 is greater than the critical value 1.648949, and also, F Statistics i.e 133.30 is greater than F critical Value 3.8853, there is statistical significance in which the null hypothesis is to be rejected, and

then the researcher could accept the alternative hypothesis that budgetary control system has positive impact on job satisfaction.

The researcher could substitute the estimated β Constant and coefficient in the model and see their effect:

$$Y_3 = \beta_3 + \beta_4 X_1 + \mu_2$$

$$Y_3 = 1.492883 + .542326 X_1$$

This means when there is one unit increase in budgetary control system, there will be 0.542326 increase in number of employees that feel job satisfaction.

4.3.4.4 High performance working

Stata Code and its Result

Regress HPW (high performance working) BSC (budgetary control system), vce (robust)

Table 4.20 Linear regression for HWP and BSC

					Number of obs = 374	
					F(1, 372) = 71.14	
					Prob > F = 0.0000	
					R-squared = 0.1799	
					Root MSE = .73114	
	Robust				[95% Conf. Interval]	
HPW	Coef	Std. Err.	t	P> t		
BSC	.4316252	.051175	8.43	0.000	.3309966	.5322538
_cons	1.957967	.2216222	8.83	0.000	1.522177	2.393756

Since the p-value which is 0.000 is less Alpha 0.05 and the t-value that is 8.43 is greater than the critical value 1.648949, and in addition, F Statistics i.e 71.14 is greater than F

critical Value which is 3.8853, there is statistical significance in which the null hypothesis is to be rejected, and then the researcher could accept the alternative hypothesis that budgetary control system has positive impact on high working performance.

The researcher could substitute the estimated β Constant and coefficient in the model and see their effect:

$$Y_4 = \beta_4 + \beta_5 X_1 + \mu_3$$

$$Y_3 = 1.957967 + .4316252 X_1$$

This means when there is one unit increase in budgetary control system, there will be 0.4316252 increase in number of employees that show high working performance.

4.3.4.5 Efficient Utilization of resources

Stata Code and its Result

Regress EUR (Efficient Utilization of resources), BSC (budgetary control system), vce (robust)

Table 4.21 Linear regression for EUR and BSC

					Number of obs = 374	
					F(1, 372) = 127.77	
					Prob > F = 0.0000	
					R-squared = 0.3601	
					Root MSE = .68563	
EUR	Robust		t	P> t	[95% Conf. Interval]	
	Coef	Std. Err.				
BSC	.6482668	.0573517	11.30	0.000	.5354926	.7610409
_cons	1.36019	.2508276	5.42	0.000	.8669719	1.853407

Since the p-value i.e 0.000 is less Alpha 0.05 and the t-value which is 11.30 is greater than the critical value 1.648949, and moreover, F Statistics i.e 127.77 is greater than F critical Value 3.8853, there is statistical significance in which the null hypothesis is to be rejected, and then the researcher could accept the alternative hypothesis that budgetary control system has positive impact on efficient utilization of resources.

The researcher could substitute the estimated β Constant and coefficient in the model and see their effect:

$$Y_4 = \beta_5 + \beta_6 X_1 + \mu_4$$

$$Y_3 = 1.36019 + .6482668 X_1$$

This means when there is one unit increase in budgetary control system, there will be 0.6482668 increase in efficient utilization of resources.

4.3.4.6 Organizational Competitiveness

Stata Code and its Result

Regress ORCO (Organizational Competitiveness) BSC (Budgetary Control system), vce (robust)

Table 4.22 Linear regression for ORCO and BSC

				Number of obs = 374
				F(1, 372) = 157.42
				Prob > F = 0.0000
				R-squared = 0.3582
				Root MSE = .63376
	Robust			

ORCO	Coef	Std. Err.	t	P> t	[95% Conf. Interval]	
BSC	.5968036	.0475658	12.55	0.000	.5032719	.6903352
_cons	1.49317	.2034718	7.34	0.000	1.093071	1.893269

Since the p-value i.e 0.000 is less Alpha 0.05 and the t-value that is 12.55 is greater than the critical value 1.648949, and furthermore, F Statistics which is 157.42 is greater than F critical Value 3.8853, there is statistical significance in which the null hypothesis is to be rejected, and then the researcher could accept the alternative hypothesis that budgetary control system has positive impact on Organizational Competitiveness.

The researcher could substitute the estimated β Constant and coefficient in the model and see their effect:

$$Y_4 = \beta_6 + \beta_7 X_1 + \mu_5$$

$$Y_3 = 1.49317 + .5968036X_1$$

This means when there is one unit increase in budgetary control system, there will be 0.5968036 increase in organizational Competitiveness.

4.3.4.7 Operational Efficiency

Stata Code and its Result

Regress OE (Operational Efficiency) BSC (Budgetary Control System), vce (robust)

Table 4.23 Linear regression for OE and BSC

Number of obs = 374	
F(1, 372) = 106.12	
Prob > F	=
0.0000	
R-squared	=
0.2631	

					Root MSE = .70518	
OE	Robust				[95% Conf. Interval]	
	Coef	Std. Err.	t	P> t		
BSC	.5311166	.0515577	10.30	0.000	.4297355	.6324976
_cons	1.622012	.2220067	7.31	0.000	1.185467	2.058557

Since the p-value that is 0.000 is less Alpha i.e 0.05 and the t-value which is 10.30 is greater than the critical value 1.648949, and additionally, F Statistics i.e 106.12 is greater than F critical Value which is 3.8853, there is statistical significance in which the null hypothesis is to be rejected, and then the researcher could accept the alternative hypothesis that budgetary control system has positive impact on Operational Efficiency.

The researcher could substitute the estimated β Constant and coefficient in the model and see their effect:

$$Y_4 = \beta_7 + \beta_8 X_1 + \mu_6$$

$$Y_3 = 1.622012 + .5311166 X_1$$

This means when there is one unit increase in budgetary control system, there will be 0.5311166 increase in Operational Efficiency.

Chapter Five

5. Summary and Conclusion

5.1. Summary

The main aim of this study is to investigate the impact of budgetary control system on organizational Effectiveness. The study measures the budgetary control system on various dimension like Standards, policies and Procedures, Budget preparation, target settings, variance analysis and evaluation and control on which corrective actions taken.

The findings of this study revealed that there are proper application of budgetary control system in most Ethiopia commercial banks. They have also standards, policies and procedure in their budgetary control systems, and they are applying activities like budget preparation, taking variance analysis, target setting and evaluation and control in their budgetary control systems.

On top of the above, the findings of this study disclosed that the budgetary control system of the banks has positive impact on organizational effectiveness (on the bank's effectiveness). The findings also indicated that the existence of the positive impact of budgetary control system on the assignment of the right person on the right position in most commercial banks. Besides, budgetary control system has positive impact on job satisfaction, high performance working, and efficient utilization of resources, organizational competitiveness and operational Efficiency.

5.2. Conclusion

From the above data analysis perspective, the researcher could summarize and conclude the whole point as follows: As the reliability test shows that is Cronbach alpha 0.95168, the researcher conclude that there is best data reliability and internal consistency. And also depending on secondary source document and by calculating ROI, ROE, Ratio of Personnel Expense to Operating Income, Ratio of Expenses other than Depreciation to Operating income and Net Profit, the researcher could see a progress from the year 2018 to 2021 in some randomly selected banks among his samples and could validate the data he collected from his respondents, you can refer it from Appendices at the end of the paper.

The researcher used Q-Q Normality Test and in Conjugation with Histogram Normality test, heteroscedasticity test and Pearson's Correlation to make things more clearly for his audience. As the two pictures roughly show that the residuals of the model are normally distributed, the researcher concluded that this research statistical data model do not violet the assumption of normality. And also the researcher used vce (robust) regression in order to make his data free from heteroscedasticity problem, and concluded that there is no heteroscedasticity problem. Besides, as the Pearson correlation coefficient i.s 0.6361 is a

positive and above 0.5, there is a strong positive linear relationship between the organizational Effectiveness and Budgetary Control System.

When the researcher comes to descriptive statistics and Inferential Hypothesis test, for instance, for dependent variable on his general objective that is organizational Effectiveness its total mean from the summarized data that is 3.875 is within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7 & Table 4.15, and its Coefficient of variation is more than one, this tells the researcher most of the respondents slightly agreed up on the effect of budgetary control system on organizational effectiveness. Moreover, the hypothesis test for this variable shows that there is statistical significance to reject the null hypothesis and accept the alternative hypothesis. Therefore, the researcher could conclude that there is a positive impact of budgetary control system on organizational Effectiveness.

On top of the above, the researcher also comprehends descriptive statistics and Inferential Hypothesis test of dependent variables in his specific objectives that are assignment of the right person on the right position, job satisfaction, high performance working, efficient utilization of resources, organizational effectiveness and operational efficiency, their individual mean from their summarized data falls within the Likert Scale Interval Range (3.41-4.20) Ref. Table 4.7, and their individual Coefficient of variation is larger than one, this lead into to say that most of the informants slightly agreed up on the effect of budgetary control system on the aforementioned dependent variables in the specific objective. In addition, the hypothesis test for these variables indicate that there are statistical significance to reject the null hypotheses and accept the alternative hypotheses. Consequently, the researcher could conclude that there are a positive impact of budgetary control system on assignment of the right person on the right position, on job satisfaction, on high performance working, on efficient utilization of resources, on organizational competitiveness and on operational efficiency.

5.3. Policy Recommendation

The researcher believes this study reveals some sort of understanding on the relationship between budgetary control system and organizational effectiveness especially in Ethiopian

commercial banks. The study also shows that there are relationship between the budgetary control system and assignment of the right person on the right position of the selected banks ,the incidence of relationship between job satisfaction and budgetary control system, the existence of the relationship between the budgetary control system and high performance working, and moreover, the presence of relationship among the budgetary control system and Efficient utilization of resources, organizational competitiveness and operational efficiency. Accordingly, the researcher also believes that all commercial banks in Ethiopia should strengthen their budgetary control system as it is the core mechanism to bring their banks effectiveness as it is stated above with regard to the selected commercial banks.

5.4. Recommendation for further research

The researcher also believe that this research shows some important thing regarding budgetary control system for other sectors too. Thus, the other sectors of Ethiopian should learn some from banking industry of Ethiopia with regard to budgetary control system. Therefore, the researcher recommends the other researcher to do this research again in the context of other business sectors of Ethiopia. Furthermore, the researcher also recommends the other researcher to do more studies which clearly show the challenges of the budgetary control system in the banking industry of Ethiopia.

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Appendix I

QUESTIONNAIRE FOR RESEARCH THESIS

Introduction

This questionnaire is prepared to obtain information from key informants. The information is required for the academic research entitled Impact of budgetary control System on

Organizational Effectiveness in the case of selected Ethiopian Commercial banks is being conducted as partial fulfillment of MSC in Accounting and Finance. The main objective of the research is to determine the impact of budgetary control system on the effectiveness of Commercial Banks in Ethiopia and make recommendations based on the findings. The questionnaire consists of two sections. Section A. general information. Section B. contains factors of organizational effectiveness and budgetary control system. At the end there is a space that left for general comments regarding the research topic. Your response, in this regard, is highly valuable and contributory to the outcome of the research. All feedback will be kept strictly confidential, and utilized for this academic research only (Serkaddis, 2017).

SECTION A: GENERAL INFORMATION

1. Sex:

Female ☐ Male ☐

2. Age:

20 - 35 ☐ 36-40 ☐ 41-45 ☐ Above 4 ☐

3. Marital Status:

Single ☐ Married ☐ Divorced ☐

4. Level of Education:

Certificate ☐ Dip ☐ BA ☐ Msc/MA ☐
PHD ☐

5. In which branch do you work in?

6. How long have you been in the organization (In terms of Years)?

Up to 4 5 – 11 Above 15

SECTION B: Information of budgetary control system impact on organizational effectiveness in case of Ethiopian commercial banks. Please indicate the significance of each factor by ticking the appropriate boxes. Add any remarks on the space provided.

1. From your experience, how do you rate each of the following questions respective of budgetary control system of your bank within the periods between 2018-2020 G.C ?

Key: 1=Strongly Disagree; 2=Slightly Disagree; 3=Neutral; 4=Slightly Agree; 5=Strongly Agree

Statement	1	2	3	4	5
Budgetary control system					
1. Budgetary control system is used to set standards to coordinate and control the budget process (policies and procedures)					
2. Budgetary control system records and measures current financial performance (preparing budgets)					
3. Budgetary control system is used to make comparison between actual and budgeted results (Budget Target settings) that is doing variance analysis					
4. Budgetary control system is used to take					

appropriate corrective action as required (Evaluation and Control)					
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2. From your experience, how do you rate each of the following questions respective of organizational effectiveness due to impact of budgetary control system within the periods between 2018-2021 G.C ?

Key: 1=Strongly Disagree; 2=Slightly Disagree; 3=Neutral; 4=Slightly Agree; 5=Strongly Agree

Statement	1	2	3	4	5
Assignment of the right person on the right position with perspective of the budgetary control system of the bank.					
1. The bank assign each employee with relevant work experiences to each position.					
2. The bank assign each employee with relevant level of education to each position.					
3. The bank assign each employee by applying proper recruitment procedure to each position.					
4. The bank's recruitment procedures are free from partiality or bias.					
Job Satisfaction					
1. Achievement of budget target by employee brings task meaningfulness.					
2. Participation of employees in budget preparation brings task meaningfulness.					
3. Budgetary control system improves employees'					

relation with their supervisors and colleagues.					
4. Budgetary control system like achievement of budget target by employees bring compensation, benefits and promotion to employees.					
5. Budgetary control system improves career development.					
high performance working					
1. Budgetary control system improve work design (content and organization of one's task, activities, relationships and responsibilities).					
2. Budgetary control system like budget target setting creates mechanism for promotion of employees.					
3. Budgetary control system create opportunity for skill training of employees.					
4. Budgetary control system improve level of employee's commitment.					
5. Budgetary control system increase employee's motivation to work.					
Efficient utilization of resources					
1. Budgetary control system helps to improve utilization of labor hours as planned.					
2. Budgetary control system helps to reduce the level of wastages for utilization of resources.					
3. Budgetary control system helps to manage resources properly.					
4. Budgetary control system helps to reduce working capital problem.					
Organizational Competitiveness					
1. Budgetary control system helps to improve maximization of revenue.(Do not compare with other rivalry bank, only perspective of your bank)					

2. Budgetary control system helps to minimize Expenses of the bank.(Do not compare with other rivalry bank, only perspective of your bank)					
3. Budgetary control system helps to increase assets (Investments) of the bank.(Do not compare with other rivalry bank, only perspective of your bank)					
4. Budgetary control system helps to increase market share of your bank as compared to rivalry banks.					
Operational efficiency					
1. Budgetary control system helps to improve output gained (revenue, customer satisfaction and quality).					
2. Budgetary control system helps to be efficient on the input expended (operational expenditure, capital expenditure, people resources).					
3. Budgetary control system helps to improve customer satisfaction					
4. Budgetary control system helps to improve quality of product					

Appendix II

Zemen Bank

	Budget Years		
	2018	2019	2020
Description			

Total Operating Income	693,985.00	1,051,727.00	1,551,997.00
personnel Expenses	171,556.00	223,538.00	298,303.00
Other Operating Expenses	122,372.00	24,280.00	32,503.00
Net Profit	271,021.00	483,800.00	1,400,000.00
Ratio of personnel Expense to total Income	0.18	0.02	0.02
Ratio of Other Operating Expense to Income	0.25	0.21	0.19
Total Asset	12,438,906.00	14,689,021.00	18,495,676.00
Equity	1,696,783.00	2,232,624.00	3,122,144.00
ROE	0.16	0.22	0.45
ROI	0.02	0.03	0.08

Appendix III

Bank of Abyssinia

Description	Budget Years			
	2018	2019	2020	2021
Operating income	2,217,855.00	2,781,129.00	3,861,770.00	7,509,710.00
personnel Exposures	2,099,495.00	671,692.00	984,201.00	3,228,008.00

Other Operating Expenses	378,093.00	499,120.00	671,692.00	1,127,598.00
net profit	562,800.00	777,014.00	853,644.00	1,341,953.00
personnel Expenses/operating income	0.17	0.18	0.17	0.15
Other Operating Expenses/Operating income	0.95	0.24	0.25	0.43
Asset	31,983,056.00	39,294,425.00	56,213,531.00	103,850,343.00
Equity	4,245,358.00	4,950,386.00	5,677,394.00	8,649,654.00
ROE	0.13	0.16	0.15	0.16
ROI	0.02	0.02	0.02	0.01

Appendix IV

Awash Bank

Description	Budget Years		
	2018	2019	2020
Total Operating Income	3,925,537.00	5,947,729.00	7,552,735.00
personnel Expenses	1,234,427.00	1,632,596.00	2,218,046.00
Other Operating Expenses	545,429.00	670,741.00	670,933.00
Net Profit	1,492,425.00	2,432,829.00	2,591,155.00
Ratio of personnel Expense to total Income	0.31	0.27	0.29
Ratio of Other	0.14	0.11	

Operating Expense to Income			0.09
Total Asset	55,268,107.00	74,635,373.00	89,287,990.00
Equity	6,495,714.00	9,638,928.00	11,975,563.00
ROE	0.23	0.25	0.22
ROI	0.03	0.03	0.03

Appendix V

Addis International Bank

Description	Budget Years			
	2018	2019	2020	2021
Operating income	351,652.00	460,803.00	572,526.00	790,641.00
personnel Exposures	96,469.00	124,503.00	158,506.00	229,423.00
Other Operating Expenses	79,039.00	99,739.00	111,113.00	144,358.00
net profit	112,905.00	159,260.00	213,116.00	271,238.00
personnel Exposures/operating income	0.27	0.27	0.28	0.29
Other Operating Expenses/Operating income	0.22	0.22	0.19	0.18
Asset	3,215,970.00	5,514,861.00	6,490,415.00	8,873,202.00
Equity	1,111,635.00	962,673.00	1,356,527.00	1,622,072.00
ROE	0.10	0.17	0.16	0.17
ROI	0.04	0.03	0.03	0.03

Appendix VI

Nib International Bank

	Budget Years
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Description	2018	2020	2021
Total Operating Income	1,601,645.00	2,826,579.00	3,784,725.00
personnel Expenses	554,133.00	952,122.00	1,237,983.00
Other Operating Expenses	285,165.00	266,051.00	541,587.00
Net Profit			
Ratio of personnel Expense to total Income	0.35	0.34	0.33
Ratio of Other Operating Expense to Income	0.18	0.09	0.14
Total Asset	26,688,922.00	42,463,747.00	54,199,177.00
Equity	3,380,401.00	5,786,909.00	7,013,677.00
ROE	0.08	0.05	0.08
ROI	0.01	0.01	0.01

Appendix VII

Banks' Profitability from year 2018 to 2019 in the selected sample

S.No	Bank Name	2018	2019	2020	2021
1	Awash Bank	1.49 billion	2.4 billion	2.6 billion	3.39 billion
2	Abyssinia Bank	563 million	777 million	853.6 million	1.34 billion
3	United (Hibret) Bank	573.6 million	752.3 million	893.5 million	
4	Nib International Bank	514 million	720.7 million		1.21 billion

5	Bunna Bank	311 million	461 million	440 million	670.5 million
6	Abay Bank	317 million	501 million	501.5 million	847.1 million
7	Zemen Bank	271 million	483 million		952.6 million
8	Enat Bank	160 million	201 million		
9	Addis International Bank	113 million	159.2 million	213 million	271.2 million

Appendix VIII

Some Employees Experience and Job Specification in Abyssinia Bank

ሲቀጠሩ የነበራቸው የትምህርት ደረጃ	አሁን ያላቸው የት/ት ደረጃ	የቆዩበት ዓመት
12 ክፍል	ቢ.ኤ	25 ዓመት
ዲፕሎማ -በሴክሬተሪያል ሳይንስ	ዲፕሎም - በህግ	25 ዓመት
	ዲግሪ- በህግ	
	ማስተርስ- በቢዝነስ አስተዳደር	
ዲፕሎማ -በሴክሬተሪያል ሳይንስ	ቢ.ኤስ.ሲ- በቢዝነስ አስተዳደር	25 ዓመት
	ማስተርስ- በቢዝነስ አስተዳደር	
ዲፕሎማ -አካውንቲንግ	ቢ.ኤ- አካውንቲንግ	13 ዓመት
ዲፕሎም ባንኪንግ & ኢንሹራንስ	ቢ.ኤ.-ቢዝነስ ማኔጅመንት	13 ዓመት
ቢ.ኤ- አካውንቲንግ	ቢ.ኤ. አካውንቲንግ	13 ዓመት
ዲፕሎም-አካውንቲንግ	ዲግሪ- አካውንቲንግ	12 ዓመት
ዲፕሎም ጃኒየር አካውንቲንግ	ዲግሪ- አካውንቲንግ	11 ዓመት
ዲፕሎም-በፀሀፊነት	ዲግሪ- ፕሮግራም መንግሥት እና ሰጥላይ	9 ዓመት
10+3	10+3	8 ዓመት
ቢ.ኤ- ማኔጅመንት	ማስተርስ-ጂኔራል	8 ዓመት

	ማኔጅመንት	
ቢ.ኤ- ቢዝነስ ማኔጅመንት	ቢ.ኤ- ቢዝነስ ማኔጅመንት	7 ዓመት
12 ክፍል	12 ክፍል	7 ዓመት
ማስተርስ - ቢዝነስ አድምንስትሬሽን	ማስተርስ - ቢዝነስ አድምንስትሬሽን	5ዓመት
ቢ.ኤ- አካውንቲንግ & ፋይናንስ	ቢ.ኤ- አካውንቲንግ & ፋይናንስ	5ዓመት
ቢ.ኤ- አካውንቲንግ	ማስተርስ-ፕሮጀክት ፕላኒንግ & ማኔጅመንት	5 ዓመት
ቢ.ኤ- አካውንቲንግ	ቢ.ኤ- አካውንቲንግ	4 ዓመት
ቢ.ኤ- አካውንቲንግ እና ፋይናንስ	ቢ.ኤ- አካውንቲንግ እና ፋይናንስ	4 ዓመት
ቢ.ኤ- አካውንቲንግ እና ፋይናንስ	3 ዓመት	ቅርንጫፍ ሥራ አስከፊያ
ቢ.ኤ- አካውንቲንግ እና ፋይናንስ	4 ዓመት	ከስተመር ሰርቪስ ኦፊስ

አሁን ያሉብት የሥራ መደብ	ስፔሻላይዜሽን	
	ትምህርት	የሥራ ልምድ
ጽንዖር ባንኪንግ ኦፕሬሽን ኦፊስ	BA Degree in Accounting, Management, Marketing, Banking and Finance, Economics or other business related fields.	Minimum of 2 years banking experience.
ሥራ አስኪያጅ	LLM/LLB Degree in Law.	Minimum of 8/10 years cognate

		banking experience. Experience in supervisory role is advantageous.
ሥራ አስኪያጅ		Minimum of 8/10 years cognate banking experience. Experience in supervisory role is advantageous.
ቅርንጫፍ ሥራ አስኪያጅ	BA Degree in Business Administration, Management, Marketing, Accounting and Finance, Economics, or related fields	7 Years and above banking experience in which Experience in supervisory role is advantageous
ክሬዲት ፖርትፎሊዮ ኦፊሰር	BA Degree in Accounting, Management, Marketing, Banking and Finance, Economics or other business related fields.	Minimum of 6 years banking experience, of which 3 years in the area of credit
ቢዝነስ ማናጀር	BA Degree in Business Administration, Management, Marketing, Accounting and Finance,	6 Years and above banking experience in which

	Economics, or related fields	Experience in supervisory role is advantageous
ቢዝነስ ኦፊሰር		
ቅርንጫፍ ሥራ አስኪያጅ	BA Degree in Business Administration, Management, Marketing, Accounting and Finance, Economics, or related fields	7 Years and above banking experience in which Experience in supervisory role is advantageous
ከስተመር ሪሴሽንሽፕ ማናጀር	MA/BA Degree in Accounting, Management, Marketing, Banking and Finance, Economics, or other business related fields.	Minimum of 6/8 years banking experience, Experience in the area of CRM is advantageous.
ጥበቃ	12th/10th grade complete. Police or Military training certificate is advantageous.	Minimum of 2 years cognate banking experience with an age range of 25 to 45. Experience in Military/Police is advantageous.
ቅርንጫፍ ሥራ አስኪያጅ	BA Degree in Business Administration,	7 Years and above banking
ቅርንጫፍ ሥራ አስኪያጅ		

	Management, Marketing, Accounting and Finance, Economics, or related fields	experience in which Experience in supervisory role is advantageous
ሹራር	12th/10th Grade Complete; and Public I or Third level Driving License.	Minimum of 2 Years Driving experience. Experience in banking industry is advantageous.
የሰው ኃብት ኦፊሰር	BA Degree in Accounting, Management, Marketing, Banking and Finance, Economics or other business related fields.	Minimum of 6 years banking experience, of which 3 years in the area of credit
ባንክንግ ቢዝነስ ኦፊሰር	BA Degree in Accounting, Management, Marketing, Banking and Finance, Economics or other business related fields	Minimum of 2 years banking experience
ባንክንግ ኦፕሬሽን ኦፊሰር	BA Degree in Accounting, Management, Marketing, Banking and Finance, Economics or other business related fields.	Minimum of 2 years banking experience.

ኦፕሬሽን ሥራ አስኪያጅ		
ባንኩንግ ኦፕሬሽን ኦፊሰር		
ቅርንጫፍ ቢዝነስ ሥራ አስኪያጅ	BA Degree in Business Administration, Management, Marketing, Accounting and Finance, Economics, or related fields	6 Years and above banking experience in which Experience in supervisory role is advantageous
ባንኩንግ ቢዝነስ ኦፊሰር	BA Degree in Accounting, Management, Marketing, Banking and Finance, Economics or other business related fields	Minimum of 2 years banking experience