

**ROLE OF BUDGET AND BUDGETARY CONTROL SYSTEM ON THE
EFFECTIVENESS OF PUBLIC ENTERPRISE: THE CASE OF
ETHIOPIAN ELECTRIC UTILITY**



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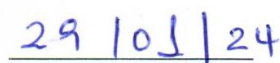
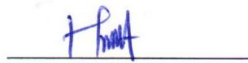
ADDIS ABABA, ETHIOPIA

DECLARATION

I declare that the thesis entitled” Role of budget and budgetary control system on the effectiveness of public enterprise: the case of Ethiopian electric utility” is my original work under the supervision and guidance of Dr. Degefe Duressa , department of Accounting and Finance, Addis Ababa university. This work has not been previously submitted for any higher institution for any diploma, degree or other similar work.

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Acronyms and Abbreviations

EEU	Ethiopian Electric Utility
NGOs	Nongovernmental Organizations
ROA	Return on Assets
ROI	Return on Investments

Abstract

This study focuses on the role of budget and budgetary control systems in the effectiveness of public enterprises, using the case of EEU. The study surveyed 110 experts from the Finance, procurement, Audit & planning department of EEU, using a census survey method. A mixed approach method was used, with primary data collected through questionnaires and interviews, and secondary data obtained through document analysis. The quantitative data was analyzed using SPSS-version 26, using descriptive statistics. The study found that budgeting and budgetary control systems play a vital role in aligning operational plans, resource allocation, risk identification, and progress tracking with the strategic plan. These systems also have positive effects on responsibility alignment, accountability, transparency, individual empowerment, and performance management within the organization. The study also highlights the positive influence of budgetary performance evaluation on employee motivation. Based on these findings, the study concludes that budget and budgetary control systems effectively support decision-making, resource allocation, and performance evaluation within public enterprises. The study recommends that EEU and other public enterprises recognize the importance of aligning operational plans with the strategic plan, coordinating activities among different budgetary control units, enhancing accountability and responsibility, and linking performance evaluation to employee motivation. The study also suggests integrating budgeting with strategic decision-making, continuous evaluation and improvement of the budgeting process, and improving the availability and accessibility of timely and accurate information for budgeting and budgetary control processes.

Key words: budget budgeting budgetary control monitoring and control financial performance

CHAPTER ONE

1. INTRODUCTION

This chapter presented the background on the Role of budget and budgetary control system on the effectiveness of public enterprise the case of Ethiopian electric utility It also highlighted the problem statement, purpose of the study, research objectives, significance of the study, scope of the study, definition of terms and organization of the study.

1.1. Background of the study

Across the world, electric utilities have recognized the importance of efficient resource allocating and financial management to ensure sustainable operations and meet the growing energy demand (Alhassan et al., 2019; Apergis and Payne, 2019). On the other hand, the importance of budgeting and budgetary control systems in the energy sector has been widely recognized. For instance, studies have shown that effective budgeting practices contribute to improved financial performance and operational efficiency in electric utilities worldwide (Zhu and Sun, et al 2019). As such, the budgeting practices and budgetary control systems, have been widely studied and implemented in international energy companies as means to enhance financial performance, monitor costs, and optimize resource allocation (Niederländer et al., 2018). Studies conducted in different countries have revealed the benefits of budgeting in terms of cost reduction, revenue enhancement, and improved decision-making (Niederländer et al., 2018).

In Africa, the energy sector has undergone significant transformations in recent years. Governments across the continent have prioritized investment in electricity infrastructure and adopted reforms to enhance the sector's efficiency. Budgeting and budgetary control play a critical role in managing the financial resources allocated to the energy sector. Research conducted in the region has emphasized the importance of aligning budgeting practices with strategic objectives to optimize resource allocation and improve overall performance (Mekonnen et al., 2020).

In such regards, Ethiopia has made substantial progress in expanding access to electricity via the Ethiopian Electric Utility (EEU). The EEU is a state-owned enterprise that provides electricity services to millions of people in Ethiopia, including the Addis Ababa city. The EEU operates in a

dynamic global energy landscape that requires efficient and effective management of resources to meet the growing demand for electricity (Alhassan et al., 2019). As an essential public utility, it faces various challenges in ensuring effective financial management and operational performance. Budgeting and budgetary control systems are critical tools for organizations to manage their resources and achieve their goals.

The main motivation for conducting this study is the need to understand the role of budgeting and budgetary control systems in the effectiveness of public enterprises, specifically focusing on the case of EEU. Public enterprises, as essential public utilities, play a crucial role in providing services to the public, and it is important to ensure their financial management and operational performance are effective.

Budgeting and budgetary control systems are widely used tools in organizations to allocate resources, track progress, and align operational plans with strategic goals. However, there is a lack of research specifically examining the impact of these systems on public enterprises, especially within the context of EEU.

By conducting this study, aimed to fill this gap in the literature and provide insights into the specific challenges and benefits of implementing budgeting and budgetary control systems within a public enterprise like EEU. Understanding the role of these systems can help improve financial management practices, enhance operational efficiency, and ultimately contribute to the overall effectiveness of public enterprises.

The findings from this study will not only benefit EEU but also other public enterprises facing similar challenges. It will provide valuable recommendations for improving budgeting and budgetary control practices, enhancing accountability and responsibility, and linking performance evaluation to employee motivation. Ultimately, this research will contribute to the body of knowledge in the field of public enterprise management and provide practical insights for organizations seeking to optimize their financial management and operational performance.

1.2. Statement of the Problem

Budgeting and budgetary control play a crucial role in the financial management and operational performance of electric utilities. However, there is a significant research gap regarding the Roles of budgeting and budgetary control systems on the effectiveness of the EEU located in Addis

Ababa city, Ethiopia. To address this gap, it is important to examine the specific challenges, practices, and outcomes related to budgeting and budgetary control system within the EEU, while considering the findings of related studies conducted in similar contexts.

There are plenty of previous studies conducted in the energy sector that has highlighted the importance of budgeting practices and budgetary control systems for improving financial performance and operational efficiency. For instance, a study done by Machado, Rossetti and Lima (2020) revealed that effective budgeting practices positively Impact the financial performance of electric utilities. Similarly, another study carried out by Netherlander, Hirsch, Dullinger and Eisl (2018) emphasized on the relationship between budgeting practices and financial performance in the energy sector.

Despite the international recognition of the importance of budgeting and budgetary control in the energy sector and the regional efforts to enhance budgeting practices, there is a dearth of comprehensive research on their Roles specifically within the EEU. Besides, the specific challenges, practices, and outcomes related to budgeting and budgetary control within the EEU are not well-documented. This research gap limits the understanding of the challenges, practices, and outcomes related to budgeting and budgetary control systems within EEU. Consequently, there is a pressing need to investigate how budgeting practices and budgetary control systems influence EEU's effectiveness in the local context to facilitate evidence-based decision-making and improve the utility's financial and operational performance.

In the local context, Mekonnen, Sharma and Mekonnen (2020) also investigated budgeting and budgetary control practices in the Ethiopian energy sector. They identified gaps in budgeting practices and recommended the alignment of budgets with strategic objectives to enhance financial management and operational performance. Therefore, this study aims to fill the research gap by investigating Role of Budget and Budgetary Control System on The Effectiveness of the Enterprise from the view of how far the budget and budgetary control translate strategic plan in to operational plan, To evaluate how much budget and budgetary control promote coordination of activities among related and different budgetary control, To evaluate how budget and budgetary control enhance accountability and responsibility of business units. To evaluate the promotion of performance measurement serving as basses of performance

measurement of budgetary control and to examine whether budgetary performance evaluation is linked to motivation of employee.

1.3. Objective of the Study

1.3.1. General objective of the study

The general objective of this study is to assess the role of budget and budgetary control system on the effectiveness of public enterprise: the case of Ethiopian electric utility

1.3.2. Specific objectives of the study

1. To assess how far the budget and budgetary control translate strategic plan into operational plan.
2. To evaluate how much budget and budgetary control promote coordination of activities among related and different budgetary control units.
3. To evaluate how budget and budgetary control enhance accountability and responsibility of business units.
4. To evaluate the promotion of performance measurement through budgetary control.
5. To examine whether budgetary performance evaluation is linked to motivation of employees.

1.4. Research Questions

In conducting this research, to assess the role of budget and budgetary control system on the effectiveness of public enterprise: the case of Ethiopian electric utility the study will attempt to answer the following questions:

1. To what extent does budget and budgetary control translate strategic plans into operational plans?
2. How effective is budget and budgetary control in promoting coordination of activities among different budgetary control units?
3. How does budget and budgetary control enhance accountability and responsibility of business units?
4. In what ways does budget and budgetary control promote performance measurement?
5. Is there a link between budgetary performance evaluation and employee motivation?

1.5. Significance of the study

The aim of this study is to examine Role of budget and budgetary control system on the effectiveness of public enterprise: a case study of Ethiopian electric utility Specifically, the study findings may help to implement effective budget and budgetary control system which lied's to overall performance effectiveness of the public enterprise Ethiopian electric utility and this will have an immense advantage for various stakeholders; managers, Benefiters and policy makers to form corrective actions and review the budget and budgetary control system more over this study will contribute for farther study's with relevance to Role of budget and budgetary control system .

1.6. Scope and limitation of the Study

1.6.1. Scope of the study

The scope of this study geographically delimited at the Ethiopian electric utility head office Conceptually it would be better to study all the various aspects of Role of budget and budgetary controlling system but because of time and budget constraints this study is delimited on determining the Role of budget and budgetary control systems on the effectiveness of the public enterprise. From the view of how far the budget and budgetary control translate strategic plan in to operational plan, to evaluate how much budget and budgetary control promote coordination of activities among related and different budgetary control, to evaluate how budget and budgetary control enhance accountability and responsibility of business units, to evaluate the promotion of performance measurement serving as basses of performance measurement of budgetary control and to examine weather budgetary performance evaluation is linked to motivation of employee.

1.6.2. Methodological Limitation

Since the researcher were a civil servant in EEU and in duty with in working hours in the public enterprises during this study there was high shortage of time in collecting, organizing and analyzing relevant data from different sources but because of shortage of time the researcher could not fatherly study. However the researcher by providing all after work time to this study with commitment solved the limitation.

Moreover, the researcher also not realize the survey from another viable perspective for example why Ethiopian road construction authority and EEU public enterprises must agree and work

together when the road is constructed, but in case of our country practically there is no agreement between them; so because of time limitation the researcher were not fatherly study these deficiencies need future researchers to revise their specific method for collecting data that includes this missing elements.

Some organizations do not even acknowledge the link between budgetary control and performance and this influences their functions negatively. Different organizations varying from small scale businesses to large scale businesses fall short to identify the power of budgets and budgetary control over functioning results. These organizations move without concentrating more attention to enhancing their performances via their budgets. According to Mohammed (2013) managing public expenditure allocation in developing countries is becoming difficult task as 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. Additionally, there were inefficiencies in budget implementation due to problems of experienced man power, application of policy and procedures, lack of monitoring budget timely.

Similarly, Yesuf (2015) studied the practice of budgeting and budget monitoring as a management tool for managing variances in non-governmental organizations operating in Ethiopia. According to the result, the overall budgeting system in the sample organizations misses the important participation of concerned staffs.

1.7. Definitions of Terms

A budget is a financial statement that is prepared and approved prior to a defined period. It serves as a guide and sets forth a plan of action for achieving specific objectives during that period. It is a predetermined statement of managerial policy that provides a standard for comparison with the actual results achieved. By comparing the actual results with the budgeted ones, managers can assess the effectiveness of their actions and make necessary adjustments.

Budgetary control refers to the implementation of budgets that are aligned with the responsibilities of executives and the requirements of a policy. It involves continuously comparing the actual results with the budgeted ones, with the purpose of either taking individual actions to achieve the objectives of the policy or revising the policy based on the results

obtained. Budgetary control provides a framework for monitoring and controlling financial activities to ensure that they align with the organization's objectives.

Firm performance is the process through which organizations align their resources, systems, and employees to strategic objectives and priorities. It involves activities that ensure that the goals and objectives of the organization are consistently being met in an effective and efficient manner. Firm performance entails the allocation of resources, the implementation of systems and processes, and the management of employees in a way that contributes to the achievement of the organization's strategic objectives. By focusing on firm performance, organizations can enhance their competitiveness and achieve sustainable growth.

A public enterprise is a business organization that is wholly or partially owned by the state and is controlled through a public authority. It operates in sectors that are considered to be of public interest, such as transportation, healthcare, and energy. Public enterprises are subject to specific regulations and oversight, as they have a responsibility to serve the public and ensure the provision of essential services. The control exerted by the public authority aims to balance the public interest with the efficiency and profitability of the enterprise.

1.8. Organization of the study

The study is organized in five chapters, the first chapter presents introduction, brief statements on the research problem, general and specific objective's, research questions, the importance of the study, the scope and organization of the study. Chapter two presents review of related literature. Chapter three describes the research approach, design and methodology to be employed in the study Data analysis, results, discussion and explanation of the study is presented in the fourth Chapter and Chapter five presents conclusions and recommendations.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

This chapter present literature review on previous studies on the Role of budget and budgetary control system on the effectiveness of public enterprise this section of the study contains the various budget and budgetary control systems theories, Role of budgetary control ,the link between budgetary control and firm performance, furthermore all the sections attempted to address the specific objectives and fulfill the general objective of the study although this chapter contains empirical findings of previous studies on Role of budget and budgetary control system and conceptual framework of the study finally, this chapter ends with summary of the literature review

2.1. Theoretical Literature Review

2.1.1. Meaning of Budget

A budget is a spending plan based on income and expenses. In other words, it's an estimate of how much money you'll make and spend over a certain period of time, such as a month or year. (Or, if you're accounting for the incoming and outgoing money of everyone in your household, that's a family budget (Achim, 2009).

The word budgeting defines as “the processing allocating budget of an organization's financial resource to its units, activities and investments” (Blumentritt, 2006), while (Horngren et al., 2004), sees budgets as the quantitative expression of proposing plan of action by managements for a specified periods and an aid to coordinate what need to be done to implements that plan. Rigorous plan of any economic activities is an essentially elements for the success of that activity. Without planning the activities of any economic entity would detach from surround reality the capacity for provision and plan of any activities in a market economy condition assures the survival and development of this activity (Achim, 2009).

According to Muhammed (2013) budget is centrals to the processing of plan and controls which are major activity of managements in all organization. It is seen as documents which predict revenue and expenditure of a particularly economic entity, for a specified period (Ahmed, Suleiman and Alwi 2003). Budget is based on estimates; it may or may not be true. It is not substitutes of managements because; the efficiency and utility of the budgetary system depend

on the skills and experiences of the management. It cannot be executed automatically because continuous effort is necessary for the executions of the budgets. This makes organizational manager to focus more on managements issues than on budgetary control (Surajkumar, 2011).

2.1.2. Objectives of Budgeting

Budget has always played key roles in managing institutions, both privates and publics, being important control systems in many companies (Ekholm and Wallin, 2000, Merchant and Van Der Stede, 2003). The major objectives of budgeting are to keep controls of the activity done in an organization by providing a road map for futures activities and setting a series of goals to be achieved and the means to achieves them (Abdel-Kader and Luther, 2006).

Therefore, the management's efficiency can be appreciated by the achievements of predefined objectives and the means used to their achievements. Manager is responsible for the realizations of the indicators within their budget and for any variance from the estimated values, cases in which they are required to take remedial action. Budget are used by managements for different uses (Riley, 2012) to control incomes and expenditures, establish priority and set targets in numerical term, provide direction and coordination, so that business objective can be turned into practically reality, assign responsibility to budget holders or managers and allocate resources, communicates target from management to employees, motivate staff, improve efficiency, and monitor performance.

According to Achim (2009) budgeting purposes or budget functions are planning operation that ensures the companies' strategic objective's realization. Budgeting process stimulates manager to predict the entire problem before their appearance and thereby avoid making hasty decision in the event of certain undesirable situations in the future. We can say that budget "guarantees" that they will plan future operations depending on how it was accomplished. The previous budget, taking into accounts all the factor that have influence on change regarding previous budget indicator, Coordinating various activities of different types of sub-divisions, Coordination of each employee, and group's interest. Each sub-division of an economic entity has its own objectives and this can lead to situations in which these goals are contradictory in relation to other responsibility centers. So, the budgets have the role to reconciles and regulate this contradiction in favors of the economics entities so that this situation can be prevented. Stimulation of manager from all business level to achieve predetermine goal of each

responsibilities center. This budget feature strongly manifests in case of participative budgeting when responsibility center manager can propose various quantitative indicators. Therefore, the budget's indicator is indicator not forced to realize from the centers but settled by mutual agreements with the managements of each responsibilities center. Controls of currents activity, ensuring discipline according to the business plans. Carefully drafting of budget ensures the optimums standard to compares undertaken activities achievement, to determine deviation and to take measure to eliminate them. The evaluations of plan fulfillment by each responsibilities centers and their manager; managements performance can be appreciated by compare the result with those expected to be achieved; and training managers & other employees from financial services of a company.

2.1.3. Importance of Budgeting

There were conducts a lot of researches regarding the roles and the importance of budget within a company. Different author evidences the facts that budget are the most used tools for plan and control within company in both developed and developing country (Dugdale and Lyne, 2006). Others benefit of budget such as prevent information asymmetry between top manager and lower-level manager, enhancing employees work attitudes, providing motivations to department and committees head and resulting in a greater levels of goal commitment by lower-level manager (Oak and Schmidgall 2009).

According to Uyar and Bilgin (2011) the reasons for budgeting, in the order of their importance are control expenses, increase profitability, aid long-term planning, coordinate the operation, aid short-term planning, evaluate performance, motivate managers, and motivate employees and communicate plans with employ.

2.1.4. Advantage of Budgeting

Budgeting is an essentials part of the planning process of a business, but budgets also form an essentials part of the control process. According to Achim (2009a) budget are considered to be extremely beneficial to company. The usages of budget have a number of advantage such as: require the use of planning in business managements; represent the frameworks for assessing performances due to indicated parameter that the companies need to realizes in order to achieves the objective; promote communications and coordination for engagements and balancing all department and function of the company in orders to achieves its set objective; undertakes

responsibilities center manager to foresee the consequence of decision made or to be taken, budgets representing a landmark in decision-making, managements need to intervene only in situation where there are deviation from budgeted indicators; ensure participation in the planning activities of both managements and performers that drives involvements in achieving or exceeding budgeted indicators.

2.1.5. Limitation of Budgeting

We should also consider the criticisms mentioned by different authors regarding the process of budgeting. The most mentioned “black ball” of the budgets is about the time consumed with this activity (Wu et al., 2007). Some authors consider as a problem for budgeting the way budget are used (Horngren at al., 2006). While others sustain the idea that budget process are fundamentally flawed (Hope and Fraser, 2003a).

With all this criticism the majority of economic entities continue to use budgets in order to control the realization of establish objectives. This means that budgets, if they are used appropriately and adapted to a company’s needs can be a tool for obtaining value added. The key for this is to implement practices that generate commitment to budgets, adopting clear procedures to prepare budgets, creating linkages to connect the budget with the company’s strategy and analyzing budget variances and taking corrective action. To this we can add the clear definition of managerial responsibilities, drawing up a plan of action for each individual budget and continuous monitoring of performance. The response to all criticism of budgets is found in the multiple roles of budgets that combined can enhance performance (Uyar and Bilgin, 2011).

2.1.6. Types of Budgets

Different types of budgets have been developed keeping in views the different purposes. Some of the important classification of the budgets is discussed below.

2.1.6.1. Classification According to Time

Types of budgets vary based on their intended purposes. One way to classify budgets is by their timeframe. Three main types of budgets are categorized based on time: long-term budgets, short-term budgets, and current budgets. Long-term budgets outline the organization's plans for the long run, typically spanning five to ten years. Examples of long-term budgets include capital

expenditure budgets, research and development budgets, and long-term financing plans. Short-term budgets, on the other hand, are prepared for a shorter period of one or two years. These budgets may include cash budgets and material budgets, among others. Current budgets are designed for very short periods, such as a month or a quarter, and are adjusted to reflect current conditions. (Palanivelu 2009).

2.1.6.2. Classification According to Functionality

Functional budgets are budgets which relate to any the function of an organization. The following are functional budgets commonly used as:

Sales Budgets: According to Paresh (2010), the sales budget is the foundation on which all the other functional budgets are built, especially in the case of the consumer products industry. The sales managers are directly responsible for the preparation and execution of the sales budget. Kamukama Nikon (2008) states that sales budgets indicate the intended amounts and sales in units and value that the company plans to achieve in the coming period. This budget must be prepared before any other budget, as it forms the foundation of all other budgets.

Production Budget: The purpose of production budget is to ensure the availabilities of finished goods to meet the demands of the sales department. A well planned and properly coordinated program of production is helpful to management in exercising the control necessary to ensure the proper implementation of the whole budget of program. The production budget tends to ensure the production of finished goods in quantities sufficient to meet the requirements of the sales budget without the accumulation of excessive inventories (Paresh, 2010).

Cash or Financial Budget: Paresh (2010) the objective of this budget is to show the flow of funds and their requirement. It takes into accounts the amount received from sales cash sales and payment received from debtors as also on account of other financial arrangement made and the payment to be made in cash of both capital and revenue nature. It provides information on the probable profits to be realized during the budgets period and assist the management in making long- term plans for the continuing success of business. In other words, the budget shows weather the arrangement should be made for over draft, loans, and etc it is also called ways and means budget According to LarryM. (2010) financial budgets are a company must assess financing need, including evaluations of potentials cash shortage these tools enable companies to meet with lenders and demonstrate why and when additional support may be needed.

Selling and Distributions Cost Budget: The selling and distributions cost budget is a forecast of the costs of selling and distributing the goods during the budget period. The budget is generally based upon the sales volume as per sales budget. However, certain other related information should also be taken into considerations in the preparations of selling and distribution cost budget. The preparations of the selling and distribution cost budget are the responsibility of the sales manager. However, they will be assisted in this work by the advertising manager and the accountant (Paresh 2010).

Purchase Budget: According to Paresh (2010) this budget provides details of the purchases which must be made during the period to meet the needs of business. A number of factors must be considered in preparing this budget, including the opening and closing stocks, internal manufacture, purchase orders planned before the budget period, maximums and minimums stock quantities. Purchase budgets are essential as they enable the purchase department to plan the purchases in advance in order to take advantage of long-term contracts. It also serves as a guide for timely provision of funds for purchasing and stocking of needed raw materials, components, consumable stores. If materials consumption based on productions budgets is prepared, the purchase budgets can be prepared by adding the closing stocks and deducting the opening stocks of materials. Arora M. (2006) purchase budget is budget assigned to be prepared by the procurement managers of the organization. It also serves as control device and as a means of measuring efficiency of purchases.

Personal Budget: A personal budget incorporates the requirements or direct labor and indirect labor to carry out the budget plan as lay down by the sales, manufacturing, maintenance, research & development and capital expenditure budgets. Main objectives of the personnel budgets are as follows; efficient personnel management; minimizations of labor turn over; measurement and stabilization of the ration between direct labor and indirect labors; provision of a suitable yardstick against which the actual labor force may be compared and controlled (Paresh, 2010).

Plant Utilization Budget: Plant utilization budget is a forecast of plant capacities available for future production requirements as specified in the production budget. These budgets are expressed in labor or machine working hour or other convenient units. The following are the main functions of this budget; it indicates the budget machine hour utilization both locally or department wise, machines or groups of machines; over leading on some departments, machine or group of machines, so that alterative course of action like overtime working, sub-contracting,

extension of plant can be taken; it shows under loading of some departments (Paresh, 2010).

Research and Developments Cost Budget: Research and developments cost budgets is a forecast the research and development cost to be incurred with in a budget period. Such expenses must have prior approval of the management and should be governed by the business objectives. Research costs are incurred for finding out new products, techniques and methods of production and for achieving improvement in them (Paresh, 2010).

Capital Expenditure Budgets: Paresh (2010) capital expenditure budget is a forecast of the cost of assets to be procured usually on the basis of the asset's requirement budget. The latter is developed from the production budget after taking into consideration the availability production capacities, probable reallocation of the existing assets and possible improvement in the production technique. The budget may be split up into different projects in case of costly assets or into groups of assets of identical nature. Separates budget may be prepared for different item of assets such as building, plant and equipment, transport machineries. In the preparation of the budget, the following factors may be given due consideration; whether the requirement is for a long or a short period; whether the existing assets need replacement by identical or improved assets; whether adequate financial resources are available to fulfill the requirements; the period of delay in acquiring the assets; the alternative means of satisfying production requirements. Larry M. (2010) described the capital budgets are budgets that reveal the need for capital expenditure relating to new facilities and equipment. These longer-term expenditures decision must be evaluated logically to determine whether investments can be justified and what rate and durations of payback is likely to occur.

Master Budget: According to Paresh (2010) the master budgets is a summary budget of the functional budgets. Master budgets are the blueprint showing the proposed activity and the anticipated financial results during the coming year. Before the budget plant is put into over action, the master budgets is considered by the top management and revised if the position of profit disclosed there is not found to be satisfactory. After making suitable revisions, the master budgets is finally approved and put into action. Garrison (2005), master budget is a primary budget in corporations' functional budgets. Master budgets are prepared by the budget officers and it remains with the top-level managements. Master budgets are the products that consist of all individual budgets.

2.1.6.3. Classification According to Flexible Factor

Fixed or Static Budget: Carl (2005) defines a fixed budget as a budget that reflects the anticipated outcomes of a responsibility center at a specific activity level. Unlike a flexible budget, a fixed budget remains unchanged even if activities or production volumes change. This budgeting approach is commonly employed by many companies, as well as for administrative functions in manufacturing firms like purchasing, engineering, and accounting. Richard (2006) supports this idea, stating that a fixed budget remains constant throughout a given period and is not adjusted based on changes in production volumes or activity levels. Typically, fixed budgets pertain to expenses of a fixed nature.

Flexible or Variable Budget: Unlike fixed budgets, flexible budgets, as described by Carl (2005), display the anticipated outcomes of a responsibility center across various levels of activity. These budgets are particularly valuable in estimating and managing factory costs and operating expenses. Similarly, Richard (2006) defines flexible budgets as budgets that are designed to adjust accordingly with changes in output volumes. Sometimes referred to as slide scale budgets, flexible budgets offer cost or expense schedules that highlight how each element should vary in line with variations in activity levels.

2.2. Budgeting Process and Preparation

Budgeting is the process of identify, gather, summarize and communicate financials and non-financial information about organizations future activities. It is an essential part of the continuous planning an organization must do to accomplish its long-term goals; each person chain of communication in developing a budget as well as in implementing it. Individuals feel they have a voice in setting the budget targets, they will feel personally motivated to ensures that their departments attain those targets and stay within the budget. The key to a successful budget is therefore, participating budgeting a process in which personnel at all level of an organization activity engage in making decisions about the budget (Belverd 2005).

Budgeting provides standard for evaluating performances can affects the attitude of employee evaluated by them. It can be used to create a positive effect on employee's attitudes, but it can also create negative effects if not properly applied. The budget processes have three important guidelines. First, employee affected by budgets should be consulted when it is prepared or participatory budgeting. Second, goals reflected in budgets should be attainable. Third,

evaluation should be made careful with opportunity to explain any failure. Budgeting can be a positive motivating force when these guidelines are followed (John, 2007). In developing the budgets, each level of managements should be involved to participate. The advantage of participate budgeting are first, that lower-level manager has more detailed knowledge's of their specific areas and thus are able to provides more accurate budgetary estimate. Second, when lower-level manager participates in the budget process, they are more likely to perceive the resulting budgets as fair. The overall goals are to reach agreements on budgets that manager considers fair and achievable, but which also meet the corporate goals sets by top managements. When these goals are met, the budgets will provide positive motivations for managers. In contrasts, if the manager views the budgets as being unfair and unrealistic, they may feel discourage and uncommitted to budget goals. The risks of having unrealistic budgets are generally greater when the budget is developed from top management down the lower management than vice versa (Jerry, 2008).

According to Pauline (2003), the principal stages of the budgeting process sequences are communicated the detail of objectives and strategy to those responsible for preparation of budgets; Communicate the details of budget preparation procedures to those responsible for preparation of budgets; Determine the limiting factor which restricts overall budget flexibility and forms the focus of budget cascade; Prepare an initial set of budgets; Negotiate budgets with line managers; Accept budgets in final form. Coordinate and review budgets. And carry out ongoing review of budgets as they are implemented.

Budgeting is an outcome cooperative of activities. In the smallest organizations, the task of budget preparation may be entrusted to the accountant. But, in larger concerns the budgets should be prepared by each departmental functional manager and not by the accounts department. A budget committee is constituted, consisting of the departmental heads and headed by an experienced officer, who may be designated as the budget officer that is normally the Finance in Charge or General Manager. It is the functions of the Budget Committee to receive and approve all forecasts, of departmental budgets and submits periodic reports showing comparison of actual and budget. The budget committee may also carry out special studies of deviations from the budget and consider a revision of budget to meet changed business conditions (Paresh, 2010).

The budget process has to be administered effectively in term of plan, final approvals and subsequent monitoring of implementations. A budget committee is usually formed to manage each stage of the budgetary process. The budget preparation procedures will need to be set out in a manual which is available to all participants. A continuing cycle evolve in which initials budget are prepared, negotiation take places with line manager, the initial budget, are revised the final budgets is accepted and later on, there is a review of actual and budgeted performance (Pauline, 2003).

2.2.1. Budget Implementation

Budgetary implementation is a guiding line that articulates how enterprises or self-perpetuating funds are to be supported, how inter-fund borrowing and payment are to be made, how accountability is to be maintained for balancing expenditure with appropriation, and the required standards that will govern accounting reporting and auditing (Jerome, 2004). According to Allen (2004), good budget implementation involves a realistic budget that is implemented with few significant deviations from plans, a low level of corruption in public expenditure, high transparency in public finance, public funds being spent for authorized public purposes, reported expenditure corresponding to actual expenditure, reliable external and/or internal controls, spending units having reasonable certainty about the funds that will be available, and a managerial culture that promotes compliance with formal rules. There are common problems in implementing the budget, such as the approved budget being unrealistic, resulting in actual spending being less than the authorized budget. There may be extra-budgetary funds outside the budget process that are hoarded by spending units, leading to extreme uncertainty concerning available resources and irregular monthly or quarterly allotments. Additionally, funds may be diverted to unauthorized purposes or private accounts, and there may be significant arrears that are not included in financial statements, causing a significant discrepancy between actual and reported expenditure for certain activities. An efficient budget implementation should verify that payments are made on time and according to the budgets and cash plan, without additional prioritization. The use of modern technology should make it possible to reconcile the need to decentralize controls for efficiency with the need to centralize data on budget execution for expenditure control (OECD, 1997).

2.2.2. Budget Utilization

According to Allen and Tommasi (2001), successful budget utilization depends on numerous factors. These factors include the ability to deal with changes in the macroeconomic environment and the implementation capacities of the company concerned. Additionally, the budget system should assure effective expenditure control. To begin with, a realistic budget is essential, and a good budget utilization system should have a complete budgetary or appropriation accounting system. The budget utilization system must ensure not only accurate aggregate expenditure control but also efficient and effective use of resources in accordance with budget priorities. It is crucial for the procedure to be appropriately balanced in order to avoid conflicts between these objectives. Moreover, according to Tommasi (2007), budget utilization is the phase where resources are used to implement policies incorporated in the budget.

2.2.3. Budgetary Slack

Budgetary slack is building into budgetary estimates of allowance over and above that necessary to achieve a given objectives such as include under optimistic sales target and overestimated expense level (Duncan, 1996).

According to Carl (2005), undesirable to plan lower goals than may be possible. Such budget “padding” is termed as budgetary slack. Managers may plan slack in the budget in order to provide for unexpected event or improve the appearance of operations. Budgetary slacks can be avoiding it lower and middle level manager are required to support their spending requirement with operational plans. Slack budget can cause employees to develop a “spend it or lose it” mentality. This often occurs at the end of the budget period when actual spending is less than budget. Employees may attempt to spend the remaining budget in order to avoid having the budget cut next period.

2.2.4. Revision of Budgeting

Formal revision to the budget by the government during the fiscal year usually in response to a change in budget conditions or the adopted budget was unrealistic (Allen, 2004).It is difficult to make accurate forecasts for the implementation of certain programs or for developments in economic parameters such as inflation, interest rate or exchange rates. Some immediate needs that were not foreseen during budget execution may appear during budget execution. To limits

the effect of these problem, rules for transfer must be flexible; appropriation for debt services cannot be a spending limits and should be revised according to development in interest rates or the exchange rate contingency reserves may be included in the budget. However, their amount must account for only one up to three percent of the total budget; otherwise, budget execution will involve bargaining the uses of reserves and the budget will become an allocation of reserves (OECD, 1997).

2.2.5. Budget Variance

Budget variance is the differences between budget amounts with actual amount. When the variance is significance them in terms of being adverse and favorable, we should emphasis the point that the level of significance applies to both positive and negative feedback scenarios. Favorable variance impressions are good while adverse variances are bad. The level of significance must be investigated and acted up on as necessary (Duncan, 1996).

Standard costs are preset costs for delivering a products or services under normal conditions. When the actual cost variance from standard costs, management follow-up to identify potential problems and take corrective actions. Cost variance is the differences between actual and standard cost. A cost variance can be favorable or unfavorable. A variance from standard cost is considered favorable if actual cost is less than standard cost. It is considered unfavorable if actual cost is more than standard cost (John, 2007).

2.2.6. Budgetary Control

Bartle (2008) indicates that budgets today provide a focus for the organization, aid in the coordination of activities and facilitates control. Through budgeting, at both management level and operation level looks at the future and lays down what has to be achieved. Control checks whether the plans are being realized and put into effect corrective measures, where deviation or short-fall is occurring. Bartle emphasized that without effective controls, an enterprise was at the forgiveness of internal and external forces that can disrupt its efficiency, and be unaware; such enterprise will not be able to warfare such forces. When a budgeting and control system is in use, budgets are established which set out in financial terms, the responsibility of managers in relation to the requirement of the overall policy of the company. Continuous comparison is made between the actual and budgeted results, which are intended to either secure, thorough action of managers, the objectives of policy or to even provide a basis for policy revision. Budgetary

controls refer to the principles, procedures and practices of achieving given objectives through budgets. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements (Scarlett, 2008).

According to Paresh (2010), budgetary control is planned to help the management in the allotment of responsibility and authority, to assist in preparation of estimates and plans for the future, to help for the analysis of the variance between budgeted and actual results and to develop the basis of measurement of operation of standards with which the efficiency of operation can be assessed. The budgetary control involves the following steps: preparation of budgets for each center pertaining to the individual responsibilities; actual performance measurement; comparison of actual and budgeted performance to ascertain the deviation as variances; and analysis of the cause of variance and reporting the same to motivation the right people to take the right action at the right time.

An evaluation assists management in identifying problems and taking corrective action if necessary. Evaluation using expected or budgeted performance is potentially superior to using performance to decide whether actual results trigger a need to corrective action. This is because past performance fails to consider several changes that can affect current and future activities. Changes in economic conditions shifts in competitive advantages within the industry new product development increased or decreased advertising and other factors reduce usefulness of comparison with past results. In hi-tech industries, for instance, increasing competition, technological advances and other innovation often reduce the usefulness of performance comparisons across years. Budget performance is computed after careful analysis and investigates that attempts to anticipate and adjust for changes in important company and economic factors. Therefore, budgets usually provide management an effective control and monitoring systems. Budget uses standards for evaluating performance and can affect the attitudes of employees evaluated by them. It can be used to create a positive effect on employee's attitudes. It can also create negative effects if not properly applied (John, 2007).

2.2.7. Benefit of Budgetary Control

It enables economies in the enterprises (Preetabh, 2010), highlighted the benefits of budgetary controls as profit maximization; a budgetary control aims at maximizations of profit or an organization through, proper plan and coordination of different function, proper control over

various capital and revenues expenditures and putting resources into best use. Coordination; achieved through working of different departments and sectors (Waren, 2011) noted that within an organization, different departments have a bearing on one another, this therefore makes coordination of various executive and subordinates necessary in achieving of budgetary targets. Other budgetary benefit as indicated by (Preetabh, 2010) include: Specific times aims; the plans, policies and goals are decided by the top managements. All effort is put together to reach the common goals of the organizations. Every department is given a target to be achieved. The efforts are directed towards achieving some specific aims. If there is no definite aim then the efforts will be wasted in pursuing different aims. As a tool for measuring performance, budgetary controls provide comparisons between the budget targets and actual targets and deviation determined; performance of each department is reported to the top management which enables introduction of management by exception (Margah, 2005) assert that budgetary controls are important tools for a county's economy. This is because it allows planning for expenditure thus facilitating systematic spending. Finances are put into optimum use, extending the benefits to industry and national economy. This reduces wastage of national resources.

A budgetary control could help in determination of organizational weakness. According to Merika (2008), the deviations in budgeted and actual performance will enable the determination of weak spots. This enables an organization to concentrate on those aspects where performance is less than stipulated. The management moreover takes a corrective action measure whenever there is a discrepancy in performance. By fixing targets for the employees, they are made conscious of their responsibility. Everybody knows what is expected to do and continues with his work uninterrupted.

According to David (2004) budgetary control therefore provides a means of measuring and evaluating performance for each individual activity with the business as a means of controlling the overall performance of the business. Therefore, budgeting can be seen to be an essential part of planning and control processes within an organization. As such it has the following benefits: it provides a formal way in which the objectives of the organization and its long-term plan can be translated into specific plans and tasks. It provides clear guidelines to managers regarding current operations. It facilitates the comparisons and selection between alternative courses of actions and their evaluation. It provides a means of communicating organizational plans to all members of the organization. Constraints upon production capability are highlighted or

limiting factors. Preparing budgets provides an opportunity to review operations and revise if necessary. And performance at all level of organization can be measured and evaluated against an accepted standard of the budgeted plan.

Achim, (2009a) the most important advantages of budget execution control are useful to managers at different hierarchical levels because it is a daily guide for their activity; allows senior management to achieve a synthesis analysis of the business' activity which allows it to objectively assess low-level managers work; allow the knowledge of the meanings and importance of deviations in comparisons with forecasts, that leads to increased efficiency in key areas of economics managements of the entity; enhances coordination of activities carried out in different functions of the company, allowing decentralization of responsibilities; and leads to technical and economical updating where necessary.

2.2.8. Challenges Affecting Budgetary Control

Neely (2001) carried out a study on weaknesses of budgetary controls. The study was primarily based on review of empirical literature from similar studies. Neely's finding-maintained weaknesses of budgetary control systems which poses a challenge in the use of the systems. These weaknesses included restraining of responsiveness and acting as barriers to change, budgets are rarely strategically focused and often contradictory, they add little value especially given the time required to prepare them, they concentrate on cost reduction and not value addition, they strengthen vertical command and control, they do not reflect emerging network structure that organizations are adopting, they encourage gaming and perverse behaviors, they reinforce departmental barriers rather than encourage knowledge sharing and make people feel undervalued.

According to Prendergast (2002) claimed that budgeting for planning and control purposes have a number of problems. A lot of problem focusing is involved in the budgeting process; the uncertainties in business environment may provide a challenge in bringing out reliable and accurate predictions and could bring meaningful effect to an organization. A study on challenges facing budgetary control systems in developed. Countries by (OECD, 2007) showed that budgets fail due to reasons such as budgets used as pressure tool, central decision-making process, lack of job security and managers' lack of training.

2.2.9. Installation of Effective Budgetary Control

The purpose of a budget system is to serve the need of management in respect of judgments and decision it is required to make and to provide a basis for the management function of planning and control (Pauline, 2003). The organization which has to achieve an effective system of budgetary control will need the following steps:

A. Organizational Chart

According to Palanivelu (2009) a concern must have a well-defined organization chart for budgetary control. It is essential in order to have clear determination of authority and responsibility of each individual. Determination of authorities helps to minimize conflict among the personnel. Richard (2006) the organization chart was depends and the nature and size to the company and the extent of the control desired.

B. Budget Centre

Budget center is a part of the organization for which budget is prepared to cover entire operational activities of the organization. It is necessary for cost control purpose. With the help of the different budget centers performance should be evaluated in an easy manner (Palanivelu, 2009). Chartered institution of management accountant has defined a budget center as a section of an organization for which separate budget can be prepared and central exercised. An organization can be divided into several segments; which are clearly defined for the purpose of budgetary control according to responsibilities of departmental heads (Richard, 2006).

C. Budget Committee

According to Palanivelu (2009) budget committee should be established for the purpose of incorporation and execution of plans in small organizations either the cost accountant or chartered accountant prepares the budget. The committee consists of various section heads, the chief executive and the budget controller. The ultimate aim of budget committee is to prepare a master budget with the help of the department wise budget which has already been prepared by the departmental executives. According to Richard (2006), in small concern, a budget officer or the chief accountant prepares the budget and coordinates all the work involved. In large concerns budget committee is formed consisting of chief executive, budget officer, and budget controller. Example: sole manager, purchase manager, production manager, chief accountant, and

quality control manager etc. The decision of this committee becomes binding on others and directly responsible to the chief executive and acts as a secretary at the budget committee.

D. Budget Manual

It is a written document which sets out the authorities and responsibilities of persons engaged in regular operational activities. It clearly lays down objectives of the organization and the procedure to be followed by the executives concerned. It is the responsibility of budget officer to prepare and maintain this manual (Plaintively, 2009). Chartered institution of management accountant a budget manual is a document which sets out the responsible of the person engaged in the routine of and the forms and records required for budgetary control (Burkhead, 2005).

2.2.10. Budget Report and Computerized Budgeting Systems

Budget reports contain relevant information that compares actual results to planned activities. This comparison is motivated by need to both monitor performance and control activities. Budget reports are sometimes viewed as progress reports or report cards on management's performance in achieving planned objectives. These reports can be prepared at any time and for any period. Three common periods for a budget report are a months, quarter and year (John, 2007). After developing budgets, many firms use computerized budgeting systems. Such systems speed up and reduce the cost of preparing the budget. This is especially true when large quantities of data need to be processed. Computers are also useful in continuous budgeting. Reports that compare actual results with amount budgeted can also be prepared on a timely basis through the use of computerized system (Carl, 2005).

According to Jerry, (2008) the use of budget reports is based on the belief that planned objectives lose much of their potential value without some monitoring of progress along the well. Budget reports provide management with feedback on operation. The feedback for a crucial objective, such as having meeting budgeted annual sales and operating expenses, monthly budget reports may suffice. Budget reports are prepared as frequently as needed. From these reports management analyzes any differences between actual and planned results and determines their causes, management then takes corrective action or it decides to modify future plans.

2.2.11. Relationship between Budgetary Control and Firms Financial Performance

Financial performance simply means an attempt by a business organization to maximize profits. Technically, however, the term refers to the process of measuring a firm's outcome in monetary terms. Financial performance is used to gauge an organization's overall performance over a given period or compare the performance of similar businesses within an industry either in isolation or in aggregation.

Financial performance can be measured using three indicators namely; internal based performance measures such as Return on Assets (ROA) and Return on Investments (ROI), market-based performance measures such as Tobin's Q model computed as Price/Equity's Book Value, sales and market share and lastly, shareholders return measured in terms of total shareholder return or economic value added. For purposes of this study, Return on Assets (ROA) will be used as a measure of performance. Reason being, ROA is a better measure of a firm's financial performance since it gives a clear picture of the extent by which a firm utilizes its assets to make profit as opposed to simply showing healthy return on sales (Akeem, Terer, Kinyanjui and Kayode, 2014). The other ratio to be used is the Gross Profit Margin.

Financial performance of a firm can be presented in three ways namely: as a measure of the market which reflects stakeholders' level of satisfaction in the market, as an accounting measure reflecting business efficiency level and as surveys depicting estimated financial performance (Javed, Younas and Imran, 2014). Therefore, as argued by Iavorskyi (2013),

Financial performance assists various stakeholders in the business to answer the following two fundamental questions: What is the organization's financial position now? How is the firm's financial performance over a given period? These questions are answered by utilizing the firm's financial statements through a process called financial analysis. According to Pradeepan (2011), financial statements entail a set of data, that is usually analyzed using certain accounting procedures with a view to conveying certain financial characteristics of an organization.

Financial performance analysis incorporates interpretation of financial statements with the aim of establishing the financial soundness a firm (Osuji and Odita, 2012). Financial performance often scrutinizes a firm's performance in terms of productivity in general. Such generalization comprises total business performance measured in terms of a firm's overall liquidity, profitability, fixed asset performance, working capital management, cash flow performance as

well as social performance. Thus, liquidity performance indicators may be used by creditors to gauge a firm's creditworthiness for purposes of investing in it. Likewise, cash flow performance may be useful to shareholders since they can be used to gauge a firm's future growth prospects (Nasimi, 2016).

2.2.12 Budget and budgetary control & translation strategic plan into operational plan

According to Kenno et al. (2018), budgeting is an essential aspect for most organizations. However, managers and researchers have significantly deviated from the original purpose of budgeting, which was to establish a methodology for allocating expenses (Key, 1940). Numerous studies have explored various perspectives to explain this deviation, focusing on the procedural, realistic, actionable, and achievable aspects of budgeting. These perspectives encompass three major theoretical frameworks: economic, psychological, and sociological. From an economic standpoint, budgeting is based on the assumption of rational individual behavior and aims to identify problems and provide solutions that reflect real-world scenarios. Psychological theories, on the other hand, examine how budgeting affects and is influenced by factors such as individual motivation. Lastly, sociological theories offer insights into organizations and their interaction with the external environment, shedding light on how individuals within those organizations react and interact.

According to Blumentritt et al. (2006), the strategic plan has a long history within organizations and continues to be one of the most prevalent management tools. It is primarily defined as a systematic approach to strategy development and described as a process that includes activities such as periodic evaluation of performance goals, budgeting, and translating priorities into resource allocation decisions. The aim of strategic planning is to influence and guide the organization's direction for a defined period, comprising various activities aimed at fulfilling that purpose. Therefore, the relationship between the strategic plan, budget, and performance outcomes is undeniably interconnected.

2.2.13. Budget and budgetary control to enhance accountability and responsibility of business units

According to Omolaye (2015), financial accountability in the public sector globally is all about holding and ensuring that public office holders give an accurate account of what they have done

with the resources, to ascertain how efficiently the resources have been used and consistently with established regulations. In ensuring enhanced financial accountability, budget planning must be held sacrosanct at all Ministries, Departments and Agencies (MDAs) in the public sector (Omolaye, 2015). The requirement of such accountability becomes crucial as a result of its aids to develop a nation and provide relevant data for rational economic decision. Globally, financial accountability in the public sector is associated with a degree of freelance and effective control system. Also Gilbert (2012) noted that financial accountability results from holding an individual accountable for effectively performing a financial activity, like a key control procedure within a financial transaction process. Financial accountability in the public sector across the world is given utmost attention as a result of public fund entrusted in the care of the public officeholders. Those in authorities assume fiduciary standing with connected responsibilities requiring them to render stewardship accounts to those for whom the authority is held in trust

2.3. Empirical Review

Manoharan, K. (2017) examined some aspects of budget and budgetary controls system and organizational performance in the case of selected Indian company with the objective of investigating the relationship between budgetary control and organizational effectiveness by using statistical method. The study result that there are strong relationships between budgetary control systems & organizational efficiency and it was concluding that there are some hurdles in proper implementations of budgetary control systems in the organization.

Alice (2012) did a study on the effect of the budgeting process on budgets variances in non-governmental organizations in Kenya. The aim of the study was to enhance understanding of the donors and NGOs of the challenges they may face in implementing projects budget by identifying gaps of budgeting preparation, budget implementation and budget control. The study concluded that the process of budget preparation in NGOs, budget preparation involves forecasting of the expected confirmed income. To some extent they are done in relation to the documented process, which is referred. The budgets are approved by the senior management before execution and are based on the organization's annual plans, strategic plan and overall goal. The NGOs undertakes budgetary control involving coordination among the various departments achieved through communication and consultation. Solutions to problems revealed by budgetary control are developed to some extent; budget review to capture the reality during

implementation is also done. In addition, there is some reference to budget before undertaking any activity to ensure funds availability; and reports on budget variance are shared with budget holders and senior management. In conclusion, during implementation of budget in NGOs; change of project staff or implementers of budget affect the achievement of the budgets; there may be tendency by user department to adhere to budget process; in some period budget include unattainable targets or standards; foreign exchange rate fluctuations in the market hinders organization to affect their budgets while insufficient funds allocated to department or projects affect budget implementation. Budget preparation, budgetary control and budget implementation significantly influence budget variance.

Nyambura (2014) conducted a descriptive survey on a title, determining the effect of budgetary control on effectiveness of non-governmental organizations in Kenya. The study finding 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, control and at last 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 systematic reviews of budget and budgetary controls in governments owned organizations of Nigerian national petroleum corporation by using descriptive survey research design with the objective of determining how budget and budgetary control affects quality service delivery in government owned enterprises. It concluded that budgetary control aids in effective cost control most especially in governments owned organizations.

Andrew, Albert and Ngoze (2016) conducted a study on budgetary control and financial performances in public institution higher learning in Western Kenya using descriptive survey design with objective of investigating the effects of budgetary controls on financial performance in public institution. The study found that budgetary control has statistically significant effects on financial performances in public institution of higher learning in Western Kenya.

Geletaw (2017) conducted 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 percent (Nagelkerke modified $R^2 = 0.78$) variance for the budget control in the public sector offices. That means, the Role of these seven independent variables contributed for the dependent variable budget control were 78 percent, and the remaining 22 percent 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 effectiveness and efficiency, reduce information asymmetry during decision making,

Zebider (2018) did a study on assessment of budget utilization and budget control practices the case of Ethiopian Postal Service Enterprise. The study findings are budget utilization practices in the organization are rated at moderate level, gaps are observed in making regular follow-up and executing projects within the deadline, and lack of adequate skill and experience for some types of projects especially for new developments; e.g. branding, postal saving bank, & logistics projects. A budget control practices are the current commitment level of the management toward budget control is insufficient; the number of skilled audit experts to perform strict internal control is insufficient and the budget control mechanism of the firm is in moderate level. It was concluded that mainly due to low rated practice of regular follow-up, lack of skilled manpower, lack of commitment of management members, and lack of strongly controlling mechanism.

Mulu (2018) assessment of budget implementation and control system: a case of Ethio Telecom South West Addis Ababa Zone the study found that the strategic plan of the company is not effectively communicate to lower level management, the top management reducing the approved budget without negotiation and less participation of lower level managers, budget holders are not using the approved budget based on the annual plan time's specification and activities; there were time dalliance to accomplish tasks and underutilization of approved budget, top management not focused on budget utilization, budget revision and approval process. Lack of management attention on budget variance, no effective budgetary control that contributes to the achievement of goals and objectives, do not use budget achievement as performance measurement criteria, did not use budget as benchmark for performance evaluation, and did not use measurement & evaluation system of revenue budget performance-based analysis. The researcher concludes that lack of integration work between budget holder and budget approval the company did not propose the needed budget. The organization more affect by

underutilization of the estimated budget and relevant reports explained that such underutilization arose from low capacity to utilize approved budget, budget controlling is not considering divisional activities and work nature, and budget evaluation did not provide specific feedback for budget utilize.

Tilahun (2010) did a study on budget management and control with special emphasis on Ethiopia Ministry of Defense. The aim of the study was on the process by which military budgets are developed, implemented, recorded, and monitored. The researcher targeted all budget holders in the Ministry of Defense for his study. The researcher concluded the unavailability of adequate and experienced manpower has added for the worsening results of plan and budget preparations disparities. The nature of the institution forces to consider unforeseen situations, additional duties of budget users are not usually backed up by supplementary budgets, lack of awareness of budget users about the role of plan and budget to the institution, budget holders have various understandings during budget preparations. Budgets are prepared without considering reasonable estimations and current market prices. The causes for idle cash are mainly due to the lack of consistent purchase programs which lead to rush expenditure towards the end of the budget year. Planning and budget department does not arrange regular workshops and short-term training to improve the skill of budget personnel engaged in budget holders. Apart from accountability of the specific budget users, the department takes the lion's share of responsibility for budget preparation and implementation problems. Although much deviation has not been observed in budgetary records, the adoption of modified cash basis of accounting system has not been implemented fully. Audit opinions given by office of Federal Auditor General are signals of the institution's weak compliance with the rules and regulations of the country.

2.3.1. Summary of Literature Review conclusion and research gap

Budgets are widely recognized as a crucial component of the control process and an essential aspect of performance measurement under the sunshade concept. However, existing literature highlights that there is no universally applicable approach to budgeting that suits all businesses. Instead, the suitability of a specific approach tends to depend on various factors, such as the company's size, strategy, structure, and management's perception of the operating environment's uncertainty. It is important to establish effective links between budgetary control procedures (planning, monitoring, evaluation, and control) and these business characteristics. Reviewing

relevant literature primarily reveals a focus on budget monitoring and practice, budgetary control and its challenges, as well as the impact of budgetary control on the organizational and financial performance of public, private, and not-for-profit organizations. However, findings regarding the relationship between budgetary control and organizational performance are inconsistently reported. For instance, Nyambura (2014) found a low positive relationship between budgetary control and performance, while Manoharan K. (2017) reported a strong association between budgetary control and organizational performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter presents the research methodology the chapter also discussed the research design, population, sample size used in this study, data collection method, procedures and data analysis method adopted by the research. The next chapter presented the findings and analysis of the study. Besides, it displayed the results of the study in form of tables and charts where necessary.

3.2. Description of the organization

The Ethiopian electric utility is located in Addis Ababa, Ethiopia and operates within the utilities industry. It is responsible for providing electricity service to consumer in the country. The mission is to provide international quality, reliable and sustainable electricity service to all consumers at an affordable price. They aim to achieve this by expanding the service with the help of modern technology. The Ethiopian electric utility currently providing services to customers based on different categories. Their vision is to become a competitive electricity service provider that fulfill the economic and social needs of will meet the economic and social needs of a middle-income nation by 2025.

3.3. Descriptive Design

Research design is the blueprint for the collection, measurement and analysis of data. Descriptive research design is often used by researchers aim to describe and understand the characteristics of a population or a phenomenon. It focuses on collecting data that accurately represent the current state of affairs and typically involves surveys, questionnaires, observations, or interviews.

The researchers were used descriptive research design which incorporates with questionnaire and interview in the study area. Descriptive research design/statistical research/: research that describes phenomena as they exist. It can be used to identify and classify the element or characteristics of the subject. It includes techniques like case studies, observation and review of previous related studies and also it involves with collecting data in order to test hypotheses or answer questions concerning the current status of the subjects of the study. Descriptive study

encompasses gathering data that define happenings and then organizes, tabulates, depicts and defines the data gathering (Glass and et al., 1984).

3.4. Research Approach

According to Cress well (2004) there are three types of research approach: qualitative, quantitative and mixed research approach. Qualitative Research Approach: the type by which are depending on human observations and descriptions. It is descriptive, highly subjective and designed to look beyond the percentages to gain an understanding of feelings, impressions and viewpoints. This kind of method will be used to assess knowledge's, attitudes, behaviors, opinions of people depending on the topic of research and experiences which are not allowed to be used in quantitative method at all. Qualitative research implies an emphasis on the qualities of entities and on processes and meanings that are not experimentally examined or measured (Denzin& Lincoln, 2005).

This study followed mixed-methods qualitative and quantitative data. The researcher used both qualitative and quantitative approaches. The qualitative approach of the research assessed the effects of the gathered data using descriptive statistics. By doing so, the researcher aimed to avoid the faults which either of these study prototypes usually has (Haverland and et al., 2012; Mertens and et al., 2013).

Quantitative research is on the other hand is concerned with quantitative phenomenon. It is based on the measurement of quantity or amount. It is applicable for phenomenon that can be expressed in term of quantity. The study were used a mixed approach (qualitative and quantitative research method) to collect and analyze data relevant for the study.

3.5. Population and Sampling Design

According to Singh and Masuku (2013) population is the total sum of elements from which conclusions are drawn. As far as this study is concerned, the population comprised of employees of Ethiopian Electric Utility found in finance, planning, audit & procurement department according to the human resource department of EEU the above mentioned departments have a total of 110 employees hence the target population for this study were about 110 employees found in finance, planning, audit & procurement department.

3.5.1. Sampling Frame and sampling technique

Sampling frame can be defined as a complete description of all the cases in the census sampling from which the sample is drawn (Saunders, Lewis, & Thornhill, 2016). The sample frame for this study consisted of 110 employees found in finance, planning, audit & procurement department of the Ethiopian electric utility in addition Four senior managers Will be interviewed this senior manager were selected from the above listed department's which means one from each department's finance, planning, audit & procurement department.

3.5.2. Sampling Technique

Census sampling is a Survey sampling helps the Census Bureau provide timely and cost efficient estimates of population characteristics. Demographic sample surveys estimate characteristics of people or households such as employment, income, poverty, health, insurance coverage, educational attainment, or crime victimization one of the main reasons for these changes is the need of saving, but also improving census data quality (Longva, Thomsen, Severeide, 1998; UN 2010a, 2012; 2013; CSO, 2012). As noted by P. Valente (2010), it is essential to count the population, but census taking is costly, and a growing number of people are reluctant to participate.

A population census is not only the oldest investigation, best-known, well formed in terms of methodology, but also an investigation which is widely regarded as the most reliable source of data. As the methods of conducting censuses, especially methods of data collecting, have changed incredibly over the last decades, it is important to address the issue of quality assessment of the population census under the shift in methodology. The purpose of this paper is to discuss the quality of information derived from the 2011 population census in Poland. Special attention is given to a comparison of census data accuracy in view of the conventional versus register-based approach. Census of Population is the introduction of sampling procedures in the collection of information, in the tabulation of quick preliminary results, in the preparation of detailed cross-tabulations, and in the verification of large scale census clerical operations.

To this end, the researcher used a census sampling method to collect the necessary from the right samples those directly involves in Budget planning, preparation, utilization and Budget control to this effect 110 participants are selected particularly from finance, planning, audit & procurement department of the Ethiopian electric utility.

3.5.3. Sample Size

The census sampling are used in the finance, planning, audit & procurement department Due to the nature of the study, the study only considered staff from the following departments: finance, planning, audit & procurement department 110 respondents are selected by Census sampling method.

The information obtained from a census might be used to examine the relationship between one and more of the factors investigated or the cause of a particular case. If you are planning a budget survey in your community in which all members of the population are interviewed, this is called census sampling. It requires you to define the boundary that your study will cover (e.g. the boundary of your *kebele*) and then interview all the people within it. Census sampling can be used in organizations, schools and rural communities where boundaries may be easily define.

Table 3. 1 Census sampling method for Quantitative Data

Departments	Total no of employee	Census sampling method
Finance department	54	54
Procurement department	36	36
Planning department	12	12
Audit department	8	8
Total	110	110
Departments	Census selected Senior managers for interview	
	Total no of Senior managers	Census selected Senior managers
Finance department	1	1
Procurement department	1	1
Planning department	1	1
Audit department	1	1
Total	4	4

Sources survey data/2023

3.6. Data Types and Sources

This study aims to use both primary and secondary sources of data. The primary sources include: the selected samples for quantitative data and interview selected form four departments of EEU

and secondary data were reviewed various source of information written and presented by different scholars about budget and budgetary control review of related literature.

3.7. Methods of Data Collection

The researcher intended to use questionnaires, and interview for collecting data. The questionnaires are prepared in a form of Five scale Likert -Scale utilize and rated as: Strongly Disagree = 1; Disagree= 2; Neutral = 3; Agree = 4; Strongly Agree = 5. Since the participants of the study are experts qualified minimum of bachelor degree, that the questionnaires is prepared and distributed in English language the study will conducted based on the collection of both primary and secondary data Primary data's were collected through the use of well-structured questionnaire that contain relevant questions regarding to budget and budgetary control system this questioners will use because they are easy to administer and at the same time they can generate a large layout of needed data, Questionnaires ensure anonymity and permit use of standardized questions, save time especially the self-administered as the 110 respondents have an ample time to think and fill the questionnaires at ease, hence minimizing errors and interview with semi structured questionnaires were also use to elicit information from four senior managers each departments .

3.7.1. Methods of Primary data collection

The primary sources of data in the study included questionnaires and interviews. These were gathered through questionnaires completed by a total of 110 respondents.

3.7.2. Data Collection Instrument

3.7.2.1. Questionnaires:

Both closed and open-ended questionnaires will be administered in order to collect quantitative and qualitative data from selected samples. This is because the questionnaire is convenient to acquire necessary information from a large number of study subjects with short period of time. Furthermore, it makes possible to save time and provides a high proportion of usable response (Gulick, E. E. 2003). The questionnaires will be prepared for respondents in English language for the assessment framework, the simpler and five points Likert scale for research questions will be employed for close-ended questions of the study in the quantitative data collection instrument. Therefore, the respondents will be asked to rate each item on a five-point Likert scale by

assigning their reasons a value *for 1= strongly disagree; 2= disagree; 3= Neutral; 4= agree; 5= strongly agree* as a proposed scale by Bahia and Nantel (2000).

3.7.2.2. Interviews

Semi-structured and open-ended interviews will be employed to gather detail qualitative data from the key informants. Employing semi-structured and open-ended interview will have enormous importance because interviews have the greatest potential to release more in-depth information, provide an opportunity to observe non-verbal behavior of respondents; gives opportunities for clearing up misunderstandings, as well as it gives a chance to meet many diverse situations (Kothari, 2004).

3.7.2.3. Procedures of data collection

Questionnaires prepared to collect the data from the target population will be distributed to the participant of the study according to the schedule. After the questionnaires are carefully filled, the researcher would collect and organized the completed questionnaire for analysis.

3.8. Instruments Reliability

According to Deribsa A. (2018) Quality is always one of the most important issues in research. As we apply technical instruments in research, we need to assess its quality for use. Quality can be judged through testing the reliability.

Cronbach's Alpha is a statistical measure used to evaluate the internal consistency reliability of a set of items or questions in a survey or test. It assesses how well the items within a particular set measure a single underlying construct or objective. The establishment of Cronbach's Alpha for every objective is important because it allows researcher to determine the reliability and consistency of the items that are intended to measure a specific objective. By calculating Cronbach's Alpha, researchers can ensure that the questions within a set are internally consistent and effectively assess the intended construct or objective.

The reliability of the questionnaire was evaluated through Cronbach's Alpha which measures internal consistency by establishing if certain items measure the same construct. Cronbach's Alpha was established for every objective in order to determine if each scale (objective would produce consistent results should the research be done later on. The findings shows that all the five Likert scales instrument were reliable as shown in table 2 Reliability Statistics Cronbach's Alpha were done for each item per objective as the findings depicts that Objective-1 of the study to assess how far the budget and budgetary control translate strategic plan in to operational

plan the reliability Statistics for seven items shows Cronbach's Alpha (0.900) also Objective -2 to evaluate how much budget and budgetary control promote coordination of activities among related and different budgetary control units. has seven items and the reliability statistic Cronbach's Alpha 0.871 were as the reliability statistics for the third and fourth Objective were to evaluate how budget and budgetary control enhance accountability and responsibility of business units. and to evaluate the promotion of performance measurement serving as bases of performance measurement of budgetary control the reliability result were Cronbach's Alpha 0.902 and 0.798 respectively, with regard to the last two objectives To examine whether budgetary performance evaluation is linked to motivation of employee and the reliability statistics result shows that Cronbach's Alpha & 0.551, as their reliability values exceeded the prescribed threshold of 0.7 (A. Mugenda & Mugenda, 2003). The findings show that all the five Likert scales instrument were reliable.

3.8.1. Data Analysis and Statistical Methods

Data analysis is a process of inspecting, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making the filled questionnaires will be checked for completeness at two levels when the data collected are verified that questionnaires were complete before they are taken to the researcher to do the final verification this will be done to ensure that if any anomalies detected to correct immediately before the questionnaire are taken from the respondent to data analysis then data analysis started once all the data had been captured and the quantitative data will be analyzed using descriptive statistic and to analysis the data by using statistical tool (SPSS)version 26.

3.9. Ethical Considerations of the Study

The researcher first obtains data collection authorization from the organization Ethiopian Electric Utility these allows the researcher to carry the data collection easily for the study respondents will also presented with consent forms the consent form described the type of study being done, its purpose, rights of all participants with special emphasis on participant's confidentiality and the right to withdraw from the study as deemed necessary the researcher will also assure the participants/respondents confidentiality of their information by asking them not to include their names or any form of identification on the questionnaires the researcher will also organize for preliminary visits to the Ethiopian Electric Utility Head office to verbally explain the purpose and importance of the study to predict if some challenges that would come with data collection.

CHAPTER FOUR

DATE PRESENTATION, AND ANALYSIS OF FINDINGS

4.1. Introduction

The study examined Role of Budget and Budgetary Control System on The Effectiveness of Public Enterprise: Taking Ethiopian Electric Utility as a case. This chapter highlights the Presentations, analysis and interpretation of findings of the study the presentations were done according to the objectives of the study respondents were Finance experts, Audit experts, Procurement experts, Planning experts and senior managers of finance department of EEU.

The data from the questionnaires were statistically analyzed by the researcher with the help of using frequency and descriptive statistics the findings were discussed according to the sections of the questionnaire the two sections of the questionnaire were: Section A: -the demographic information of the respondents, and Section B: - the findings of the five key specific objectives areas of the study were presented and interoperated using descriptive statistics.

4.2. Response Rate

The study targeted 110 respondents drawn from the EEU head office, and from the distributed 110 questioners 106 questioners were collected from respondents hence the response rate was 95. %. According to Mugenda &Mugenda (2003), a response rate of 50% were adequate for analysis and reporting; a rate of (70) % is good while a response rate of (82) % and over is excellent; therefore, this response rate was excellent for analysis and reporting.

Table 4. 1 Response Rate

Response rate Summary			
		N	%
Cases	Questioner distributed	110	100
	Questioner returned	104	95

Source: Survey, data (2023)

4.3. Demographic Characteristics

As shown in table 4.2 the Demographic Characteristics of respondents such as Gender of respondents, Age of respondents, educational qualification of respondents, Field of study of respondents, and Work experience of respondents are presented as follows.

Table 4.2 Demographic Characteristics

		Frequency	%	
1	Gender of respondents	Male	70	63.6
		Female	34	30.9
		Total	104	94.5
2	Age of respondents	≤ 30 years	17	15.5
		31- 40 years	52	47.3
		41- 50 years	29	26.4
		Above 51 years	6	5.5
		Total	104	94.5
3	Educational qualification of respondents	Diploma	12	10.9
		BSc/ BA	78	70.9
		MSc/MA and above	14	12.7
		Total	104	94.5
4	Field of study of respondents	Accounting& finance	36	32.7
		Economics	36	32.7
		Management	24	21.8
		Others	8	7.3
		Total	104	94.5
5	Work experience of respondents	Less than 2 years	16	14.5
		2-5 Years	33	30.0
		6-10 Years	44	40.0
		Over 10 years	11	10.0
		Total	104	94.5
Missing		System	6	5.5
Total			110	100.0

Source: Survey, data (2023)

Table 4.2 presents that 36 respondents or (32.7%) were graduated by field of accounting and 36 respondents or (32.7%) were graduated by field of economics and also 24 respondents or (21.8%) were graduated by management and 8 of the respondent were graduated by other field. This implies that more respondents were graduated by field of accounting and economics and also management during the study.

From the findings, majority of the respondents, 47.3% indicated that they were age between (31-40) years. a sizeable number, 26 % indicated that they were age between 41-50 years also 15 % were less than or equal to 30 years while 5.5% of respondents were age above 51 years old the findings therefore reveal that majority of people working in EEU were at productive age and are mature people who are advantaged with knowledge of budgeting and budgetary control.

Education is one of the most important characteristics that might affect the person's attitudes and the way of looking and understanding in any particular social phenomena. In a way, the response of an individual is likely to be determined by his educational status and therefore it becomes more imperative to know the educational background of the respondents to this regard the majority 78 respondents or 71 % were BA/BSc, holders were as 14 respondents or 13% were and MA/MSc graduates the remaining 12 respondents or 11% were diploma graduates this implies that all most all respondents had the knowledge, capacity, skills and management expertise to respond to this study about budgeting and budgetary control.

The study of the result Shows that Field of study of respondent's 33 % of respondents study Accounting &finance, Economics, were as 22% respondents study Management, the remain 7% study other fields this implies that majority of respondents were from accounting &finance, Economics and management which were relevant fields to the objectives of the study's budgeting and budgetary control.

respondent's depict 40 % works from 6-10 years were as 33 respondent's or 30% works between 2-5 years also 16 respondents or 14% works for less than 2 years and 11 respondents or 10% works for more than 10 years in finance, procurement, plan and budget department's this implies that respondents were with relevant work experience.

4.4. Role of Budget and Budgetary Control System on The Effectiveness of the organization

The second part of the questionnaire builds upon 40 key questions regarding Role of Budget and Budgetary Control System on The Effectiveness of Public Enterprise: A Case Study of Ethiopian Electric Utility in order to addresses the major and specific objectives of this study, The findings of the five key specific objectives areas of the study were presented and interpreted using, Descriptive statistics.

4.4.1. Translation of strategic plan into operational plan

Budget and budgetary control play a crucial role in organizations by helping align operational plans with strategic plans. This analysis aims to explore the importance and Role of budgeting and budgetary control on various aspects of organizational performance. Table 4.3 presents seven statements rated on a Likert scale, measuring the perceived influence of budgeting and budgetary control on different organizational factors the mean and standard deviation for each statement are provided for analysis.

Table 4.3 budget and budgetary control and translation of strategic plan into operational plan

Descriptive Statistics				
		N	Mean	Std. Deviation
1	Budget and budgetary control help in aligning the operational plan with the strategic plan."	104	3.85	.840
2	Budget and budgetary control aims at to the achievement of organizational goals and objectives as stated in strategic plan	104	3.81	.497
3	Budget and budgetary control use latest information to realize strategic plan?	104	3.82	.471
4	Budget and budgetary control facilitate the identification of potential risks and opportunities in the operational plan?	104	3.68	.627
5	Budget provide tactical plan to minimalize the rates and exploiting of opportunities use of up-to-date information and providing technical move to tackle immediate problems	104	3.86	.342
6	Budget and budgetary control provide quantitative and monitory statement to express short term plan?	104	3.86	.738
7	Budget and budgetary control provide a clear framework for tracking progress towards strategic goals?	104	3.75	.730
Valid N (list wise)		104		

Source survey data-2023

The first request presented to achieve the first objective of the study asked whether Budget and budgetary control help in aligning the operational plan with the strategic plan. The mean score Mean: 3.85 Std. Deviation: 0.840 indicates that budgeting and budgetary control in the organization contributes to aligning operational plans with strategic plans. The consistent ratings suggest that organizations recognize the importance of incorporating financial planning into their strategic decision-making processes.

A finding indicates for the question which asks whether Budget and budgetary control aims at achievements of organizational goals and objectives as stated in the strategic plan. Has score a Mean: 3.81 Std. Deviation: 0.497 result this implies that Budget and budgetary control aims at achievements of organizational goals and objectives as stated in the strategic plan The relatively low standard deviation suggests a consistent belief among respondents that budgeting helps drive organizational success.

The study respondents gave a mean response Mean: 3.82, Std. Deviation: 0.471 to the question which demands that Budget and budgetary control use latest information to realize strategic plan. This indicates that the organization use latest information's in Budget and budgetary control which leads to the realization of strategic plan.

The study revealed that respondents gave a mean response of Mean: 3.68, Std. Deviation: 0.627 to the question which asked whether Budget and budgetary control facilitate the identification of potential risks and opportunities in the operational plan. From this mean result it can be concluded that budgeting and budgetary control assist in identifying risks and opportunities in operational plans.

Respondent gave a mean response of Mean: 3.86, Std. Deviation: 0.342 to the question which asked whether Budget provide tactical plan to minimize the rates and exploiting of opportunities use of up-to-date information and providing technical move to tackle immediate problems. This Mean: result suggests that the statement reflects a moderate consensus that Budget provide tactical plan to minimize the rates and exploiting of opportunities use of up-to-date information and providing technical move to tackle immediate problems.

Respondent gave a mean response of Mean: 3.86, Std. Deviation: 0.738 to the question which asked whether Budget and budgetary control provide quantitative and monetary statement to express short term plan. The mean result indicates that the use of Budget and budgetary control

provides quantitative and monetary statement to express short term plan. The last question number eight asked whether Budget and budgetary control provide a clear framework for tracking progress towards strategic goals. Has score mean: 3.75 with Std. Deviation: 0.730 the mean result from Respondents implies that budgeting and budgetary control offer a clear framework for tracking progress towards strategic goals. This suggests that organizations recognize the value of monitoring financial performance in relation to their strategic objectives.

4.4.2. Budget and budgetary control promote coordination of activities among related and different budgetary control units

The second objective of the study were To evaluate how much budget and budgetary control promote coordination of activities among related and different budgetary control To achieve this objective of the study seven Likert scale question were provide the analysis to each question are presented according to table 4.4.

Table 4. 4 budget and budgetary control promote coordination of activities among related and different budgetary control units.

Descriptive Statistics				
		N	Mean	Std. Deviation
1.	Budget and budgetary control promote coordination of activities and integration among related and different budgetary control units	104	3.46	.681
2	Budget and budgetary control are based on identification of sequence of operational plans	104	3.74	.881
3	Annual operational plans clearly show time line and resources required in each existing responsibilities center to accomplishes over all goals of the firm	104	3.76	.838
4	The operational plan and budget execution promotes communication among units of the organization for shared goals?	104	3.49	.638
5	Budget and budgetary control facilitate the sharing of resources and knowledge across different budgetary control systems."	104	3.69	.914
6	Budget and budgetary control systems foster coordination and alignment between strategic objectives and operational activities across different functions?	104	3.51	.590
7	Budget and budgetary control systems facilitate the efficient utilization of resources across different functions and budgetary control systems.	104	3.46	.681
Valid N (list wise)		104		

Source survey data-2023

Table 4.4 presents role of budget in promoting coordination among different responsibility center.

The first request of objective two of the study asked whether Budget and budgetary control promote coordination and integration among different departments or units within the organization. Has score Mean = 3.46, Std. Deviation = 0.681 this mean result indicates budgeting and budgetary control promotes coordination and integration among different departments or units within the organization.

Respondents give a mean score Mean: 3.74 with Standard Deviation: 0.881 to the question which asked whether Budget and budgetary control are based on the identification of the sequence of operational plans This implies that Budget and budgetary control are based on the identification of the sequence of operational plans.

Respondents revealed for the question number three of objective two of the study which asked whether Annual operational plans clearly show the timeline and resources required in each existing responsibility center to accomplish the overall goals of the firm." Has score Mean: 3.76 with Standard Deviation: 0.838 this suggests that the annual operational plans clearly show the timeline and resources required in each existing responsibility center to accomplish the overall goals of the firm.

The fourth question of objective two of the study requests that the operational plan and budget execution promote communication among units of the organization for shared goals. Has score mean: 3.49 with Standard Deviation: 0.638 this implies that the operational plan and budget execution promote communication among units of the organization for shared goals in the organization.

The study depicts that a Mean score mean: 3.69 with Standard Deviation: 0.914: to the question which demands whether "Budget and budgetary control facilitate the sharing of resources and knowledge across different budgetary control systems. This suggests that Budget and budgetary control facilitate the sharing of resources and knowledge across different budgetary control systems

The next question with regard to objective two of the study asked whether Budget and budgetary control systems foster coordination and alignment between strategic objectives and operational activities across different functions. Has score Mean: 3.51 with Standard Deviation: 0.590 this

mean result suggests that Budget and budgetary control systems foster coordination and alignment between strategic objectives and operational activities across different functions.

The last requests of objective two of the studies were question number seven which asked whether Budget and budgetary control systems facilitate the efficient utilization of resources across different functions and budgetary control systems. Has score Mean: 3.46 with &Standard Deviation 0.681 this implies that Budget and budgetary control systems facilitate the efficient utilization of resources across different functions and budgetary control systems in the organization. Therefore role of budget and budgetary control promote coordination among units of organization moderate according to the respondents.

4.4.3 Budget and budgetary control enhance accountability and responsibility of business units

Table 4.3 of the study provides the results of a survey that focuses on the perceptions of operational plans and budgetary control systems within business units. The survey gathered responses from respondents who rated various statements on a scale of 1 to 5. The descriptive statistics, including the mean and standard deviation, provide insights into the participants' perceptions regarding the structural aspects, controllability and accountability, transparency, and individual empowerment related to budget and budgetary control systems.

Table 4.5 Budget and budgetary control enhance accountability and responsibility of business units

Descriptive Statistics				
		No	Mean	Std. Deviation
1	Operational plan and budget are structural along the responsibility's line (responsibility's centers)?	104	3.78	.633
2	Budget and budgetary control are based on the principle of controllability and accountability (units and their managers are Hold accountable for what they can significantly influence	104	3.93	.400
3	The operational plan and budget clearly show the responsibility of business units and their managers demarcation of responsibility areas	104	3.78	.618
4	The implementation of budget and budgetary control systems fosters a culture of responsibility and ownership among employees in business units?	104	3.72	.756
5	Budget and budgetary control systems promote transparency and accountability in operational and financial decision-making within business units?	104	3.72	.756
6	Budget and budgetary control systems encourage employees to take ownership of their assigned budgets and financial targets.	104	3.73	.671
7	Budget and budgetary control systems contribute to individual empowerment and autonomy in decision-making within business units?	104	3.66	.617
8	The implementation of budget and budgetary control systems improves individual accountability for financial results and outcomes."	104	3.67	.471
Valid N (list wise)		104		

Source survey data-2023

Table 4.5 present budgets and budgetary control enhance accountability and responsibility of business

The first request of objective three of the study requests that whether Operational plan and budget are structured along the responsibility line (responsibility centers).Has score a Mean: 3.78 with Standard Deviation: 0.633 this high mean result implies that Operational plan and budget are structured along the responsibility line (responsibility centers of the organization)

The study respondents gave a mean response of Mean: 3.93 With &Standard Deviation 0.400 to the question Budget and budgetary control are based on the principle of controllability and accountability (units and their managers are held accountable for what they can significantly

influence)The respondents high rating of 3.93 for this statement suggests a generally positive perception or indicates a relatively high level of agreement among the respondents regarding the principle of controllability and accountability in budget and budgetary control.

Respondent gave a mean response of Mean: 3.78 With Standard Deviation 0.618 to the question which asked whether The operational plan and budget clearly show the responsibility of business units and their managers' demarcation of responsibility areas. This implies that the operational plan and budget clearly show the responsibility of business units and their managers' demarcation of responsibility areas.

The next question of objective three of the study were question number four which asked whether the implementation of budget and budgetary control systems fosters a culture of responsibility and ownership among employees in business units. Has score mean response of 3.72 &Standard Deviation 0.756 From this mean result it can be concluded that the implementation of budget and budgetary control systems fosters a culture of responsibility and ownership among employees in business units.

The study respondents gave a mean response of Mean: 3.72 &Standard Deviation: 0.756 to the question Budget and budgetary control systems promote transparency and accountability in operational and financial decision-making within business units. This implies that Budget and budgetary control systems promote transparency and accountability in operational and financial decision-making within business units.

Respondents gave a mean response of Mean: 3.73 &Standard Deviation: 0.671 to the question "Budget and budgetary control systems encourage employees to take ownership of their assigned budgets and financial targets." From this mean result it can be concluded that Budget and budgetary control systems encourage employees to take ownership of their assigned budgets and financial targets.

The study respondents gave a mean response of Mean: 3.66 with &Standard Deviation 0.617 to the question Budget and budgetary control systems contribute to individual empowerment and autonomy in decision-making within business units? From this result it can be conclude that, the Budget and budgetary control systems contribute to individual empowerment and autonomy in decision-making within business units. And the last question of objective three of the study was question number eight which asked whether the implementation of budget and budgetary control

systems improves individual accountability for financial results and outcomes. Has score a mean response of Mean: 3.67 & Standard Deviation: 0.471 this suggests that the implementation of budget and budgetary control systems improves individual accountability for financial results and outcomes.

4.4.4 Promotion of Performance Measurement Serving as Bases of Performance Measurement of Budgetary Controls

The fourth objective of the study was to evaluate how performance measurement serving as a basis of performance evaluation of budget and budgetary control system .to achieve this objective of the study Nine Likert scale question were provide the analysis to each question according to findings in table 4.3 of the study is presented as follows.

Table 4.6 Promotion of performance measurement serving as bases of performance measurement of budgetary controls.

Descriptive Statistics				
		N	Mean	Std. Deviation
1	Budget shows clear performance target	104	3.73	.791
2	Budget and operational plans quantify performance target in as much as possible	104	3.65	.833
3	Operational plans and budget established performance indication to evaluate progress of business units	104	3.71	.706
4	Key performance indicators are identified to minimize duplication of measure and indicate performance effectiveness and efficiency	104	3.71	.706
5	Budget and budgetary control procedures aim at identification of significant performance direction that require management attention for remedial action	104	3.61	.948
6	Budget and budgetary control provide sufficient feedback of implementation to improve budgetary planning	104	3.56	.942
7	performance based reward and compensation provide incentive biased on group and individual performance	104	3.85	.874
8	Performance measurement enables a comprehensive evaluation of the performance and Role of budgetary control systems.	104	3.76	.905
9	Performance measurement supports decision-making and resource allocation within budgetary control systems?	104	3.82	.886
Valid N (list wise)		104		

Source survey data-2023

The study respondents gave a mean response of Mean: 3.73 With Standard Deviation: 0.791 to the question Budget shows clear performance target: From this result it can be conclude that, budget shows clear performance targets and the budget effectively communicates with clear performance targets.

Respondent gave a mean response of Mean: 3.65 With Standard Deviation: 0.833 Budget and operational plans quantify performance targets as much as possible: This implies that on average, respondents agree that budget and operational plans quantify performance targets to higher extent which means performance targets are quantified in the budget and operational plans.

The study respondents gave a mean response of Mean: 3.71 With Standard Deviation: 0.706 to the question Operational plans and budget establish performance indicators to evaluate progress of business units: This result indicates that respondents generally agree that operational plans and the budget include performance indicators to evaluate the progress of business units. And Key performance indicators are identified to minimize duplication of measures: This, mean score indicates that, on average, respondents agree to some extent that key performance indicators indicate multiple aspects of performance effectiveness and efficiency.

Respondents gave a mean response of Mean: 3.61 & Standard Deviation: 0.948 to the question Budget and budgetary control procedures aim at identifying significant performance direction that require management attention for remedial action: From this result it can be conclude that, the budget and budgetary control procedures aim to identify significant performance deviations that require management attention.

The study respondents gave a mean response of Mean: 3.56 With Standard Deviation: 0.942 to the question. Budget and budgetary control provide sufficient feedback on implementation to improve budgetary planning: this implies that Budget and budgetary control provide sufficient feedback on implementation to improve budgetary planning.

The study respondents gave a mean response of Mean: 3.85 & Standard Deviation: 0.874 to the question to the performance-based reward and compensation provide incentive biased on group and individual performance this suggests that performance-based reward and compensation provide incentive biased on group and individual performance.

The study revealed that question number nine of the study which requests that Performance measurement enables a comprehensive evaluation of the performance and Role of budgetary control systems. Has score Mean: 3.76 with &Standard Deviation 0.905 this suggests that Performance measurement enables a comprehensive evaluation of the performance and Role of budgetary control systems.

The respondents for the last request of objective three of the study were question number Nine which asked whether Performance measurement supports decision-making and resource allocation within budgetary control systems has score Mean: 3.82 With &Standard Deviation 0.886 this implies that Performance measurement supports decision-making and resource allocation within budgetary control systems.

4.4.5 Budgetary performance evaluation and its linkage to motivation of employee

Table 4.6 of the study presents the results of a survey that explores the relationship between budgetary performance evaluation and employee motivation the survey collected responses from 104 participants who rated various statements on a scale of 1 to 5 the descriptive statistics, including the mean and standard deviation, provide insights into the participants' perceptions regarding the influence of budgetary performance evaluation on employee motivation, sense of achievement and recognition, goal setting, intrinsic motivation, engagement and commitment, accountability and responsibility, competition, skill development, and fairness and equity.

Table 4.7 Budgetary performance evaluation and its linkage to motivation of employee

Descriptive Statistics				
		N	Mean	Std. Deviation
1	Budgetary performance evaluation positively influences employee motivation?	104	3.91	.848
2	Employees are more motivated when their performance is evaluated based on budgetary targets."	104	3.75	.853
3	Budgetary performance evaluation to provide a sense of achievement and recognition for employees?	104	3.87	.771
4	Budgetary performance evaluation contributes in setting clear performance expectations and goals, which in turn enhance employee motivation?	104	3.74	.775
5	Budgetary performance evaluation enhances employee engagement and commitment to achieving budgetary targets?	104	3.79	.792
6	Budgetary performance evaluation provides employees with a sense of accountability and responsibility, thereby increasing their motivation to meet budgetary goals?	104	3.80	.848
7	Budgetary performance evaluation fosters healthy competition among employees, leading to increased motivation."	104	3.72	.875
8	Budgetary performance evaluation supports the development of employees' skills and capabilities, consequently boosting their motivation?	104	3.77	.858
9	Budgetary performance evaluation provides employees with a sense of fairness and equity, which positively Roles their motivation?	104	3.45	.912
Valid N (list wise)		104		

Source survey data-2023

The study depicts that respondent gave a mean response of Mean: 3.91 With Standard Deviation: 0.848 to the question budgetary performance evaluation positively influences employee motivation. This implies that, the respondents' average rating of 3.91 suggests a generally positive perception of the statement which means budgetary performance evaluation positively influences employee motivation.

The study depicts that respondent gave a mean response of Mean: 3.76 With Standard Deviation: 0.853 to the question Employees are more motivated when their performance is evaluated based on budgetary targets. From this result it can be conclude that Employees are more motivated when their performance is evaluated based on budgetary targets.

Respondent gave a mean response of Mean: 3.87 With Standard Deviation: 0.771 to the question: Budgetary performance evaluation provides a sense of achievement and recognition for employees. This indicates that, budgetary performance evaluation provides a sense of achievement and recognition for employees.

The study respondent gave a mean response of Mean: 3.74 With Standard Deviation: 0.775 to the question Budgetary performance evaluation contributes to setting clear performance expectations and goals, which in turn enhance employee motivation. The respondent's high rating of 3.74 suggests that budgetary performance evaluation contributes to setting clear performance expectations and goals, which in turn enhance employee motivation.

Respondent gave a mean response of Mean: 3.79 With Standard Deviation: 0.792 to the question Budgetary performance evaluation enhances employee engagement and commitment to achieving budgetary targets. From this result it can be conclude that budgetary performance evaluation enhances employee engagement and commitment to achieving budgetary targets.

The study depicts that respondent gave a mean response of Mean: 3.80 With Standard Deviation: 0.848 to the question. Budgetary performance evaluation provides employees with a sense of accountability and responsibility, thereby increasing their motivation to meet budgetary goals. This implies that, budgetary performance evaluation provides employees with a sense of accountability and responsibility, thereby increasing their motivation to meet budgetary goals.

Respondent gave a mean response of Mean: 3.72 with standard Deviation: 0.875 to the question Budgetary performance evaluation fosters healthy competition among employees, leading to increased motivation. This indicates that budgetary performance evaluation fosters healthy competition among employees, leading to increased motivation.

The study respondent gave a mean response of Mean: 3.77 & Standard Deviation: 0.858 to the question Budgetary performance evaluation supports the development of employees' skills and capabilities, consequently boosting their motivation? From this result it can be conclude that, budgetary performance evaluation supports the development of employees' skills and capabilities, consequently boosting their motivation.

The last request of objective five of the study requests that weather Budgetary performance evaluation provides employees with a sense of fairness and equity, which positively Roles their

motivation? Has score mean: 3.45 &Standard Deviation: 0.912 to the question. This implies that performance evaluation provides employees with a sense of fairness and equity, which positively Roles their motivation

Discussion Point and Data Analysis Based on Interviews

The objective of the study is to examine the Role of budget and budgetary control on public enterprise effectiveness within the Ethiopian Electric Utility. In this study, the Descriptive statistics result based on response rate reflects the degree of participation and engagement from the respondents.

A higher response rate indicates a greater level of reliability and validity in the study's findings, suggesting a strong level of involvement from the participants.

Discussing based on Descriptive statistics regarding the role of budgeting and budgetary control in translating strategic plans into operational plans within the Ethiopian Electric Utility, the findings from the analysis (Table 4.3) demonstrate the significant impact of these practices. Budgeting plays a crucial role in aligning operational activities with the organization's strategic objectives. It facilitates resource allocation, identifies potential risks, and tracks progress, ensuring that the operational plans are in line with the overall strategic direction of the organization.

Furthermore, the study reveals the importance of effective budgeting in promoting coordination of activities among different units within the Ethiopian Electric Utility (Table 4.4). By enhancing communication, collaboration, and synergy among departments, budgeting systems contribute to improved efficiency and effectiveness in achieving organizational goals.

In terms of accountability and responsibility, budgeting and budgetary control systems within the Ethiopian Electric Utility play a crucial role (Table 4.5). These systems set clear targets, monitor performance, and allocate resources effectively, thereby increasing accountability and responsibility among business units. Individuals and departments are held accountable for their actions and are responsible for accomplishing their assigned tasks.

Budgetary control also serves as a foundation for performance measurement within the Ethiopian Electric Utility (Table 4.6). By setting performance targets, monitoring variances, and evaluating budgetary performance, organizations can effectively measure and assess their overall

performance. This fosters a culture of continuous improvement and motivates employees to strive for better performance.

Lastly, the study highlights the positive impact of budgetary performance evaluation on employee motivation within the Ethiopian Electric Utility (Table 4.7). Effective budgetary performance evaluation factors in aspects such as achievement, recognition, clear expectations, intrinsic motivation, and skill development. These elements contribute to increased employee motivation and can serve as valuable tools within the organization.

In summary, the findings from the empirical analysis underscore the crucial role of budgeting and budgetary control systems in enhancing the effectiveness and performance of the Ethiopian Electric Utility. These practices facilitate the translation of strategic plans into operational plans, promote coordination among units, enhance accountability and responsibility, and enable performance measurement and positively influence employee motivation.

These insights can inform and guide financial management practices within the organization, ultimately leading to better organizational outcomes.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Introduction

The study examined Role of Budget and Budgetary Control System on The Effectiveness of Public Enterprise: A taking of Ethiopian Electric Utility a cases .the study obtains Primary data from 104 respondents and secondary data were reviewed various sources of information written and presented by different scholars about Budget and Budgetary Control Review of related literature were conducted from previous research findings, annual and quarterly reports, manuals, and other journal and internet sources all these sources provided necessary background to the study that provided the research gap to the researcher.

Data analysis was done by using descriptive statistics, whereby tables and narratives were drawn from findings through questionnaire this chapter summarizes major findings of the study, conclusion and recommendations.

5.2. Summary of Major Findings

- ☛ Alignment of operational plans and resource allocation with the strategic plan: The respondents recognized the importance of incorporating financial planning into strategic decision-making processes. Budgeting helps align operational plans with the strategic plan, ensuring that resources are allocated effectively to achieve strategic goals.
- ☛ Achievement of organizational goals stated in the strategic plan: The findings suggest a consistent belief among respondents that budgeting contributes to driving organizational success. By aligning goals and objectives with the strategic plan, budgeting helps organizations work towards achieving their desired outcomes.
- ☛ Utilization of the latest information in realizing the strategic plan: The study indicates that organizations use the latest information in budgeting and budgetary control processes. This utilization of up-to-date information aids in the realization of the strategic plan, enabling organizations to adapt to changing circumstances and make informed decisions.

- ☛ Identification of risks and opportunities in operational plans: Budgeting plays a role in assisting organizations in identifying potential risks and opportunities within their operational plans. By incorporating risk assessment and analysis, budgeting enables organizations to proactively address risks and capitalize on opportunities.
- ☛ Provision of a tactical plan to minimize risks and exploit opportunities: The findings indicate that budgeting provides a tactical plan to minimize risks and exploit opportunities using up-to-date information. This aspect emphasizes the proactive nature of budgeting in managing risks and leveraging favorable circumstances.
- ☛ Expression of short-term plans through quantitative and monetary statements: Budgeting and budgetary control use quantitative and monetary statements to express short-term plans. This approach enables organizations to have a clear understanding of their financial targets and facilitates effective decision-making.
- ☛ Tracking progress towards strategic goals: Budgeting and budgetary control offer a clear framework for monitoring financial performance in relation to strategic objectives. By tracking progress, organizations can assess their performance and make necessary adjustments to ensure goal attainment.
- ☛ Coordination among different departments; the respondents recognized budgeting and budgetary control promotes coordination among different department or units with the organization.
- ☛ Identification of sequence of operational plans; the respondents recognized budget and budgetary control are based on the identification of the sequence of operated plan.
- ☛ Annual operational plans clearly show the time line and resource required; the responders recognized budget and budgetary control are based on the identification of sequence of operational plans.
- ☛ Operational plan and budget execution; the responder recognized budget and budgetary control promote communication among units of the organization to shared goals in the organization.
- ☛ Budget and budgetary control facilitate the sharing of resources and knowledge; the responders recognized budget and budgetary control facilitate the sharing of resources and knowledge across different budgetary control system.

- ☛ Budget and budgetary control foster coordination and alignments. The respondents recognized budget and budgetary control systems facilitates the efficient utilization of resources across different function and budgetary control system foster coordination and alignment between strategic objectives and operational activities across different functions.
- ☛ Efficient utilization of resource across different functions; the respondents recognized budget and budgetary control systems facilitate the efficient utilization of resources across different functions and budgetary control system in the organization.
- ☛ Operational plan and budget structured along responsibility line: The findings indicate that the operational plan and budget are organized along the responsibility line or responsibility centers of the organization. This implies that the budgeting process considers the specific areas of responsibility within the organization and aligns the operational plan and budget accordingly.
- ☛ Principle of controllability and accountability in budget and budgetary control: Respondents have a positive perception and agreement regarding the principle of controllability and accountability in budget and budgetary control systems. This suggests that there is recognition of the importance of holding individuals accountable for their assigned budgets and ensuring that they have control over the resources necessary to meet their targets.
- ☛ Operational plan and budget demonstrate responsibility areas: The operational plan and budget clearly outline the responsibility of business units and demarcate responsibility areas for their managers. This indicates that the budgeting process provides clarity on the areas of responsibility for different business units and their managers, facilitating effective decision-making and resource allocation
- ☛ Implementation of budget and budgetary control systems fosters responsibility and ownership culture: The implementation of budget and budgetary control systems fosters a culture of responsibility and ownership among employees in business units. This suggests that the budgeting process encourages employees to take ownership of their assigned budgets and financial targets, enhancing their commitment and accountability.

- ☛ Budget and budgetary control systems promote transparency and accountability: The budget and budgetary control systems promote transparency and accountability in operational and financial decision-making within business units. This indicates that the budgeting process ensures that decision-making processes are transparent, and individuals are accountable for their financial responsibilities and outcomes.
- ☛ Budget and budgetary control systems encourage ownership of assigned budgets: The budget and budgetary control systems encourage employees to take ownership of their assigned budgets and financial targets. This implies that the budgeting process empowers individuals to actively participate in the budgeting and control processes, enhancing their commitment to achieving the budgeted goals.
- ☛ Budget and budgetary control systems contribute to individual empowerment and autonomy: The budget and budgetary control systems contribute to individual empowerment and autonomy in decision-making within business units. This implies that the budgeting process delegates decision-making authority to individuals, allowing them to make informed choices and take responsibility for their financial outcomes.
- ☛ Implementation of budget and budgetary control systems improves individual accountability: The implementation of budget and budgetary control systems improves individual accountability for financial results and outcomes. This indicates that the budgeting process enhances the sense of accountability among individuals, as they are held responsible for achieving their assigned financial targets and delivering desired outcomes.
- ☛ Budget shows clear performance targets: The budget effectively communicates clear performance targets. This indicates that the budgeting process establishes specific and measurable targets that guide the performance expectations of the organization.
- ☛ Budget and operational plans quantify performance targets: Performance targets are quantified in both the budget and operational plans. This suggests that the budgeting process incorporates numerical goals and metrics to measure and evaluate performance.
- ☛ Operational plans and budget establish performance indicators: Operational plans and the budget include performance indicators to evaluate the progress of business units. This

indicates that the budgeting process defines specific indicators that enable monitoring and assessment of performance against set targets.

- ☛ Key performance indicators minimize duplication of measures: Key performance indicators (KPIs) are identified to minimize duplication of measures. This implies that the budgeting process aims to establish a focused set of indicators that provide relevant and non-redundant information about performance and also Key performance indicators are seen to indicate multiple aspects of performance effectiveness and efficiency. This suggests that the KPIs selected cover a broad range of performance dimensions, allowing for a comprehensive evaluation of organizational performance
- ☛ Budget and budgetary control identify significant performance deviations: The budget and budgetary control procedures aim to identify significant performance deviations that require management attention for remedial action. This implies that the budgeting process includes mechanisms to monitor performance and flag deviations that may Role the achievement of desired outcomes.
- ☛ Budget and budgetary control provide feedback on implementation: Budget and budgetary control provide sufficient feedback on implementation to improve budgetary planning. This indicates that the budgeting process includes mechanisms to provide information and insights on the actual execution of the budget, facilitating learning and adjustment for future planning cycles.
- ☛ Performance-based reward and compensation incentivize group and individual performance: Performance-based reward and compensation systems provide incentives based on both group and individual performance. This suggests that the budgeting process incorporates performance-related incentives to motivate employees and align their efforts with organizational goals.
- ☛ Performance measurement enables comprehensive evaluation of budgetary control systems: Performance measurement enables a comprehensive evaluation of the performance and Role of budgetary control systems. This implies that the budgeting process allows for the assessment of the effectiveness and efficiency of the overall control mechanisms in place.

- ☛ Budgetary performance evaluation positively influences employee motivation: The respondents' average rating of 3.9 suggests a generally positive perception that budgetary performance evaluation has a positive Role on employee motivation. This indicates that employees recognize the value and motivational Role of being evaluated based on their budgetary performance.
- ☛ Employees are more motivated when their performance is evaluated based on budgetary targets: The findings suggest that employees are more motivated when their performance is evaluated based on budgetary targets. This implies that aligning performance evaluation with budgetary goals enhances employee motivation.
- ☛ Budgetary performance evaluation provides a sense of achievement and recognition for employees: The respondents' average rating of 3.87 indicates that budgetary performance evaluation provides a sense of achievement and recognition for employees. This suggests that employees perceive their efforts and accomplishments in meeting budgetary targets as recognized and rewarded.
- ☛ Budgetary performance evaluation contributes to setting clear performance expectations and goals, enhancing employee motivation: The findings indicate that budgetary performance evaluation contributes to setting clear performance expectations and goals, which in turn enhances employee motivation. This suggests that employees find clarity and direction in their work when their performance is tied to budgetary targets.
- ☛ Budgetary performance evaluation enhances employee engagement and commitment to achieving budgetary targets: The respondents' average rating of 3.79 indicates that budgetary performance evaluation enhances employee engagement and commitment to achieving budgetary targets. This suggests that employees feel more invested in meeting budgetary goals when their performance is evaluated in relation to those targets.
- ☛ Budgetary performance evaluation provides employees with a sense of accountability and responsibility, increasing their motivation: The findings suggest that budgetary performance evaluation provides employees with a sense of accountability and responsibility, thereby increasing their motivation to meet budgetary goals. This implies that employees feel a heightened sense of ownership and motivation when they are held accountable for their budgetary performance.

- ☛ Budgetary performance evaluation fosters healthy competition among employees, leading to increased motivation: The findings indicate that budgetary performance evaluation fosters healthy competition among employees, leading to increased motivation. This suggests that employees are motivated to excel in their performance when they are compared to their peers based on budgetary achievements.
- ☛ Budgetary performance evaluation supports the development of employees' skills and capabilities, boosting their motivation: The respondents' average rating of 3.77 indicates that budgetary performance evaluation supports the development of employees' skills and capabilities, consequently boosting their motivation. This implies that employees feel motivated to enhance their skills and capabilities when their performance is evaluated in relation to budgetary targets.
- ☛ Budgetary performance evaluation provides employees with a sense of fairness and equity, positively Rolling their motivation: The findings suggest that budgetary performance evaluation provides employees with a sense of fairness and equity, which positively Roles their motivation. This implies that employees perceive budgetary performance evaluation as a fair and equitable means of assessing their contributions, leading to increased motivation.

5.3. Conclusion

Based on research findings of this study, the researcher can therefore conclude that

Budgeting and budgetary control has a vital role in aligning operational plans, resource allocation, risk identification, and progress tracking with the strategic plan. Organizations recognize the significance of financial planning in driving strategic decision-making and achieving their goals beside this budgeting and budgetary control systems has a positive effect of on various aspects, including responsibility alignment, accountability, transparency, individual empowerment, and performance management within the organization.

The study also concludes that the importance of performance measurement, target setting, and decision-making within budget and budgetary control systems in public enterprises. These processes ensure clarity, accountability, and informed decision-making, leading to improved performance and resource allocation inundation the study conclude that the positive influence of

budgetary performance evaluation on employee motivation, including aspects such as achievement, recognition, clear expectations, intrinsic motivation, engagement, accountability, healthy competition, skill development, and fairness

The study also concludes that that budget and budgetary control systems effectively incorporate performance targets, indicators, and measurement to support decision-making, resource allocation, and performance evaluation within the public enterprises. These elements contribute to improved performance, accountability, and strategic alignment within the organizations

5.4. Recommendations

Based on the research findings, the following are the recommendations

- Enhance integration of budgeting with strategic decision-making: Organizations may strengthen the integration of financial planning and budgeting processes with strategic decision-making. This can be achieved by involving finance professionals in strategic discussions and ensuring that budgeting activities are aligned with the strategic goals and objectives of the organization.
- Improve access to up-to-date information: Organizations has to focus on improving the availability and accessibility of timely and accurate information for budgeting and budgetary control processes. Implementing robust information systems and data analytics tools can help capture and analyze the latest information, enabling more informed decision-making and accurate budget allocations.
- Foster a risk-aware culture: Organizations may promote a risk-aware culture by incorporating risk assessment and analysis into the budgeting process. This includes regularly identifying and evaluating potential risks and opportunities within operational plans and incorporating appropriate risk mitigation strategies into the budgeting framework.
- Strengthen performance measurement and evaluation: Organizations may enhance performance measurement and evaluation mechanisms within budgeting and budgetary control systems. This involves setting clear and quantifiable performance targets, establishing key performance indicators (KPIs), and regularly monitoring and evaluating performance against these targets. Performance feedback should be provided to

employees to recognize achievements, identify areas for improvement, and enhance motivation.

- ☛ Foster transparency and communication: Organizations has to promote transparency and effective communication regarding the budgeting and budgetary control processes. This includes clearly communicating financial targets, objectives, and expectations to employees, and providing regular updates on progress towards strategic goals. Open communication channels and opportunities for feedback can help align employees' understanding of the budgeting process with organizational objectives and foster engagement.
- ☛ Provide training and support: its better for organizations to invest in training programs to enhance employees' financial literacy and budgeting skills. This includes providing employees with the necessary knowledge and tools to effectively participate in the budgeting process, understand financial statements, and contribute to decision-making. Ongoing support and guidance should be provided to ensure employees feel confident and empowered in their budgeting responsibilities.
- ☛ Foster a culture of accountability and recognition: it may be better for Organizations to promote a culture of accountability by linking budgetary performance evaluation with recognition and rewards. Recognizing and rewarding employees who meet or exceed budgetary targets can help motivate and incentivize high performance. At the same time, providing constructive feedback and support to employees who face challenges in meeting budgetary goals can contribute to their growth and development.
- ☛ Continuously evaluate and improve the budgeting process: Organizations may be better to regularly evaluate the effectiveness of their budgeting and budgetary control systems. This involves seeking feedback from employees, monitoring the Role of budgeting practices on organizational performance, and making necessary adjustments to enhance efficiency, effectiveness, and alignment with strategic objectives.

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Appendixes

Addis Ababa University Faculty of Business and Economics Department of Accounting and Finance

Graduate Program (MA) in Accounting and Finance

Questionnaire to be filled by

Dear Participant

This questionnaire is designed to meet the objective for the research “Role of budget and budgetary control system on the effectiveness of public enterprise: a case study of Ethiopian electric utility” therefore; the data from this questionnaire will help the researcher to obtain reliable and valid information. Your open and genuine response is highly appreciated. Any information provided would only be used for academic purpose. as a result, it would be kept confidential & utmost secrecy would be maintained. i thank you in advance for your cooperation

Part –I: Background information

Please provide your responses by marking a tick (√) in the relevant boxes

1. Gender: 1. Male 2. Female
2. Age: 1. ≤ 30 year 2. 31- 40 years 3. 41- 50 years 4. Above 51 years
3. Education: 1. Certificate 2. Diploma 3. BSc/ BA 4. MSc/MA and above
4. Field of study: 1. Accounting& finance 2. Economics 3. Management
5. Others, please specify _____
6. How long have you been in your current title (position)?
Less than 2 years 2-5 Years 6-10 Years Over 10 year's

Part - II Question regarding Role of budget and budgetary control system on the effectiveness of public enterprise: a case study of Ethiopian electric utility: **Put a “√” mark in one of the columns provided for each possible indicator. Use the scales: Strongly agree (5), Agree (4), Neutral (3), Disagree (2), strongly disagree (1)**

. **Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1)**

No	Question regarding to what extent does budget and budgetary control translate strategic plans into operational plans?	5	4	3	2	1
1	Budget and budgetary control help in aligning the operational plan with the strategic plan."					
2	Budget and budgetary control aims at to the achievement of organizational goals and objectives as stated in strategic plan					
3	Budget and budgetary control use latest information to realize strategic plan?					
4	Budget and budgetary control facilitate the identification of potential risks and opportunities in the operational plan?					
5	Budget provide tactical plan to minimalize the rates and exploiting of opportunities use of up-to-date information and providing technical move to tackle immediate problems					
6	Budget and budgetary control provide quantitative and monitory statement to express short term plan?					
7	Budget and budgetary control provide a clear framework for tracking progress towards strategic goals?					

No	Question regarding to how effective is budget and budgetary control in promoting coordination of activities among different budgetary control units?	5	4	3	2	1
1	Budget and budgetary control promote coordination of activists and integration among related and different budget and budgetary control units					
2	Budget and budgetary control are based on identification of sequence of operational plans					
3	Annual operational plans clearly show time line and resources required in each existing responsibilities center to accomplishes over all goals of the firm					
4	The operational plan and budget execution promotes communication among units of the organization for shared goals?					
5	Budget and budgetary control facilitate the sharing of resources and knowledge across different budgetary control systems."					
6	Budget and budgetary control systems foster coordination and alignment between strategic objectives and operational activities across different functions?					
7	Budget and budgetary control systems facilitate the efficient utilization of resources across different functions and budgetary control systems.					

No	Question regarding to how does budget and budgetary control enhance accountability and responsibility of business units?	5	4	3	2	1
1	Operational plan and budget are structural along the responsibility's line (responsibility's centers)?					
2	Budget and budgetary control are based on the principle of controllability and accountability (units and their managers are Hold accountable for what they can significantly influence					
3	The operational plan and budget clearly show the responsibility of business units and their managers demarcation of responsibility areas					
4	The implementation of budget and budgetary control systems fosters a culture of responsibility and ownership among employees in business units?					
5	Budget and budgetary control systems promote transparency and accountability in operational and financial decision-making within business units?					
6	Budget and budgetary control systems encourage employees to take ownership of their assigned budgets and financial targets.					
7	Budget and budgetary control systems contribute to individual empowerment and autonomy in decision-making within business units?					
8	The implementation of budget and budgetary control systems improves individual accountability for financial results and outcomes."					

No	Question regarding in what ways does budget and budgetary control promote performance measurement?	5	4	3	2	1
1	Budget shows clear performance target					
2	Budget and operational plans quantify performance target in as much as possible					
3	Operational plans and budget established performance indication to evaluate progress of business units					
4	Key performance indicators are identified to minimize duplication of measure and indicate performance effectiveness and efficiency					
5	Budget and budgetary control procedures aim at identification of significant performance direction that require management attention for remedial action					
6	Budget and budgetary control provide sufficient feedback of implementation to improve budgetary planning					
7	performance based reward and compensation provide incentive biased on group and individual performance					
8	Performance measurement enables a comprehensive evaluation of the performance and Role of budgetary control systems.					
9	Performance measurement supports decision-making and resource allocation within budgetary control systems?					

No	Question regarding is there a link between budgetary performance evaluation and employee motivation?	5	4	3	2	1
1	Budgetary performance evaluation positively influences employee motivation?					
2	Employees are more motivated when their performance is evaluated based on budgetary targets."					
3	Budgetary performance evaluation to provide a sense of achievement and recognition for employees?					
4	Budgetary performance evaluation contributes in setting clear performance expectations and goals, which in turn enhance employee motivation?					
5	Budgetary performance evaluation enhances employee engagement and commitment to achieving budgetary targets?					
6	Budgetary performance evaluation provides employees with a sense of accountability and responsibility, thereby increasing their motivation to meet budgetary goals?					
7	Budgetary performance evaluation fosters healthy competition among employees, leading to increased motivation."					
8	Budgetary performance evaluation supports the development of employees' skills and capabilities, consequently boosting their motivation?					
9	Budgetary performance evaluation provides employees with a sense of fairness and equity, which positively Roles their motivation?					