



SCHOOL OF GRADUATE STUDIES

DEPARTMENT OF ACCOUNTING AND FINANCE

**THE IMPACT OF BUDGET AND BUDGETARY
CONTROL SYSTEM ON EFFECTIVENESS OF PUBLIC
ORGANIZATIONS: (CASE OF EAST WOLLEGA ZONE
FINANCE AND ECONOMIC DEVELOPMENT OFFICES)**

**A Thesis Submitted to the Department of Accounting and Finance
Presented in Partial Fulfillment of the Requirements for the
Degree of Master of Science in Accounting and Finance**

By:

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STATEMENTS OF DECLARATION

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university, and that all source of materials used for the thesis have been duly acknowledged.

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STATEMENTS OF CERTIFICATION

This is to certify Darge Deressa Aga has carried out his research work on the topic entitled “Impact of Budget and Budgetary Control System on Effectiveness of Public Organizations at East Wollega Zone Finance and Economic Development Offices”. The work is original in nature and is suitable for submission for the award of the Degree of Master of Science in Accounting and Finance.

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ABSTRACT

The main purpose of this study was to assess the impact of budget and budgetary control system on effectiveness of public organizations in East Wollega Zone Finance and Economic Development Offices. Three Finance and Economic Development Offices with total employees of 150 were purposely selected from 19 Finance and Economic Development Offices in the Zone and are expected to represent all other offices. The required data to the researcher was collected from 150 employees of the selected three offices through questionnaire. The SPSS version 21 was used to analyze the data using descriptive statistics, including mean, standard deviation

For this study, four independent variables were used including budget planning, budget monitoring and control, budget evaluation, and participative budget and dependent variable was organizational effectiveness. According to the research output, the practice of planning, monitoring and control and participation in East Wollega Zone Finance and Economic Development Offices was relatively low.

Then, the researcher recommend that East Wollega Zone Finance and Economic Development Offices and other public sector organizations should understand the significant contribution of the budgetary control variables namely, planning, monitoring and control and participation to their effectiveness in the public sector offices and should improve their budgetary control systems thereby enhance effectiveness.

Keywords: Budget, budgetary control, planning, evaluation, monitoring and control, participative budget and effectiveness of organization.

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ACRONOMYS AND BBREVIATIONS

FDREP ___Federal Democratic Republic of Ethiopia Proclamation

MoEDaC___Ministry of Economic Development and Cooperation

NBE _____National Bank of Ethiopia

CSA _____Central Statistical Authority

PBBS ___Performance Based Budgeting System

KMC ___ Kinondoni Municipal Council

NGO___ Nongovernmental Organization

MoFED___Ministry of Finance and Economic Development

MoF _____ Ministry of Finance

TBC ___ tight budgetary control

OE _____Organizational Effectiveness

EWZFEDEO __East Wollega Zone Finance and Economic Development Offices

SPSS ___Statistical Package for Social Science

CHAPTER ONE

1.1. Background of the Study

The fiscal policy as a part of economic policy deals with taxation, public expenditure, public borrowing and debt management. The budgetary policy and the budget documents are important parts of fiscal policy. That is why, the budgetary policy and the budget documents, to a significant extent, influence the functioning of a financial system of a country (Routiya, 2013).

Now days, organizations have developed a variety of processes and techniques designed to contribute to the planning and control functions. One of the most important and widely used of these processes is budgeting. Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals (Geletaw, 2017).

CIMA official terminology has defined the terms 'budget' as "Quantitative expression of a plan for a defined period of time. It may include planned sales volumes and revenues; resource quantities, costs and expenses; assets, liabilities and cash flows". It is a means of coordinating the combined intelligence of an entire organization into a plan of action based on past performance and governed by rational judgment of factors that will influence the course of business in the future.

Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals. Budgetary control systems are universal and have been considered an essential tool for financial planning. The purpose of budgetary control is to provide a forecast of revenues and expenditures this is achieved through constructing a model of how our business might perform financially speaking if certain strategies, events and plans are carried out (Nyambura, 2014).

Traditionally, budgeting has always been viewed as a way of limiting expenditure, hence a great part of management's time is devoted to the allocation of fund. However, empirical evidences in today's globalized world, suggest that budgeting goes beyond merely showing expected revenue and project expenditure. Rather, a budget protects and controls the way management reacts to proposals brought before it, while also examining the present and future cost as well as benefits

associated with such a proposal. In achieving this though, it must not lose sight of the environment in which it operates. This same principle goes with the preparation of a budget, such that in preparing a budget, management of businesses must realize that it is indeed a part of the economic system and as such, can influence as well as be influenced by activities within the economic system (Lambe, 2014).

Since many years, budgets are used throughout private and public organizations to set objectives and to control and align managers' behavior. Depending on whether the organization is operating in the private or public sector, the budget is established in order to fulfill certain requirements. Considering the performance requirement for the budget, the private sector is profit orientated, whereas the public sectors budget achievements are evaluated based on services provided by the organization (Fadi, 2013).

Budgeting is a key policy instrument for public management and management of the firm; it is a familiar activity to many as it is practiced in our private lives as well as in businesses, government and voluntary groups. The use of budgets in government circle long preceded its application in enterprises or the business sector. In the stable economic environment of the period before the world wars, few large companies particularly in the U.S.A and U.K used budgets for variety of purposes. The use of budgets created its own conflicts, as some pioneer companies reported budgeting as a significant tool to management, while others reported same as having an ill or even a negative effect on efficiency and productivity. However, the world depression of the 1920s and its attendant negative effects that created "business worries and troubles" made the use of budgeting imperative in order to plan the overall growth of an economy and the enterprise (Theresa, 2014).

The Public Budget is a process by which government sets levels of expenditure, allocates the spending of resources among all sectors to meet national objectives. It is the financial plan of action for the year reflecting government priorities on expenditure, revenue, and overall macro-economic policy. Policies, programs, and projects would remain as wishful aspirations of government unless they receive the required funding to translate them into practice. For these reasons, the public budget is considered as an important process that attracts the attention and consideration of the public at large. The government needs to prepare a budget since it has to plan the extent of its expenditure and revenue (Esayas, 2014).

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).

Ethiopia started the practice of government budget early at the regime of Hailesilase I. However, at the beginning, it was not structured in such a way as to permit efficient financial administration, but through time period continuous modification of the budget system was made before it attained its present status (Miju and Girma, 2014).

In Ethiopia, Public sector offices are part of the public body which is partly or wholly financed by government budget and concerned with providing basic government services to the whole society which is achieved through controlling public finance and, controls are mainly in-built in the public financial management system. Public financial management includes the legal and organizational framework for supervising all phases of the budget cycle, including the preparation of the budget, internal control and audit, procurement, monitoring and reporting arrangements, and external audit. The broad objectives of public financial management are to achieve overall fiscal discipline, allocation of resources to priority needs, and efficient and effective provision of public services (MoFED 2004).

Ethiopia has a dual budgeting system in which recurrent and capital expenditure are considered separately. Until recently these two budgets were prepared separately by the Ministry of Finance (MoF) and the Ministry of Economic Development and Cooperation (MoEDaC), respectively. In October 2001 these two ministries were merged to form the Ministry of Finance and Economic Development (MoFED). The new ministry determines budget ceilings for federal ministries and agencies and for the regions. In doing so, it takes stock of the performance of the economy for the previous year and makes economic projections for the following year in terms of growth, revenue, and so on. The MoFED does this in consultation with other state agencies, such as the National Bank of Ethiopia (NBE) and the Central Statistical Authority (CSA). It is this macroeconomic framework that, when approved by the Council of Ministers and the Office of the Prime Minister, forms the background to the budgetary process in Ethiopia (FDREP, 2001).

The MoFED can be seen to play a central role in the budgetary process of the country. It controls the formulation and implementation of the budget of line ministries at various levels. During the writing of the Budget Calls it is instrumental in the setting of budget ceilings. It can make

changes in the budget allocation of line ministries after review and analysis of the budget estimate submitted by the ministries. It decides the level of the budget to be recommended to the Council of Ministers. During implementation, it has the power to disburse funds. Through the monthly accounting reports, it scrutinizes the performance of the ministries in budget implementation, and it can decide on the level of funding to be authorized for disbursement. It can also approve transfers and recommend supplementary allocations (MoFED, 2009).

1.2. Statement of the Problem

In developing countries, it has become increasingly complex to manage public expenditure allocation because the roles of the government have been expanded and financial resources are in scarce supply to meet this ever-increasing social needs and population growth. Due to inadequate financial resources as opposed to an increasing demand for public service, there is a need to improve resource allocation through proper economic policy and expenditure planning (Mohammed, 2015).

Studies have been done in relation to Budget and Budgetary Control globally and locally. Akeem (2014) carried out a study on Budgeting and Budgetary Control in the Manufacturing Sector of Nigeria and found out that the performances of the industries leaves more to be desired due to factors such as neglect of the industry due to over dependence on crude oil, epileptic power supply, collapsing infrastructures, unfavorable sectoral reforming among others.

Nyambura (2014) determined the effects of budgetary controls on performance of NGOs in Kenya using correlations and regression methods and concluded that there is a low positive relationship between budgetary controls and Performance.

Lambe (2014) indicated that, in his systematic review of Budgeting and Budgetary Control in Government Owned Organizations and concluded that budgeting and budgetary control is an indispensable tool to any organization and when carefully planned and implemented by any organization (most especially government owned organizations), it can lead to decrease in cost and increase in revenue, which in turn leads to maximization of performance.

Zayol (2017) carried out a study on Budgeting and Budgetary control in the public sector using literature review and personal observations as the main source of data and found out that budget and budgetary control has failed because of dependence on federation account, untrained budget

staff, non-adherence to budgetary control measures, corruption, inflation and political environment.

Similarly, Yesuf (2015) studied the practice of budgeting and budget monitoring as a management tool for managing variances in NGOs operating in Ethiopia. According to the result, the overall budgeting system in the sample organizations misses the important participation of concerned staffs. Also, Tilahun (2010) in his study on budget management and control in Ethiopia ministry of defense found that there were inefficiencies in budget implementation due to problems of experienced man power, application of policy and procedures, lack of monitoring budget timely.

Generally, as evidenced above, majority of the available empirical evidence were on the assessment of budget monitoring and practice, budgetary control and its challenges, the effect of budgetary control on organizational and financial performance of public, private and not for profit organizations. However, to the best of the researcher's knowledge, it appears that no researches have been conducted on the impact of budget and budgetary control on the effectiveness of public organizations in Ethiopia, particularly in western part of the country specifically East Wollega Zone. In view of this, therefore, the researcher is interested to undertake a study on the subject of the impact of budget and budgetary control system on the effectiveness of public organizations, with special reference to east Wollega Zone Finance and Economic Development offices.

1.3 Objective of the Study

1.3.1 General Objective

The overall objective of this study was to assess the impact of budget and budgetary control system on effectiveness of public organizations in the case of Finance and Economic Development offices of East Wollega Zone.

1.3.2 Specific Objectives

Specifically, the study assumed the following specific objectives:

- ❖ To evaluate the influences of budget planning on effectiveness of East Wollega zone Finance & Economic Development offices;

- ❖ To find out the impact of budget monitoring and control on effectiveness of East Wollega zone Finance & Economic development offices;
- ❖ To evaluate the influences of budget evaluation on effectiveness of East Wollega zone Finance & Economic Development offices and
- ❖ To determine the impact of Participative budgeting on effectiveness of East Wollega zone Finance & Economic development offices.

1.4. Research Questions

In line with the broad purpose statement and statement of the problem, the following research questions were formulated based on the objectives and stand on the studies that are related to measurement of budgetary control in public organization. Thus, the research question was formulated as follows:

1. What is the process of budget planning looks like in public organizations of East Wollega Zone Finance and Economic Development Offices and how it enhances effectiveness?
2. Does budget monitoring and control contribute for effectiveness of public organizations in East Wollega Zone Finance and Economic Development Offices?
- 3: Is budget participation being practiced in public organizations of East Wollega Zone Finance and Economic Development Offices to enhance effectiveness?
4. To what extent budget evaluation is important for effectiveness of public organizations in East Wollega Zone Finance and Economic Development Offices?

1.5 Limitation of the Study

The researcher experienced various limitations in the course of the study. Financial constraints, one of the major problems that the researcher encountered is inadequate financial support which consequently slowed down the process of data collection and production of the final report of the study in time.

Lack of corporation, the researcher experienced a lot of unwillingness to cooperate among most of the respondents, some never even responded and others delayed in responding to the questionnaires. It was difficult to have face to face communication as most of the respondents preferred use of emails and this was the main challenge during the whole research period.

The likert scale that was used might have produced some bias as it is possible that the respondents provided non-committal answers by responding to neutral range of scale. Some respondents were biased while giving information due to reasons such as privacy and busy Schedules at their work place.

1.6. Significance of the Study

The study is important because it provides more understanding of the best practices in Budgeting and Budgetary control for east Wollega zone finance and economic development offices. It also provides insights to other firms in the finance sector on how to prepare and control Budget to achieve the organizational objectives. The government also might use the findings of this study to set policies that ensure the proper preparation and utilization of public finance. This research work also contributes to the literature on the impact of maintaining a proper Budgeting and Budgetary control on the effectiveness of public organizations and therefore forms the basis for further research on this area.

1.7. Scope of the Study

This study was delimited to determining the impact of Budget and Budgetary Control system on effectiveness of the public organizations by focusing on finance and economic development offices of East Wollega Zone. This study considered only the impact of budget and budgetary control in terms of budget planning, budget monitoring and control, budget evaluation and participative budget on effectiveness of public organizations.

1.8. Organization of the study

The study was organized in to five chapters. The first chapter deals with the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, and scope of the study. The second chapter consists of the review of literatures which is relevant to the topic under investigation. The third chapter is about the methodology used in the study. It covers the research design, population, samples and sampling techniques, data source and instrument of data collection and data analysis method. The fourth chapter includes discussion and interpretation of data which was gathered from respondents and the last chapter is chapter five which is containing summery, conclusions, recommendations and suggestion for future research in the area.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

The literature review aims at providing necessary theoretical and empirical review of the topic under investigation. This chapter has five sections. The first section deals with the definition of basic concepts, the second section is about theoretical concepts related to budget and budgetary control and effectiveness of public organizations. The third section of the chapter describes the empirical review of related literature; the fourth and the fifth sections are summary of empirical review and conceptual frameworks respectively.

2.2. Definition of Basic Concepts

2.2.1. Budget Definition

The major processes and techniques have been designed by organizations to facilitate planning and control functions. One of the most important and widely used of these processes is budgeting. Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals (Geletaw, 2017).

According to CIMA Official Terminology (2005), a budget is defined as a quantitative statement for a defined period of time, which may include planned revenues, assets, liabilities and cash flows. A budget provides a focus for the organization aids the co-ordination of activities and facilitates control. Budget refers to a comprehensive plan in writing, stated in monetary terms that outline the expected financial consequences of management's plans and strategies for accomplishing the organization's mission for the coming period. Budgeting refers to the process of preparation, implementation and operation of budgets decisions into specific projected financial plans.

Budgets are an important channel of communicating certain type of information that will enable managers in different parts of the organization to be fully informed of the plan and policies, and constraints, to which the organization is expected to conform. Through the budgeting process, top management communicates its expectations to the lower level management, so that members

of the organization may understand these expectations and can coordinate their activities to attain them (Drury, 2001).

A budget is where all the financial components of an organization (individual units, divisions and departments) are assembled into a coherent master picture that expresses the organization's overall operational objectives and strategic goals. Therefore, co-ordination is necessary to avoid sub-optimality. A well co-ordinated budgeting system enhances the skills of operating managers not only by educating them about how the company functions but also by giving them the opportunity to manage their subordinates in a more professional manner. This is because budgets delegate responsibility to the manager who assumes authority for a specified set of resources and activities. In this way budget emphasize even more the existing organizational structure within the company (Matthew A., 2014)

Chukwuka, (2009) concluded that the sound budget formulation and implementation must be part of organizational culture and cooperate strategies because it is when organization goals and as a privation are achieve that is the only time societal need can be met. Budget target setting is an effective management tool for performance evaluation on individuals and units. The adoption of this recommendation could lead to increase in subordinates efforts and task performance (Nma Mohammed, 2013).

John Leslie and Theodore, (2002) stated that Budgets serve a critical role in managing any business, from the smallest sole proprietor to the largest multinational corporation. Businesses cannot operate effectively without estimating the financial implications of their strategic plans and monitoring their progress throughout the year. During preparation, budgets require managers to make resource allocation decisions and, as a result, to reaffirm their core operating strategy by requiring each business unit to justify its part of the overall business plans. During the subsequent year, variances of actual results from expectations serve to direct management to the areas that may deserve a greater allocation of capital and those that may need adjustments to retain their viability. A budget is a comprehensive formal plan, expressed in quantitative terms, describing the expected operations of an organization over some future time period. Thus, the characteristics of a budget are that it deals with a specific entity, covers a specific future time period, and is expressed in quantitative terms.

According to the Institute of Company Secretaries of India, (2013) the budget is a blue-print of the projected plan of action expressed in quantitative terms and for a specified period of time.

The budgets put the plan in a concrete form and follow up action to see that plan is adhere to complete the system of control. In other words, while budgeting is the art of planning, budgetary control is the act of adhering to the plan. In fact, budgetary control involves continuous comparison of actual results with the budgets and taking appropriate remedial action promptly. A budget is (a) the quantitative expression of a proposed plan of action by management for a specified period and (b) an aid to coordinate what needs to be done to implement that plan. A budget generally includes both financial and nonfinancial aspects of the plan, and it serves as a blueprint for the company to follow in an upcoming period.

2.2.2. Types of budget

Larry M. (2010) described the types of budgets as follows:

Operating budgets are plans that provide definition of the anticipated revenues and expenses of an organization and more. These operating budgets can become fairly detailed, to the level of mapping specific inventory purchases, staffing plans, and so forth. The budgets oftentimes delineate allowable levels of expenditures for various departments.

Capital budgets are budgets that reveal the need for capital expenditure relating to new facilities and equipment. These longer term expenditure decisions must be evaluated logically to determine whether an investment can be justified and what rate and duration of payback is likely to occur.

Financial budgets are a company must assess financing needs, including an evaluation of potential cash shortages these tools enable companies to meet with lenders and demonstrate why and when additional support may be needed.

2.2.3. Purpose of Budget

Kaplan (1992) stated that budget brings about improvement and efficiency in the working conditions of the organization by setting out target of the organization and providing resources to work towards achieving these targets thus everybody knows what they are working for and given the necessary resources which will ensure efficiency.

A budget, if created and used properly, can provide valuable information about the direction, resources and expectations of the organization. Budget is described as an integral part of management control systems that aims at promoting coordination and communication among

subunits within the company, provides a framework for judging performance and finally motivating managers and other employees (Horngren, 2006).

The idea of multiple uses of budgets in organizations is not new. To serve as an effective tool, budget pursues different tasks such as planning, forecasting, controlling, coordinating, communicating, instructing, authorizing, motivating, delegating, educating, evaluating performance, facilitating decision making and managing subordinates.

Channel for Communication and Coordination: Evidently, budgets are an important channel of communicating certain type of information that will enable managers in different parts of the organization to be fully informed of the plan and policies, and constraints, to which the organization is expected to conform. In essence, preparation of the budgets facilitates the transfer of vital information among all levels in the organization and thus, levels of interaction are more enhance during the budgeting process (Drury, 2001).

Cost Awareness: Accountants and financial managers are concerned daily about the cost implications of decisions and activities, but many other managers are not. Production supervisors focus on output, marketing managers on sales, and so forth. It is easy for people to overlook costs and cost-benefit relationships. At budgeting time, however, all managers with budget responsibility must convert their plans for projects and activities to costs and benefits. This cost awareness provides a common ground for communication among the various functional areas of the organization (John Leslie and Theodore, 2002).

The co-ordination of business activities will be aided through the budgeting process. Considering that all actions of the different parts of the organization are brought together and reconciled into a common plan, the budgeting process assist to bind an organization together towards the achievement the organization's goal. Without any guidance, managers may each make their own decisions, believing that they are working in the best interest of the organization (Drury, 2001).

Motivational Device: The budget provides a standard which managers will evaluate their performance with. If they meet their targets regularly, they may be motivated to go for a higher target. If budget are dictated from above and imposed on those who are to implement the plan, it will rather not motivate worker and may be resisted (Brook Son, 2000).

Means of Performance Evaluation and Control: Budgets serve as estimates of acceptable performance. Managerial effectiveness in each budgeting entity is appraised by comparing actual performance with budgeted projections. Most managers want to know what is expected of them

so that they can monitor their own performance. Budgets help to provide that information. Of course, managers can also be evaluated on other criteria, but it is valuable to have some quantifiable measure of performance (John Leslie and Theodore, 2002). Planned activities can be compared to the actual so that effort will be concentrated on ascertaining the reason behind the differences. By investigating the reasons for the differences, managers may be able to identify inefficiencies such as the purchases of inferior quality materials. Appropriate control action will then be taken when reasons for inefficiencies have been found (Brook Son, 2000).

Goal Orientation

Resources should be allocated to projects and activities according to organizational goals and objectives. Logical as this may sound, relating general organizational goals to specific projects or activities is sometimes difficult. Many general goals are not operational, meaning that determining the impact of specific projects on the organization's general goals is difficult (John Leslie and Theodore, 2002).

2.2.4. Budgetary Control

Budgetary control is defined by CIMA, (2005) as the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy, or to provide a basis for its revision. Budgetary control is a system of controlling costs and resources which includes comparing actual performance with the budgeted performance and subsequently acting upon the actual results to minimize variance and achieve maximum returns. In essence, budgetary control is purported to ensure that the activities carried out are providing the desired results.

Budgetary control: refers to any management approach that involves setting some kind of targets, regularly measuring variances between the original targets and actual outcomes, and motivating people to reduce those variances.

According to Rufus, (2008) Managers and business operators (not only in the manufacturing industry) to pay more attention to their budgetary control systems, while those without any should endeavor to ensure the set-up of a result-oriented system as it goes a long way in repositioning businesses and organizations from their creeping performance level to an improved and high capacity utilization point. Budget and Budgetary control, both at management and operational level looks at the future and lays down what has to be achieved.

Ngozika, U. (2009) stated that Budgeting and budgetary control contribute in the improvement of management efficiency and high productivity, the budget committee should be educated in the implementation of budget. This would enable them to understand the importance of adhering to budget and the minimization of loses. Thus a budget education should be conducted at least once a year by the financial or an independent accounting or management consulting firm. Its usefulness cannot be questioned or over emphasized. The process of budgetary control should not only consider sector needs in the planning stage but also parameters within implementing organizations in order to facilitate sound financial standing. It is important not to over subject the process of budgetary control to political scrutiny as this may divert the core purposes of a budget. Budgets should not only be used as tool for management and indicators of management, they should also be viewed as practical tools within which organizations should use to enhance their financial goals (Odour and Jagongo, 2013).

According to Frimpong, (2013) Budgeting and budgeting control measures are an integral part of any organization including timber firms. It serves as a basis of planning, controlling cost of operations and evaluating performance of workers of the organization. For a budget to be an effective one, sound organizational structure, research and analysis as well as management acceptance should be considered. Budgeting thus, serves as a blueprint for any organization to follow in an up-coming period usually for one year period at most.

Yilmaz (2011) as a result, effectiveness of budgetary control, ethical work climate and perception of procedural justice are important factors affecting the creation of budgetary slack in public organizations. For this reason, it will be beneficial to make new regulations to increase perception of procedural justice and effectiveness of budgetary control. It will also be beneficial to make necessary things to establish ethical work climate that is accepted by employee and guided to them, open to the innovation. Because it is not provided adequate efficiency in public organizations; today, there is an increasing interest in new public management and privatization. For this reason, these kinds of researches' results should be taken more into account.

Ahmed (2015) in the study recommends that in order to enhance the effectiveness of Budgetary control techniques in the Organizations, the management should put in place measures to solve the budgetary control system problems such as enhancing better understanding of budgetary control techniques, their behavior and institutional dynamics among the staff, developing strong financial integration with performance management, quarterly revision of financial plan to

redirect resources at frequent intervals, better engagement between organizational leaders, managers, finance staff with timing of the financial plan.

Moreover, Governments should set yearly objectives for each performance indicator of their budgetary control system so that Civil workers, the business owners and other employees should bear in mind the yearly objectives to be achieved, business owners and employees should work hard to achieve the yearly set objectives for each indicator.

According to Srinivasan, (2005) cited by Nyambura, (2014) there are several determinants to effective budget implementation of budgets among organizations. These included adequate availability of financial resources, competent human resource, proper planning, evaluation, monitoring and control of the budget process, staff motivation and participation of both staff and other stakeholders in the budgeting process.

2.2.4.1. Planning

In order to carry out budgetary control, it is necessary to formulate a fully co-ordinated detailed plan in both financial and quantitative terms for a forthcoming period. The duration of the period is usually one year. The plan needs to be in line with the long term development strategy of the organization, although in the shorter term of a budget year, conditions may prevail which could dilute this aim. For example a depressed economy could lead to a temporary departure from the long term plans. Therefore, before formulating the budgets, the policy to be pursued during the forthcoming trading period needs to be established (Dunk, et al, 2001).

Once budgets are operating throughout an organization, it is important that feedback is made available to the managers responsible for its operation. This is often done by means of monthly budget reports. These reports contain comparisons between the budget and the actual position and throw up differences which are known technically as variances. The budget plans must be properly co-ordinated in order to eliminate bottlenecks. Individual budgets should be co-ordinated with one another to ensure that the implementation process is conducted effectively in order to save time and costs (Horngren, Forster and Dater, 1997).

To facilitate proper planning, the management team should define the patterns of expenditure and revenue over the life of the project or the activity that the organization is undertaking. A predetermined budget of possible costs that was incurred carrying out the activities planned in a

project should be made. Realistic planning of finances is a key to the implementation of a project or programme (Joshi and Abdulla, 1996).

According to Drury, (2001) planning may be defined as the formulation of corporate objectives as well as the detailed steps that need to be accomplished in order to meet these objectives. Planning is at the heart of a budgeting process, by employing the budgeting process diligently, companies can plan extensively on the best course of action to achieve the organization's goals. As a planning aid, budgets allows for the refinement and quantification of the long-term business plan into short-term action plans whereby alternative planning scenarios may be examined and a "what-if" analysis applied. Without the annual budgeting process, the pressures of day-today operating problems may tempt managers not to plan for future operations.

One of the functions served by most budgets is that of forecasting and planning. Forecasting refers to the prediction of events over which the organization has little or no control of while planning is the attempt to shape the future by altering those uncontrollable factors in the light of available forecasts. Given a set of forecast, the budget model is able to operate in an optimizing role, attempting to ascertain which plan of action will result in the greatest benefit of the organization.

Larry, M. (2009) indicated that Planning must occur at all levels. First, it occurs at the high level of setting strategy. It then moves to broad-based thought about how to establish an optimum position to maximize the potential for realization of goals. Finally, planning must be understand from the perspective of thoughtful consideration of financial realities/constraints and anticipated monetary outcomes (budget).

By integrating the budget setting process into the planning process, organizations are better positioned to determine budgets and allocate resources based on operational needs and consistent with approved strategies and priorities. Effective integration also promotes better understanding among managers of how their individual activities and budgets fit into organization wide responsibilities.

The strategic plan is typically supported by a range of operational and specific plans, including business plans, group operational plans, workforce plans, capital plans and individual performance agreements. Each plan or agreement translates one or more areas of the strategic plan into detailed operational objectives, activities and accountabilities. The planning process requires clarity about priorities, targets and metrics such that strategic goals can be cascaded

down into each plan and agreement. The internal budget should similarly support each level of planning and performance management within the organization (Australian National Audit Office, 2008).

2.2.4.2. Monitoring and Controlling

Monitoring and control of budget process is a determinant of effectiveness, once the budgets have been implemented they need to be monitored and controlled to ensure effectiveness in aligning budgets over a defined period of time (Horngren *et al.*, 1997).

Despite the laudable benefits of budgeting, its preparation, implementation and execution need to be controlled and monitored to avoid deviations from the plan and serve as a basis for revising the budget put in place. Challenge of preparation implementation and human factors that tend to affect budgeting need to be given serious thought. In the preparation of the budgets, management should give serious thought to the external environment, emerging technologies, organizational structure and size as well as culture of the organization and the setting where the timber firms operate (Frimpong, 2013).

A professional and transparent approach to budget planning will help convince investors, development banks and national or international donors to make financial resources available if the organization implements proper monitoring and control of budget process. This is achieved through ensuring that the estimated budget does not deviate from the actual outcome in order to take appropriate actions where necessary (Otley and Van der Stede, 2003).

2.2.4.2.1. Monitoring

According to Larry M. (2009) clearly, each action on your part is in response to you having monitored conditions and adopted an adjusting response. Likewise, business managers must rely on systematic monitoring tools to maintain awareness of where the business is headed. Managerial accounting provides these monitoring tools, and establishes a logical basis for making adjustments to business operations.

Budget monitoring and variance analysis should be made on regular bases in line with the monthly close of financial system to compare budget versus expenditure by budget holders and finance who are responsible for managing the projects budget and activities with clear justification and action points. So that managers are able to prevent over or under spends timely and take corrective actions (Yesuf A., 2015).

Australian National Audit Office, 2008 indicated that measure budget performance, organizations monitor the extent to which budget estimates match actual results. This helps ensure financial control and identify where change is required. Monitoring budget accuracy is the responsibility of all managers.

Effective monitoring of budget performance requires that managers are provided with relevant, timely and accurate information appropriate to their level of responsibility. It also requires managers to provide clear and consistent feedback in a timely manner about underlying causes and effects of budget variations, as well as planned actions to manage variations for which they are accountable.

2.2.4.2.2. Control

Drury, (2001) described Control as the continuous comparison of actual performance with budgets or standards. The comparison of actual results to budgets with enables the analyst to draw conclusions concerning the efficiency of operations, product probability and pinpoint problem areas. Control is the process of ensuring that a firm's activities conform to its plan and that its objectives are achieved. There can be no control without objectives and plans, since these predetermine and specify the desirable behavior and set out the procedures that should be followed by members of the organization to ensure that a firm is operated in a desired manner.

Drucker (1964) distinguishes between controls and control. Controls are measurement and information, whereas control means direction. In other words, 'controls' are purely a means to an end; the end is control. Control is the function that makes sure that actual work is done to fulfill the original intention, and 'controls' are used to provide information to assist in determining the control action to be taken. Controls are indicates that costs exceed budget and that this may be because the purchase of inferior quality materials causes excessive wastage. 'Control' is the action that is taken to purchase the correct quality materials in the future to reduce excessive wastage.

Larry, M. Walther, (2009) stated that things rarely go exactly as planned; management must make a concerted effort to monitor and adjust for deviations. The managerial accountant is a major facilitator of this control process, including exploration of alternative corrective strategies to remedy unfavorable situations. In addition, recent trend (brought about in the USA by financial legislation most commonly known as Sarbanes-Oxley or SOX) is for enhanced internal

controls and mandatory certifications by CEOs (chief executive officer) and CFOs (chief financial officer) as to the accuracy of financial reports.

Controls encompass all the methods and procedures that direct employees towards achieving the organization objectives. Many different control mechanisms are used in organizations and the management accounting control system represents only one aspect of the various control mechanisms that companies use to control their managers and employees. To fully understand the role that management accounting control systems play in the control process, it is necessary to be aware of how they relate to the entire array of control mechanisms used by organizations (Drucker, 1964).

2.2.4.3. Evaluation

Evaluation is a key determinant for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures (Hancock, 2009).

Evaluations are systematic and objective assessment of an ongoing or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors. Evaluation also refers to the process of determining the worth or significance of an activity, policy or program. Australian National Audit Office, (2008) indicated that Organizations monitor and evaluate actual results against approved budgets to guide current and future decision-making and hold manager's accountable for performance.

According to Hancock (2009) Evaluation is a key determinant for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures.

The process of developing an evaluation plan in cooperation with an evaluation workgroup of stakeholders will foster collaboration and a sense of shared purpose this highly contributes towards achieving an effective budgetary control (Simiyu, 2002).

Australian National Audit Office (2008) indicated that Organizations monitor and evaluate actual results against approved budgets to guide current and future decision-making and hold manager's accountable for performance. Evaluations are systematic and objective assessment of an ongoing or completed project, program or policy, its design, implementation and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact and sustainability.

2.2.4. 4. Participating of budget

CIMA (2005) defines participative budgeting as 'a budgeting system in which all budget holders are given the opportunity to participate in setting their own budgets'. This may also be referred to as 'bottom-up budgeting'. It contrasts with imposed or top-down budgets where the ultimate budget holder does not have the opportunity to participate in the budgeting process. The advantages of participative budgeting are as follows:

- Improved quality of forecasts to use as the basis for the budget. Managers who are doing a job on a day-to-day basis are likely to have a better idea of what is achievable, what is likely to happen in the forthcoming period, local trading conditions, etc.
- Improved motivation. Budget holders are more likely to want to work to achieve a budget that they have been involved in setting themselves, rather than one that has been imposed on them from above. They will own the budget and accept responsibility for the achievement of the targets contained therein.

The full participatory budgetary process involves liaison and discussion between all levels of management. It is an important formal avenue of communication between top and lower level management regarding the organization's long term objectives and the practical problems of implementing these objectives. When the master budget and supporting budgets are agreed and finalized, they provide the formal means of communicating agreed plans embodied in the budget to all personnel involved. By publishing a budget, management explicitly informs its subordinates as to what exactly they must be doing and what other parts of the organization will be doing. Participation in the budget setting process can improve the budget holder's attitude to

the budget system and make it more likely that he will accept the targets contained in the budget system. Participation is a process that can be used for planning and goal setting, for motivating subordinates and for coordinating interdependence. It is thus said to be an essential part of effective budgetary control (Matthew A., 2014).

All individuals responsible for achieving results should be consulted in the formulation of budgets. No system of budgetary control can succeed without the mutual understanding of superiors and subordinates. The organization should communicate the outcome of budget decisions to all the relevant staff. Budgets have an important part to play in the communication of objectives, targets and responsibilities throughout the organization. Carried out properly, this can have considerable benefits in promoting co-operation at all levels (Callahan and Waymire, 2007).

Participation assures full co-operation and commitment for making budgets successful. Participation also makes budgets realistic and workable (Simiyu, 2002). 17

To ensure that the process of implementing the budget is successful, the management and the employees should work together to ensure that the interests of all stakeholders are fully represented when making key decisions involving budgetary allocations in key projects.

2.2.5. Organizational effectiveness

There are several determinants to effective budget implementation of budgets among organizations. These included adequate availability of financial resources, competent human resource, and participation of both staff and other stakeholders in the budgeting process, proper planning, evaluation, monitoring and control of the budget process and staff motivation (Srinivasan, 2005).

According to Muhammad, Naseer, Sheraz and Mahfooz (2012) Organizational effectiveness is the extent to which an organization has met its stated goals and objectives and how well it performed in the process. It highly depends on factors like: performance, motivation, organizational environment/culture and managerial expertise. Among these performance is of core importance, which itself depends on other three especially on employees' motivation. There are many factors that play into the concept of employee motivation. The first necessary step is to determine what motivational tools will actually be effective in each particular situation. Some

tools may work for some companies, but not for others and vice versa. It is important to note that the decisions dealing with motivation are based upon several theories. No single theory seems best suited for every situation; therefore, theories are often combined to provide the best possible combination to motivate employees. Although no single theory works all the time, there is an underlying theme to all of the theories that respect and participation are two key items that employees tend to appreciate. Oftentimes, the existence or nonexistence of these two factors can determine how productive an employee will or will not be. It is important to note that these two factors are almost always more important than monetary compensation. Of course, there are some individuals for whom this generalization will not apply. Also, many of the motivational theories that have been developed are used in industry today.

2.3. Theoretical Literature Review

There are three theories that support budgetary control of organizations namely the theory of budgeting, budgetary control model and accounting theory in budgetary control as discussed below:

2.3.1. Theory of budgeting

“Budget” and “Budgeting” are concepts traceable to the bible days, precisely the days of Joseph in Egypt. It was reported that nothing was given out of the treasure without a written order. History has it that Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine. Budgets were first introduced in the 1920s as a tool to manage costs and cash flows in large industrial organizations (Bartle, 2001). The emergence of scientific management philosophy however laid emphasis on detailed information as a basis for taking decisions thus leading to tremendous development of management accounting and budgeting techniques (Bartle 2008). At early stage of development, budgeting was concerned with preparing and presenting credible information to legitimize accountability and to permit correct performance evaluation and consequently, rewards (Hindereth, 2002), however, over the years, the function and focus of budgeting has shifted considerably as business organization became more complex and their environment become dynamic.

Hirst (1987) explains that a budgetary control solves an organization’s need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control, a detector of variances between organizational objectives and performance (Shields and

Young, 1993). Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control.

Budgets project future financial performance which enables evaluating the organizations financial viability of a chosen strategy. In most organizations this process is formalized by preparing annual budgets and monitoring performance against budgets. Budgets are therefore merely a collection of plans and forecasts (Silva and Jayamaha, 2012).

Budgets can further influence the behavior and decisions of employees by translating organizations objectives, and providing a benchmark against which to assess performance. Hancock (2009) even considered such operational planning as the backbone of management.

During budget preparation procedures, consideration of alternative courses of action becomes an integral part and leads to increased rationality. A budget allows a goal, a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be forward looking rather than looking back (Scott, 2005). Budgets have therefore been identified as playing a number of roles which include making goals explicit, coding learning, facilitating control, and contracting with external parties (Selznick, 2008). Fisher exemplified this by “linking compensation to performance measures against the budget”, thereby making goals explicit, communicating goals and thereby coding learning and clarifying performance measures for individual employees of an organization (Goldstein, 2005).

2.3.2. Budgetary Control Model

Budgeting system is a tool used by the organization as a framework for their spending and revenue allocation. To ensure its resources are not wasted, the organization must be able to come out with an effective budgeting system. This is important as it ensure that the outputs produced and services delivered achieve the objectives. According to this theory, a good budgeting system must be able to addresses the effectiveness of the organization’s expenditure. The organization has to put proper controls that ensure that the budget is properly maintained and allocated. This is achieved through cutting costs in order to increase the quality service offered by the organizations. However, if an organization has lesser revenue generation sources they might have to find a way to fund their estimated budget by borrowing and tax restructuring (Robinson and Last, 2009).

Budget also can be used an indicator of the performance of the ruling government. It is a statement of whether they are competent in administering the organization and the national resources (Sawhill and Williamson, 2001). One of the models of budgeting system is Performance Based Budgeting System. According to (Robinson and Last, 2009), performance-based budgeting system (PBBS) aims to improve the efficiency and effectiveness of public expenditure.

That is why the budget is mostly regarded as the control of expenditure. The government of Ethiopia is investing public budget on social and economic infrastructure (education, health, water, road, power, communication etc...) in order to provide public services and enabling environment for private sector to invest (Mohammed and Asfaw 2014).

Benishangul gumzu regional state is being responsible for delivering majority of basic services to the people of the region through budget control for the enhancement of public organizations performance (Alemu and kidane 2010).

2.3.3. Accounting Theory in Budgetary Control

Accounting theory is aimed towards provision of a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices and policy development (Kaplan and Norton 1996). Then Budget had been defined as accounting device used to plan and control resources of operational department of government and divisions (Abdullahi & Angus, 2012). According to (Otley and Pollanen, 2000) the purpose in developing a theory of accounting is to establish standard for judging the acceptability of accounting methods. Procedures that meet the standard should be employed in practice of accounting. (Horvath, 2009) argues that the accounting methods that fail to meet the standard should be rejected. Accounting theory helps in explaining and guiding management actions in identifying and locating information necessary to be used in budget preparation. The money measurement concept in accounting has contributed to a greater extent in providing yardstick for quantifying, conversion and translating various inputs in relation to materials, and machines required in the preparation of budget (Horvath and Seiter, 2009).

Theory in accounting guide in the selection of principles and roles to be applied in particular circumstance. The accounting theory in budget control has come up with different models of analysis for example revenue analysis and standard costing which serve as a standard setting in

budgeting. Theory has an important normative role in the evaluation of budget and control procedures to be adopted. Theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances.

Hornngren (2002) argues that accounting theory view a firm as a separate entity in which its activities are distinct from its owners. These principles serve as an impetus to the general philosophy of budget itself as a tool for effective management (Hornngren et al., 2002).

Accounting theory has developed models in which standard can be set. Management accounting theory also provides several yardsticks to be used for control. That is variance analysis. Since budget is an instrument of plan. It provides a framework of given feed back to the management on the implementation of budget. When implementing the accounting theory historical data is instrumental since this data serve as an input for making forecast. The cost accounting theory developed by Wedgwood in early 20th century which stress on cost identification, allocation and revenue maximization has provide a basic insight and blue print in budget and control in organization. The matching concept in accounting also plays a role as reference issue in budget analysis (Hopwood, 1976).

By establishing the cost for various programmes government set up, the criteria by which government programmes are to be review and evaluated. Budget has become the main instrument by which government attempt to manage economic growth and development. Budget become accounting instruments by which officials are held accountable for what government does and does not manage to accomplish (Yakubu, 2011). Hence, it is important that a country must be able to follow accurately all the methods of preparing and control of an annual budget. Budgeting is defined as a form of financial planning and source budget is utilized to impose the strategy of a country. Consequently, a budget is composing of different functional budget that could help a country for such development such as agriculture, technology, tourism, and other budget (Smith and Megeary, 1997).

Government use budgets as a guiding tool for planning and control of its resources, be it financial or otherwise. The use of budget involves knowing how much money you earn and spend over a period, particularly one year. When a budget of an establishment, department or ministry is created, it means creating a plan for spending and saving money (Abdullahi and Augus 2012).

Abokun and Fagbemi (2012) explain that another use of budget for control purpose is in evaluating performance. They argue that organizational plans are carried out by people, thus, control is exercise not over operations, revenue, costs, but over the persons responsible for those operations and the related revenue and expenses. Then the accounting for all Sub-programs will be governed by respective government accounting policies and procedures.

To sum up, budget control can be explained as the process of using budgets as control mechanism to evaluate managers as well as organizations performance by considering deviations from budget figures to actual figures. Accordingly, budgetary control is a system that uses budgets as a controlling and planning tool (Fadi Baker, 2013).

2.4. Empirical Review

Serem (2013) examined the budgetary control in Non-Governmental Organizations and its effects on their performance. The study found that there is a weak positive effect of budgetary control on performance of NGO's in Kenya and suggested the need of sensitizing employees on budgetary controls so as to improve its consequent effect of performance.

Manoharan, K. (2017) examined some aspects of Budgeting and budgetary control system and organizational performance in the case of selected Indian companies with the objective of investigating the relationship between budgetary control and organizational effectiveness by using statistical method. The study found that there is strong relationship between budgetary control system and organizational efficiency and it was concluded that there are some barriers in proper implementation of budgetary control system in the organization.

Sidhaam, B.(2011) conducted a study on expenditure and Budgetary control in urban local bodies in India using prism model with the objective of achieving expenditure control through strengthening the Budgetary control. It was concluded that many public expenditure management professionals are trying different approaches to their tasks.

Nyambura (2014) conducted a descriptive survey on a title, the effect of budgetary control on effectiveness of nongovernmental organizations in Kenya with the aim of determining the effect of budgetary control on t effectiveness of non-governmental organizations in Kenya. The study found that there is a low positive relationship between budgetary control and performance and Planning contributed the highest towards the positive performance of the NGOs followed by

Monitoring and Control and finally budget participation. It was concluded that the NGOs generally have Budgetary control at different levels of the organization and most of them have planning, monitoring controlling, controls and Budget participation.

Lambe (2015) made a systematic review of Budgeting and Budgetary control in government owned organizations of Nigerian national petroleum corporation by using descriptive survey research design with the objective of determining how budgeting and Budgetary control affects quality service delivery in government owned enterprises. It was concluded that budgetary control aids in effective cost control most especially in government owned organizations.

Andrew, Albert and Ngoze (2016) conducted a study on Budgetary Control and Financial Performance in Public Institutions of Higher Learning in Western Kenya using descriptive survey design with objective of investigating the effect of Budgetary control on financial performance in public institutions. The study found that budgetary control has a statistically significant effect on financial performance in public institutions of Higher Learning in Western Kenya.

Doreen, D. (2014) determined the effectiveness of Budgeting process in achieving organizational goals in case of Tanzanian Electrical Mechanical and Electronics service Agency using a case study research design strategy with the objective of investigating how Budgeting process helps organization in achieving its goals. It was concluded that the role of Budgeting process that make an organization attains its goals should be effective by having active support for Budgeting process from the top management.

Nicoleta (2010) conducted a study on public Budgeting on Republic of Moldova as a case study by reviewing both theoretical and practical analysis done by World Bank with the objectives of illustrating if public Budget is efficient or not and impact of applications of practice. The study found that the general trend concerning the Budget method and procedures is directed to the achievement of results, performance indicators and performance information.

Fadi, B. (2013) conducted an investigation of the effect of tight budgetary control on management behavior at Swedish public sector emphasizing on motivation, commitment, satisfaction, and stress using a survey questionnaire with the objective of determining the effect of using TBC on managerial behavior. The result of the study found that first; the study suggests that the majority of managers working in the public sector actually experience TBC. Second, the

first hypothesis, which tested the effect of TBC on motivation and stated a negative relationship between the variables, did not result in a significant relationship and the null hypothesis could not be rejected. Third, the alternative hypothesis that investigated a negative relationship between TBC and organizational commitment resulted in a significant relationship between the variables. This means that the second hypothesis is true. Fourth, the study's results find evidence for a positive relationship between managerial stress and TBC. Finally, the fourth hypothesis that considered the relationship between TBC and satisfaction was not supported, which means that managers that face TBC are not necessarily less satisfied than managers that do not face TBC at their organization.

Elizabeth (2010) determined challenges of Budget implementation in public institutions by taking University of Nairobi as a case study to analyze whether budget implementation in public institution in Kenya served the multiple roles of planning, controlling, communication and decision making using descriptive research study design. The study established the challenges encountered in budget implementation. The challenges as found out included insufficient funds, institutional weakness, the method used to allocate budget was unsatisfactory and budget included unattainable targets. The study further found out that the institutions used the budget to serves the multiple roles of planning, controlling, coordination and communication. The study established that participation in budget preparation is another important issue because it reflects degree of consensus and ownership from the persons involved. The study concluded that University of Nairobi faces various challenges in budget implementation especially reduced revenue leading to shortage of available resource for its operation.

Geletaw (2017) conducted a research to *investigate the determinants of budget control in the Benishangul Gumzu regional state public organizations using descriptive research design. The study found that* the composite measure of information and communication, cost reduction, competent internal audit staff, management support, budget monitoring and evaluation, organizational commitment and budget planning processes for 78% (Nagelkerke modified R² =0.78) variance for the budget control in the public sector offices. That means, the impact of these seven independent variables contributed for the dependent variable budget control were 78%, and the remaining 22% were other variables that are not included in this study. *It was concluded that* existences of effective budget control in the office links with internal control management system, improves organizational efficiency and effectiveness, reduce information

asymmetry during decision making, and ensures internal reliability of financial reporting process.

Nkwonta, C. (1999) conducted a study on Budget and Budgetary control system, Ministry of Finance and Economic Planning of Awka, Anambra state as a case study, to investigate the type of Budgetary processes that were used in the Ministry using descriptive research study design through collecting both primary and secondary data. The study found that the Ministry makes use of budgetary planning and control which helps to increase productivity and aids prudent financial management.

Ifra Ahmed, Kerosi Evans, and Ondabu Ibrahim (2015) studied the effectiveness of budgetary control techniques on organizational performance at Dara salaam Bank to analyze the effectiveness of budgetary control techniques on organizational performance using descriptive and retrospective research. The study had proven that there was a positive relationship between Organization's responsibility accounting system and performance. The study recommended that in order to enhance the effectiveness of Budgetary control techniques in the Organizations, the management should put in place measures to solve the budgetary control system problems such as enhancing better understanding of budgetary control techniques, their behavior and institutional dynamics among the staff, developing strong financial integration with performance management, quarterly revision of financial plan to redirect resources at frequent intervals, better engagement between organizational leaders, managers, finance staff with timing of the financial plan. Moreover, Governments should set yearly objectives for each performance indicator of their budgetary control system so that Civil workers, the business owners and other employees should bear in mind the yearly objectives to be achieved, business owners and employees should work hard to achieve the yearly set objectives for each indicator.

Olaoye, F and Ogunmakin, A (2014) examined the budgetary control and performance in government parastals in Osun state, Nigeria, with the primary objective of determining the relationship between revenues and expenditures estimates and actuals using *Pearson Product Moment Correlation*. Five parastals were sampled using budgetary performance for five fiscal years (2007-2011) and the study revealed that there existed strong and weak negative relationship in the revenues and expenditures of the establishments over the periods selected, viz: Agricultural Corporation -0.28 (weak), Broadcasting Corporation -0.58 (strong), College of Education -0.41 (weak), Property Development Corporation -0.64 (strong) and Water

Corporation -0.33 (weak). The study concluded that the budgeting process in those corporations needs a re-engineering to reflect the true picture of their fiscal ability and to be a guide to action and performance.

Edvine, E. (2013) conducted a study to examine the role of budgetary control in enhancing financial management in Local Government Authorities at Kinondoni Municipal Council (KMC). The study employed a case study using a sample of 50 respondents who were purposively selected in which questionnaire and interview were the data collection instruments and data were analyzed by using MS Excel computer program. The study found that information sharing, budget participation; organizational commitment, role ambiguity and job performance as the characteristic features of budgeting, budgeting and Planning and Analyzing & Feedback are not being effectively practiced at KMC and that there was little impact of budgetary control principles on financial management at KMC. The researcher recommended the KMC to ensure there is openness in accurate, current, and complete disclosure of the financial results of financially assisted activities in accountability is maintained for all grant and sub grant cash, real and personal property, and other assets, to maintain records which adequately identify the source and application of funds provided for financially assisted activities, and also to ensure that the terms of grant and sub grant agreements are not followed in determining the reasonableness, allow ability of costs.

Ida Haryanti Binti Mohd Noor (2012) studied budgetary participation by focusing on how it affects performance and commitment in order to determine the relationship between budgetary participation and managerial performance with organizational commitment as the intervening variable in a Malaysian public sector organization using a pilot study. The study found that the budgetary participation process implemented by MOHA does have significant positive effects on managerial performance. Moreover, the intervening variable of organizational commitment has a significant role in mediating the relationship between budgetary participation and managerial performance and organizational commitment leads to improved managerial performance since more committed employees are more motivated and dedicated.

Ida Harianti Binti mohd (2012) studied how budgetary participation affects organizational performance with organizational commitment as the intervening variable and the study identified

that budgetary participation has a significant effect on managerial performance by enhancing organizational commitment.

Yesuf Ahmed (2015) did a research to examine the practice of Budgeting and Budget monitoring as a management tool to for managing variances in NGOs operating in Ethiopia using descriptive study design. The researcher concluded that effective Budgeting highly contributes to the attainment of goals and objectives.

Carolyn M. and Tammy R. (2007) conducted a study on title ‘an examination of the effects of Budgeting control on performance: evidence from cities ‘and the result of their study shows that effective budgetary control has a positive effect on organizational performance.

2.5. Summary of Literature Review

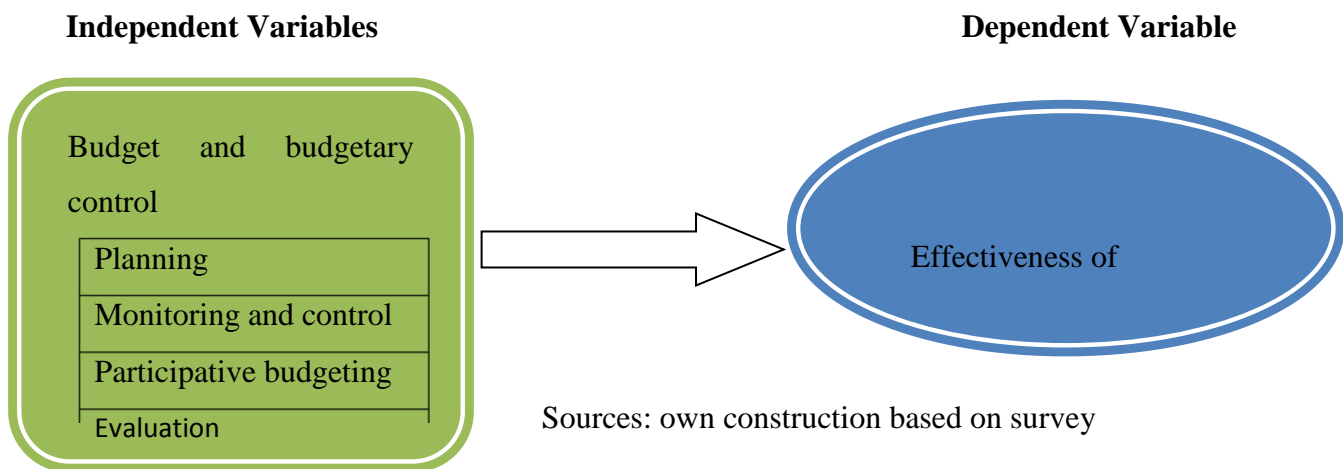
Budgets are considered to be the core element of the control-process and as result a vital part to the umbrella concept of performance measurement. Review of the related literature shows that there is no single approach to budgeting suitable for all businesses. Instead, the suitability of a particular approach is argued to be contingent upon characteristics of a business including its size, strategy, structure, and also management’s perception of the uncertainty of the environment within which the business operates to best link its budgetary control procedures that is planning, evaluation, monitoring and control.

Generally, as evidenced above, majority of the available empirical evidence were on the assessment of budget monitoring and practice, budgetary control and its challenges, the effect of budgetary control on organizational and financial performance of public, private and not for profit organizations. Empirical review of literature above also shows that there is inconsistency of results of the study on the relationship between budgetary control and organizational performance. This is can be shown from Serem (2013) who stated that there is a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%. shadrack (2011) and Nyambura (2014) also found that budgetary control and performance have a low positive relationship. On the other way, Balogun, Mamidu, Owuze (2015) and Manoharan K. (2017) found that budgetary control has a strong relationship with organizational performance. Based on this this study aims at determining the impacts of budget and budgetary control on the effectiveness of public organizations in the case of East Wollega Zone Finance and Economic Development Offices.

2.6. Conceptual Framework

The conceptual framework followed the objective of the study and is developed by integrating variables from different theories and related researches that state effects of budget and budgetary control on effectiveness of organization from the literature review. The independent variables are classified into different budgetary control systems (planning, monitoring and control, participating of budget and evaluation). On the other hand the dependent variable effectiveness of organization is the extent to which an organization has met its stated goals and objectives and how well it performed in the process.

Figure 2.1 Conceptual Framework



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Concepts discussed in this chapter include the approaches and techniques the researcher used when collecting data, analyzing the data and interpreting the findings. These include the research design, target population, sampling and sampling techniques, data collection methods and data analysis techniques.

3.2 Research Design

The study used a descriptive survey study research design which was aimed at examining the impact of budgetary controls on effectiveness of public organizations in East Wollega Zone Finance and Economic Development Offices. A descriptive survey is usually concerned with describing a population with respect to important variables with the major emphasis being establishing the relationship between the variables. The advantage of this type of research design is that it is easy to understand as recommended by (Kothari, 2005). This design attempts to collect data from members of the population and describes existing phenomenon with reference to pre-established objectives.

3.3 Target Population

The population of the study consisted of nineteen(19) Finance and Economic Development Offices in East Wollega Zone namely, Zonal Finance and Economic Development office, Nekemte Town Finance and Economic Development office and all other seventeen (17) districts' Finance and Economic Development Offices.

3.4 Sample Design

This study used purposive sampling method to select three Finance and Economic Development Offices in East Wollega Zone namely, Zonal Finance and Economic Development office, Nekemte Town Finance and Economic Development office and Guto Gidda District Finance and Economic Development office with total employees of 57, 42 and 51 respectively. The reason behind purposive sampling is that the researcher expected that sufficient information can be

obtained from the selected three offices because Zonal Finance and Economic Development office provides the overall information and Guto Gidda District Finance and Economic Development office provides information related to districts' Finance and Economic Development Offices. The reason for selecting three (3) offices is due to limitation of time, resources and distance to travel to various parts of the country.

3.5 Data Collection

The study used structured questionnaires for the purpose of collecting data. The questionnaires consisted of closed ended questions because closed questions provide a more structured response. A five point likert scale ranging from strongly disagrees to strongly agree were used in measuring the extent of the responses provided.

The independent variables consisted budgetary control which involves planning, monitoring and control, participation and evaluation. These variables were used in measuring the extent of budget and budgetary control. The data on both the budget and budgetary control and effectiveness of the organization was obtained using structured questionnaires of a five point likert scale.

3.6 Validity and Reliability

3.6.1 Validity

The participants were briefed early in advance by the researcher on the need and importance of the study and permission sought for their participation in order to have their full support. Guidance on how to answer the questionnaire was available from the researcher. This ensured high completion rate and accuracy of the information provided.

3.6.2 Reliability test

Reliability is the consistency of your measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. To carry out the reliability analysis, Cronbach's Alpha (α) is the most common measure of scale reliability and a value greater than 0.700 is very acceptable (Field, 2009; Cohen and Sayag, 2010) and according to Cronbach's (1951), a reliability value (α) greater than 0.600 is also acceptable.

Table 3.5.1 Reliability Coefficients

No	Items	Number of items	Cronbach's alpha
1	Planning	10	0.702
2	Monitoring and control	8	0.847
3	Evaluation	8	0.902
4	Participative budget	6	0.839
5	Effectiveness of organization	11	0.887

Source: Own Survey, 2018

3.7 Data Analysis

The researcher reviewed the appropriate statistical data analysis tools namely descriptive, and before analyzing the data, raw data Collected was cleaned and edited for completeness and consistency. It then systematically organized to confirm if it represents the target population and to facilitate objective interpretation of data at a later stage. The responses from the employees of the organization also screened for correctness and accuracy and then they filled in Microsoft excel. Data was analyzed to establish the measures of central tendency that include the mean, mode, and median highlighting the key findings.

The study used Pearson correlation to determine the extent to which budgetary control affects effectiveness of public organizations in East Wollega Zone Finance and Economic Development Offices.

3.7.1 Pearson Correlation Analysis

In this study, Pearson correlation coefficient was used because it helps to measure the strength of a linear association between two variables; budget and budgetary control and effectiveness of organization. The correlation coefficient (r) provides the researcher with an idea of the extent of the linear relationship between the variables. The correlation coefficient (r) varies between positive one and negative one. A positive correlation coefficient (r) indicates a positive linear relationship and negative correlation coefficient (r) indicates a negative linear relationship between the two variables. The closer the correlation coefficient is to one, the stronger the

positive correlation between the variables and the closer the correlation coefficient is to zero the weaker the correlation between the variables. The closer the correlation is to negative one the stronger the negative correlation between the variables. To decide the relationships of variables Pearson Correlation Coefficient analysis was engaged: according to Thomas, (2002) a correlation coefficient of 0.60 to 0.70 considered Strong correlation, 0.50 to 0.60 Moderate correlation and 0.30 to 0.40 Weak correlations.

3.7.2 Variables and Variable Measurement and Selection

The questionnaires were structured to measure these independent variables such as Planning, Monitoring and Control, Evaluation, Participative budget and effectiveness of organizations as dependent variable which measures the overall performance of the organizations as indicated in the questionnaires. Data was analyzed by using Statistical Package for Social Scientists (SPSS) Version 21.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.1. Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings were presented to determine the impact of budget and budgetary control on effectiveness of public organizations in East Wollega Zone Finance and Economic Development offices. The data was gathered exclusively through questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. The discussion begins with the questionnaires response rate followed by the descriptive statistics of the responses related to the questions.

4.2. Descriptive Analysis

4.2.1 Response Rate

The data were collected and then analyzed in response to the problem posed in the first chapter of this study. The findings are based on the responses of those selected sample with the help of questionnaire. Therefore, 150 questionnaires were distributed and 144 (96%) returned from respondents and 6 (4%) of the questionnaires were not returned. Therefore, data were analyzed based on the data collected using questionnaires from 144(96%) of the respondents.

4.2.2 Demographic Characteristics of Respondents

In order to have clear understanding about the result of the study, it is important to be familiar with demographic characteristics of the sample respondent. Out of the total 150 questionnaires distributed, 144 respondents, who were found in finance and economic development offices of East Wollega Zone, Nekemte Town and Guto Gidda district returned the questionnaire.

Then in this sub section, variables such as age, sex, educational level and work experience of the respondents in the organization were analyzed and the information processed is summarized as follows.

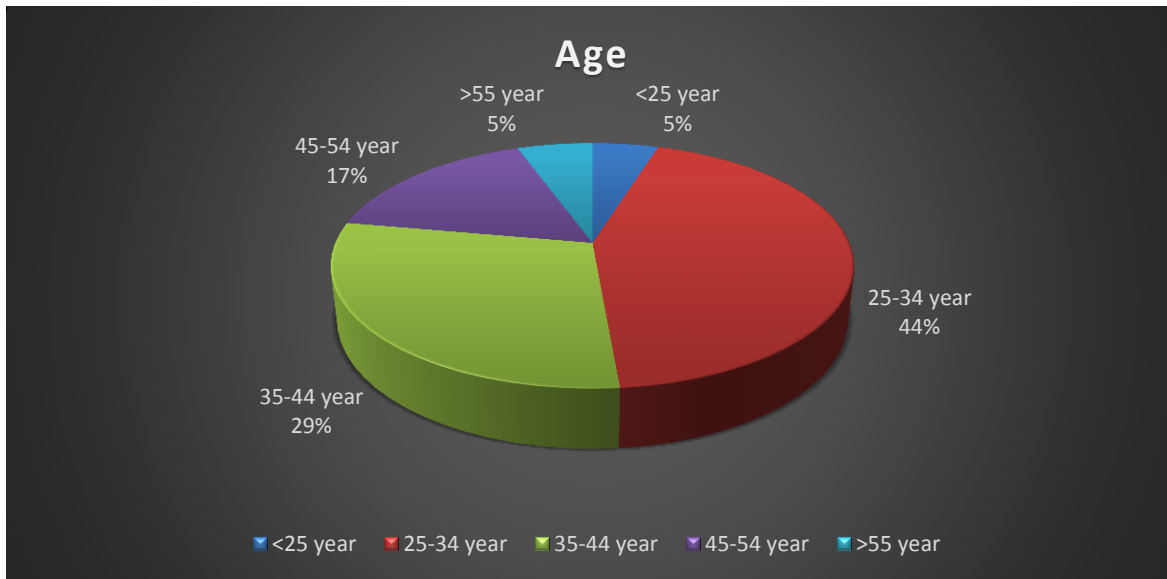
Table 4.1 Gender of the respondents

Sex	Frequency	Valid percent
Male	79	55
Female	65	45
Total	144	100.0

Source: Own Survey, 2018

As depicted on the above table 79 (55%) of respondents were male, whereas 65 (45%) of them were female.

Figure.4.1 Age of the respondents

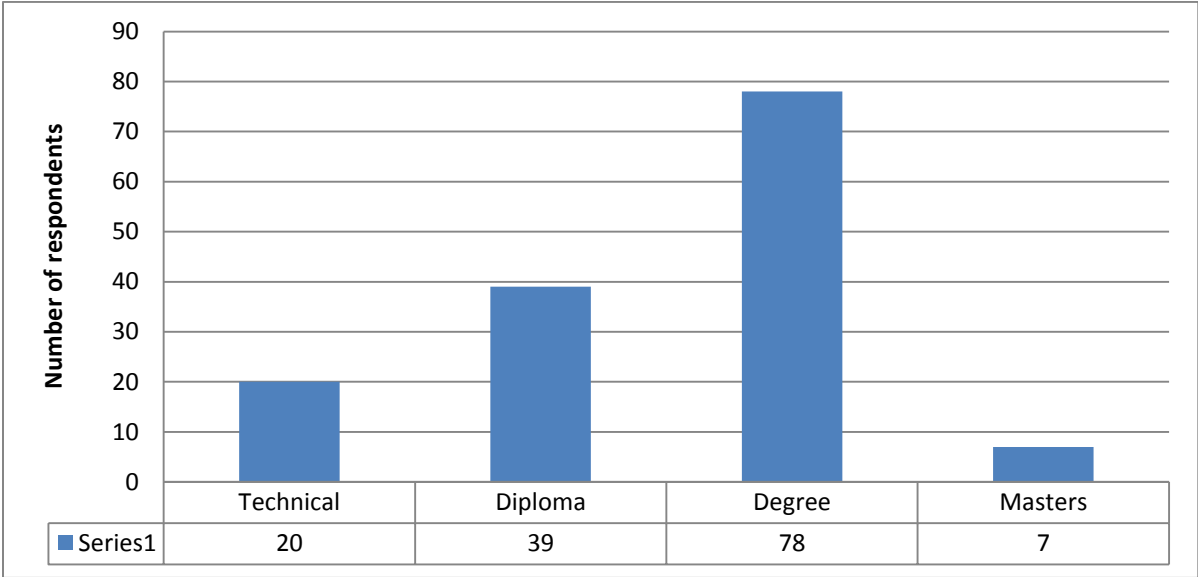


Source: Own Survey, 2018

The above figure clearly indicates that 7(5%) of the respondents were aged under 25 years, 63(44%) of them were between the age of 25 and 34, 42 (29%) of the respondents were between the age of 34 and 44, 25 (17%) of them were aged between 45 and 54, and 7(5%) of the respondents were aged above 55 years. As we can see form the above figure, the majority of the

respondents included in the study were in the age range of between 25-34 years old while the small percent(5%) of the were under 25 years old and above 55 years old.

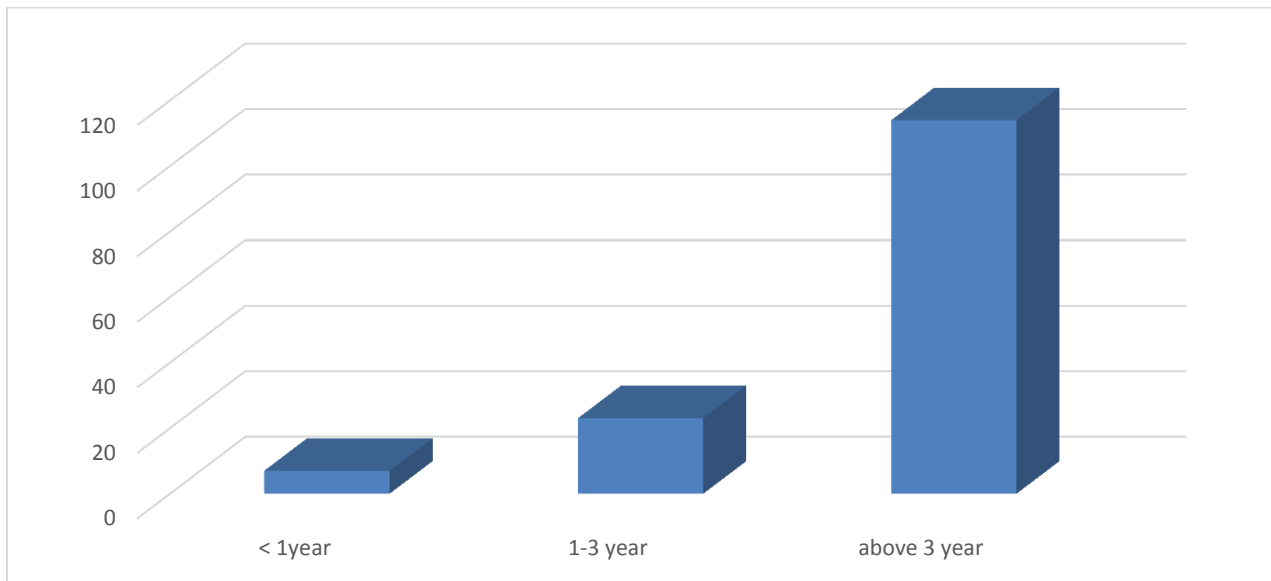
Figure 4 .2 Education Level of *the respondents*



Source: Own Survey, 2018

The above graph clearly depicts that most of the respondents, 78 (54.167%) were first degree holders while, the least number, 7 (4.85%) of them were master degree, 39 (27%) of them were diploma holders and 20 (13.89%) of them were technical school graduate.

Figure 4.3 Work Experience of *the respondents*



Source: Own Survey, 2018

According to the above figure, 7 (4.8611%) of the respondents have work experience of less than one year and 23 (15.9722%) of them were having work experience of 1-3 years, while the majority of them, 114 (79.1667%) have been worked for more than three years. Therefore, as clearly stated in the above figure, most of the employees included in study have more than three years of working experience in East Wollega Zone Finance and Economic Development offices which implies that the respondents have better awareness about the organization.

4.2.3 Total mean and standard deviations of scores of responses

Based on the responses gathered from the respondents, the researcher has tried to determine the relationships between budget and budgetary control and effectiveness of public organizations in finance and economic development Offices of East Wollega Zone, Nekemte Town and Guto Gidda District as indicated in the following table.

Table 4.2 Respondents Response on Budget and budgetary control and effectiveness.

I total mean scores by statement for planning					
No	Statements	Mean score	Standard dev.	Min	Max
1	Our organization has long term and short term budget plans	4.423611	.6210735	2	5
2	Our budgets have clear goals and objectives	4.305556	.6822195	2	5
3	Budget are used as a communication medium for organization plans and objectives	4.201389	.7440191	2	5
4	Organizational departments prepare budget plans prior to the budget year	4.076389	.6486119	2	5
5	Budget holders utilize their approved budget based on their plan.	3.520833	1.332586	1	5
6	Inadequate planning by budget officers causes variance in your budget.	4.159722	.8417697	1	5
7	Budgeting coordinate the activities of the entire organization by integrating the plans of various parts.	4.111111	.670154	1	5
8	There is problem of matching plan with budget in your office.	3.826389	1.033223	1	5
9	Your office revises its plan frequently in relation to budget.	3.659722	.9763869	1	5
10	You have adequate understanding to prepare plan and budget.	3.895833	.8504935	1	5
II total sample mean scores by statement for monitoring and control					
1	Management hold budget meetings regularly to review performance	3.215278	1.333606	1	5
2	The organization has budget policies that monitors budget spending	4.263889	.8689364	1	5
3	Control of the budget activities is done by the head of departments	3.944444	.9219755	1	5
4	The costs of activities and function of the organization are constantly reviewed by the management team	3.597222	1.046603	1	5
5	The organization's budget performance evaluation reports are prepared frequently	3.659722	1.05885	1	5
6	The organization effectively monitor the budget implementation	3.604167	1.177996	1	5
7	Managers always take timely corrective actions on implementation of budget	3.576389	1.156193	1	5
8	There is regular follow up on budget plans by the budget department	3.715278	1.068711	1	5

III total sample mean scores by statement for evaluation					
1	The management of organization review the budget and make adjustment	3.715278	1.138415	1	5
2	The organization review the process of budget allocation	3.729167	.9023571	1	5
3	Department provide timely feedback to budget users to correct the detected weaknesses	3.354167	1.248601	1	5
4	The organization conducts regular audit to evaluate implementation and report the result for the audited department and head of the organization on time.	3.590278	1.092973	1	5
5	The management team discusses on the results of audit report for taking corrective actions.	3.402778	1.225141	1	5
6	The management team reviews regularly the implementation of budgetary control measures in the organization.	3.513889	1.128066	1	5
7	Budget defines goals and objectives that serve as bench mark for evaluation	3.839161	.9761259	1	5
8	The organization has a good budget performance evaluation	3.576389	1.137903	1	5
IV total sample mean scores by statement for participative budget					
1	Budget holders give serious attention for budget participation	3.625	1.108612	1	5
2	We are alerted on the budget control process	3.826389	.822157	1	5
3	All the stakeholders to the budget are involved	3.569444	1.02181	1	5
4	All department are always involved in the budgeting process	3.4375	1.198593	1	5
5	Approved budgets are shared with all departments according to loads of activities	3.236111	1.300813	1	5
6	Training and support is given to all the subordinates throughout the budget by budget department.	3.819444	1.125998	1	5
V Total sample mean scores by statement effectiveness of organization					
1	There is high level of employees' motivation in the organization	3.402778	1.033153	1	5
2	Budget are used to motivate staff	3.784722	.9324244	2	5
3	Budget control system used as tool for the achievement of organizational objectives and goal.	3.916667	.8236029	1	5
4	The organization has adequate number of skilled persons to achieve organizational objectives and goals for effectiveness	3.833333	.9083913	1	5
5	Effective and efficient use of resources through the use of budgetary control system improve performance	4.069444	.621894	2	5
6	Budget control system can be used to evaluate organization's performance.	4.131944	.7777188	2	5

7	Budgeting control affects the quality of service in the organization	4.166667	.836242	1	5
8	Ineffective budgetary control does influence effectiveness of organizations	4.006944	.6637099	2	5
9	Budgeting and budgetary control influence on employee's performance towards set targets.	3.951389	.7873996	1	5
10	Budgets are used to measure performance in the organization	4.006944	.8486643	1	5
11	The budgetary control system provides a framework for judging performance	3.965278	.7969627	2	5

Source: Own Survey, 2018

Notes: 1 – strongly disagree; 5 – strongly agree

4.2.4 Discussion

The relevant research questions raised above have been examined in the light of the responses obtained from respondents concerning the existence and practice of budgetary control in East Wollega Zone Finance and Economic Development Offices

Based on the responses to questionnaires obtained from respondents, there is the process of budget planning in East Wollega Zone Finance and Economic Development Offices. But, budget holders do not utilize their approved budget based on their plans. There is also the problem of matching budget plan with budget in the organization.

As indicated in above table 4.2, the mean value of the responses computed based on Likert scale indicates the average agreement of respondents on existence and practice of each elements of budget planning, monitoring and control, evaluation, participation and effectiveness of the organization. The overall mean of planning can be approximated to 4.01 which indicate the weak argument of respondents regarding the existence of budget planning in the organization. The highest mean of planning (4.423611) indicates that majority of respondents agreed that the organization has budget plans. Conversely, the lowest score for budget planning (3.520833) reflects the weakest argument regarding the existence of budget planning in the organization and the scores ranged from 3.520833 to 4.423611 for planning showing a relatively high support for the existence of budget planning in the organization based on responses computed by Likert scale.

Based on the responses to questionnaires obtained from respondents concerning budget monitoring and control again, there are no regular budget meetings to review performance in the organization. Even though control of the budget activities is done by the head of departments the costs of activities and function of the organization are not constantly reviewed by the management team.

The overall mean of monitoring and control can be approximated to 3.7 which indicate the weakest argument supporting the existence of budget monitoring and control in the organization. The highest mean of monitoring and control (4.263889) indicates that majority of respondents agreed that the organization has policies that monitors budget spending. Conversely, the lowest score for budget monitoring and control (3.215278) reflects the weakest argument regarding the existence of budget monitoring and control in the organization and the scores ranged from 3.215278 to 4.263889 for monitoring and control showing a relatively high support for the existence of budget monitoring and control in the organization based on responses computed by Likert scale.

Based on the response obtained also, there is no good budget performance evaluation in the organization. The overall mean of evaluation can be approximated to 3.6 which indicate the weakest argument supporting the existence and practice of budget evaluation in the organization. The highest score for evaluation (3.839161) indicates the strongest argument that the budget of the organization defines goals and objectives that serve as bench mark for evaluation. Conversely, the lowest score for evaluation (3.354167) shows the weakest argument regarding the existence and practice of budget evaluation in the organization and the scores ranged from 3.354167 to 3.839161 for evaluation showing a relatively high support for the existence of budget evaluation in the organization based on responses computed by Likert scale.

Based on the response to budget participation, budget holders give less attention for budget participation in the organization. Respondents do not agree with the provision of training and support to all the subordinates throughout the budget by budget department. The overall mean for participation can be approximated to 3.588 which indicate the weakest argument supporting the existence and practice of budgetary participation in the organization. The highest score for participation (3.826389) indicates the strongest argument by respondents that the employees of the organization are alerted on the budget control process. Conversely, the lowest score for participation (3.236111) shows the weakest argument regarding the existence of budget

participation in the organization and the scores ranged from 3.236111 to 3.826389 for participation showing a relatively high support for the existence of budget participation in the organization based on responses computed by Likert scale.

The overall mean of effectiveness can be approximated to 3.922. The highest score for effectiveness (4.166667) indicates the positive argument of the respondents that budget and budgetary control affects the quality of service in the organization which indirectly affects effectiveness of the organization. Conversely, the lowest score for effectiveness (3.402778) shows the weakest argument regarding the effectiveness of the organization and the scores ranged from 3.236111 to 3.826389 for effectiveness of showing a relatively high support for the effectiveness of the organization based on responses computed by Likert scale. In the same table 4.2 above, the minimum and maximum value range were also used to classify different levels of the budget planning, monitoring and control, budget evaluation, budget participation and effectiveness of the organization.

CHAPTER FIVE

SUMMARIES, CONCLUSION AND RECOMMENDATION

5.1. Summary of Major Findings

This research was established to know the existence of budgetary controls in East Wollega Zone Finance and Economic Development offices, and also to identify the impacts of budgetary controls on effectiveness of the organization. To accomplish these studies three offices were sampled using judgmental sampling by the researcher based on their accessibility both in terms of finance and distance.

From the total of 150 questionnaires distributed to sampled respondents, 144 questionnaires were collected and analyzed using the Statistical Package for Social Sciences (SPSS 21) using descriptive statistics. The various variables affecting budgetary controls; budget planning processes, budget monitoring and control, budget evaluation and budget participation, were examined individually and their mean were used based on the likert scale of 1 to 5 and analyzed using percentages.

Based on the responses to questionnaires obtained from respondents, the overall mean of planning can be approximated to 4.01 which indicate the weak argument of respondents regarding the existence of budget planning in the organization. The highest mean of planning (4.423611) indicates that majority of respondents agreed that the organization has budget plans. Conversely, the lowest score for budget planning (3.520833) reflects the weakest argument regarding the existence of budget planning in the organization and the scores ranged from 3.520833 to 4.423611 for planning showing a relatively high support for the existence of budget planning in the organization based on responses computed by Likert scale.

The overall mean of monitoring and control can be approximated to 3.7 which indicate the weakest argument supporting the existence of budge monitoring and control in the organization. The highest mean of monitoring and control (4.263889) indicates that majority of respondents agreed that the organization has policies that monitors budget spending. Conversely, the lowest score for budget monitoring and control (3.215278) reflects the weakest argument regarding the existence of budget monitoring and control in the organization and the scores ranged from

3.215278 to 4.263889 for monitoring and control showing a relatively high support for the existence of budget monitoring and control in the organization based on responses computed by Likert scale.

The overall mean of evaluation can be approximated to 3.6 which indicate the weakest argument supporting the existence and practice of budge evaluation in the organization. The highest score for evaluation (3.839161) indicates the strongest argument that the budget of the organization defines goals and objectives that serve as bench mark for evaluation. Conversely, the lowest score for evaluation (3.354167) shows the weakest argument regarding the existence and practice of budget evaluation in the organization and the scores ranged from 3.354167 to 3.839161 for evaluation showing a relatively high support for the existence of budget evaluation in the organization based on responses computed by Likert scale.

The overall mean for participation can be approximated to 3.588 which indicate the weakest argument supporting the existence and practice of budgetary participation in the organization. The highest score for participation (3.826389) indicates the strongest argument by respondents that the employees of the organization are alerted on the budget control process. Conversely, the lowest score for participation (3.236111) shows the weakest argument regarding the existence of budget participation in the organization and the scores ranged from 3.236111to 3.826389 for participation showing a relatively high support for the existence of budget participation in the organization based on responses computed by Likert scale.

The overall mean of effectiveness can be approximated to 3.922. The highest score for effectiveness (4.166667) indicates the positive argument of the respondents that budget and budgetary control affects the quality of service in the organization which indirectly affects effectiveness of the organization. Conversely, the lowest score for effectiveness (3.402778) shows the weakest argument regarding the effectiveness of the organization and the scores ranged from 3.236111 to 3.826389 for effectiveness of showing a relatively high support for the effectiveness of the organization based on responses computed by Likert scale. In the same table 4.2 above, the minimum and maximum value range were also used to classify different levels of the budget planning, monitoring and control, budget evaluation, budget participation and effectiveness of the organization.

5.2 Conclusions

This research was conducted to determine the impact of budget and budgetary controls on effectiveness of public organizations in case of Finance and Economic Development Offices in East Wollega Zone. To accomplish the study three offices were sampled using judgmental sampling by the researcher based on their accessibility both in terms of distance and finance.

From the total of 150 questionnaires distributed to sampled respondents, 144 questionnaires were collected and analyzed using the Statistical Package for Social Sciences (SPSS) version 21.

Descriptive statistics was used to determine of budget and budgetary controls on effectiveness of Finance and Economic Development Offices in East Wollega Zone. The various variables under budgetary controls such as budget planning, budget monitoring and control, budget evaluation and participative budget were examined individually and their mean were evaluated and compared based on the likert scale of 1 to 5 points questionnaires and analyzed using percentages.

The relevant research questions raised above have been examined in the light of the responses obtained from respondents concerning the existence and practice of budgetary control in East Wollega Zone Finance and Economic Development Offices .As can be seen from the responses to questions relating to elements of budgetary controls such as budget planning, budget monitoring and control, budget evaluation and budget participation ,there is low practice of budgetary control system in East Wollega Zone Finance and Economic Development Offices.

With regard to budget planning, budget holders do not utilize their approved budget based on their plans and there is also the problem of matching budget plan with budget in the organization.

Based on the responses to questionnaires obtained from respondents concerning budget monitoring and control again, there are no regular budget meetings to review performance in the organization. There is no good budget performance evaluation and budget holders give less attention for budget participation in the organization.

5.3 Recommendations

This research examined the impact of budget and budgetary controls on effectiveness public organizations in case of East Wollega Zone Finance and Economic Development Offices. Based on the result of the study, the following recommendation are provided with the assumption that this will help finance and economic development of East Wollega Zone to improve the Budget planning, Monitoring and control budget evaluation and participative budget of its organization so that this will improve effectiveness in the organization. Therefore:

- Planning and budget department in East Wollega Zone Finance and Economic Development Offices should arrange continuous training for budget holders at the beginning of every budget period to enlighten employees on budget planning to improve problem of matching budget with plan.
- Management of the organization in East Wollega Zone Finance and Economic Development Offices should give serious attention for budget monitoring and control to improve budget implementation so that effectiveness of the organization is enhanced.
- The organization should regularly evaluate budget implementation and management team should discuss this result for taking corrective actions for organizational effectiveness.
- The organization in East Wollega Zone Finance and Economic Development Offices should give enough chance for workers to participate in budget planning and utilizations. This motivates employees to perform better.
- Performance should be assessed and compared with budget frequently during a budget period. The organization in East Wollega Zone Finance and Economic Development Offices should not wait until period of implementation is over as mistakes can no longer be corrected at the end of the period or continuous evaluation is important. This help to verify budget implementation by using audit to help for organizational effectiveness successful.
- The organizations need also to investigate other factors that contribute to better for budgetary controls, in order to improve their efficiency and effectiveness, like employees motivation and invest more in staff development and participation.

5.4 Policy Recommendations

Budgetary controls are important in influencing effectiveness therefore more efforts should be made by management of organizations both profit and non-profit to sensitize the employees on its importance so as to enhance performance. The researcher also recommends that organizations should develop more formal practice in the development of budgetary controls, that is, Planning, Monitoring and Control and budget participation. Most organizations have minimal formal budgetary controls in their organizations hence recommended to develop a clear policy on budgetary control processes.

5.5 Suggestions for future Studies

The sample size used in this research may have been quite small to enable get an overall picture of the total Finance and Economic Development Offices in East Wollega Zone. Therefore more research in this area should focus on increasing the sample size and cover a larger number of organizations both in the same zone and outside so as to enhance better generalization of the results.

More research has to be done on the individual aspects of budget controls such as planning, participative budgeting, monitoring and control and relationship with organizational effectiveness.

This study dwelt on public organizations and measures on effectiveness was difficult to measure especially because they involve both financial and non-financial indicators. Hence more research should also be done in other government sectors and the private sectors.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaires to office staff

March, 2018

Dear, sir/Madam:

Dear respondent, I am conducting a study on Effect **of Budget and Budgetary Control System on effectiveness of public organizations in East Wollega Zone Finance and Economic Development offices** as part of my study at Addis Ababa University. As one of the respondent, your involvement is very important to this study. The information you provide will only be used for academic purpose, and will be treated with utmost confidentiality. Please spend few minutes of your time and respond to the questionnaires below as honestly as you can. Thank you in advance.

General instruction

- ✚ No need of writing your name.
- ✚ In all cases where answer options are available please tick in the appropriate box.
- ✚ For open ended questions if any, please enter your response on the space provided.

Thank you in Advance once again!!!

Part I Demographic information

1. Sex: Male Female
2. Age in year: under 25 25-34 35-44 45-54 55 and above
3. Number of years working in organization (experience):

Less than 1year 1-3 years above 3years

4. Educational background: high school complete Technical school graduate
 College Diploma BA/BSC (degree) Master Degree PHD
 If other please state _____

Part II Questionnaires related to budget and budgetary control and effectiveness of organization

Listed below are statements about budget and budgetary control and effectiveness of organization in your organization. Please indicate your level of agreement with the statements so that your answers to questions will enable the researcher to assess the effect of budget and budgetary control on effectiveness of your organization, **Where: 1=strongly disagree; 2=disagree; 3= no opinion; 4=agree; 5=strongly agree.**

A) Budget and Budgetary control						
No	Items	1	2	3	4	5
I	planning					
1	Our organization has long term and short term budget plans					
2	Our budgets have clear goals and objectives					
3	Budget are used as a communication medium for organization plans and objectives					
4	Organizational departments prepare budget plans prior to the budget year					
5	Budget holders utilize their approved budget based on their plan.					
6	Inadequate planning by budget officers causes variance in your budget.					
7	Budgeting coordinate the activities of the entire organization by integrating the plans of various parts.					
8	There is problem of matching plan with budget in your office.					
9	Your office revises its plan frequently in relation to budget.					
10	You have adequate understanding to prepare plan and budget.					
II	Monitoring and Control.					
1	Management hold budget meetings regularly to review performance					
2	The organization has budget policies that monitors budget spending					
3	Control of the budget activities is done by the head of departments					

4	The costs of activities and function of the organization are constantly reviewed by the management team					
5	The organization's budget performance evaluation reports are prepared frequently					
6	The organization effectively monitor the budget implementation					
7	Managers always take timely corrective actions on implementation of budget					
8	There is regular follow up on budget plans by the budget department					
III	Evaluation					
1	The management of organization review the budget and make adjustment					
2	The organization review the process of budget allocation					
3	Department provide timely feedback to budget users to correct the detected weaknesses					
4	The organization conducts regular audit to evaluate implementation and report the result for the audited department and head of the organization on time.					
5	The management team discusses on the results of audit report for taking corrective actions.					
6	The management team reviews regularly the implementation of budgetary control measures in the organization.					
7	Budget defines goals and objectives that serve as bench mark for evaluation					
8	The organization has a good budget performance evaluation					
IV	Participative budget					
1	Budget holders give serious attention for budget participation					
2	We are alerted on the budget control process					
3	All the stakeholders to the budget are involved					
4	All department are always involved in the budgeting process					
5	Approved budgets are shared with all departments according to loads of activities					
6	Training and support is given to all the subordinates throughout the budget by budget department.					

No	Part two effectiveness of organization					
1	There is high level of employees' motivation in the organization					
2	Budget are used to motivate staff					
3	Budget control system used as tool for the achievement of organizational objectives and goal.					
4	The organization has adequate number of skilled persons to achieve organizational objectives and goals for effectiveness					
5	Effective and efficient use of resources through the use of budgetary control system improve performance					
6	Budget control system can be used to evaluate organization's performance.					
7	Budgeting control affects the quality of service in the organization					
8	Ineffective budgetary control does influence effectiveness of organizations					
9	Budgeting and budgetary control influence on employee's performance towards set targets.					
10	Budgets are used to measure performance in the organization					
11	The budgetary control system provides a framework for judging performance					