



**EFFECT OF BUDGET AND BUDGETARY CONTROL ON NON
FINANCIAL PERFORMANCE: IN CASE OF ETHIOPIAN
BANKING INDUSTRY**

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DECLARATION

I declare that, “**Effect of Budget and Budgetary Control on Non Financial Performance: In Case of Ethiopian Banking Industry**” is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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ABSTRACT

Budgetary control is system of controlling costs which includes the preparation of budgets, coordinating the department and establishing responsibilities, comparing actual performance with budgeted and acting upon results to achieve maximum performance of the organization (Buyers & Holmes, 1995). The researcher studied on the effect of budget and budgetary control on non financial performance in case of Ethiopian banking industry. The objective of the study was to assess the effects of budget and budgetary control had on non financial performance of Commercial Banks in Ethiopia. The descriptive research design was used. The data was collected using structured questionnaire from 159 respondents of the staff of 16 private commercial banks of Ethiopia. The data was analyzed using STATA 13. The study found that budget and budgetary control had a significant relationship with non financial performance of the bank. Features of budgetary control leads to cost effective procurement which make an effect on performance of the bank. Human factors within budgetary controls thus managerial commitment, employees' motivation, employee training, competence as well as the attitude affect the budget control process. Budgetary control process exhibited a positive significant influence on non financial performance of banks through influence on financial objectives, the allocation of funds as well as investment ventures that organization undertakes. Finally, the study recommended the banks should use budgetary control to motivate employees to do better. The organizations should ensure full participation by managers in setting their budgetary targets and put in place adequate control measures to improve non financial performance. Budgetary control process should maintain teamwork between the management and finance function.

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ACRONYMS

AB	Awash Bank
ADB	Addis International Bank
AIB	Abay International Bank
BB	Birhan International Bank
BIB	Buna International Bank
BSC	Balanced Score Card
BOA	Bank of Abyssinia
CEO	Chief Executive Officer
COOP	Cooperative Bank Oromia
CIMA	Certified Institute of Management Accountant
DGB	Debab Global Bank
EB	Enat Bank
EPS	Earning Per Share
DB	Dashen Bank
GDP	Growth Domestic Product
LB	Lion International Bank
NB	Nib Bank
NBE	National Bank of Ethiopia
NGO	None Governmental Organization
OIB	Oromia International Bank
ROE	Return on Equity
UB	Unied Bank
UK	United Kingdom
USD	United States Dollar
WB	Wogagen Bank
ZB	Zemen Bank

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

1.1.1 Budget

Budget is a plan quantified in monetary terms, prepared and approved prior to a defined period of time (Lucey, 2010). As above definition budget is the financial plan which determine the future income will be generated and expenditure will be incurred to attain the organizational objectives. It has to be approved by top management or individuals other than who prepare and it helps to attain the objective of the organization. The literature on budget practices focuses on the relevance and applications of budgets to large, complex and manufacturing organizations and less on services and small organizations. Furthermore, most studies report on practices in advanced countries. The reasons for this scenario may be that the budget preparation is frequently a time consuming exercise, and it involves many people in various departments of the firms (Wainiana, 2010).

Budgeting is important for all organizations; the process becomes exceedingly complex in entities that have significant pools of funds and resources (Kenny et al. 1994). Big organizations have many departments from where resources are available and to which the resources are utilized. These need complex and sophisticated system to prepare budget. Their budget systems serve as a means of integrating the numerous divisions in addition to being planning and control tools. Budgets in the organizations serve multiple roles of planning, evaluation, coordination, communication, and decision-making. Participation in budgeting is another important issue because it reflects the degree of consensus, an important aspect of management style (Premchand, 2004).

Participative or bottom up budget approach is involving lower level employee in a budget development process. Top management may initiate the budget process with general guideline, but it is the lower level units that drive the development of budget for their units (Walther, 2009). This process helps to produce a sprite of cooperation, motivate employees, and instill a feeling of teamwork. Employee participation is needed to effectively integrate necessary information from

various sources as well as to obtain individual managerial commitment to the resulting budget. At the same time, the greater the degree of participation by all personnel affected in the budget process, the greater the time and cost involved (Kenny et al. 1994).

Banking sector uses mandated or top down budget development process. Top management set and prepares budget target and cascade to lower level management to implement. As a result they set unrealistic budgets because they do not have the information on the ground. This automatically will lead to failure in implementation as the critical issues are not factored in. In addition to this, budgeting is not related to productivity. Effective budgets should be made with productivity given higher priority. This is however not the case as most managers will strive to saving costs than managing them. Too much of cost cutting will shift focus and some managers will even inflate their budgets for instance budgeting for nonexistent staff so as to appear to be saving costs. This has resulted in budgets not being used to measure performance (Nouri and Parker, 2007).

Budget is the tool that communicates the expected outcome, and provides a detailed script to coordinate all of the individual parts to work in concert. However, in banking sector budget helps to increase operational efficiency of the overall organization. But changes are afoot that mean banks must take a long, hard look at their budgeting, forecasting, monitoring and reporting arrangements to find out just how well they are working and whether they can deliver more value. In banks, the budget has a special significance as a statement of how the bank intends to spend its funding in the year ahead, and has an important role as a control mechanism (Wainiana, 2010).

1.1.2 Budgetary Control

According to the Institute of Cost and Works Accountants of India (2008), budgetary control is actually a means of control in which the actual results are compared with the budgeted results so that appropriate action may be taken with regard to any deviations between the two. Budgetary control has the following stages. The first stage in budgetary control is developing various budgets. It will be necessary to identify the budget centers in the organization and budgets will have to develop for each one of them. In the second stage there should be a proper system of recording the actual performance achieved. This will facilitate the comparison between the budget and the actual. The third stage of budgetary control is the comparison between the

budgeted and the actual performance of budget. The objective of such comparison is to find out the deviation between the two and provide the base for taking corrective action. Finally, taking appropriate corrective action on the basis of the comparison between the budgeted and actual results is the essence of budgeting.

The banking industry is use top to down budgetary system. Bank branches and line managers do not participate in budgeting process. Top level management cascaded budget target from the center to branches and line managers.

1.1.3 Non Financial Performance

Organizational performance can be the evaluation of the constituents that try to assess the capability and ability of a company in achieving the constituents' aspiration levels using efficiency, effectiveness, or social referent criteria. Organizational performance can be measured through six indexes such as the achievement or non-achievement of the set objectives and goals (effectiveness); good fit between the organization and its environments; good fit between the organization and its individual contributors; meat client satisfaction (relevancy); as a social system with certain resources, is able to fulfill its goals without being obliged to incapacitate its resources and means or putting excessive strain on its employees; and the efficiency (ratio of outputs to input) (Jenatabadi,2015).

Performance measurement is an important management control tool for business firms in the currently competitive environment. It is directly related to the formation of a firm's core competency and has a significant impact on the firm's growth (Eltinay and Masri, 2014). It also considered as the most important issues to maintain the banks performance with its various measurements however are unpredictable measurement of organizational performance. It measures organizational performance by using quantitative data like return on investments, return on sales and so forth. The definition of performance has included both efficiency-related measures, which relate to the input/output relationship, and effectiveness related measures, which deal with issues like business growth and employee satisfaction. Additionally, performance has also been conceptualized using financial and nonfinancial measures from both objective and perceptual sources (Kotter & Heskett ,1992), (Hoque & Alam 2001), (Stede, 2001).

Objective measures (financial performance) include secondary source financial measures such as return on assets, return on investment, and profit growth. These measures are nonbiased and are particularly useful for single-industry studies because of the uniformity in measurement across all organizations in the sample (Stede, 2001). However, these performance rankings may not highlight strategies that lead to top performance. Subjective Measures (non financial performance) includes customer satisfaction, communities (e.g., “job creation and retention,” “spurring community revitalization”), and employees (e.g., “employees’ professional training,” “employee stability”) can be vital to a bank’s winning strategy. It is integrated with the overall strategy of the business (Hanley & Suter, 1997). This measurement will be more susceptible to misuse and manipulation (Al-Khouly et.al, 2012).

1.1.4 An Overview of Banking Industry in Ethiopia

The banking industry in Ethiopia is regulated by national bank of Ethiopia NBE which is the government regulatory authority. NBE’s have gotten the role in overseeing the commercial banks from the beginning of financial reform of 1994. Due to this NBE currently regulates two government owned banks and sixteen private banks in Ethiopia. The banks operate in three banking operation: deposit mobilization, loan providing and dealing in foreign exchange (Ethiopian Government, Proclamation No. 84/1994).

On the third quarter of 2016/17 budget year the number of bank branches reached 3807. Therefore, currently one branch serves 24,783.821 people on average. Of the total bank branches, about 34.2 percent were located in Addis Ababa. Private Banks accounted for about 65.2 percent of the total bank branches in the country. In relation with bank operation the total deposit liabilities of the banking system reached Birr 530.48 billion. Total outstanding credit of the banking system (excluding credit to central government and interbank lending) increased to Birr 314.21 billion. In the same period, foreign exchange bureau of commercial banks purchased USD 78.6 million and sold USD 38.7 million foreign exchange. Total capital of the banking system reached Birr 49.4 billion. Of the total capital of the banking system, private banks accounted for 47.6 percent while that of Commercial Bank of Ethiopia and Development Bank of Ethiopia stood at 32 percent and 20.4 percent respectively thereby putting the total capital share of the two public banks at 52.4 percent. (NBE quarter bulletin, volume 33, No. 3)

1.2 Statement of the Problem

In a business organization budget has a great in determining the future revenue, expenditure and the risk associated to it. Budgeting forces firms management to do better forecasting. Vague generalizations about what the future may hold for the organization are not good enough for assembling a budget. Firm's management must put their predictions into definite and concrete forecasts (Onduso, 2013). Budgets enable a company's managers to measure actual performance against predicted performance. Budget motivates executives and employees of the firms due to having the link with performance measurement. Budget coordinates all the departments of the firm for achieving of organizational goals and communicating all employees for common understanding of the goals (Horngren. et, al, 2012). Due to this, firms prepare budget with due care to increase their performance.

Many researchers conducted their studies on budgeting and budgetary control in the last decade. Those researchers were focusing on budgeting on its tool, process, practice and control. These make the studies lacks the effect of budgeting on other factors. Further, most of the literature is from the developed countries whose company's strategy approach is different from that of Ethiopia.

Additionally, there has been a wide variety of previous studies with many focusing on Budgetary control practices of private sector organizations while others have dwelt on specific aspects of budgetary control. Adongo and Jogongo (2013) studied on budgetary controls as a measure of financial performance of state corporations in Kenya while Foster (2017) surveying on budget planning, budget control, business age, and financial performance in small businesses of United States. Isaac (2014) was appraising the impact of budgeting and planning on the performance of financial institutions in Nigeria and related topic. Mwangi (2012), surveying on an impact of budgetary control process and their impact on financial performance of Kenyan banking industry. This study was focus on the effect of budget and budgetary control on non financial performance of banking industry in Ethiopia.

As stated above this study topic is common industries like manufacturing, public enterprise and etc. But, it is few in the banking industry. One of this research was conducted by Daniel Mahinda Mwangi on 2012 in Kenya banking industry and its focus was on control process, participation

and commitment, organizational commitment and budget accuracy. In addition he focus on financial performance which is one factor of BSC, use sunk data and may not highlight strategies that lead to top performance. While, this research is focus on the effect of budget and budgetary control on non financial performance (customer, internal process and learning and growth) in Ethiopian banking industry and examined budgetary controlling features, human factors within budgetary controls, budgetary control process, challenges of budgetary control systems. On the other hand, many studies conducted on factors of financial performance of banks. These are capital adequacy, asset quality, size of the bank and macroeconomic variables like GDP, inflation and interest rate. This research will add additional factors budgetary control as non performance measurement tool in banks. Due to this the study seeks to answer the question what is the impact of budget and budgetary control process and on non financial performance of Ethiopian banking industry?

1.3 Objectives of the Study

General objectives

To assess the effects of budget and budgetary control have on non financial performance of Commercial Banks in Ethiopia.

Specific objectives

- To examine the features of budgetary control in Ethiopian commercial banks.
- To analyze the effect of budgetary control on non financial performance of Ethiopian commercial banks.
- To assess the effect of budgetary control systems on non financial performance in Ethiopian commercial banks.
- To evaluate the effect of budgetary process on non financial performance indicators of Ethiopian commercial banks.
- To determine the relationship between challenges affecting budgetary control and non financial performance of Ethiopian commercial banks.

1.4 The Scope of Study

The study concerned with the effect of budget and budgetary control on non financial performance in banking institution specifically in Ethiopian commercial banks. In Ethiopian banking industry there are two government's owned and sixteen private banks. All of them prepare their own budget and they do have budget control. For the purpose of this study the researcher selects sixteen private commercial banks. All these banks prepare and control budget centrally. Due to this, the study delimited to the office of strategy and finance department of the banks. Office of strategy of the banks is where the overall budget of the bank prepared and evaluating the performance. On the other hand, finance department focus on accounting and analysis financial performance of the banks takes place. It also includes line managers as the part performance measurement. The study also delimited from 2011 to 2017.

1.5 Significance of the Study

The finding of the study will helps the managers of the banks to ensure efficient and effective utilization of available budget by adopting proper measures of budget control. Also appreciate the effects of budgetary control on non financial performances of the banks. The study helps the government for translation of government policy in to implementation. Lack of previous research in this topic it helps as the reference for further research by other researcher.

CHAPTER TWO

LITRATURE REVIEW

2.1 Introduction

The chapter concerned with theoretical framework that support budget, budgetary control and the effect of budgetary control on non financial performance. It also concerned the concept of budget and budgetary control. Finally state summaries of review literature and identifying the gap why need this study.

2.2 Theoretical Review

There are various theories that contribute to the concept of budget and budgetary control on non financial performance. This includes resource dependency theory, goal setting theory, stewardship theory and institutional theory.

2.2.1 Resource Dependency Theory

The theory is developed by Jeff Pfeffer in his book (1978) '*The External Control of Organizations*'. The theory outlined that, *External Control* analyzes the sources and consequences of power in inter organizational relations: where power and dependence come from, and how those that run organizations use their power and manage their dependence (Davis and Cobb, 2009).

Budget process of the organization considers the relationship with external environment and the extent of its dependencies. According to Davis and Cobb (2009) during budget preparation top managers choose the least-constraining device to govern relations with your exchange partners that will allow you to minimize uncertainty and dependence and maximize your autonomy. The budget should have alternative external resource providers to reduce external resource dependencies and the external organization power influence.

On the other hand, budget allocates resources of the organization to the internal departments and activities based on their priorities. This makes budget to control the organization activities towards increasing performances of the organization.

2.2.2 Goal setting Theory

This theory was developed inductively within industrial organizational psychology over a 25-year period, based on some 400 laboratory and field studies. These studies showed that specific, high (hard) goals lead to a higher level of task performance than do easy goals or vague, abstract goals such as the exhortation to “do one’s best.” (Locke & Latham, 1990, 2002)

According to Nirwana et al (2017) a budget is not only contains the plans to be achieved and the nominal amount required to perform the activities, but also contains specific goals that the organization wants to achieve. In the goal setting theory budgetary participation is participation of individuals in the form of behavior and activity by the managerial during the budgeting process. Participation is able to make goals more important to the individual by creating a greater sense of ownership (Locke and Latham, 2002). This makes the feeling of line managers involved in decision making and controlling on the organizational matters (Chong and Chong, 2002).

Budgetary control involves setting goals and comparing these goals with actual performance. Goals provide direction and a standard organs which progress can be monitored to enable people to guide and refine their performance it is well document in the scholarly and practitioner literatures that specifies goal can boost motivation and performance by leading people to focus their attention an specific objectives increase their effort to exclusive these objective persist in the face of setbacks and develop new strategies to goal attainment. Through such motivational processes challenging goals often lead to valuable rewards such as recognition, promotions and/or increases income from one work (Onduso, 2013)

2.2.3 Stewardship Theory

Stewardship theory suggests that managers will act as responsible stewards of the assets they control on behalf of the owners. Budget preparation processes consider the way steward the resources of the firm to maximize the shareholders value. These help management executives as having motives aligned with the objectives of their principals (Cossin et al, 2015). Organizational structures will assist them to attain superior performance by their corporations to the extent that the CEO exercises complete authority over the corporation (Donaldson and Davis, 1991).

According to Cossin et al, 2015 Stewards are not purely self-interested. But, they identify themselves with the business, and are motivated to maximize organizational performance. As such, their behaviors are aligned with the interests of the business owners. Donaldson and Davis also said that stewardship theory focuses not on motivation of the CEO but rather facilitative, empowering structures, and holds that fusion of the incumbency of the roles of chair and CEO will enhance effectiveness and produce, as a result, superior returns to shareholders than separation of the roles of chair and CEO.

2.2.4 Institutional Theory

According to institutional isomorphism (Powell, 1983), budgeting diffused via three mechanisms. Under mimetic diffusion, organizations adopt budgets because they observe that other groups become more financially confident and successful with a systematic budgeting process.

As budgeting became more popular, there were coercive pressures to adopt budgets. Stockholders who demand sound financial management may expect yearly budgets for key activities. Philanthropic organizations will scrutinize budgets of charitable organizations to ensure future contributions are spent wisely. Employees expect formal budgets to remain confident that money is available for salaries and important projects.

Finally, accountants and financial managers hired by firms bring normative pressures to adopt standardized budget practices. Budgeting is a logical extension of credit-debit accounting principles and is taught in every business school.

Budgets have also become a "rational myth" for modern organizations. According to Rowan, the adoption of these myths is often ceremonial (Rowan, 1977). Budgets necessary for legitimacy can be de-coupled from daily operations. Money may be transferred from one budget category to another to cover over-spending. Often there are little pressures to maintain budgeted spending levels once it has been developed. Uncle Sam's Bakery is a perfect example of budgets as yearly ceremony.

2.3 The Concept of budget and Budgetary Control

2.3.1 Budget

Extant literature on budget in general is abundant and varied, defining budget and other aspects of budgetary practices from different angles and perspectives.

Dury (2012) define budget as the implementation of the long-term plan for the year ahead. Because of the shorter planning horizon, budgets are more precise and detailed. Budgets are a clear indication of what is expected to be achieved during the budget period, whereas long-term plans represent the broad directions that top management intend to follow.

Horngren et al (2012) refers to budget is the quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinate what needs to be done to implement that plan. It includes both financial and nonfinancial aspects of the plan, and it serves as a blueprint for the company to follow in an upcoming period. A financial budget quantifies management's expectations regarding income, cash flows, and financial position. Nonfinancial budgets concerns units manufactured or sold, number of employees, and number of new products being introduced to the marketplace.

According to the definition of CIMA (UK) 'budget is financial and/or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of achieving a given objective'. From this definition the features of budget is a statement that is always prepared prior to a defined period of time; it is prepared either in quantitative details or monetary details or both; and every organization has well defined objectives, which are to be achieved in a particular span of time.(The Institute of Cost and Works Accountants of India, 2008)

Kinney (2010) outlines budget can be an effective device to communicate objectives, constraints, and expectations to all organizational personnel. Such communication promotes understanding of what is to be accomplished, how those accomplishments are to be achieved, and the manner in which resources are to be allocated. Determination of resource allocations is made, in part, from a process of obtaining information, justifying requests, and negotiating compromises.

Abdullah (1980) outlined budget as- a plan based on a classification of costs and their variability, and it can serve as a control over future operations. He further explained that in its flexible form, the monthly budgets can be adjusted to current volume. Unless these adjustments are made promptly, costs may not be kept into line with changes in volume.

Anthony et al (2004) list four uses of a budget. The first is to fine tune the strategic plan, the second is to help co-ordinate the activities of the several parts of the organization. The third is to assign responsibilities to managers; and last, to obtain a commitment that is a basis for evaluating a manager's actual performance.

According to Garrison (1988) four major advantages of budgeting include: giving planning top priority; providing managers with a way to finalize their planning efforts; overcoming potential bottlenecks before they occur; and coordinating the activities of the entire organization by integrating the plans and objectives of the various parts.

In summary, there are four main aspects to budget: the motivations aspect; the co-ordination of resources for their best use; setting benchmarks for performance; and as a cost control mechanism (Sheridan, 2001).

2.3.2 Budgetary Control

According to Dury (2012) Control is the function that makes sure that actual work is done to fulfill the original intention, and controls are used to provide information to assist in determining the control action to be taken. Also Controls encompasses all the methods and procedures that direct employees towards achieving the organization objectives. From the definition the control to exist there must be the defined objectives and actual activities and comparing these activities with the predetermined objectives to make corrective action if there is variance.

Budgetary control is system of controlling costs which includes the preparation of budgets, coordinating the department and establishing responsibilities, comparing actual performance with budgeted and acting upon results to achieve maximum profitability (Buyers & Holmes, 1995). This definition denotes the following essentials of budgetary control:

- Establishment of objectives for each function and section/unit of the organization.
- Comparison of actual performance with budget.

- Ascertainment of the causes for such deviations of actual from budgeted performance.
- Taking suitable corrective action from different available alternatives to achieve the desired objectives.

Budgetary control refers to the principles, procedures and practices of the organization in achieving given objectives through budgets. Principles, policies and procedures developed by top management are guideline to help the employees practice the activities of organization in the direction of goal achievement. The budgetary control system helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements (Scarlett, 2008).

Holland (2005) define budgetary control as the establishment of mechanisms authorizing responsibilities of executive to the requirement of a policy and continuous comparison of actual results against plans, either to secure by individual action the objectives of that policy or to provide a basis for revision. In other words, budgetary control deals with regulating the activity of the business or organization to follow in the pattern that had previously been planned in the budget. Furthermore, Buyers and Holmes (1995) considered budgetary control as a means of control in which the actual state of affairs is empowered with that planned for, so that appropriate action may be taken with regards to any deviations.

According to Preetabh,(2010), budgetary control helps as profit maximization; a budgetary control aims at maximization of profits or an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use. In addition, Drury (2001); a budgetary monitoring and control process assumes that expenditures must agree with budgeted plans and maintains information about expenditure. It helps expenditures to be kept within planned limits thus, assisting managers to track the flow of resources accurately and consistently. Also budgetary control helps as co-ordination of effort. 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.

2.3.3 Features of Budgetary Controls in Banking Institutions

Budgeting is a set of procedures by which the organizations use their scarce financial resources for the accomplishment of organizational goals. Within this context, the budget can be used for three purposes: as an instrument of economic policy; as a tool for economic management; and as an instrument for accountability. Budget is an allocation mechanism that attempts to maximize the wealth of the owners. This can be achieved by ensuring that the budget process successfully allocates scarce resources so that the marginal unit of expenditure achieves the same marginal benefit in each category of expenditure. (Adongo and Jagongo, 2013)

Budget process considers the allocation of scarce resources for the achievement of predetermined goals of the organization. The task of budget preparation is often seen as an accounting activity that concentrates on the annual recurrent budget while planning is seen as a medium-term activity. In this approach, the annual budget ensures control over aggregate expenditure and generates detailed financial statements on resource utilization but is not concerned with broad strategic development over the medium-term (Needles, 2011). (Preetabh, 2010)

As economic terms budget is a plan quantified in monetary terms prepared and approved prior to a defined period of time usually showing planned income to be generated, and/ or expenditure to be incurred during that period and the capital to be employed to attain a given objective. It is an attempt at the beginning of an accounting period to plan for the profit and loss account for the year and aim for a definite balance sheet. It is a plan of the dominant individuals expressed in monetary terms, and subject to the constraints imposed by other participants and the environment indicating how the available resources may be utilized to achieve whatever the dominant individual agree to be the priorities (Mieseigha and Adeniyi, 2013).

2.3.4 Human Factors in Budgetary Controls

Human factors within budgetary control involve the action top management commitment and its subordinates towards the budgeting process and controlling the attainment of goals set.

According to Perrin (2012), Human factors within budgetary control may revolve around degree to which a top management accepts the budget program as the vital part of company's activities. It can also be viewed in the context within which organizational management uses budgeted

data. If a budgetary control program is to be successful, it must have complete acceptance and support of persons who occupy key management positions. Monitoring and evaluation is a key determinant for effectiveness of budgetary control (Siyanbola, 2013). Through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time and skills needed to accomplish the evaluation (Warue&Wanjira, 2013). To enhance effectiveness and transparency, the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures (Hancock, 2009). The process of developing an evaluation plan in cooperation with an evaluation workgroup of stakeholders will foster collaboration and a sense of shared purpose. This highly contributes towards achieving an effective budgetary control (Simiyu, 2002).

According to Walther and Skousen (2009), top management may initiate budget process with general budget guideline, but it is lower level units that drive the development of budget for their units. These individual budgets are then grouped and regrouped to for divisional budget with middle level executives adding their input along the way. As a result, it improves employee morale and job satisfaction. Furthermore, the budget is prepared by those who have knowledge of their own specific areas of operation. This should allow for more accurate budget.

2.3.5 Budgetary Control Process and Non Financial Performance of Banks

Budgetary control is a process of setting organizational goal and objectives and comparing actual result with the planed objectives and goals. The variation between the actual result and planed result called variance. This sets a control framework to keep the costs and expenses to the standard limit. Deviations are noted continually suggesting corrective actions, Lucey (2008).

According to the Institute of Cost and Works Accountants of India (2008), budgetary control is actually a means of control in which the actual results are compared with the budgeted results so that appropriate action may be taken with regard to any deviations between the two. Budgetary control has the following stages. The first stage in budgetary control is developing various budgets. It will be necessary to identify the budget centers in the organization and budgets will have to develop for each one of them. In the second stage there should be a proper system of recording the actual performance achieved. This will facilitate the comparison between the budget and the actual. The third stage of budgetary control is the comparison between the

budgeted and the actual performance of budget. The objective of such comparison is to find out the deviation between the two and provide the base for taking corrective action. Finally, taking appropriate corrective action on the basis of the comparison between the budgeted and actual results is the essence of budgeting.

Drury (2001) budgets provide a useful means for managers in evaluating their performance and the overall organization performance through comparing budgeted plans with actual results to determine if planned objectives have been realized in case of variances appropriate measures are emphasized. Budgetary control process should continuously administer effectively to the success of non financial performance of the organization (Proctor, 2006). Non financial performance measurement of the firm measures the link of company's long term strategy and short term budget. Non financial performance dimension gauged in three perspectives: the customer perspective, internal process perspective, and learning and growth perspective (Kaplan & Norton 1996). Among the indicators of an effective budget is the process undertaken before realizing the overall budgetary control system to be used in an organization.

2.3.6 Challenges Affecting Budgetary Control in Banks

Existing literature has evidently revealed that budgets controls have myriad of challenges that can at times be a hindrance towards achieving the overall effects of budgetary control. According to institute of banking studies, Kuwait (1986) budgetary control has the following challenges; budgetary control is a subject to human judgment, interpretation and evaluation. The system necessitates forecasting with the risks of future uncertainties. It requires good and adequate standards and in some cases these are hard to develop at the same time, it requires skills, experience, and expenditure of time, money and effort to make this system to work successfully. Margah (2005) also noted that the problems experienced by organizations attempting to manage their budgetary control procedures have been laid at the door of the budget, presenting a fixed (Preset and unchanging target). In a dynamic and uncertain world the budget can become outdated during the budget year or even before it begins thus rendering little or no value to its intended purpose. Present day economic environment demands that organization adapt new practices. Given the new competitive realities, there is need for management to embrace flexible and adaptable budgetary planning and control system which has the ability to quickly respond to environmental changes and complexities (Adongo and Jagongo, 2013).

A good budgetary planning and control system must involve not only an analysis of capital allocation requests, but also an analysis of all the capital needed to generate information such as market research, prior implementing budgeted activities. 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 twelve cited weaknesses of budgetary control systems which poses a challenges in the use of the systems. These weaknesses included ; restraining of responsiveness and acting as barriers to change, budget 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. Prendergust (2002) claimed that budgeting for planning and control purposes have a number of problems. First a lot of 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. Nafula (2004) noted that public institutions in Kenya are faced with problems related to efficiency in financial transfers from districts to the facility and this affects the execution of the budget goals. Nafula, did not however indicate the overall effect of interfered budget execution process on financial performance.

2.3.7 Non Financial Performance Measurement of Banks

Performance measurement is pivotal to an organization such that it can be used to ascertain if the budget and budgetary control instituted achieves the expected outcomes during a specified period of time. Performance measurement is a tool for appraising how well an organization has performed. In order to appraise such organizations, managers need to determine what an organization is supposed to accomplish (Egbunike and enamma,2017). According to Kaplan & Norton (2001) corporate performance can be measured in the financial and non-financial

perspectives from a Balanced Score Card (BSC) point of view. Among others, the financial dimension of organization performance is gauged using ROE and EPS as indicators, with the non-financial dimension gauged in three perspectives: the customer perspective, internal process perspective, and learning and growth perspective. Moreover, Kaplan and Norton (2001) emphasized on the need to use multi-dimensional performance measures in the service sector such as banking sector.

Non-financial measurements will be required to link a company's long term strategy with its short term actions. It includes the balanced scorecard which explicitly balances financial and non financial performance measures, quality, cycle time and productivity. On the side of non financial performance BSC measure organizational performance through the customer perspective, internal process perspective, and learning and growth perspective. These measurements should be focused on a single strategy and be linked, consistent and mutually reinforcing.

- Customer perspective can be measured using customer satisfaction, retention, acquisition, profitability and market share.
- Internal process perspective includes measurements along the internal value chain for:
 - ✚ Innovation - measures of how well the company identifies the customers' future needs.
 - ✚ Operations - measures of quality, cycle time, and costs.
 - ✚ Post sales service - measures for warranty, repair and treatment of defects and returns.
- . Learning and growth perspective includes measurements for:
 - ✚ People - employee retention, training, skills, morale.
 - ✚ Systems - measure of availability of critical real time information needed for front line employees. (Al-Khouly et.al, 2012) (Kaplan and Norton 2001)

2.4 Review of Empirical Studies

Egbunike and Enamma (2017) studied on budgeting, budgetary control and performance evaluation: evidence from hospitality firms in Nigeria. The objective of the study was to determine if there is any association between budget, budgetary control and performance evaluation and to ascertain if there is any significant variation in the budget, budgetary control and performance evaluation measures of hospitality firms in Nigeria. The primary data was collected using questionnaire from 600 employees of 10selected hospitality firms in Nigeria.

Descriptive and inferential statistics used to analyze data. The study found that budget and budgetary control could serve as an avenue through which hospitality firms in Nigeria can be evaluated. In addition, it was revealed that there is a significant variation in the budget, budgetary control and performance evaluation of hospitality firms in Nigeria. Finally the study recommended that hospitality firms in Nigeria should carry out performance evaluation on every aspect of their budget and budgetary activities as a way of ensuring that budgeted outcomes are met. Also, budgetary costs should be a basis of choosing the most-fit performance evaluation technique for hospitality firms since such performance evaluation systems can provide economic benefits of different sorts to them.

Adongo and Jogongo (2013) studied on budgetary controls as a measure of financial performance of state corporations in Kenya. The researchers had the following objectives: to investigate the relationship between budgetary controls financial performance and of state corporations in Kenya; to determine the salient features of budgetary controls in state corporations, establish the human factors within budgetary controls, establish the process of budgetary control in public organizations, and determine the challenges affecting budgetary control. A descriptive research design was used by researchers to gather data from the state corporation's managers of the sampled state corporations. 14 corporations were selected from the 138 to participate in the study. Purposive sampling was used to select 42 corporate services manager, finance manager and budget officer from each corporation to participate in the study. Questionnaire was distributed to target to collect data.

Findings of the researchers indicate that a positive significant relationship exists between budgetary control and financial performance of state corporations. Budgetary features reflect ability to predict financial milestones of organizations. Human factors within budgetary controls thus managerial commitment, employees' motivation, employee training, competence as well as the attitude affect the budget control process. Budgetary control process exhibited a positive significant influence on financial performance of state corporations through influence on financial objectives, the allocation of funds as well as investment ventures that organization undertakes.

Lastly the researchers were recommend sensitization of management and employees of state corporations on the importance of budgetary controls in enhancing financial performance,

avoidance of political interference in the budgetary process and use of budgets as tools for management efficiency.

Nasrin, (2014) budgeting is no more the act of “matching” the figures of income and expenditures as had been in the past. It has come out of age. As a major tool of management control, budget does not only set performance standards for measurement and control; it is a better tool for future planning. Besides, budget recognizes the impacts of external standards through cognizance of business trends and competitors” performance. Modern budgetary practices also recognize the human behavioral aspects of budget through participatory approach model of budgeting. In this study, the researcher evaluated budgetary practices in the private sector bank of Bangladesh. Qualitative research method used by researcher to determine how far the practices of budget are prevalent in the private commercial banks in Bangladesh and the attitudes of the management towards its effectiveness. Primary data were collected from targeted private banks of Bangladesh through designed questionnaire. Secondary data were also used. The study found that budget is partly used and full benefits of budgetary practices are not reaped by these banks.

Kimani (2014) this study examined the budgetary control in Non-Governmental Organizations and its effects on their performance. Thirty NGOs selected using convenience judgmental sampling methods which are local and international NGO with head quarter in Nairobi from the total of 7127 NGOS in Kenya. A descriptive survey (questionnaires) was used in the data collection. SPSS version 17.0 was used to analyze the relationship between budgetary controls and performance of the NGOs. The correlation and regression analysis of the research found that there is a weak positive effect of budgetary control on performance of Non-Governmental Organizations in Kenya measured by R square at 14.3%.

Silva and Jayamaha (2012) the budgetary process has been a part of management control system of the organization. This process encourages managers to plan, consider the stakeholders involved, provides information for improved decision making, increases and enhances communication and coordination among departments, and for evaluation. The researchers evaluated budgetary process of apparel industry in Sri Lanka and sought whether budgetary process has significant impact on performance of such industry. They used independent variables such as planning, coordination, control, communication and evaluation. The performance of

apparel industry in Sri Lanka was examined by using dependent variable Return on Assets. Primary data were collected using questionnaire and secondary data were collected from financial statements of apparel industry. Correlation coefficients and regression analysis showed that budgetary process have significant associations with the organizational performance of apparel industry in Sri Lanka. This confirms that efficient apparel companies maintain sound budgetary process which contributes to higher levels of organizational performance.

Wainiana (2010) there should be a strong relationship between the budget as formulated and the budget as executed. However, a modest degree of adjustment is desirable during execution to allow for the occurrence of events which were unknown or uncertain at the time the budget was authorized. As the budget is formulated during the second half of the preceding year, there is scope for the development of a new scenario in parallel with or after the formulation process. Analytically it is necessary to distinguish between changes which should have been anticipated and reflected in the budget, and those which were genuinely unexpected and which now have to be incorporated. This is referred to as a supplementary budget.

The study examined factor leads to supplementary budgeting in banking institutions particularly in Kenyan commercial banks. Its objectives was to determine the factors leading to supplementary budgets in commercial banks in Kenya and to establish the variation between planned budget and the implemented budgets in commercial banks in Kenya. This study adopted a descriptive research design to determine the operational budgetary process among the commercial banks in Kenya. Primary and secondary data was collected from 44 commercial banks through Census method. Data analysis was done by the use of Statistical Package for Social Sciences (SPSS version 17)

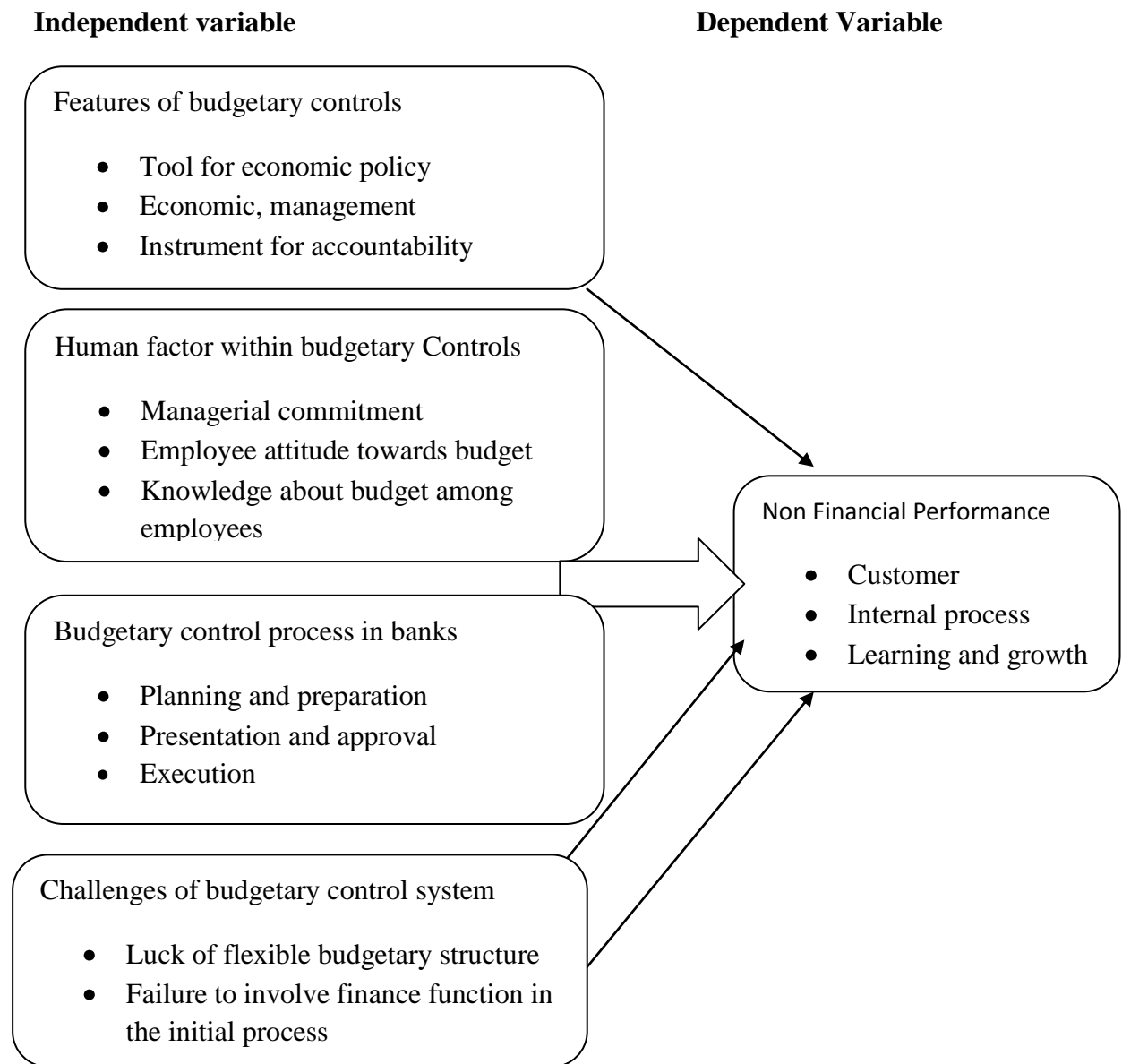
This study revealed that majority of the banks were embarking on planned budgets and the key players in planning of the budget were; bank managers, finance managers, marketing managers, operational managers, human resource managers, directors and head of departments. The study also revealed that managers in most of the banks had no authority to change or reallocate expenditures after the budget has been approved. The study found that banks proposed budgets match with the implemented budget, elements in the budget reflect the transactions of the organization, banks had experienced changes in the budget 12 months in operation.

Mwangi (2012) the study was examine the impact of budgetary control process in financial performance of banking industry in Kenya. This study was descriptive in nature and the researcher used survey method. 44 commercial banks included in the population. Data was collected through semi-structured questionnaires using later or e-mailed from finance managers and accountants of the banks. The data analyzed through content and descriptive analysis. The study found that departments participated in budgetary control process. Budgetary control affects the financial performance of the organizations to a very great extent. The study also found that continuance commitment concerns an individual's need to continue working for the organization based on the perceived costs associated with leaving the organization to a very great extent, budgetary participation can be seen as interventions to increase organizational commitment and consequently firm performance.

Tracy Foster (20017) the primary cause for most business failures is poor planning and budgets are a primary means of planning. This correlational study was examined budget planning, budget control, business age, and financial performance in small businesses in United States Midwest. Its objective was to examine the extent to which budget planning, budget control, and the age of the business significantly predict financial performance in small businesses. The target population consisted of small business leaders in the Midwest and 86 of small business managers in U.S. Midwest identified through survey monkey. Data was collected from 77 small business managers using online survey.

The study used standard multiple linear regression method and determined the extent to which budget planning, budget control, and age of the business predicted the value of financial performance. The regression result showed the model as a whole able to significantly predict financial performance. Budget planning significantly predicted financial performance, even when budget control and business age were held constant. Finally the researcher concludes that, better planning using budgets may help leaders improve the financial health of their small businesses, potentially reducing business failures and job losses. Financially strong and healthy small businesses can create jobs and improve the economic health of local communities.

2.5 Conceptual Framework



2.6 Summaries of Literature Review

Budgeting is one of the decision making process in an organization. During the budget formulation and implementation management decide on amount to spend for each unit of the organization. Budget establishes performance goals for each units in terms of cost, revenue and/or production. This is the importance of budgeting function in most of the organization. Budget used in different degrees for different purposes in deferent industries. Some use budget as expenditure control, where as others use budget as a tool for planning, a means of communication or as a goal to measure performance.

Many research conducted on the effect of budget and budgetary control on non financial performance for past decade of years. Some of them are accepting the effect and some of them are rejecting. This is inconsistent finding on the effect of budget and budgetary control on non financial performance. This research will focus to find out the effect of budget and budgetary control on non financial performance of banking industry in Ethiopia.

Budgetary controls in the banking sector do not studied in Ethiopia and regarding its features, its budget process and some of the challenges faced in implementing budgetary control. It has also been noted that most studies have used financial information as measure of performance measurement. Using this method is not strategic and future oriented. Non financial performance measurement use integrated measurement system to determine the future of the organization. This study will intend to plug the above said gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study will use descriptive research design which helps to examine budget and budgetary control of Ethiopian commercial banks as it affects the non financial performance of the banks. The descriptive research helps to describe the relationship between independent variable budget and budgetary control and the dependent variable non financial performance.

3.2 Population of the Study

The populations of the study was includes finance managers, accountant, office of strategy (budget office) and line managers of 18 commercial banks in Ethiopia.

3.3 Sampling Design

The total population classified in to two strata based on their ownership: two owned by the government (commercial bank of Ethiopia and Development bank of Ethiopia) the rest 16 banks are private owned banks. The two governments owned banks do not included in the sample of the research because they are influenced by the government policy and the budget amount revolved is high amount in relation to private banks. Due to this the study will be address finance managers, accountant and office of strategy (budget office) of 16 private of commercial banks of Ethiopia.

3.4 Data Collection Method

The study was conducted by collecting data from primary sources. The primary data was collected from 190 staff members of the banks which have direct relation with study such as finance managers, accountant and office of strategy (budget office) using structured questionnaire which is extracted from literature. The hard copies of developed questionnaire were delivered to the staff targeted.

3.5 Data Analysis Method

Data will be analyzed using STATA 2013 since it is best suited for establishing quantitative association between variables. Linear regression was used to quantify the strength of the relationship between the independent variables (budgetary control) and the dependent variable (non financial performance). The equation will be used to establish the relationship will give in the following section:

3.5.1. Analytical Model

The research used the following analytical model (Wooldridge, 2009)

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where Y = Non financial performance

α = Constant (non financial performance without any budgetary control)

X_1 = Features of budgetary controls

X_2 = Human factors in budgetary control

X_3 = Budgetary control process

X_4 = Challenges of budgetary control system

ε = Error term

3.5.2. Hypothesis

Using the model developed this research project hypothesized that:

- A. $X_1 = X_2 = X_3 = X_4 = 0$, meaning that budgetary control has no effect on non financial performance of banks.
- B. X_1, X_2, X_3, X_4 are not equal to zero or at list one of them are not equal to zero, meaning that budgetary control has effect on non financial performance of banks.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS OF FINDINGS

4.1 Introduction

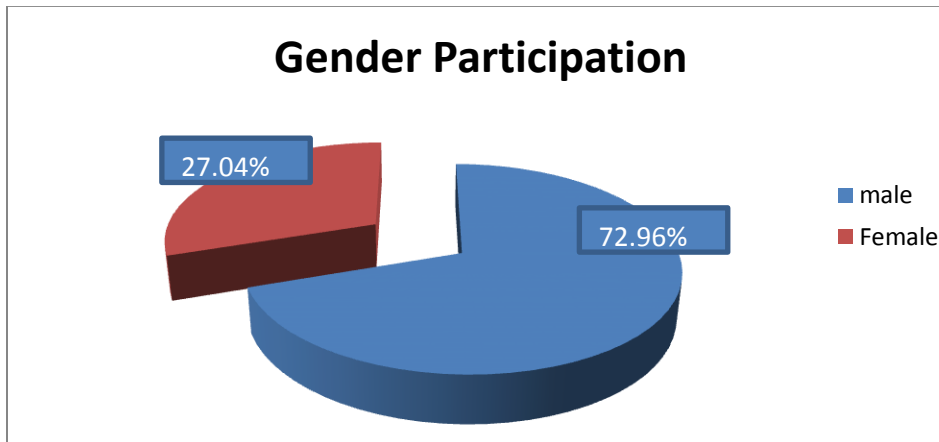
The result of the research project was exploring the effect of budget and budgetary control on non financial performances of Ethiopian commercial banks. The result of analyses are presented per study objective and described in table where stated. The sample size for analyses was 16 commercial banks in Ethiopia. Once the respondents answered the questionnaire, data was then coded and analyzed using STATA13.

4.2 Participation Rate

The study targeted 190 respondents from 16 banks in collecting data with regard on the effect of budget and budgetary control on non financial performance of Ethiopian commercial banks. From these, 159 respondents making response this is 83.7% of the target. According to Kothari (2004) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertions; the response rate in this case of 83.7% is very good.

4.3 Personal Information of Respondents

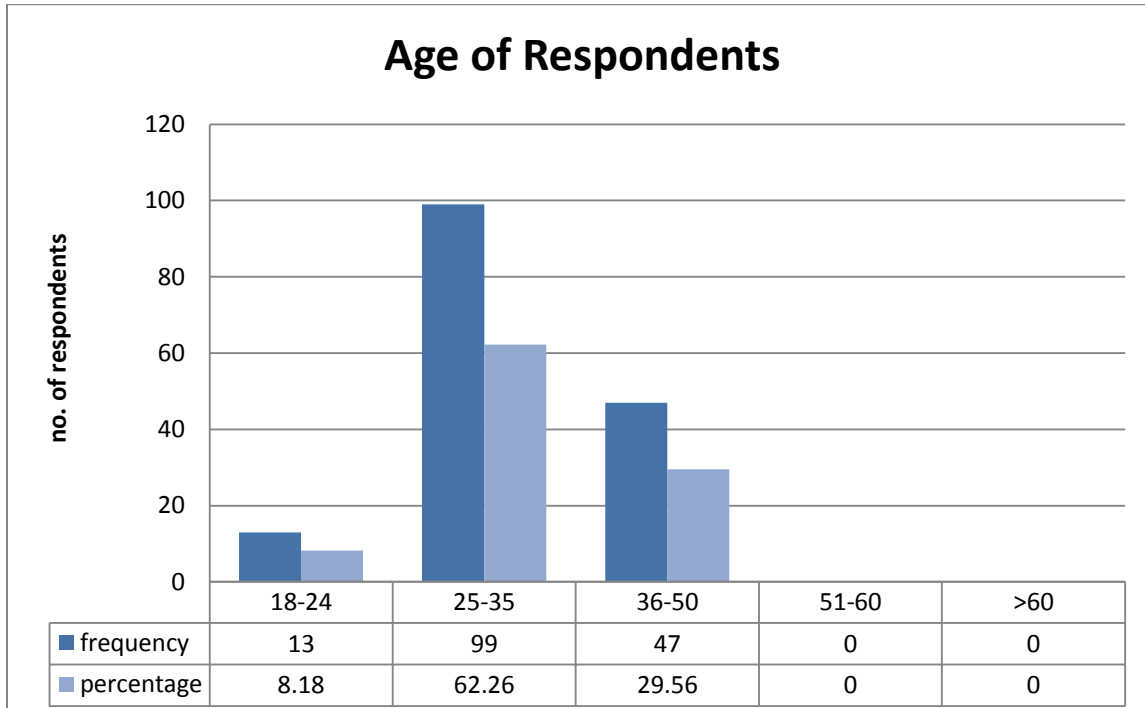
Figure 1: The Gender Distribution of the Respondents



Source: Researcher, 2018

The study requested the respondents to indicate their respectful gender. According to the analysis of findings 72.96% of the respondents are male and 27.04% of the respondents are female. The result is shown by figure 1.

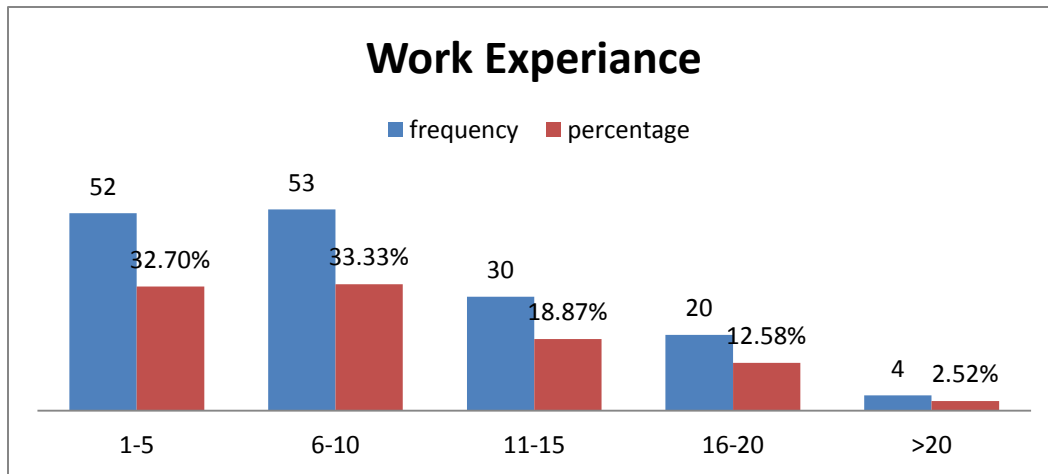
Figure 2: Age distribution of respondents



Source: Researcher, 2018

The study sought to find out the age of respondents. 8.18% of respondents are from age of 18 to 24 while 91.82% of respondents are the age b/n 25 and 50. The result is shown by figure 2.

Figure 3: Work Experiences distribution of respondents

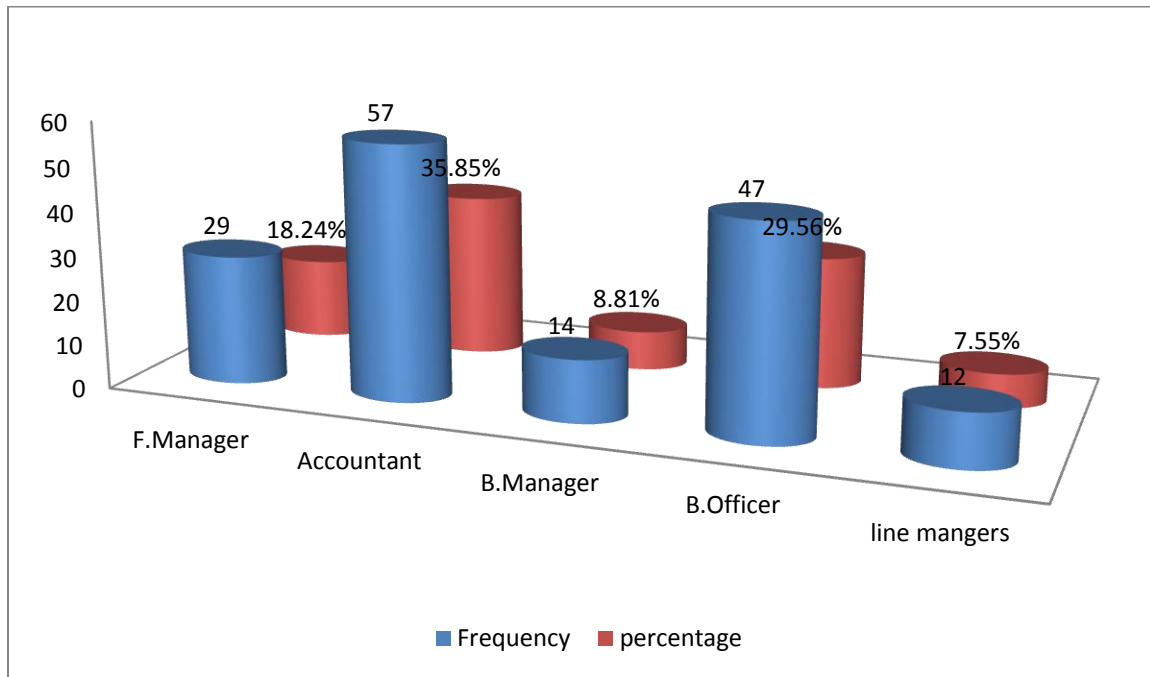


Source: Researcher, 2018

The study sought to determine the work experience of respondents in respective banks. This was to enable the researcher to establish accumulated experience with regard of budget as a tool of

non financial performance. Based on the analysis of the findings it can be depicted that majority (67.3%) have greater than 5 year experience while 32.7% of the respondents have below 5 year. This is indicating that most of the respondents had the accumulated experience to discharge their functions effectively and efficiently with regard of budgets as a tool for financial performance of the banking firms. The finding is illustrated in figure 3.

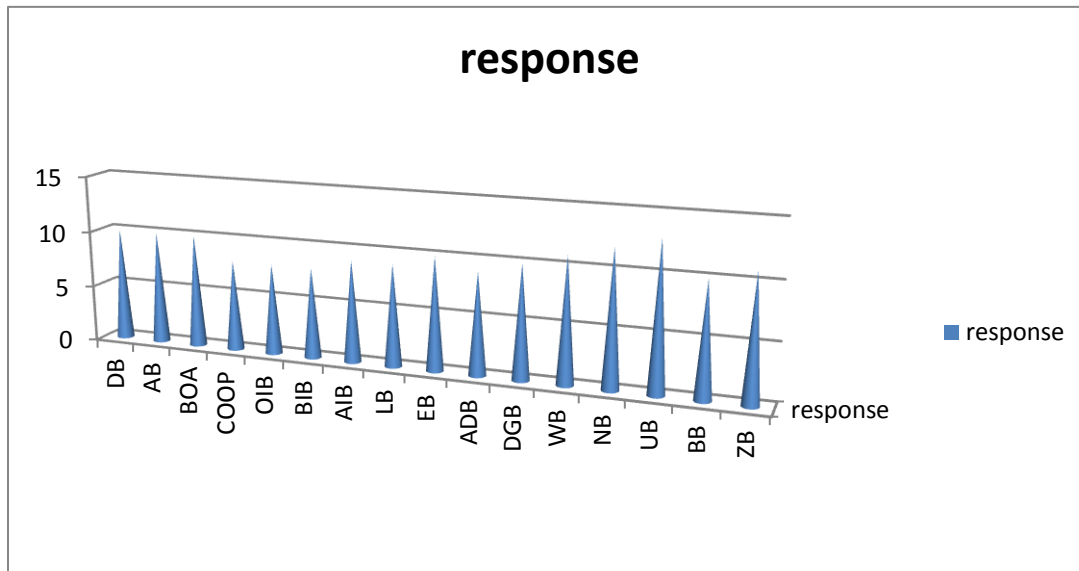
Figure 4: Job position Distribution of Respondents



Source: Researcher, 2018

The researcher also investigated the job position of respondents assigned in the respective banks. This helps to determine how the respondents related to show the effect of budgetary control on non financial performance. The research finding sought that 18.24% are finance manager, 35.85% are accountants, 8.81% are budget office manager, 29.56% are budget officer and 7.55% line manager assignments. This shows that all of the respondents are participants of budgetary controls. The finding is illustrated in figure 4.

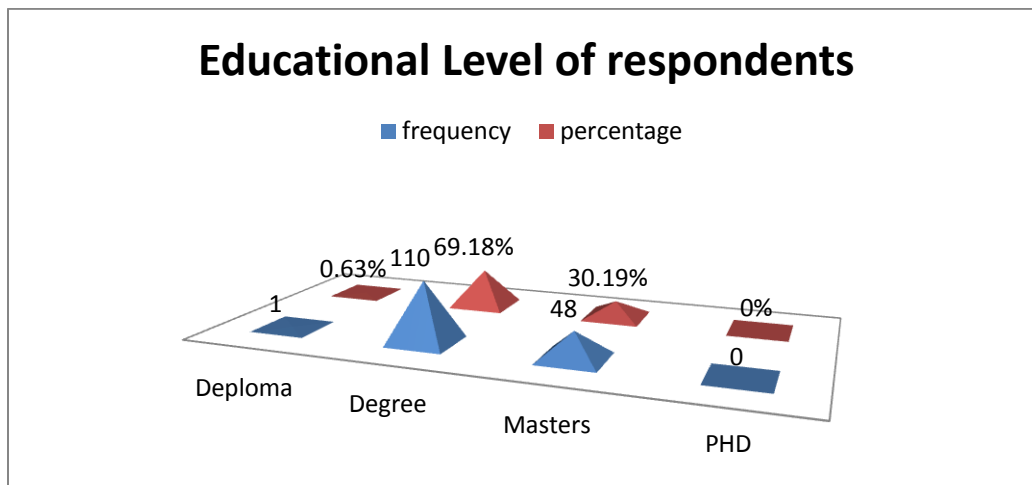
Figure 5: Distribution of Banks



Source: Researcher, 2018

From the above finding 13 each response collected from United bank. 12 each response collected from Nib bank. 11 each response collected from Bank of Abyssinia, Wegagen bank and Zemen bank. 10 each response collected from Dashen bank, Awash bank, Enat bank, Birhan Bank and Debub Global bank. 8 each response collected from Cooperative bank of Oromia, Oromia international bank and Buna international bank. 9 response collected from the Addis international bank. This helps to determine the participation of each bank’s in the research finding.

Figure 6: Distribution of Educational Level of Respondents



Source: Researcher, 2018

The research finding sought the educational level of respondents. This helps to determine the knowledge of respondents to analyze the effect of budgetary control on non financial performance. Based on the analysis of finding it can be depicted that almost all 99.37% of the respondent are degree and masters level while only 0.63% is diploma holder. The analysis of the findings is illustrated by figure 4.

4.4 Study Variables

The study sought to find out the effect of budgetary control on non financial performance of Ethiopian banking industry. This was based on various parameters which included; features of budgetary control on non financial performance, human factor in budgetary control on non financial performance, budgetary control process on non financial performance, challenge of budgetary control process and non financial performance, and non financial performance in banking sector. The responses were examined on each parameter using the agreement of respondents on various assertion related parameter in question. The agreement of respondents were examined through scale from 1 to 5; 1 stands for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for strong agreement. The results have been discussed on the following topics.

4.4.1 Budgetary Control Features and non Financial Performance

Budgeting is a set of procedures by which the organizations use their scarce financial resources for the accomplishment of organizational goals. Within this context, the budget can be used for three purposes: as an instrument of economic policy; as a tool for economic management; and as an instrument for accountability (Adongo and Jagongo, 2013). This study examine the features were reflected on organizational non financial performance presented in table 1 below.

The table 1 below shows the agreement of respondents on the features of budgetary control on non financial performance. Majority of respondents were agreed that the budgetary control feature have an impact on non financial performance. Among the budgetary control feature examined; the ability of budgetary control to lead into cost effective procurement which 78.6% majority of respondents agreed that led to surplus revenue. 69.1% of respondents were not assuring the cause of surplus revenue from increasing of budgetary control. Majority 81.7% of respondents was agreed on fitness of budgetary control to save cost in a bank's situation. This

implies that budgetary control feature varies from organization to organization to meet non financial objectives of the organization.

Accurate prediction helps as a measuring performance result of non financial performance objectives of the organization. 49.7% of respondents did not support accurate prediction through budgetary control does increased performance of the organization. This may have positive and negative implication on non financial performance of the organization. 83.7% majority of respondents were agreed on budget control provide cash expenditure tracking and save operational costs. This is an indication of saving of operational cost increasing the performance of the organization. Non financial performance is a subject matter of employee fine tune to achieve the organization goals. Budget controls provide a bank's with avenues to in income generating ventures supported by 81.1% of respondents.

Budget is a measuring tool of employee performance by comparing against target set. The study sought that 58.5% support budgetary controls did not necessary increase internal motivation among employee. 81.1% of respondents agreed on budget as a management tool facilitate prediction of non financial milestone by the bank.

Table 1: Budgetary control features and non financial performance

Budgetary control features and financial performance	Measurement	1	2	3	4	5	Mean	Std.
Budgetary control has led to cost effective procurement , thus surplus revenue	Freq.	9	2	23	87	38	3.9	1.0
	%	5.6%	1.3%	14.5%	54.7%	23.9%		
Surplus revenue is not assured through increased budgetary controls	Freq.	4	26	19	97	13	3.6	0.9
	%	2.5%	16.4%	12%	61%	8.1%		
Fitness of budgetary control to bank's situation save cost	Freq.	7	6	16	80	50	4	0.9
	%	4.4%	3.8%	10.1%	50.3%	31.4%		
Accurate budget prediction through budgetary control does not increased performance of the organization	Freq.	13	42	25	62	17	3.2	1.2
	%	8.2%	26.4%	15.7%	39%	10.7%		
Budget controls provide cash expenditure tracking and save operational costs	Freq.	8	7	11	93	40	3.9	1.0
	%	5%	4.4%	6.9%	58.5%	25.2%		
Budget controls provide a bank's with avenues to in income generating ventures	Freq.	7	5	21	97	32	3.9	0.9
	%	4.4%	1.3%	13.2%	61%	20.1%		
Budgetary controls do not necessary increased employee productivity through internal motivation	Freq.	10	23	33	74	19	3.4	1.0
	%	6.3%	14.4%	20.8%	46.5%	12%		
As management tools budgets facilitate prediction of non financial milestones by the bank	Freq.	5	8	17	80	49	4.0	0.9
	%	3.2%	5%	10.7%	50.3%	30.8%		

Source: Researcher, 2018

4.4.2 Human Factor within Budgetary Control and non Financial Performance

Human factors concerned with the act of management and employees on budgetary control in increasing non financial performance. The study finding of human factor of budgetary control on non financial performance is presented on table 2 below.

The study finding revealed that 37.7% of respondents were neutral on managerial commitment to budgetary control had not increase performance of the bank. This could mean that there is the probability of management commitment on budgetary control to increase performance of the bank. Though, complete acceptance of budget control by management does not give guarantee to led the organizations to better performance. This could be supported by 74.9% of respondents that complete acceptance of budget controls by management has led to better performance. Budget as management control tools it can be used performance measures among employees; on the other hand, budget can be used by managers as a fault finding tools which may have negative implications on intended budget purpose as observed by Ashok (2009). As of this the study sought that 47.8% of respondents agreed on the use of budgetary control to pressure employees has led to mismanagement of funds a situation that could lead to negative non financial performance. Majority 49.7% of respondents agreed on the meaningful involvement of employees could not ensure increased productivity which is an attribute of non financial performance.

The study sought that majority 78.7% of the respondents accept use of budgetary control to achieve organizational goals has led to increased productivity. This would imply that budgetary control may an attribute of non financial performance of banks. But, this would be effective if the management values employees in budgetary controls to increased operational efficiency as backed by 75.1% of respondents. It was also agreeable by 52.8% majority of the respondents that performance among the banks has been affected by use of budget to blame employees.

The role of top management in the budget is setting and facilitating the non financial target of the organization. But top management of the organization sometimes focus on technical aspects of the budget this could affect the performance. This was supported by the majority 54.1% of the respondent performance in our bank is affected by degree of top management preoccupation by

technical aspects of the budget. The study also sought that 58.5% majority of the respondents agreed on favorable variance in budget was due to insight and sensitivity of management.

Table 2: Human factor within budgetary control and non financial performance

Human factor within budgetary control and non financial performance	Measurement	1	2	3	4	5	Mean	Std.
Managerial commitment to budgetary controls has not increased performance of our bank	Freq.	20	27	60	40	12	3.0	1.1
	%	12.6%	17%	37.7%	25.2%	7.6%		
Complete acceptance of budget controls by management has led to better performance	Freq.	6	5	29	100	19	3.8	0.8
	%	3.8%	3.1%	18.2%	62.9%	12%		
Use of budgetary control to pressure employees has led to mismanagement of funds	Freq.	15	25	43	71	5	3.2	1.0
	%	9.4%	15.7%	27%	44.7%	3.1%		
Meaningful involvement of employees has not ensured increased productivity	Freq.	19	30	31	72	7	3.1	1.1
	%	12%	18.8%	19.5%	45.3%	4.4%		
Use of budgetary control to achieve organizational goals has led to increased operational efficiency	Freq.	4	5	25	88	37	3.9	0.9
	%	2.5%	3.1%	15.7%	55.4%	23.3%		
Management values employees in budgetary controls thus increased revenue	Freq.	4	7	27	95	26	3.8	0.8
	%	2.5%	4.4%	17%	58.8%	16.3%		
Performance has been use of budget to blame employees	Freq.	9	22	44	70	14	3.4	1.0
	%	5.7%	13.8%	27.7%	44%	8.8%		
Performance in our bank is affected by degree of top management preoccupation by technical aspects of the budget	Freq.	3	11	59	68	18	3.5	0.9
	%	1.9%	6.9%	37.1%	42.8%	11.3%		
Favorable cost variance is due insight and sensitivity by the administration	Freq.	3	19	44	76	17	3.8	0.7
	%	1.9%	11.9%	27.7%	47.8%	10.7%		

Source: Researcher, 2018

4.4.3 Budgetary Control Process and Non Financial Performance

Budgetary control process is activities of preparing the budget, recording the actual performance, comparing the budget with actual performance and taking the corrective action for the variance occurred. The study finding of the effect budgetary control process on non financial performance is presented in the table 3 below.

In banking industry the budget set the financial expenditure to the operational activities in relation to internal process excellence and employees. Non financial performance compares the actual result through using the budgeted target as reference. Majority 71.7% of the respondents support the assertion non financial performance of the bank is based on budget goal stated in the planning stage. Though budgeting in commercial banks is top down approach. The targets are set and prepared by the top management while implementation is by the lower management level (Wainaina, 2010). This type of budgeting ignores the actors of activities in the organization. The study found that 69.8% of respondents agreed on involving all players of the organization in budget planning had in connection with favorable cost variance. Respondents were not sure of the relationship non financial standing of the banks and non financial policy in the budget process. This was evidenced by 54.1% of respondents who were neutral on the assertion that link between non financial policy in the budget process was determined by non financial standing of the banks. There could be indication that budgetary process did affect non financial goal of the company. This was supported by 62.3% of respondents who indicated that budget approval did consider non financial goal of the bank they worked in. 54.1% majority of respondents agreed on budget allocation was based on sector priorities and not necessarily financial needs of the organization.

The responsibility of budget approval in the banking industry is rest on board of directors of the bank. The members of board of directors are not practitioners and they may not professional of bank. This makes the budget department or office of strategy an effort to convince board of directors for approval of budget. It may have the room for politicizing the budget. Majority 63.2% of the respondents agreed on politicizing of budget approval had led to unfavorable variances which could have implication on the bank non financial performance.

It was noted that the budgetary control process lacked for monitoring disbursed funds. 54.1% majority of the respondents agreed on budgetary control process lacks tools for monitoring disbursed fund has affect non financial performance of the bank. It was also 75.5% of the respondents agreed on budget allocation of the bank act as bench mark towards non financial performance. Budgetary control process is supposed to ensure that organization is allocated funds within which they could undertake their investment programs. 58.2% majority of the respondents agreed on fixed allocation of funds for all projects improve the bank non financial performance.

Table 3: Budgetary control process and non financial performance

Budgetary control process and non financial performance	Measurement	1	2	3	4	5	Mean	Std.
The non financial performance of the bank is based on budget goal stated in the planning stage	Freq.	8	8	29	72	42	3.8	1
	%	5%	5%	18.2%	45.3%	26.4%		
Involving all players of the organization in budget planning has led to favorable cost variance	Freq.	8	6	34	84	27	3.7	1
	%	5%	3.8%	21.4%	52.8%	17%		
Non financial policy in the budget process is determined by non financial standing of the organization	Freq.	5	2	86	53	13	3.4	0.8
	%	3.1%	1.3%	54.1%	33.3%	8.2%		
Budget approval does consider non financial goal of the bank	Freq.	11	25	24	65	34	3.5	1.2
	%	6.9%	15.7%	15.1%	40.9%	21.4%		
Budget allocation is based on sector priorities and not necessarily non financial needs of the organization	Freq.	11	33	29	66	20	3.3	1.1
	%	6.9%	20.8%	18.2%	41.5%	12.6%		
Politicizing of budget approval has led to unfavorable variances which could have implication on the bank non financial performance	Freq.	6	16	36	72	29	3.6	1
	%	3.8%	10.1%	22.6%	45.3%	18.2%		
Budgetary control process lacks tools for monitoring disbursed fund has affect non financial performance of the bank	Freq.	10	32	31	63	23	3.4	1.1
	%	6.3%	20.1%	19.5%	39.6%	14.5%		
Budget allocation of the bank act as bench mark towards non financial performance	Freq.	6	5	28	96	24	3.8	0.9
	%	3.8%	3.1%	17.6%	60.4%	15.1%		
Fixed allocation of funds for all projects has improve the bank non financial performance	Freq.	12	21	33	60	33	3.5	1.2
	%	7.6%	13.2%	20.8%	37.4%	20.8%		

Source: Researcher, 2018

4.4.4 Challenges of Budgetary Control and Non Financial Performance

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. Some other

challenges are budgetary process fails to focus on organizational long term goals. 50.1% of respondents support budgetary control process fails to focus on organizational performance. 47.8% of respondents agreed on budgetary control could led to undefined financial goals which could lead to negative financial performance. Lack of well functioning accountability framework of budgetary control is affect organizational non financial performance. This was supported by 70.5% of the respondents. The effectiveness of budgetary process measured by teamwork between the management and finance function, this may have an implication on the organization non financial performance. This was backed by 50.9% of the respondents budgetary control process has lack of teamwork between the management and finance function. 58.5% majority of the respondents agreed with assertion that non financial performance was largely influenced by change within the organization and was highly restricted budgetary control.

Table 4: Challenges of budgetary control and non financial performance

Challenges of budgetary control and non financial performance	Measurement	1	2	3	4	5	Mean	Std v
Budgetary control process fails to focus on organizational performance	Freq.	10	25	13	64	16	3.1	1.2
	%	10.7%	25.2%	13.8%	40.3%	10%		
Budgetary control has led to undefined financial goals which could lead to negative financial performance	Freq.	25	37	21	63	13	3.0	1.3
	%	15.7%	23.3%	13.2%	39.6%	8.2%		
Lack of well functioning accountability framework of budgetary control is affect organizational non financial performance	Freq.	8	7	24	73	47	3.9	1.0
	%	5%	4.4%	15.1%	45.9%	29.6%		
Budgetary control process has lack of teamwork between the management and finance function	Freq.	10	31	37	65	16	3.3	1.1
	%	6.3%	19.5%	23.3%	40.9%	10%		
Organizational change is restrict budgetary control and influence non financial performance	Freq.	7	18	41	66	27	3.6	1
	%	4.4%	11.3%	25.8%	41.5%	17%		

Source: Researcher, 2018

4.4.5 Non financial Performance Measurement of Banks

According to Eltinay and Masri (2014) Firms are increasingly implementing new PMS to evaluate managerial performance and to track non-financial metrics such as customer and employee satisfaction, product and service quality, market share, productivity, and innovation which are more future-oriented than traditional financial measures, thus managers rely heavily on them in making decisions that will benefit their organizations in future. The research found that 59.1% most of the respondent agreed on their banks deliver quality service to its customers as compared to others. This helps for the banks have a good success rate in launching new product, service and programs market completion. 59.2% of the respondents support it. Most 63.5% of the respondents agreed on their bank's had good level of customer satisfaction in our banks industry.

In a current situation our banks striving to use new technologies like core banking, card banking, mobile money solution and others to address customer need and to cop up with competitive environment exist in banking industry. 59% most of the respondents agreed on their bank have an acceptable level of innovation in our banking industry advanced built up technology. Most of the respondents also support that their banks have (perceived environmental uncertainty) adaptive strategy to the changing conditions of the environments.

Learning and growth is one pillar of BSC. It includes employee retention, training, skills, morale and measure of availability of critical real time information needed for front line employees. These are the critical for non financial performance measurement of the bank's (Kaplan and Norton 2001). These are supported by 59.8% of respondents that their banks have enough and well trained employees. 57.8% of respondents accept that their bank have organizational reputation

Table 5: Non financial performance of banks

Non financial Performance measurement of Banks	Measurement	1	2	3	4	5	Mean	Stdv
Do you believe that your bank offer the best quality of product or services or programs compared to others	Freq.	4	5	56	83	11	3.6	0.8
	%	2.5%	3.2%	35.2%	52.2%	6.9%		
In your opinion do your bank a good success rate in launching new product, service and programs market completion	Freq.	1	9	55	85	9	3.6	0.7
	%	0.6%	5.7%	34.5%	53.5%	5.7%		
Your bank have a good level of customer satisfaction in our bank industry	Freq.	0	6	52	90	11	3.7	0.7
	%	0%	3.8%	32.7%	56.6%	6.9%		
Your bank/ have an acceptable level of innovation in our banking industry advanced built up technology	Freq.	0	7	58	81	13	3.6	0.7
	%	0%	4.4%	35.5%	50.9%	8.2%		
Your bank have (perceived environmental un certainty) adaptive strategy to the changing conditions of the environments	Freq.	0	11	57	84	7	3.5	0.7
	%	0%	6.9%	35.6%	52.8%	4.4%		
Your bank have enough number of well trained and satisfied employees	Freq.	1	7	56	86	9	3.6	0.7
	%	0.6%	4.4%	35.2%	54.1%	5.7%		
Your bank have organizational reputation in banking sector	Freq.	2	3	61	85	7	3.6	0.7
	%	1.3%	1.9%	39%	53.4%	4.4%		
Your bank have business growth in the past seven years	Freq.	2	4	60	86	7	3.6	0.7
	%	1.3%	2.5%	37.7%	54.1%	4.4%		
Do you believe that the budgetary control have a role on this non financial performance of your bank in the last seven year	Freq.	2	5	60	85	7	3.6	0.7
	%	1.3%	3.1%	37.7%	53.5%	4.4%		

Source: Researcher, 2018

Organizations that are moving towards integrated performance measurement could develop a well competitive advantage which can secure capital and credit, help in the war for talent, and build strong business relationships. Stake-holders will gain a better understanding of the quality and sustainability of performance through insight into external influences, strategic priorities and the dynamics of the chosen business model (Armin and Werner, 2012). According to Kaplan and Norton (2001) integrated performance measurement tool of BSC are financial, customers, internal process and learning and growth. 58.5% of respondents agreed on their bank have business growth in the past seven years. Most of them also believe that the budgetary control have a role on this non financial performance of their bank in the last seven year.

4.5 Classical Linear Regression Model Assumptions Test

The researcher constructed the econometric model in order to answer the research question. The researcher also knows theoretically, an econometric model should pass pre and post estimation tests or diagnostic tests. In the way to make sure the model is valid, consistent and reliable the researcher applied the following tests.

A. Multicollinearity Test

An assumption of ordinary least square estimation method says that explanatory variable should not be correlated. In any practical context, the correlation between explanatory variables will be non-zero, although this will generally be relatively being in the sense that a small degree of association between explanatory variables will almost always occur but will not cause too much loss of precision. However, a problem occurs when the explanatory variables are very highly correlated with each other, and this problem is known as multicollinearity. Perfect multicollinearity occurs when there is an exact relationship between two or more variables. In this case, it is not possible to estimate all of the coefficients in the model Brooks (2008). Kennedy (2008) suggests that any correlation coefficient above 0.7 could cause a serious multicollinearity problem leading to inefficient estimation and less reliable results. The STATA results of the following correlation matrix table show that the highest correlation of 0.5490 which is between budgetary control process and human factor in budgetary control.

Table 6: Correlation Table

```
. corr feature human process challenge
(obs=159)
```

	feature	human	process	challenge
feature	1.0000			
human	0.3759	1.0000		
process	0.5490	0.3905	1.0000	
challenge	0.4547	0.5287	0.3573	1.0000

Source: STATA result 2019

In addition variance inflation factor (VIF) has the mean value of less than 10 no problem of multicollinearity happened. Hence, Multicollinearity was not a concern with this data set.

Table 7: Variance Inflation Factor (VIF) Table

```
. vif
```

Variable	VIF	1/VIF
feature	1.62	0.618794
challenge	1.56	0.642732
process	1.52	0.657615
human	1.49	0.670459
Mean VIF	1.55	

Source: STATA result 2019

B. Normality Test

In a linear regression model, we assume that the disturbances are normally distributed. It is necessary to perform a test on residuals for normality. The researcher hypothesize that the data follows a normal distribution, and only reject this hypothesis if we have strong evidence to the contrary i.e. if the test is significant, the distribution is non-normal. According to Brooks (2008), if the residuals are normally distributed, the histogram should be bell-shaped, the kurtosis must be no by far large from three and the Bera--Jarque statistic would not be significant. This means that the p-value given at the bottom of the normality test screen should be greater than 0.05 to not reject the null of normality hypothesis at the 5% level. The test result shows that p-value of the model is less than 0.05. This implies that the distribution is not normal. In the normality assumption as the sample size increases, normality parameters become more restrictive and it becomes harder to declare that the data are normally distributed. And also the normality is not as such a problem for this sample size, because it is >50.

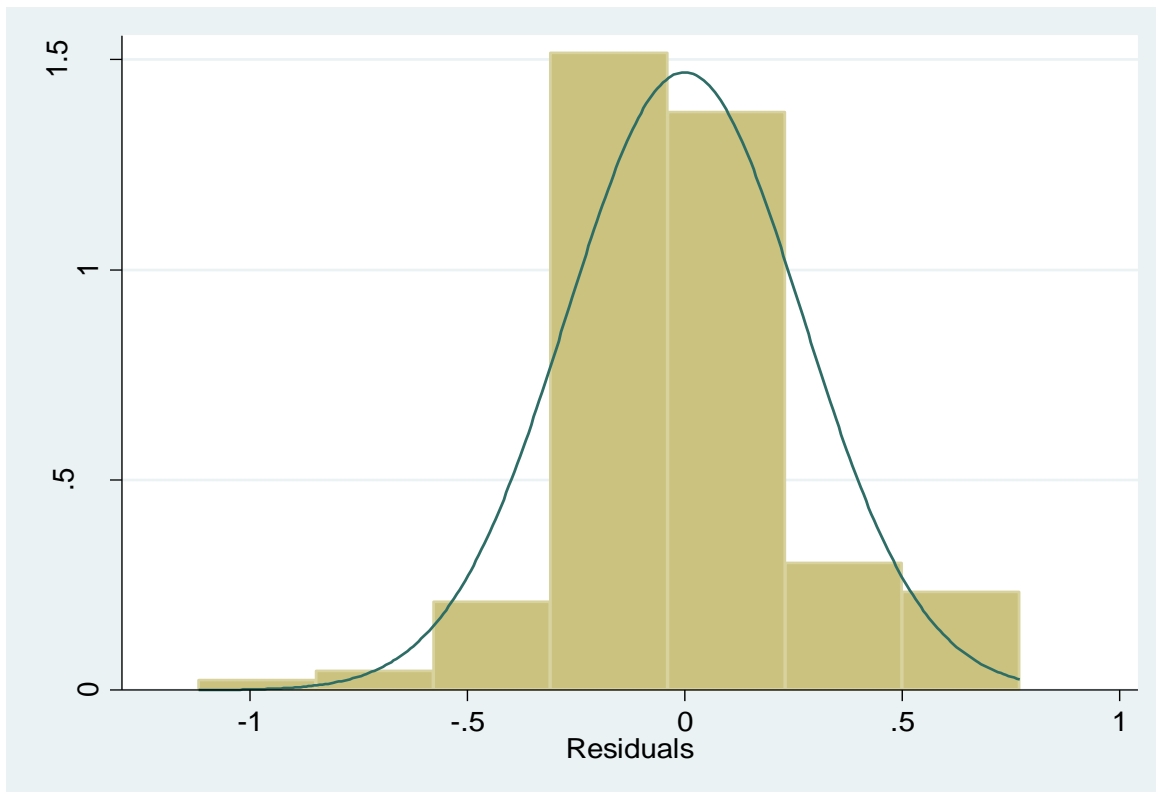
Table 8: Normality Result Table

```
. sktest residual
```

Skewness/Kurtosis tests for Normality					
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	joint Prob>chi2
residual	159	0.2539	0.0004	11.73	0.0028

Source: STATA result 2019

Figure 7: Histogram of Model Test



Source: STATA result 2019

C. Heteroscedasticity Test

In a linear regression model, we assume that the variance of the error term is constant which is called homoscedasticity. But when the error does not have constant variance we call it heteroscedasticity. The Breusch-Pagan Lagrange multiplier test used to test this assumption having the null hypothesis of constant variance. In this case, both the F- and chi2'LM' versions of the test statistic give the same conclusion that there is no evidence for the presence of heteroscedasticity, since the p -values are considerably in excess of 0.05 we couldn't reject the null hypothesis of constant variance. In the following table the P value for the model is greater than 0.05 that is 0.2065 for F-test and 0.0632 for chi2. We couldn't reject the null hypothesis of homoskedasticity.

Table 9 : Hetroscedacity Test Table

```
. estat hettest, fstat

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of performance

F(1 , 157) = 1.61
Prob > F = 0.2065

. estat hettest, normal

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of performance

chi2(1) = 3.45
Prob > chi2 = 0.0632
```

Source: STATA result 2019

4.6 Regression Analysis

The researcher conducted a linear multiple regression analysis so as to test the relationship among independent variable (budgetary control feature, human effect on budgetary control, budgetary control process and challenges of budgetary control) on dependent variable (non financial performance of banking industry). The researcher applied STATA13 to code, enter and compute the measurement of the multiple regressions for the study.

Table 10: Model summery

Model	Prob>F	R-squared	Adjusted R-squared	Standard Error of the estimate
1	0.0000	0.6927	0.6847	0.2749

Source: STATA result 2019

Coefficient of determination explain that the extent to which the change in dependent variable (non financial performance) determined by the change in independent variable (budgetary control feature, human effect on budgetary control, budgetary control process and challenges of budgetary control). This can be explained by adjusted R-squared of the regression result.

The STATA results of this research shows that 68.47% non financial performance of banking industry is explained by adjusted R-squared. This therefore means that other factors not studied in this research contribute 31.63% of non financial performance of banking industry. Therefore, further research should be conducted to investigate the other factors 31.63% of non financial performance of banking industry.

Table 11: Analysis of Variance

Model	Sum of square	Df	Mean square	F	Sig.
Regression	26.23	4	6.557	86.77	0.000
Residual	11.64	154	.0756		
Total	37.87	158	.239		

Source: STATA result 2019

The significance value of this is 0.000 which is less than 0.05 thus is statistically significant in predicting the effect of budget and budgetary control process on non financial performance. The F critical at 5% level of significance was 3.23. F calculated is greater than F critical (value=86.77), this shows that the overall model is significant.

Table 12: coefficient of determination

	Beta	Standard Error	T	Sig.
Constant	0.702	0.205	3.43	0.001
Budgetary control feature	0.123	0.048	2.56	0.012
Human factor of budgetary control	0.211	0.064	3.27	0.001
Budgetary control process	0.306	0.039	7.89	0.000
Challenges of budgetary control	0.178	0.031	5.70	0.000

Source: STATA result 2019

The researcher conducted multiple regression analysis to determine the relationship between non financial performance of banking industry and other independent variable. As per STATA result the above table shows that the equation ($Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$) becomes:

$$Y = 0.702 + 0.123X_1 + 0.211X_2 + 0.306X_3 + 0.178X_4 + 0.205$$

Where Y= Non financial performance of banking industry in Ethiopia

X_1 = Budgetary control feature

X_2 = Human factor on budgetary control

X_3 = Budgetary control process

X_4 = Challenges of budgetary control

According to the regression equation established taking all independent variable being constant at zero, the non financial performance at banking industry will be 0.702. The above equation also shows that assuming all other independent variables constant a unit changes in budgetary control feature will leads to change non financial performance of banking industry by 0.123; a unit changes in human factor in budgetary control will leads to change non financial performance of banking industry by 0.211; a unit changes in budgetary control process will leads to change non financial performance of banking industry by 0.306; and a unit changes in challenges of budgetary control will leads to change non financial performance of banking industry by 0.178.

At 5% level of significance and 95% confidence interval, budgetary control feature had a 0.012 level of significance; human factor on budgetary control had a 0.001 level of significance; budgetary control process had a 0.000 level of significance; and challenges of budgetary control had a 0.000 level of significance. Hence budgetary control process and challenges of budgetary control are the most significant factor of the model.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The chapter provides summary of the finding from chapter four. The chapter also provides conclusion and recommendation of the study based on the objectives of the study. The objective of the study was to assess the effects budget and budgetary control had on non financial performance of Commercial Banks in Ethiopia.

5.2 Summary of Finding

Table 13: Table of Summaries of Finding

. sum feature human process challenge performance

Variable	Obs	Mean	Std. Dev.	Min	Max
feature	159	3.719308	.5777413	1.43	5
human	159	3.465409	.4142352	2.17	4.39
process	159	3.62761	.6958943	1	5
challenge	159	3.378616	.8704985	1	5
performance	159	3.603145	.4895466	1.56	4.44

The above table shows that the average response of respondents on each variables of the research and variation of each response from the mean. The table also shows that the minimum and maximum responses of the respondent. Due to these the respondents accept budgetary control features have an effect on non financial performance of the banks by the mean of 3.719308; the respondents accept human factor in budgetary control have an effect on non financial performance of the banks by the mean of 3.465409; the respondents agreed on budgetary control process have an effect on non financial performance of the banks by the mean of 3.62761; the respondents agreed on challenges of budgetary control have an effect on non financial performance of the banks by the mean of 3.378616; and the respondents agreed on non financial performance changes of the banks have budgetary control implication using their average response of 3.603145.

5.3 Conclusion

The study concluded that the features of budgetary control had an effect on non financial performance of the bank. This is reflected by beta coefficient of the features of budgetary control was 0.123 of the regression result which had the positive relationship with non financial performance. Further, the study concluded that the ability of budgetary control to lead into cost effective procurement this made effect on performance of the bank. The study also concluded the fitness of budgetary control to save cost and to meet non financial objectives of the banks. The study finding concluded that budgetary control saving of operational cost increasing the non financial performance of the organization. The study finding also concluded budget controls as a tool for economic efficiency the banks invest its resources in income generating ventures. The study concluded budgetary controls did not necessary increase internal motivation among employee. The study finding concluded budget as a management tool facilitate prediction of financial milestone by the bank.

The study further concluded that human factor in budgetary control had an effect on non financial performance of the bank. This is reflected by 0.211 coefficients of determination and 0.001 of level of significance that the human factor in budgetary control had relationship with non financial performance. The study finding concluded managerial commitment to budgetary control had increase performance of the banks. The study finding also concluded complete acceptance of budget controls by management has led to performance of the banks. The study finding further concluded that the use of budgets to pressure employees has led to mismanagement of funds a situation that could lead to negative non financial performance. The study also concluded that the meaningful involvement of employees could increase productivity the banks which is an attribute of non financial performance.

The study further concluded that budgetary control process had an effect on non financial performance of the bank. This is reflected by 0.306 coefficients of determination and 0.000 of level of significance that budgetary control process had a relationship with non financial performance of the bank. Further, the study concluded that non financial performance of the bank was affected by budget goal stated in the planning stage. The study also concluded involvement of all players of the organization in budget planning had in connection with favorable cost variance of the bank. The study further concluded that budget approval by board

of directors of the bank did consider non financial goal of the bank they worked in. The study also concluded that budget allocation was based on sector priorities within the bank and not necessarily financial needs of the organization. The study further concluded budgetary control process lacks tools for monitoring of disbursed fund had affect non financial performance of the bank. The study also concluded fixed allocation of funds for all projects improve the bank non financial performance.

The study further concluded that challenges of budgetary control affect non financial performance of the bank. This is reflected by 0.178 coefficients of determination and 0.000 of level of significance that the challenges of budgetary control had relationship with non financial performance of the bank. The study further concluded on one of the challenges of budgetary control of banks was failure of budget control process to focus on organizational long term goals. The study also concluded lack of well functioning accountability framework was affect non financial performance of the banks. Further, the study concluded that the effectiveness of budgetary process was derailed by lack of teamwork between the management and finance function, thus it had an implicating on the organizations non financial performance.

Finally budget and budgetary control had an effect on non financial performance of the banks which is supported by 0.000 level of significance of the model.

5.4 Recommendation for Policy

Budgetary control is a tool of economic efficiency, management and accountability. It should maintain cost effective procurement of the bank, in the way to save cost to fit with bank's objectives, maintain accountability within the bank.

Budgetary control is affected by human (management and employee) action and also affects them. Due to this the organizations should use budgetary control to motivate employees to do better, forecast the future, to assist in control, as a means by which management communicates to other levels of department and as a means of performance appraisal. This will in turn improve the non financial performance of the organizations.

Since control and budgetary controls are not intimately linked with considerations of labor controls they should be employed by the firm to improve non financial performance, adopt long range planning and long range forecasting techniques in budget planning at banks. The

organizations should ensure full participation by managers in setting their budgetary targets and put in place adequate control measures to improve non financial performance, employ sophisticated corporate planning and corporate non financial plans in its budgeting system.

The study further recommended budgetary control process should focus on organizational long term goals; should maintain teamwork between the management and finance function, thus it had an implicating on the organizations non financial performance. Budgetary control should develop well functioning accountability framework to affect non financial performance of the banks.

5.5 Limitation of the Study

One of the major limitations encountered in the study emanated from the fact that information from the banking industry is secured through strict confidential policies which make it classified and hence inaccessible to unauthorized persons only. Therefore accessing fully some of the crucial data by way of questionnaires was quite a difficult task. However the researcher sought permission from the relevant authorities so as to facilitate the process of introduction to the banks in a formal way. The researcher also assured the respondents that the research was for academic consumption only and suggested offering them a copy of the findings on request. This gave them more reassurance and confidentiality.

Secondly, most academic staff had a busy schedule and more so due to the fact that many private sector researchers from different disciplines of knowledge frequently targeted these institutions for their case studies. Thus, the financial department saw this as very usual occurrence and did not seriously consider answering questionnaires. The researcher however presented himself in a friendly and interactive manner and persuaded them to exhaustively answer the questionnaires.

5.6 Recommendations for Further Studies

This study has investigated the effect of budget and budgetary control on non financial performance in Ethiopian banking industry. To this end therefore a further study should be carried out to assess the effect of budget and budgetary control on non financial performance in other industrial sectors. Moreover, a study should be carried out to investigate the challenges facing budgetary control process in the banking industry in Ethiopian.

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QUESTIONNAIRE
Addis Ababa University
Collage of Business and Economics
Department of Accounting and Finance: Post Graduate Program
Questionnaire for Bank Staffs

Dear Sir/Madam

I am MSC in Accounting and Finance student at Addis Ababa University and now I am doing research on topic entitled ‘Impact of budget and budgetary control on financial performance: In case of Ethiopian Commercial Banks ’. I shall be great full if you help me in filling up the questionnaire with fair and frank responses. I assure you that the information supplied will be kept strictly confidential and used for the academic research purpose only.

Thank you for your cooperation !!

I. Personal Information Of Respondents

Please put right mark (√) in front of your choice box that express yourself

1. Gender: Male Female .
2. Age: 18-24 25-35 36-50 51-60 Above60
3. Year of experience: 1-5 6-10 11-15 16-20 Above 20
4. Job Position: Finance Manager Accountant Budget office Manager
Budget officer Other line Manager
5. Bank: Commercial Bank of Ethiopia , Awash Bank , Bank Of Abyssinia ,
Cooperative Bank Of Oromia , Oromia International Bank , Lion Bank ,
Enat Bank , Abay Bank , Wogagen Bank , Debub Global Bank , Nib Bank ,
United Bank , Birhan Bank , Zemen Bank
Buna International Bank , Addis International Bank

II. Questions relation to the effect budgetary on financial performance of banks

Please rightmark (√) any no. from 1to 5 on the basis of your experience budget and budgetary control

s/n	Controlling Factor	Strongly disagree	Dis agree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	Budgetary control features and financial performance					
1.1	Budgetary control has led to cost effective procurement , thus surplus revenue					
1.2	Surplus revenue is not assured through increased budgetary controls					
1.3	Fitness of budgetary control to bank's situation save cost					
1.4	Accurate budget prediction through budgetary control does not increased performance of the organization					
1.5	Budget controls provide cash expenditure tracking and save operational costs					
1.6	Budget controls provide a bank's with avenues to in income generating ventures					
1.7	Budgetary controls do not necessary increased employee productivity through internal motivation					
1.8	As management tools budgets facilitate prediction of non financial milestones by the bank					
2	Human factor within budgetary control and financial performance					
2.1	Managerial commitment to budgetary controls has not increased performance of our bank					
2.2	Complete acceptance of budget controls by management has led to better performance					
2.3	Use of budgetary control to pressure employees has led to mismanagement of funds					
2.4	Meaningful involvement of employees has not ensured increased productivity					
2.5	Use of budgetary control to achieve organizational goals has led to increased operational efficiency					
2.6	Management values employees in budgetary controls thus increased revenue					

2.7	Performance has been use of budget to blame employees					
2.8	Performance in our bank is affected by degree of top management preoccupation by technical aspects of the budget					
2.9	Favorable cost variance is due insight and sensitivity by the administration					
3	Budgetary control process and financial performance					
3.1	The non financial performance of the bank is based on budget goal stated in the planning stage					
3.2	Involving all players of the organization in budget planning has led to favorable cost variance					
3.3	Non financial policy in the budget process is determined by non financial standing of the organization					
3.4	Budget approval does consider non financial goal of the bank					
3.5	Budget allocation is based on sector priorities and not necessarily non financial needs of the organization					
3.6	Politicizing of budget approval has led to unfavorable variances which could have implication on the bank non financial performance					
3.7	Budgetary control process lacks tools for monitoring disbursed fund has affect non financial performance of the bank					
3.8	Budget allocation of the bank act as bench mark towards non financial performance					
3.9	Fixed allocation of funds for all projects has improve the bank non financial performance					
4	Challenges of budgetary control and financial performance					
4.1	Budgetary control process fails to focus on organizational performance					
4.2	Budgetary control has led to undefined financial goals which could lead to negative financial performance					
4.3	Lack of well functioning accountability framework of budgetary control is affect organizational non financial performance					
4.4	Budgetary control process has lack of teamwork between the management and finance function					
4.5	Organizational change is restrict budgetary control and influence non financial performance					
5	Non financial performance of banks					

5.1	Do you believe that your bank offer the best quality of product or services or programs compared to others					
5.2	In your opinion do your bank a good success rate in launching new product, service and programs market completion					
5.3	Your bank have a good level of customer satisfaction in our bank industry					
5.4	Your bank have an acceptable level of innovation in our banking industry advanced built up technology					
5.5	Your bank have (perceived environmental un certainty) adaptive strategy to the changing conditions of the environments					
5.6	Your bank have enough number of well trained and satisfied employees					
5.7	Your bank have organizational reputation in banking sector					
5.8	Your bank have business growth in the past seven years					
5.9	Do you believe that the budgetary control have a role on this non financial performance of your bank in the last seven year					