



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE**

**FACTORS AFFECTING EFFECTIVE MANAGEMENT OF PUBLIC
BUDGET OF ETHIOPIA
(CASE OF OROMIA REGIONAL GOVERNMENT-ORG)**

By: MESFIN MAHTEMESELA ALULA

**A THESIS SUBMITTED TO DEPARTMENT OF ACCOUNTING AND
FINANCE, COLLEGE OF BUSINESS AND ECONOMICS,
ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE DEGREE OF
MASTER OF ACCOUNTING AND FINANCE**

May 29, 2019
Addis Ababa, Ethiopia

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ADVISOR: LAXMIKANTHAM P. (PhD)

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Approved by the Board of Examiners

Advisor

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STATEMENT OF DECLARATION

I, Mesfin Mahtemeselase Alula, have carried out independently a research work on “Factors Affecting Effective Management of Public Budget of Ethiopia in the case of Oromia Regional Government (ORG)” In partial fulfillment of the requirement of the MSc in Accounting and Finance with the guidance and support of the research advisor.

This study is my own work that has not been submitted for any degree or diploma program in this or any other institution.

Declared by:

Confirmed by Advisor

Name: Mesfin Mahtemeselase Alula

Name: Dr. P. Laxmikantham

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Signature: _____

Date: _____

Date: _____

STATEMENT OF CERTIFICATION

This is to certify that Mesfin Mahtemeselase Alula has carried out research work on the topic entitled “Factors Affecting Effective Management of Public Budget of Ethiopia in the case of Oromia Regional Government (ORG)”, is his original work, which has not been presented for degree in this or any other university and that all sources of materials used for the thesis have been properly acknowledged.

Advisor: Dr. P. Laxmikantham_____

ABSTRACT

The study intended to establish factors affect effective management of public budget in Oromia Regional State and it was guided by the following research objectives to determine the effect of public participation, staff competency, government regulations and the application of information technology on effective management of budget. The problem that the study intended to address was lack of effective management of the budget in the region. This was demonstrated by the high amount of cash unspent in Oromia Regional Government and Federal Government of Ethiopia's account at the end of each budget Year with many incomplete projects. The target population was regional government employees in the regional Sector Bureaus and Woreda Finance & Economic Office, while the available populations were a sample of one hundred ten was selected by the application of stratified sampling. The researcher collected data through administering questionnaires to regional and woreda senior budget directors and experts in budget department. Explanatory research technique was applied to analyze and interpret data that made it possible to draw conclusions on the factors affecting effective management of the budget in region. Analyzed data and findings were presented in tables, charts and graphical presentations. These were supported by SPSS which is statistical software. The study established that there was a positive and significant relationship between the explanatory variables as tabulated above and effective management of the budget in region posting an R-Squared (R²) of seventy-one point six percent (71.6%) The study therefore concluded that, citizen participation, employee competency and public finance regulations should be embraced since they established a significant positive relationship with the dependent variable.

Key words: SPSS and population, Citizen Participation, Employee competency, information technology, Budget, stratified sampling

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ABBREVIATIONS AND ACRONYMS

BDA	Budget Disbursement and Accounting System
BIS	Budget Information System
BoFEC	Bureau of Finance & Economic Cooperation
BoFED	Bureau of Finance & Economic Development
CBE	Commercial Bank of Ethiopia
CSA	Central Statistical Agency Of Ethiopia
EFY	Ethiopian Fiscal Year
ETB	Ethiopian Birr
IBEX	Integrated Budget and Expenditure
MEFF	Macro-Economic and fiscal Framework
MoF	Ministry of Finance
MoFEC	Ministry of Finance & Economic Cooperation
MoFED	Ministry of Finance & Economic Development
ORAG	Office of Regional Auditor
ORG	Oromia Regional Government
PEFA	Public Expenditure Financial Accountability
PFM	Public Finance Management
PBS	Protection Basic Service
PI	Performance Indicator
WoFED	Woreda Finance & Economic Development
ZoFED	Zone Office of Fiancé &Economic Development

CHAPTER ONE

1. Introduction

This study presents factors affecting effective management of public budget of Ethiopia in the Case of Oromia Regional Government (ORG). It tried to cover the background of the study; effective budget management; objective of the study; research questions; significance; scope and limitation of the study.

1.1. Background of the Study

Budget can be generally considered as a proper expression of plans, goals, and objectives of an organization that covers all aspects of operations for a designated time period (Jatau, 2008), and it is described as the single most important document of the government in any fiscal year. This is because, budget management enforces fiscal discipline, fosters macroeconomic stability, improves the portfolio of programs by rewarding effective and efficient programs as well as builds a culture of performance and accountability within the government (Pascua, 2005).

Effective budget management is the ability of an organization to formulate, adopt and execute a budget and also put in place control measures to ensure achievement of both long term and short term goals and obligations of the organization (Hashem, 2014)

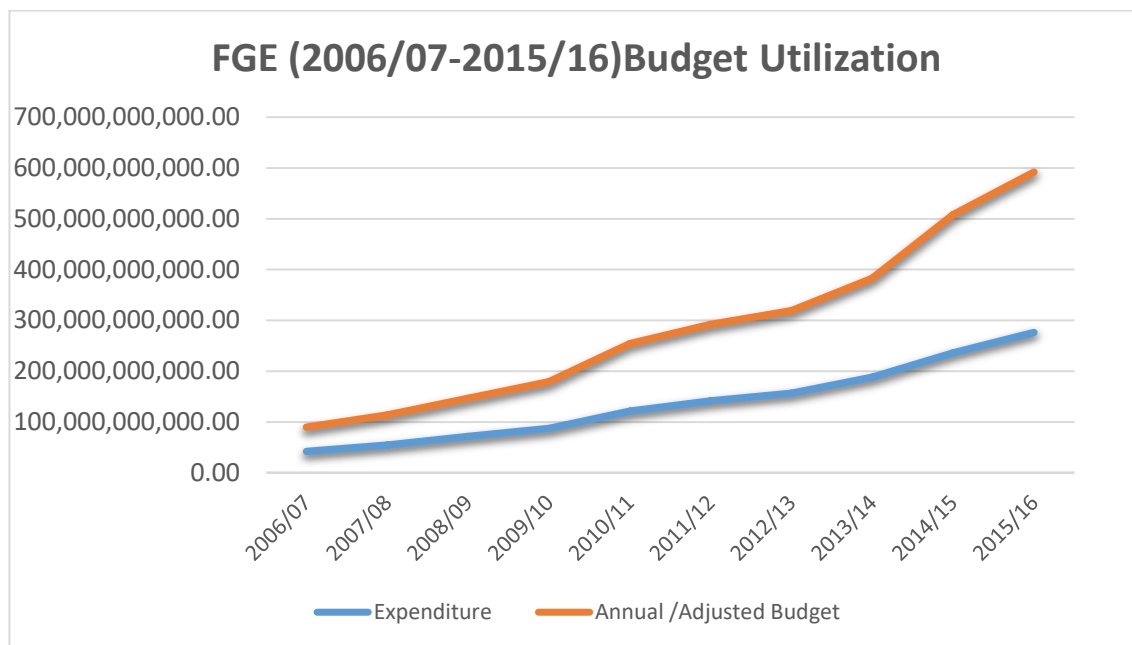
Budget is an important component in County Government planning and decision making. Almost every organization, regardless of size, complexity or sector, relies heavily on budgets and budgetary systems to achieve strategic goals (Oketa, 2013). In practice, budgets are rarely effectively managed. This can be for legitimate reasons, such as adjustments in policies in response to changes in economic conditions, or for negative reasons, including mismanagement, poor budgetary process, unauthorized expenditures, inefficiency, or fraud (Nebraska, 2015)

Lack of effective management of the Budget was not only an Ethiopian challenge but a global challenge. Budgeting has succeeded in many countries including New Zealand, Australia, Singapore, Netherlands, Norway, Sweden, USA, Canada, Mauritius, Rwanda and South Africa but also failed in others like Sri Lanka and Thailand as measured by poverty index and GDP (World Bank group. 2017).The challenge of the budget management are similar in developing countries

like mismanagement of budget utilization, poor budgetary process, unauthorized expenditures, inefficiency, or fraud. At most the problem is highly influences the capital budget and it is concerned with new long-term assets (such as land, infrastructures and equipment). In some countries, the law requires that regional governments have balanced operating budgets. As for capital budgets, since they concern the acquisition and construction of assets that generate benefits over several years, inter-period equity suggests that they should not be financed by taxes in a single year, but rather by debt that is repaid over a period that extends farther into the future (Veiga, Kurian & Ardakanian, 2015).

At the federal level, there are detailed public finance management procedures in place but not performed well as required to monitor each programs and expenditures closely these implies there is lack of effective use of the budget when comparing the actual performance of the approved budget and annual expenditure that go over and underutilization. Referring from figure one (1) below:-

Figure 1 - 1 (2006/07-2015/16) budget utilization

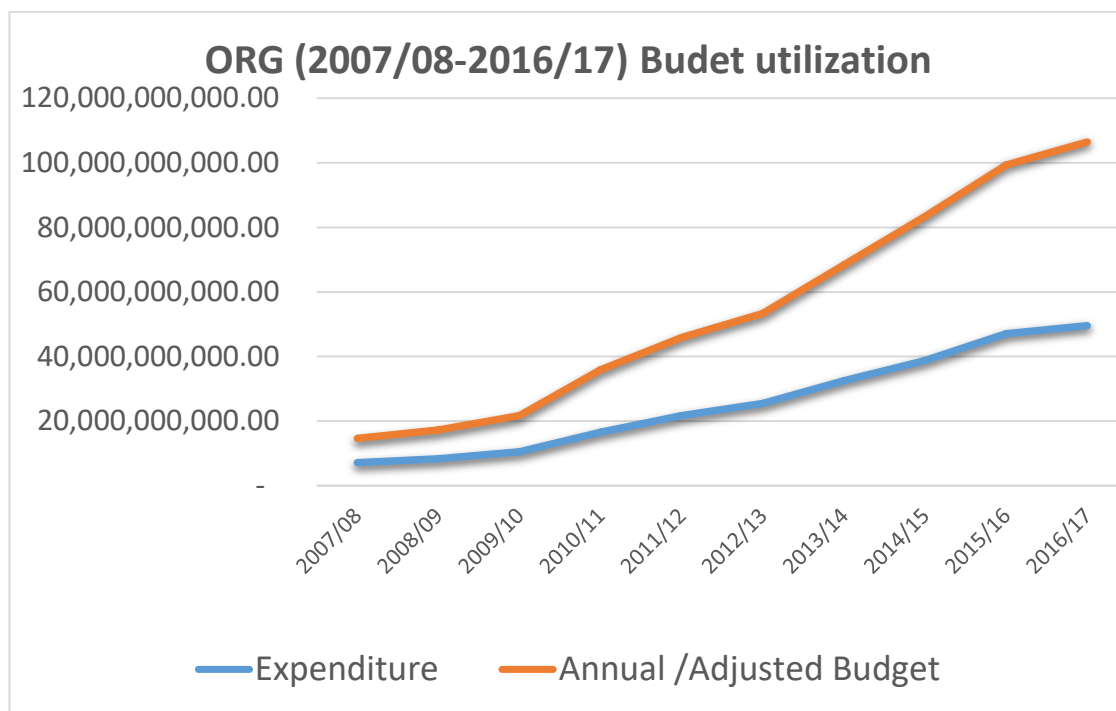


Source: MoF website (www.mofed.gov.et)

At regional level there aren't detailed public finance management procedures in place and the actual performance also not well performed as required to monitor each programs and expenditures closely due to of different problems that the region face for the last ten years, though the researcher

observes from different sources like; un-published annual report, regional annual public finance management report and other un-published budget utilization document presents for regional cabinets, etc. The major problems are: high amount of un-spent cash return to treasury at the end each budget year, many capital projects aren't complete and handover and put in operation as stated by the design etc. The basis of the problems were high turnover of professional skilled human power, low information technology infrastructure in most woredas, inconsistent of public participation on budget process, low monitoring and evaluation in projecting performance, frequently reshuffling of Woreda cabinets and frequently revise the annual plan and budget allocation. Though those issues mentioned above lead to low budget utilization. Refer the following figure 2 below federal government budget utilization for previously ten years.

Figure 1 - 2 (2006/07-2015/16) Budget utilization



Source: - www.romiabofed.gov.et

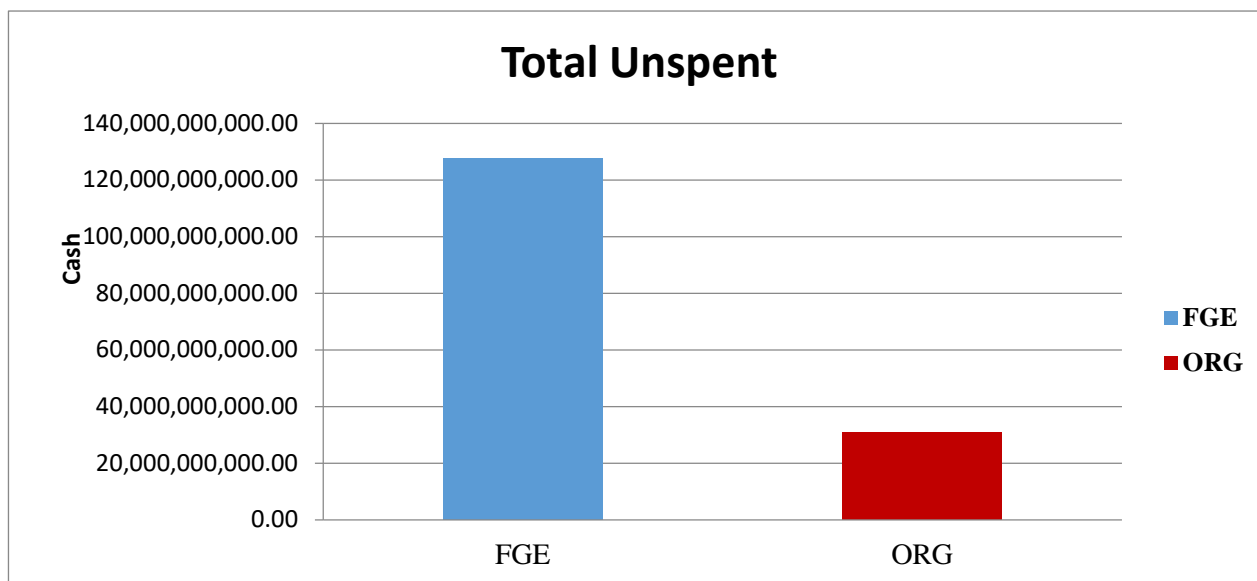
Table 1 - 1 Budget Share of Oromia from FGE

The 2018 (Hamle 1, 2010 e.c - Sene 2011e.c) at federal level and subsidy to Oromia	
1. A for recurrent expenditure	91,675,160,588.00
2. For capital expenditure	113,635,559,980.00
3. For subsidy appropriation to regions	135,604,731,380.00
4. Support for achievement of sustainable development Goals	6,000,000,000.00
Total	<u>346,915,451,948.00</u>
Allocation of subsidy to region	
Domestic source	131,218,696,798
External Loan	3,932,880,000
External Assistance	453,154,582
Total	135,604,731,380
Subsidy from Federal to The state of Oromia	
1. Domestic source	45,281,817,687
2. External assistance	90,831,830
Total	45,372,649,517
Percentage share of budget subsidized from Federal government	<u>33.5%</u>

Source: www.mofed.gov.et

In Oromia region budget proclaimed by the “Chafe Oromia” to be used for a given fiscal year, The proclamation for a given fiscal year contains,;-total budget that is used at bureau and woreda level of Oromia region, recurrent and capital budget proclamation at bureau level, Source of finance the budget is covered from and total amount of revenue that is expected to be collected for that given fiscal year. The above table shows the region receive subsidy (budget support) around 33.5 % of share compare to other region this implies that the region has high amount of population and high amount of total economic share. So the problems that found in Oromia have high amount of impact on federal level budget performance.

Figure 1 - 3 Unspent cash at FGE & ORG



Source: - www.obofedobofed.gov.et & www.mofed.gov.et

1.2 Statement of the Problem

Lack of effective management of the budget was not only an Ethiopian challenge but a global challenge Tefera, (2015). In Nigeria, Local Government has historically provided services of importance to its citizens in rural and urban areas which include provision of basic services like water, roads, health services, education, etc. the role of local government in providing these services had attracted public concern. (Ukpere, 2009).

Budgeting has succeeded in many countries including New Zealand, Australia, Singapore, Netherlands, Norway, Sweden, USA, Canada, Mauritius, Rwanda and South Africa but also failed in others like Sri Lanka and Thailand as measured by poverty index and growth domestic product (World Bank group, 2017).

The budgeting process in the Federal Government and regional governments in Ethiopia continued been with lot challenges therefore posing a difficulty in achieving the expected development in Ethiopia specifically in Oromia the budgeting process in the regional sector bureau and Woredas was with a lot of challenges. From 2007/2008-2017/18 over thirty one (31) billion ETB cash was returned back to the treasury having not been utilized. Such amount of funds returned affects project implementation process as well as realization of goals. Mostly the region returned those

capital budgets to treasury a lot of un-used cash may be due to poor timeliness, miss-allocation, unbudgeted cost, low capacity of tax collecting, low covering of information technology infrastructure, turnover of skilled human power, un-proper cash utilization.

In spite of the several attempts at reforming the budgetary process including implementation and control, the budget management in Oromia region has remained an unsatisfactory instrument of achieving regional development policies & strategies as required because of poor budget management. The major focusing of this research are to identify the regional as well as federal budget management problems those problems based on high percentage of under-utilization on budget has a negative effect to the citizens of a region in regard to achieving the desired goals and objectives. It was with this in mind that the researcher finding to establish and analyze the factors that are likely to affect the effective management of budgets in Ethiopia specifically in Oromia regional Government.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the study was to establish the factors affecting effective management of the budget in Ethiopia in the case of Oromia RegionalGovernment-.ORG.

1.3.2 Specific Objectives

1. To establish the impact of citizen participation on the effective management of budgets in Oromia Regional Government
2. To establish the impact of employee competency in region on the effective management of budgets in Oromia Regional Government.
3. To investigate how the application of information technology impacts on the effective management of budgets in Oromia Regional Government.
4. To establish how public finance regulations and laws impacts on the effective management of budgets in Oromia Regional Government.

1.4. Research Questions

1. What effect does citizen participation have on the effective management of budget in Oromia Regional Government?
2. What effect does the competency of employee in region have on the effective management of budget in Oromia Regional Government?
3. What effect does the application of information technology have on the effective management of budget in Oromia Regional Government?
4. What effect does the application public finance regulations and laws have on the effective management of budget in Oromia Regional Government?

1.5 Significance of the Study

The study have lot of benefits to the general public and all the Regional Finance Bureaus and offices involved in the budgeting process. The study explained the effective budgeting management and the role of the citizens in the budgeting process. The study also sensitized the citizens on their rights with regard to the budget making process to the regional government. The study explained why effective management of budgets had not been achieved as expected. It provided reference information for purposes of implementing budgets effectively. The findings also provided insights to the regulatory bodies and the government at large on the factors affecting the effective management of budgets and also reasons for poor implementation of budgets. This would enable Regional legislative body to make appropriate interventions when things tend to move outside the plan.

To other researchers, the study will provide useful basis upon which further studies on effective management of budgets would be conducted. The study made a contribution to the Regional budget directorate helps to investigate other problems related to budget management and decide to find strategic solution to implement budget management effectively and therefore contributed to the body of knowledge in budgetary issues and the related fields.

1.6 Scope of the Study

The scope of this study was to identify the factors that affect effective management of budgets in Oromia Regional Government and the various possible ways of addressing them. This study on the factors affecting effective management of budgets in the region was conducted in sector bureaus, and woredas. In selection of the sector bureaus and woredas, several factors were considered which included of the size of the sector bureaus. The researcher was confident that the selected population provided an adequate base upon which a sample was drawn that was able to provide reliable results after the analysis. The reliable results generated led to good recommendations, if implemented would lead to solving the problem of ineffective budget management in Oromia regional government.

1.7. Limitation of the Study

While conducting this paper the researcher was facing the following limitations are Budget constraint and Limited access, it was not easy to get all relevant information from respective offices because of geographical distribution of selected woredas. The unwillingness of some respondents to give information and answer for the questioners on time.

1.8. Organization of the Paper

This research paper is organized in to four chapters. The first chapter deals with the background, statement of the problems, objectives of the study, significance of the research, and scope of the study and organization of the paper. The second chapter on the other hand deals with both theoretical and empirical literatures on the subject of factors that affect public budget management. The third chapter focuses on the description of study area and detail research methodological issues.

Under the fourth chapter, major study findings are presented in detail together with their analysis and interpretations. Finally, the fifth chapter deals with major study conclusion and provision of relevant recommendations for the study region on the issues of budget participation and transparency based on the study findings.

1.9 Operational Definition of Terms

Budget - A budget refers to a comprehensive plan in writing, stated in monetary terms that outline the expected financial consequences of management's plans and strategies for accomplishing the organization's mission for the coming period (Abdullah. 2008)

Budget implementation - Budget implementation is the actual functioning, performance and execution of a specific revenue and expenditure estimation. Budget implementation has been very low in most less developed countries (Oketa, 2013)

Budgeting - Budgeting refers to the process of preparation, implementation and operation of budgets decisions into specific projected financial plans (Hashem, 2014).

Budgetary control - It refers to any management approach that involves setting some kind of targets, regularly measuring variances between the original targets and actual outcomes, and motivating people to reduce those variances (Abdullah. 2008)

Competency – Is the capability or ability or an underlying characteristic of an individual which is casually related to effective or superior performance (Boyatzis. 2008)

Effective budget management - Effective budget management is the ability of an organization to formulate, adopt and execute a budget and also put in place control measures to ensure achievement of both long term and short term goals and obligations of the organization (Hashem, 2014).

Financial management and information system - IFMIS usually refers to computerization of public expenditure management processes including budget formulation, budget execution, and accounting with the help of a fully integrated system for financial management of the line ministries and other spending agencies.

Target population - Target population is defined as all members of a real or hypothetical set of people, events or objects to which a study wishes to generalize the results of the research study (Bryman and Bell, 2007)

Validity - Validity is the degree to which an instrument measures what it purports to measure (Borg & Gall, 1996)

CHAPTER TWO

2. Literature Review

2.1. Introduction

This chapter tries to see the analysis of the existing knowledge and other researchers' works from library, different websites, research papers and other documents in order to know the concept of budget, budget approval, budget implementation and budget control and some empirical literatures are discussed. In this part, assessment of related theoretical literature from different books written by different scholars on the basic concept of the government budget implementation and controlling was presented to identify and analysis documents consisting of information associated with the research problem being investigated.

2.2 Theoretical Review

2.2.1 Definitions and Concepts of Budget

A budget is a statement of monetary plans that is prepared in advance of a forthcoming period, usually one year. Budgets are often thought to include only planned revenues and expenditures, which show the income that each part of an organization is expected to generate and the total cost that it is authorized to incur. However, a budget should also include an organization's plans for assets and liabilities and the estimates for cash receipts and payments (Brookson, 2000).

It was only then that budgets started to be considered as financial plans. At this time the term budget is used to mean a plan for financing an enterprise or government during a definite period, which is prepared and submitted by a responsible executive to a representative body whose approval and authorization are necessary before the plan may be, executed (Hyde, 1992).

In a broader definition, different scholars define budget from government side in different ways. For instance, according to Vennekens and Govender, (2005) a 'government budget is a public document that outlines how a government proposes to collect and spend money.' Vennekens and Govender, (2007) also stated that, 'Budget is a document which deals with allocating funds and is generated during the planning phase by the local authority or any other entity.' According to him in

regional government context, this document is considered as a vital part of the integrated development planning process. This is a financial plan specifying how objectives set in the plan will be achieved.

In general, a public budget is the financial plan of a government for a given period, usually for a fiscal year, which shows what its resources are, and how they will be generated and used over the fiscal period. The budget is the government's key instrument for promoting its socio-economic objectives. The government budget also refers to the income, expenditures and sources of borrowings of the federal Government that are used to achieve national objectives, strategies and programs (http://www.ombudsman.gov.ph/UNDP4/wp-content/uploads/2012/12/Chap1_FAQ.pdf).

2.2.2. Type of Budget

Government budget is basically classified according to the characteristics of the organization in such situation there are two types of budget recurrent and capital budget

2.2.2.1. Recurrent Budget

A recurrent budget tracks ongoing revenues and expenses that occur on a regular basis, be they monthly, quarterly, semiannually, or annually. Also known as an operational budget, a recurrent budget includes line items such as wages, utilities, rent or lease payments, and taxes. It also includes purchases that are expected to last for less than a year, such as office supplies. A recurrent budget can help a company manage its money and come up with strategies for cutting day-to-day costs (Davina, 2008).

2.2.3.2. Capital Budget

A capital budget is used to evaluate potential investments or expenditures for specific projects or purposes. When a company draws up a capital budget, it is typically doing so to determine whether it makes financial sense to acquire a specific asset e.g., a warehouse or a piece of equipment or to pursue a new project. Capital budgets cover purchases that are expected to last more than a year. The amount a company spends on such purchases is known as a capital expenditure (<https://www.fool.com/knowledge-center/capital-budget-vs-recurrent-budget.aspx>).

When a company creates a capital budget, it is usually with the goal of growing the business or increasing its value in the long run. However, the benefits of acquiring new purchases or pursuing special projects must be weighed against the costs involved (Davina, 2008).

2.2.2. Budget Preparation

The process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action. Public Budget preparation is one of the tedious tasks that any country should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget Elias, (2018).

In budgeting, the focus is not only to prepare the budget, but more importantly to have a follow-up operation for budgeting and to act according to known data Falk (1994), states that Budgets are financial expressions of a country's plan for a period of time. It tells where and how the organization will spend money and where the money will come from to pay these expenses. He adds that budgets set limits. Besides setting limits budgets also provides the assurance that the most important needs of a country are met first and less Important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still needed in order to have at least close estimation (Andrews and Hill, 2003).

The budget usually takes many months and involves all public institutions: the Ministry of finance manages the process; the cabinet/president sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state's limited resources to competing demands. Preparing a budget proposal that suggests a set of recommended policies and stays within whatever financial limits are considered politically realistic and has been a prominent issue in public budgeting (Shah, 2007).

Budget preparation is often viewed as a predominantly an executive role and includes the planning, sometimes referred to as pre- preparation and the linkage of plan through MTEF for annual budget establishment of priorities and resources spending envelopes (Shah, 2007). It is concerned with compiling a draft budget that can be submitted to the legislature. This stage is mostly internal to the executive, but it does not have to be a secretive affair. Different role players are typically involved at different stages of the budget process. It is much easier to control government expenditures at the upstream point of budget preparation than later during the execution of the budget (Potter and Diamond, 2008).

Budget preparation refers to the totality of the processes a budget passes through before it finally becomes a document. It involves all the executive and legislative processes, that is, collection of estimates from the various government departments to the defense before the various committees of the legislature and debates in the floor of the Houses, the passage into law and the final implementation and monitoring (Marygoreth, 2014). Preparation of budget primarily involves identification and setting of developmental goals. That is, it involves setting budgetary thrusts and policies based on the development plan.

In the federal governments like Nigeria, the responsibility of the president for the preparation and submission of budget is well established. At the state level, it is the statutory responsibility of the governor to prepare and submit the budget. In the local government, the chairman forms the government and invariably has complete control over budget preparation but assisted by the Finance Committee and other department heads. The process varies from state to state and is largely dependent on the amount of autonomy enjoyed by the council from the state government. The Budget process commences with a call circular from the Executive committee consisting the Chairman, the Supervisory Councilors and other officials. They call on all relevant departmental heads to prepare estimates for the coming fiscal year. Subsequently, the Heads of Departments prepare estimates of expenditure in line with the goals and the estimates of revenue expected as well as the sources expected.

As soon as this process is concluded, each department hands its own estimate to the local treasurer or finance officer. The executive having gone through the budget estimates present it to legislature for approval. The method of approval also varies from one council to the other, that is, while some require a simple majority, others would require two-thirds majority for the approval. In every democratic government, the legislature may approve or reject the proposals of the executive and in some cases, may modify the executive proposals. In this case, the legislature holds the executive accountable.

2.2.3. Budget Utilization

Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds, effectively to meet stated policy objective while ensuring value for money, is often just as challenging than planning how to spend it. Several reviews of public financial management performance in developing countries shows that countries score significantly better on budget preparation than on budget utilizing. Budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a Well-prepared budget; it is not possible to utilize well a badly prepared budget (Schiavo-campo, and Tommasi, 1999)

As per Allen and Tommasi. (2001), successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides to this, the budget system should assure effective expenditure control. In addition to a realistic budget to begin with, a good budget utilization system should have complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items (Schiavo-campo, and Tommasi, 1999).

Effective Public Expenditure Management (PEM) highlights the importance of outcomes and sees expenditures as a means to produce outputs which are needed to achieve desired outcomes. Hence, PEM focuses on desired outputs and outcomes and the right processes, rules and incentives to

achieve them. The right balance between autonomy/flexibility and accountability should be provided to enable agencies to deliver the outputs and achieve outcomes.

Budget implementation is a crucial stage for both regional and Federal governments. This is because money at this point is disbursed to the various departments for expenditure on overhead costs. Suffice it to say that the budget proceeds are spent on either capital or recurrent expenditure. Capital expenditure means the fund spent on developmental projects within the fiscal year while recurrent expenditure refers to fund spent on overhead cost like wages, rent, etc. The significance of the implementation level in the budgetary process is underscored by the fact that it is the stage when the council will give flesh to its developmental goals and strategies. Thus, any government that effectively manages this level that such government could be said to have achieved its set goals for the fiscal year. Evidently, most regional governments have failed to excel at this stage due to poor implementation of the budgets (World Bank group, 2017).

2.2.4. Concepts Of Under and Over Utilization of Budget

Over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears. Overruns are often the result of off-budget spending mechanisms (payment from special accounts, etc. In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns; lack of compliance can be addressed through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation (Allen. and Tommasi, 2001).

Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoid in govern runs. On the other hand Ketema (2015) expressed that in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, under spending of the official budget may coexist with large amounts of budget

spending. In most cases, underutilization as well as over utilization is related to insufficiencies in budget preparation and program preparation.

2.2.5. Reason for Variations between Budgeted and Actual Expenditure

There are a number of factors that can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any Sector. The reasons for deviations may vary over time. Some of the more common causes are: Deviation in aggregate expenditure; reallocation of fund during budget implementation; policy changes during the year; an inability to implement policies, program and projects; and a lack of financial discipline contribute for variation in budgeted and actual expenditure (Ketema, M. 2006).

2.2.6. Managing and Monitoring Budget Utilization

There should be distribution of responsibilities for budget utilization, budget appropriation management rules and budget revisions, various special issues related to budget utilization, and the monitoring of budget execution (Tommasi, 2007). At the same time budget execution covers both activities related to the implementation of policies and tasks related to the administration of the budget. Both the central agencies (the ministry of finance, the ministry of Planning in a dual budgeting system, and the prime minister's office) and the spending agencies are involved in these tasks. The distribution of responsibilities in budget management should be organized according to the agencies' respective areas of responsibility and accountability.

Internal controls should be generally preferred to ex-ante controls performed by central agencies, but the internal controls require a strong monitoring and auditing system. Commitments and verification controls should be internal, to avoid excessive interference by central agencies in budget management. When payment processing and accounting controls are decentralized, central control on cash is required (OECD, 1996).

When payment processing and accounting controls are centralized, it should be verified that payments are made on time and according to the budget and the cash plan, without additional prioritization. The use of modern technology should make it possible to reconcile the need to decentralize controls for efficiency and the need to centralize data on budget execution for expenditure control. The contracting out of government activities should be considered, but caution is needed in contract preparation and management (Hashem, 2014)

Procurement for activities that are contracted out should be competitive improving budget execution .Budget execution generally needs to be improved in two respects: enhancing expenditure control and creating the conditions for increased efficiency in public spending. An adequate balance between these two different requirements must be found (Hashem, 2014)

2.3. Effective management of the budget.

Budget management is an effective tool for organizations to better manage their expenses and costs. Usually the domain of financial managers and controllers, Organizations determine how much financial scope is available for expenditure based on budgets making it an indirect factor for quality. So, by making an accurate estimate of costs to be allocated by budget holder's organizations are able to control expenditures and not be faced with any surprises and it is a process, by which government sets the level of expenditure, collects revenues and allocates the spending of resources among all sectors to meet national goals when effectively manages the budget process (Shah, 2008).

Effective budget management is the ability of an organization to formulate, adopt and execute a budget and also put in place control measures to ensure achievement of both long term and short term goals and obligations of the organization (Hashem, 2014), and it is one of the critical aspects in determining the success of a government, a government unit, an organization and even regional government. The qualities of an effective budget are; it should be realistic, consistent with organizational objectives, cost effective and flexible. In practice, budgets are rarely effectively managed. This can be for legitimate reasons, such as adjustments in policies in response to changes in economic conditions, or for negative reasons, including mismanagement, poor budgetary process, unauthorized expenditures, inefficiency, or fraud, and it leads a public to meet both its short-term

and long-term goals and obligations. An effective budget preparation life cycle includes; determining needs of community being served, to set up program/project goals and objectives, to decide strategy to accomplish the goals, to translate strategy into birr, to prepare the budget, to set up budget control process, to compare budget to actual and to modify the budget for a realistic scenario. It is not only contributes to better cash management, but also helps control financial results, increase financial influence and performance measurement. Moreover, budget control enhances cost awareness within organizations. It provides organizations with real-time insight into budgets using clear dashboards and reports. With current information, budget holders control their spending and make better decisions based on reliable data for effective budget management and when the government entity have lack of effective budget management it fails to run as required the public management (Nebraska,2015).

Lack of effective management of the Budget was not only an Ethiopian challenge but a global challenge. Budgeting has succeeded in many countries including New Zealand, Australia, Singapore, Netherlands, Norway, Sweden, USA, Canada, Mauritius, Rwanda and South Africa but also failed in others like Sri Lanka and Thailand as measured by poverty index and GDP (World Bank group. 2017).The challenge of the budget management are similar in developing countries like mismanagement of budget utilization, poor budgetary process, unauthorized expenditures, inefficiency, or fraud. At most the problem is highly influences the capital budget and it is concerned with new long-term assets (such as land, infrastructures and equipment). In some countries, the law requires that regional governments have balanced operating budgets. As for capital budgets, since they concern the acquisition and construction of assets that generate benefits over several years, inter-period equity suggests that they should not be financed by taxes in a single year, but rather by debt that is repaid over a period that extends farther into the future (Veiga, Kurian and Ardakanian 2015).

2.3 Empirical Review

In this part, studies conducted in respect of effectiveness of budgets in Governments were reviewed. The review adopted a funnel approach where global, regional, and local studies were reviewed.

The funnel approach of review in the introduction to a quantitative research report is often described as a funnel. It begins broadly with a problem statement that can vary from the statement of a social problem or conflicting evidence existing in the literature. From there it often moves into the theoretical framework applied to the study, discussion of various alternative approaches to addressing the issue and their deficiencies, and concludes in a direct and specific statement of the research hypothesis to be tested in the current study. Perhaps the most important part is the justification for the study, but its placement often depends on whether the justification is theoretical, conceptual, or empirical (<https://www.projectguru.in/publications/write-problem-statement-research-paper/>).

2.3.1. Citizen Participation and Effective Management of Budgets

The term citizen participation in the context of fiscal policy has not been unambiguously defined in professional literature and is still vague (De Renzio and Wehner, 2016). The reasons for this could be the fact that the development of participation as a dimension of fiscal transparency is a relatively recent event and that there are numerous activities that fall under its scope (Petrie, 2011:26), but it could also be due to the fact that research dealing in this topic is scarce. For the purpose of this paper, we used the definition by De Renzio and Wehner, 2016, as cited by (Gorden, 2017) who define citizen participation in the budgetary process as “a wide set of possible practices through which citizens, civil society organizations, and other non-state actors interact with public authorities to influence the design and execution of fiscal policies” Forms and levels of participation according to Bräutigam, as cited by (Gorden, 2017).

Citizen participation in the budget can take many forms: it can be (a) direct (such as when citizens “meet, debate fiscal priorities, and forward their conclusions to decision makers”), and (b) indirect (electing members of parliament). Fölscher (2010:41), cited in Gorden, (2017) furthermore, specifies the difference between consultative participation and empowered participation. In the case of the former, the government provides citizens and their representatives with “the opportunity to be heard, but there is no guarantee that participation will be heeded”, meaning that “decision-makers have the freedom to agree with citizens or not”. When it comes to the latter, the participants are “invested with decision-making power” (right) “and influence, such as having citizen representatives on boards that oversee local public services”. Generally speaking, literature does not

offer a list of forms of citizen participation in the budgetary process. This is partially due to their (growing) number, insufficiently clear differences, and scarce research on the topic.

Participatory budgeting is a process of democratic policy-making in which the government invites citizen inputs during the budget process and allows their influence in budget allocations. Participatory budgeting has drawn significant attention from public administration practitioners and scholars in recent years (World watch Institute, 2007).

Citizen participation is a powerful tool: it informs and educates citizens and therefore it enhances the process of resource allocation and Budget Management. therefore, participation is perceived as a way of receiving information about issues, needs and attitudes, and which provides affected communities the opportunity to express their views before policy decisions are taken; it promotes equality, fairness and reasonableness in the allocation and distribution of public resources. Through citizen participation, citizens are also taught to understand the needs and desires of other citizens in society, and how to resolve conflict by promoting collective welfare (I.J.2012), in the budgetary process is a manifestation of political participation, consisting of “taking part in the process of formulation, passage and implementation of public policies” concerned with “action by citizens which is aimed at influencing decisions which are, in most cases, taken by public representatives and officials” (Axford, 2002).

2.3.2 Employee Competency and Effective Management of Budgets

Competency as “a capability, ability or an underlying characteristic of an individual which is casually related to effective or superior performance (Boyatzis, 2008), It is a set of related but a different set of behavior organized around an underlying construct, which we call the “intent”. The behaviors are alternate manifestations of the intent, as appropriate in various situations or times”. Competence is a cluster of related abilities, commitments, knowledge, and skills that enable a person (or an organization) to act efficiently in a job or situation. Competencies indicate sufficiency of knowledge and skills that enable someone to act in a wide variety of situations (Aketch, and Karanja, 2013).

The budget process is a technical process that requires people with expertise and experience to execute. It would first involve setting realistic goals, planning on how to execute the goals and also conducting budgetary review. This process requires a lot of accuracy in estimations and serious

accountability at execution. These states of affairs clearly demonstrate that highly trained personnel are required to execute the budget (Aketch and Karanja, 2013).

2.3.3 Information Technology and Effective Management of Budget

In most developing countries, budget execution and accounting processes were/are either manual or supported by very old and inadequately maintained software applications. This has had harmful effects on the functioning of their public expenditure management (PEM) systems that are often not adequately appreciated. The consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting has negatively impacted budget management. The results have been a poorly controlled commitment of government resources, often resulting in a large buildup of arrears; excessive borrowing, pushing up interest rates and crowding out private sector investment; and misallocation of resources, undermining the effectiveness and efficiency of service delivery (Blöndal, 2006).

Many developing countries have pressed for, or have been pressed into, adopting integrated financial management information system (IFMIS) projects to strengthen their public finance management systems. The establishment of an IFMIS has consequently become an important benchmark for the country's budget reform agenda, often regarded as a precondition for achieving effective management of the budgetary resources. An IFMIS usually refers to computerization of public expenditure management processes including budget formulation, budget execution, and accounting with the help of a fully integrated system for financial management of the line ministries and other spending agencies (Blöndal, 2006).

In terms of terminology, an IFMIS usually refers to computerization of public expenditure management processes including budget formulation, budget execution, and accounting with the help of a fully integrated system for financial management of the line ministries and other spending agencies. The full system should also secure integration and communication with other relevant information systems. Because of the integration requirement, the FMIS is commonly characterized as an integrated financial management information system (Diamond. & Khemani, 2006).

The consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting has negatively impacted budget management. The results have been a poorly controlled commitment of government resources, often resulting in a large buildup of arrears; excessive borrowing, pushing up interest rates and crowding out private sector investment; and misallocation of resources, undermining the effectiveness and efficiency of service delivery. Further, governments have found it difficult to provide an accurate, complete, and transparent account of their financial position to Parliament or to other interested parties, including donors and the general public (Diamond .J. & Khemani .P. 2006).

Use of IT in PFM systems has gathered pace. It started out in the early 2000s through the development of a computerized Budget Information System (BIS) for reporting on budget performance and a Budget Disbursement and Accounting System (BDA) at MOFED and BOFED level, both systems being stand-alone. These two modules were then merged under the umbrella of an Integrated Budget and Expenditure Management (IBEX) system, consisting of the following modules: budget, accounts, budget adjustment, budget control, accounts consolidation and administration. The accounts module manages the tracking of revenues and expenditures of public bodies: specifically, it records the financial transactions of budgetary institutions, captures the aggregated monthly accounting reports and provides accounting reports in the form of ledgers, financial statements, and management reports and transactions listings. (www.mofed.gov.et).

At federal level in some sample ministries try to implement and install the system since 2014 at project level but still it is not implement in the regional level this application is an integrated Public Financial Management system being implemented by Federal Government of Ethiopia (FGE) through the Ministry of Finance to improve Public Financial Management System and Property Administration; enhance greater accountability, timely financial and property information and transparency across Federal Ministries, Agencies, Regions, City administration, Zones and Woredas. It is an initiative of Expenditure Management Control Program (EMCP) of Public Financial Management reforms.

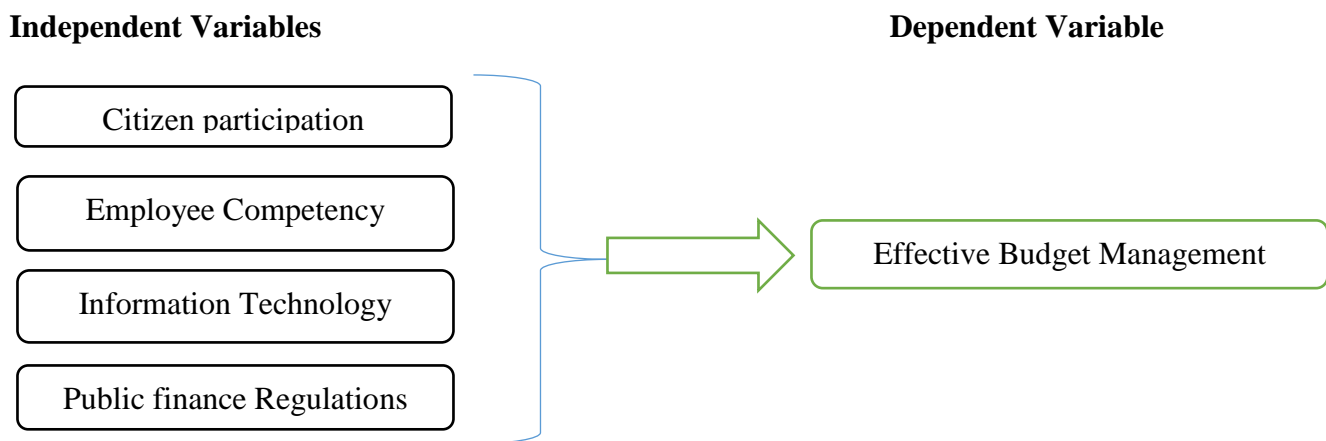
In Oromia IBEX was rolled out to through Bureau of Finance and Economic Cooperation (OBoFEC) With regard to ORG, electronic linkages between these bureaus and OBoFEC have not,

however, been developed yet and financial information is still transmitted by the bureaus to OBoFEC through hard copy (CDs). But from the beginning of 2019 region tried to connect online with Zonal office of finance & economic cooperation (www.pbofed.gov.et).

2.3.4 Public Finance Regulations and Effective Management of the Budget

The drafters of the constitution ensured that an adequate legal framework governing budgets and the budgetary process in the devolved units was put in place. This was put in place to ensure an effective management of the budgetary process.

Figure 2 - 1 Conceptual framework



Source: researcher's data

2.3.5 Summary of Literature

Budgeting is one of the fundamental decision making processes in organizations. During budget formulation and implementation, the responsible officials determine the portion of the organizations resources to be allocated to each unit. Budgets establish performance goals among other functions. Musyoka, (2017) conducted a study which wanted to answer the following question. Does citizen participation in regional government decision-making contribute to strengthening?

Local planning and accountability systems, “An empirical assessment of the stakeholders’ perceptions in Kenya” He came up with the following findings. “Lack of elected representatives, a

condition that existed for more than a decade, appeared to be a major stumbling block toward promoting effective participation in Kenya” the researcher established that the study by Musyoka addressed a narrow perspective of the budget and therefore did not adequately establish the factors affecting the effectiveness of the budget; it was also noted that the sample size and area coverage was not adequate to be a true representative of the population.

2.3.6 Research Gap

The review carried out above clearly demonstrated that the impact of citizen participation, employee competency, adoption of information technology and the application of public finance regulations on the effective management of the budget in Oromia regional Government. (ORG). The gap that the current study required to address with the hope that the views and findings of the study will be incorporated in the regional budget management process to ensure the process is more beneficial to both the region government & federal Government and the citizens.

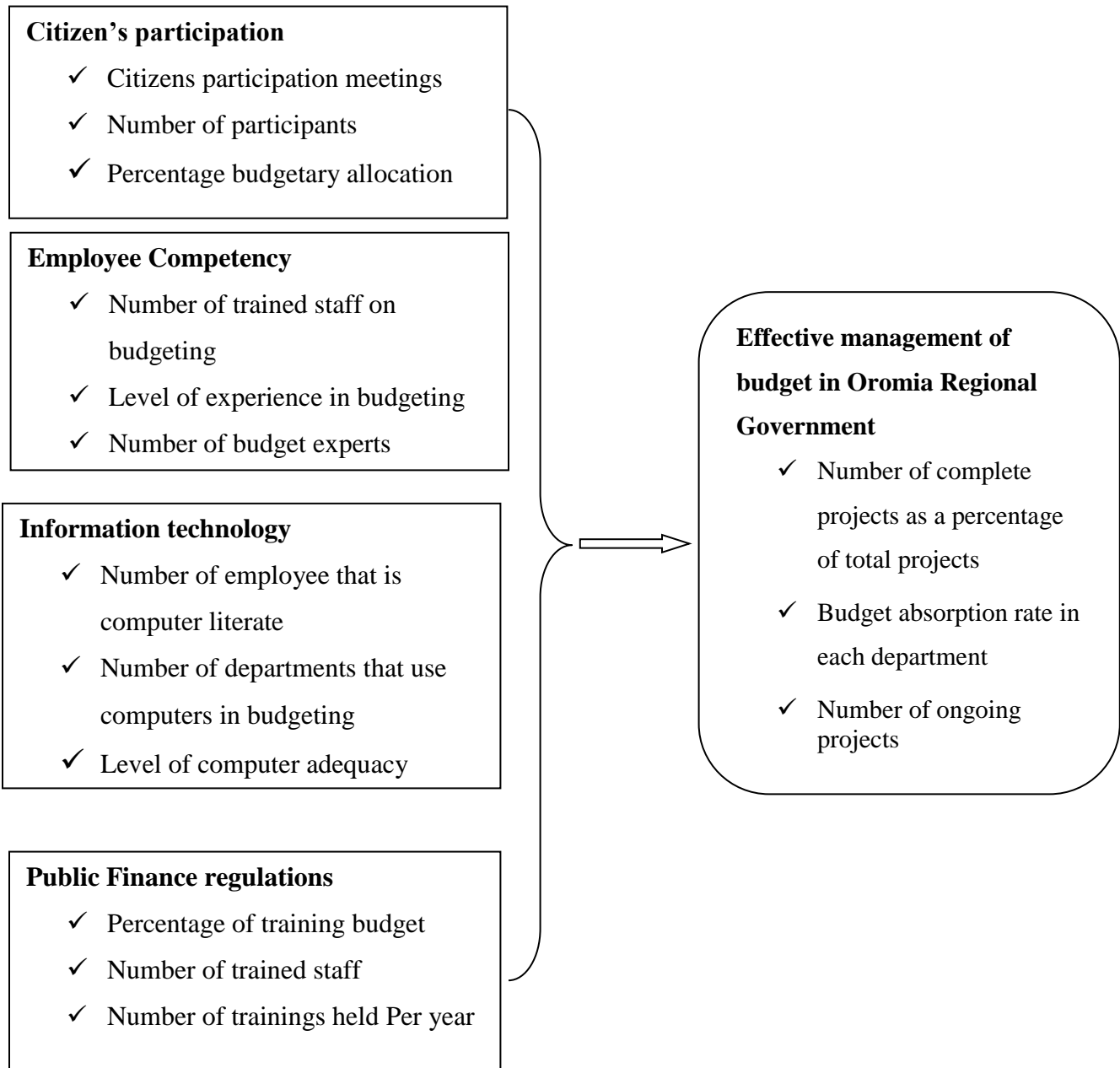
The researcher further noted that there was no specific study conducted on the factors affecting the effective management of budgets in Ethiopia. The studies in the literature review were mainly confined to foreign countries and not much evidence was availed on the effective management of budgets in Ethiopia. In spite of the several attempts at reforming the budgetary process including implementation and control, the region remained an unsatisfactory instrument of achieving regional policies because of poor budget management.

The budgeting process in the regional sector bureaus and woreda are continued been with lot of challenges therefore posing a difficulty in achieving the expected development. the major points that discussed was there is high amount of un-spent cash return to treasury at the end each budget year; many capital projects aren't complete and handover and it wasn't put in operation as stated by the design; Due to are high turnover of professional skilled human power, low information technology infrastructure in most woredas, inconsistent of public participation on budget process, therefore this gap that the current study required to address with the hope that the views and findings of the study will be incorporated in the regional government budget management process to ensure the process is more helpful to Regional Government of Oromia.

2.4 Conceptual framework

Conceptual Framework as outlined in figure 2-2 the independent variables included citizen participation, employee competency, information technology and Public finance regulations while dependent variable was the effective management of budgets in the Oromia regional Government. It was presumed that the independent variable affected effective management of budgets in Ethiopia.

Figure 2 - 2 Study Variables



Source: researcher, 2019

Table 2 - 1 Operationalization of Variables

Operationalization of Variables CATEGORY	VARIABLE	MEASUREMENT SCALE	MEASUREMENT
Independent variable	Citizen participation	Ordinal	<ul style="list-style-type: none"> ✓ Number of public participation meetings held per year ✓ Number of participants per meeting ✓ Percentage budgetary allocation for capacity building on public participation per year
Independent variable	Employee competency	Ordinal	<ul style="list-style-type: none"> ✓ Percentage of staff supported in continuous education on budgeting ✓ Level of employee experience on budgetary issues in years ✓ Level of education of staff (certificate, diploma, degree, masters, PHD) ✓ Percentage of the budgetary allocation for funding continuous education for staff in each department-budgeting ✓ Number of budget experts
Independent variable	Information technology	Ordinal	<ul style="list-style-type: none"> ✓ level of computer adequacy ✓ Number of staff who are computer literate ✓ Number of seminars on budget management ✓ Number of departments aided by computers in budgeting ✓ Percentage budgetary allocation for information technology
Independent variable	Public finance regulations/ laws	Ordinal	<ul style="list-style-type: none"> ✓ Percentage training budget on government regulations per year ✓ Number of trained staff ✓ Number of trainings held in the year
Dependent variable	Effective management of the budget	Ordinal	<ul style="list-style-type: none"> ✓ Number of complete projects as a percentage of the total in the year ✓ Budget absorption rate for each department ✓ Number of ongoing projects

Source: Researcher, 2019

CHAPTER THREE

3. Research Methodology

3.1 Introduction

This chapter states what was really performed and how the study was accomplished describing the type of the research design used and procedures chosen for collecting data and making analysis together with the reasons behind their application in detail as well as in practical terms.

3.2. Research Design

A research design is a procedural plan that is adopted by a researcher to answer in a valid way. It is very objective and accurate. Normally, a research design will determine the type of analysis you should carry out to get the desired results. To what extent our design is good or bad will depend on whether we are able to get the answers to our research questions. If our design is poor, the results of the research also will not be promising (Kerlinger, 1986).

The study used explanatory research method. It is a process of collecting data in order to test hypothesis or to answer questions concerning the current status of the subjects in the study (Olive and Abel 2003). The descriptive research methods are only restricted to fact finding but may often result in the formulation of important principles of knowledge and solutions of significant problems(Olive and Abel 2003)

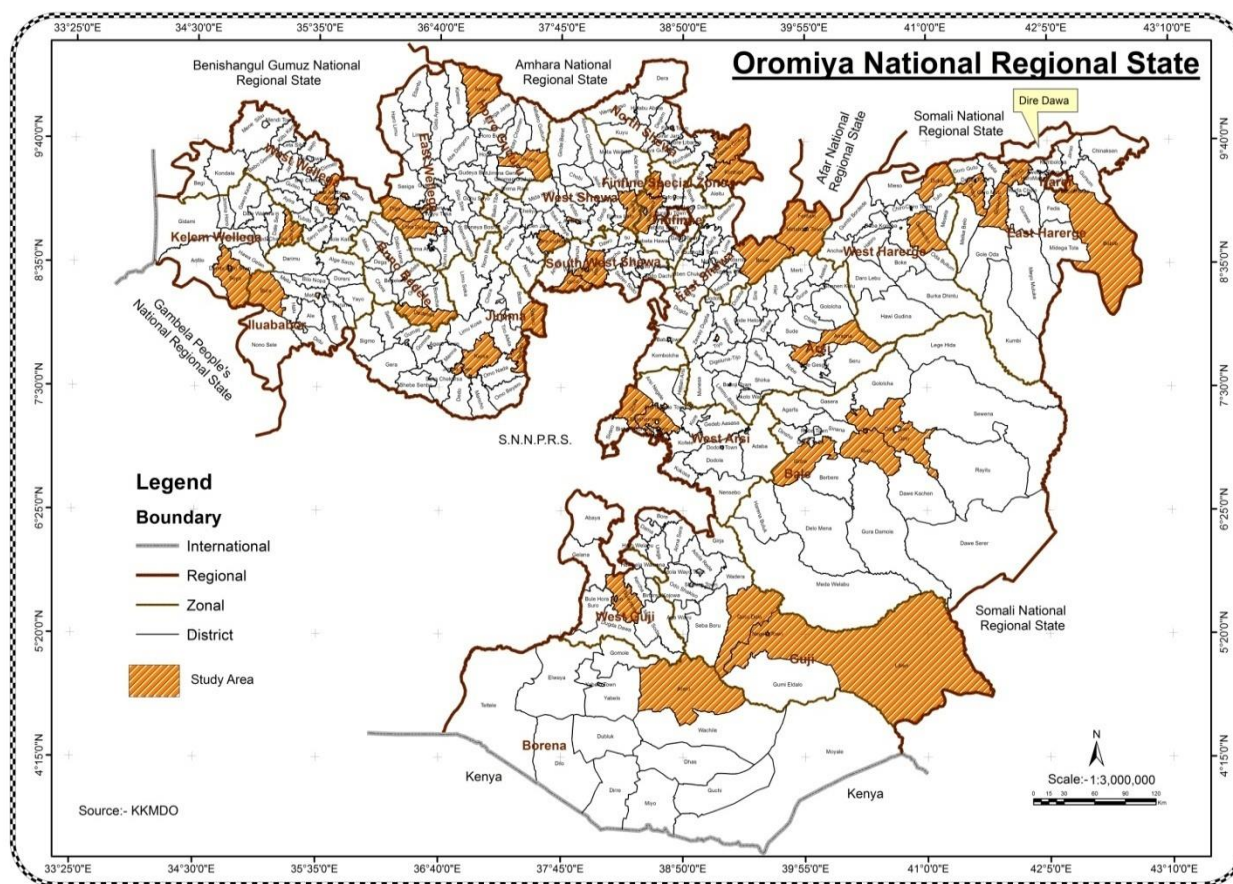
The researchers preferred the explanatory research method because it allowed for in-depth study of the case that would lead to establishing a solution to the problem at hand. It is a technique that utilizes quantitative techniques to establish relationship between independent and dependent variables.

3.3. Target Population

The first stage in the sampling process is to clearly define target population. Target Population is commonly related to the number of people living in a particular the region. Once target population,

sampling frame, sampling technique and sample size have been established, the next step is to collect data a population refers to the entire group of persons or elements that have at least one thing in common. Target population is defined as all members of a real or hypothetical set of people, events or objects to which a study wishes to generalize the results of the research study Bryman, and Bell, (2007) seven sector bureau and thirty two Woreda Finance and Economic Office and eight urban administration employees working directly on the budget. The target population was all employees working budget departments for selected woredas.’

Figure 3 - 1 Target Woreda and Urban Administration



Source: - Researchers data

3.3 Sample and Sampling Procedure

Sampling is a means of selecting a given number of subjects from a defined population as representative of that population. Sampling as the procedure a researcher uses to gather people, places or things to study. Any statements made about the sample should also be true of the

population. It is however agreed that the larger the sample the smaller the sampling error (Orodho, and Kombo, 2002)

The sample consisted of one hundred ten (110) employees working in the departments of budget control of Oromia Regional Bureaus, regional sector bureau and Woredas Finance and Economic Cooperation office and the study applied stratified random sampling technique to select the sample. The researcher considered the sample size to be adequate because it was selected from budget departments of the selected regional Bureau and Selected WoFEC budget department. This is a sampling technique that allows the researcher to select the employer of budget department from regional BoFEC, Sector bureau and WoFEC. This means the sample will consist only budget experts that worked in the position. This method was appropriate because the researcher knew the specific respondents of staff who are involved in the budgetary process.

3.4. Research Instrument

Most data in explanatory research can be obtained by the questionnaire. The questionnaire is often used for large scale surveys as it requires less time and is less expensive (Gay, 1987). Although questionnaires are usually mailed, they can also be personally administered. In designing a questionnaire the first step is to define the problem and list the specific objectives to be achieved or hypotheses to be tested by the questionnaire. It is important to bear in mind the methods of data analysis that will be used in analyzing the returned questionnaires designing the questionnaire (Borg, and Gall, 1989).

The second step is identifying the sample. It is important that appropriate subjects who have the information and who are willing to give the information be included (Borg, and Gall, 1989). However, there are some cases where the questionnaires need to be sent to groups who do not have the desired information, but most questionnaire studies conducted in education are aimed at specific professional groups or authorities (Borg, and Gall, 1989).

The advantages of the questionnaire especially the mailed questionnaire's its lower cost and the speed of dissemination and collection (Gay, 1987; Borg and Gall, 1989). It can also cover a very much wider geographic area compared to other tools such as the interview or experimental research. In fact, the personally administered questionnaire has the same advantages as the use of an interview. It enables the establishment of a good rapport with respondents, to explain the purpose of study and to clarify items (Gay, 1987). It allows a large number of subjects to be sampled. It only requires the subjects to be literate and understand the questions (Kathwohl, 1993). The questionnaire has been widely used in quantitative research because its standardized, highly structured design is compatible with the quantitative approach. They are simple to use and analyze but on the other hand, the design is by no means simple. The main decisions to be made when designing a questionnaire are the type of questions to be included and the overall format of the questionnaire.

A questionnaire is a form containing a set of questions, especially addressed to a statistically significant number of subjects, and is a way of gathering information for a survey. It is used to collect statistical information or opinions about people. The researchers used questionnaires as the main tool for collecting data. The selection of this tool was guided by the nature of the data to be collected, the time available as well as the objectives of my study.

Such information could only be best collected through the use of structured questionnaires. Questionnaires will be used since the study is concerned with variables that would not be directly observed such as views, and opinions. The populations are mostly literate and there are no difficulties to responding to questionnaires during data collection from the respondents.

3.5 Data Collection Procedure

The study used primary data through questionnaires' the questionnaires were used to collect quantitative data that provided statistical descriptions, relationships and analysis. The one-on-one interviews with the five principals provided qualitative and exploratory data. De. Vos (1998) cited by Musyoka, (2017) indicates that when working from a qualitative perspective, the researcher attempts a first-hand, holistic understanding of a phenomenon and data collection is shaped as the investigation proceeds.

The questionnaires were then administered to the respondents through the respective regional Budget and Disbursement Process owner and Woredas finance and Disbursement process owner Departments heads and collected after approximately five working days which the researcher deemed to be adequate period for filling.

3.6. Data Processing and Analysis

The researcher collect data through questionnaires from Regional selected sector bureau finance Department and Woredas budget and Finance process owner and experts. After the data collected first cleaned and edited as a measure of dealing with extreme outliers. Thereafter, the researchers apply descriptive statistics to establish the influence of the independent variables on effective management of the budget in the regional level. The descriptive statistics here was the application of measures of central tendency (mean, mode and median), measures of variability (range, variance and standard deviation) percentages, frequency distribution tables, standard deviations and also data will try to form of tables. Correlation coefficient, chi-square test, regression analysis also will calculated to establish the nature of relationships between the dependent and the independent variables. The data also tested whether it meets the assumptions of the classical linear regression model.

A correlation is a statistical device that measures the strength or degree of a supposed linear association between two or more variables and the Pearson correlation which estimates a relationship between two interval variables.

Data were analyzed using descriptive statistics including Mean and Standard Deviations and inferential statistics including ANOVA and regression analysis. The analyses were carried out with the aid of Statistical Packages for Social Sciences (SPSS) version 24. A mediation regression analysis was used to observe extent to which participation mediates the relationship between organizational culture and budgetary slack, for background information, descriptive statistical analysis will used and analyze to provide a profile of respondents. Quantitative analysis will do

based on Pearson correlation coefficient (r) to determine the level of significance. A correlation is significant if the probability value is below 0.05 ($P \leq 0.05$). The study will use multiple regression analysis to determine the impact of the independent variables on effective management of the budget in Ethiopia specifically in Oromia Regional Government. Multiple regression analysis will apply to determine the impact of the four independent variables on the dependent variable which was guided by the following regression model (Johnston, and Dinardo, 1997).

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

3.6.1 Diagnostic Tests

1. Test for data outliers.

When testing assumptions related to normality and outliers, you must use a variable that represents the difference between the paired values - not the original variables themselves. The researcher run the data in SPSS-24 and commanded for the generation of a BOX PLOT. The box plot was applied to identify if there were variables in the data set that were outside the normal range (Grubbs, 1969)

2. Test for Heteroscedasticity.

Heteroscedasticity test is part of the classical assumption test in the regression model. To detect the presence or absence of heteroscedasticity in a data, can be done in several ways, one of them is by looking at the scatter plot graph on SPSS output.

During the application if there is a particular pattern in the SPSS scatter plot graph, such as the points that form a regular pattern, it can be concluded that there has been a problem of heteroscedasticity. And conversely if there is no clear pattern, and spreading dots, then the indication is no heteroscedasticity problem.

Also to minimize the heteroscedasticity problem, residuals were subjected to both graphical non-graphical Breusch-Pagan tests after regression test. The Breusch Pagan tests written by Ahmad Daryanto the null hypothesis that error variances are constant throughout the observations unless the results prove otherwise, After Conducting the Breusch-Pagan test, the result didn't demonstrate the presence of heteroscedasticity as indicated by the (P-value 0.000) which was above 0.0539 which is the rule of thumb. Based on this result, the null hypothesis was accepted and the alternative hypothesis that the variance was not homogenous was rejected (Greene, 1997).

3. Test for Multicollinearity.

This is a problem that occurs when independent variables are very highly correlated with each other. Correlation between the independent variables should be less than 0.8. The method that is usually applied to measure the extent of multicollinearity is to look at the matrix of correlations between the individual variables. Explanatory variables should not exhibit high correlation with each other because that may cause unrealistic results during regression. In order to avoid that problem, explanatory variables will be tested for multicollinearity using pair wise correlation technique.

After the normality of the data in the regression model is met, the next step, to determine whether there is similarity between the independent variable in a model it is necessary to Multicollinearity test. Similarities between the independent variables will result in a very strong correlation. In addition multicollinearity test done to avoid habits in the decision making process regarding the partial effects of independent variables on the dependent variable .good regression model should not happen multicollinearity test Multicollinearity as a bases the VIF Value of multicollinearity test resulting using SPSS if the VIF value lies between 1-10 then there is no multicollinearity. And if the $VIF < 1$ or > 10 , then there is multicollinearity (Gujrati, 2004).

Calculations of summary statistics:-

After importing the data in to SPSS, summary statistics were generated; which included coefficients of the independent variables, standard errors, t-values, number of observations, R-squared, Adj R², means and standard deviations. The figures generated were fitted in the model below.

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

Y = Dependent variable (Effective management of budget in county governments)

X₁ = Independent variable 1 (Citizen Participation)

X₂ = Independent variable 2 (Employee Competency)

X₃ = Independent variable 3 (Information technology)

X₄ = Independent variable 4 (Public finance regulations)

β_0 = Constant

β_1 = Coefficient of X₁

β_2 = Coefficient of X₂

β_3 = Coefficient of X₃

$\beta_4 =$ Coefficient of X_4

$e =$ error term

CHAPTER FOUR

4. Data Analysis, Results and Discussions

4.1 Introduction

Chapter four verified an analysis of the results obtained from the field. The results covered the general information of the respondents and the four research objectives. After the field work data was edited and coded, tested whether it contained outliers and thereafter analyzed using SPSS Version 24 software. Descriptive statistics were calculated for the data collected and also Regression analysis was applied to test the relationship between variables to ascertain the predictive power of the independent variables on the dependent variable.

4.2 Response Rate

One hundred twenty five (125) questionnaires were distributed to the respondents (Regional Sector Bureaus Finance Department, Oromia Bureau of Finance and Economic Cooperation (OBoFEC), and Woreda Finance and Economic Cooperation (WoFEC) budget Process Experts) and the filled questionnaires were collected after a period of one week.

The response rate was presented in table 4 -1 below:

Table 4 - 1 Response Rate

Response	Respondent	Percentage
Returned	110	88%
Not returned	15	12%
Total distributed	125	100%

Source: Researcher questionnaire 2019

The Results in the above table 3 explains eighty eight percent (88%) respond the questionnaire from the total questionnaire distributed. The response rate was attributed to the fact that the researcher works in one of the counties and had friends working in the other counties under study therefore it wasn't hard to administer questionnaires to the respondents. This also made it possible to easily obtain answers from the majority of the respondents.

4.3 Demographic Information of Respondent

The respondents' background information was presented. It covered sampling area, gender of respondent, Age, level of education, work experience, terms of employment and respondent assigned responsibility position in the Region, OBoFEC, Sector Bureaus and Woredas respectively in their position. While this information used in the analysis and to ascertain whether data obtained was normally distributed. The results obtained were presented in table 4-2 below.

Table 4 - 2 Demographic Information

Items	Description	Frequency	Percent
Sampling area	BoFEC	11	10%
	Sector Bureau	11	10%
	WoFEC	88	80%
Gender of Respondent	Female	22	20%
	Male	88	80%
	Total	110	100%
Age of Respondent	20-30	61	55%
	31-40	27	25%
	41-50	22	20%
Level of Education	Diploma	6	6%
	First Degree	90	82%
	Masters	14	12%
Experience	11-15 Years	35	32%
	6-10 Years	68	62%
	Above16years	7	6%
Term of Employment	Permanent	110	100%
Field of study	Accounting	20	18%
	Management	24	22%
	Economics	18	16%
	Other	48	44%
Position	Director	14	13%
	Expert	84	76%
	Process owner	12	11%

Source: - Researchers Questionnaire 2019

From the above table 4-2 shows that the demographic information of the study area, the results in Table 3 discovered that eighty eight (88) of the respondents were male while twenty two (22) were female which means that majority of the people employed by the regions as heads of departments

were male. In addition, majority of employs study other than Accounting, Management & economics that related that the budget related. With regard to their education qualification, the results showed that 82% had an undergraduate degree, 13% had a postgraduate degree whereas 5% had a diploma level qualification. This signified that majority of the respondents were well educated based on their responsibilities. On the respondents' level of job experience, it was revealed that 62% of respondents had over between 6-10 years' experience 32 % were in the 11-15 years and the 7% had over sixteen years' experience.

4.4 Variables

The results obtained for every variable involved in the study (citizen participation, employee competency, Public finance regulations and information technology). The results were based on the five point likert scale where 1 = strongly disagree, 2 = disagree, 3= neither agree nor disagree, 4 = agree and 5 = strongly agree (McLeod S. Likert Scale; 2014).

4.4.1 Citizens' Participation on Budget Management

The study establishing the impact of citizens' participation on effective budget management in Ethiopia in the case of Oromia Regional Government (ORG), Five statements were presented to the respondents and their views sampled based on five point in likert scale. The results obtained were summarized and presented table 4-3 below.

Table 4 - 3 Citizen Participation Response Analysis

S. N	Statement	N	Likert Measurement Scale					Frequency	
			1	2	3	4	5	Mean	SD. Devi.
1	Citizens' participation enhances accountability systems in the Regional or Woreda Finance & Economic cooperation (WoFEC) budget management	110	22	12	4	40	32	3.45	1.506
2	Citizens are informed about project deliverables in public participation meetings.	110	17	21	8	48	16	3.09	1.342
3	Participation of citizens in the budgeting process has been encouraged by the regional or Woreda administrative to strengthens and empower citizens.	110	10	7	21	48	25	3.35	.874
4	Citizen participation has been adequately supported through funding by the region/woreda to strengthen regional /woreda level planning.	110	0	8	33	35	34	3.98	.813
5	Citizen participation in Regional level or Woreda Finance & Economic cooperation (WoFEC) level has led to improved public service delivery and increased trust of citizens in government	110	1	27	36	37	9	3.14	.923
	Mean of statement		9%	13%	18%	37%	23%		
	Percentage							3.40	

Source: - Researchers Questionnaire 2019

The above table 4-3 shows a summary of the five statements that were administered to measure the impact of citizen participation on effective budget management in ORG and their responses were tabulated. The result indicated that 37% and 23% of the respondents agreed and highly agreed respectively that public participation had an impact on effective management of the budget in ORG. These shows 60% of all the respondents who participated in the study which was a strong indicator that citizen participation has an impact on effective management of the budget in ORG, and also an

examination of statements of the variable Citizen participation in the region based on the mean and standard deviation are demonstrated that the mean score for the five statements set to measure the impact of public participation on the effective management of the budget ranged between 3.09 and 3.98 with the statement ‘Citizen participation has been adequately supported through funding by the region/woreda to strengthen regional /woreda level planning.’ contributing the highest mean of (mean score =3.98, SD=0.813) while ‘Citizens are informed about project deliverables in public participation meetings’ posting the lowest score (mean score =3.09, SD= 1.398).

This implied that citizen participation had been fairly explains the results but the strategies should be put in place to improve on its application because it was demonstrated that it had a positive and significant impact on effective management of the budget. Finally the average mean of the statement is 3.40 it shows that the citizen participation is one of the factors that affect the public budget management of the region.

The results obtained were similar to the findings of Kelly (2007) who came up with the following finding in his study *“there were various influences of stakeholder participation on the public budgeting process. Some of these included the efficiency of the process, the effectiveness of the process and equity in the allocation of funds”*

4.4.2 Competency

The study establishes the impacts of competency on effective management of the budget in ORG. Five statements were presented to the respondents and their views sampled based on five point likert scale. The results obtained were summarized and presented in the table 4-4 below.

Table 4 - 4 Staff Competency Response Analysis

S. N	Statement	N	Likert measurement scale					Frequency	
			1	2	3	4	5	Mean	SD. Devi.
1	The budget staffs working with the Region/Woredas have the Required qualifications and experience to perform their roles in management of the budget	110	21	11	9	33	36	3.40	1.540
2	The budget process is a technical process that requires people with expertise and experience to execute effectively.	110	16	26	7	38	23	3.05	1.404
3	Regional level or Woreda Finance & Economic cooperation (WoFEC) has invested closely on staff training to enhance budget skills to ensure effective management of the budget.	110	0	35	23	40	12	3.37	0.917
4	Regional level or Woreda Finance & Economic Cooperation (WoFEC) has put in place a strategy that all staff should be capacity built through trainings to enhance their budget management skills.	110	10	7	33	48	12	3.95	0.806
5	Regional level or Woreda Finance & Economic Cooperation (WoFEC) has an effective system of staff recruitment and selection in place to ensure only the best applicants are selected for the job.	110	4	1	32	39	34	3.09	0.982
	Mean of statement		9%	14%	18%	36%	23%		
	Percentage							3.37	

Source: - Researchers Questionnaire 2019

From table 4-4 above, a summary of the five statements that were administered to measure the impact of employee competency on effective management of budget in region and their responses were tabulated. The findings indicated that 36% and 23% of the respondents agreed and highly

agreed respectively that the competency had an impact on effective management of the budget in ORG. This summery result shows 59% of all the respondents who participated in the study which was the competency has an impact on effective management of the budget in the region. also an examination of statements of the variable on the employee competency in the region based on the mean and standard deviation demonstrated that the mean score for the five statements set to measure the impact the competency on effective management of the budget ranged between 3.05 and 3.95 with the statement ‘Regions (BoFEC & Sector Bureaus) or Woreda Finance & Economic cooperation (WoFEC) has put in place a strategy that all staff should be capacity built through trainings to enhance their budget management skills’ contributing the highest mean (mean score = 3.95,SD= 0.806) while ‘The budget process is a technical process that requires people with expertise and experience to execute effectively.’ posting the lowest score (mean score = 3.05 SD = 1.404). This implied that for effective management of the budget to be achieved, employee competency should be put in to consideration while hiring staff because a positive and significant relationship was explained. At the end the average mean of the statement is 3.37 it shows that the citizen participation is one of the factors that affect the public budget management of the region.

The findings were in line with the findings of Aketch and Karanja (2013), and Mburu (2014) who concluded in their study that the budget process was a technical process that required people with expertise and experience to execute. It would first involve setting realistic goals, planning on how to execute the goals and also conducting budgetary review. This process required a lot of accuracy in estimations and serious accountability at execution. These states of affairs clearly demonstrated that highly trained personnel were required to execute the budget.

4.4.3 Information Technology

The study establishes the impact of information technology on effective management of the budget in region. Five statements were presented to the respondents and their views sampled based on five point likert scale. The results obtained were summarized and presented in the table 4-5 below.

Table 4 - 5 Information Technology Response Analysis

S. N	Statement	N	Likert measurement scale					Frequency	
			1	2	3	4	5	Mean	SD. Devi.
1	Regional level or woreda Finance & Economic cooperation (WoFEC) has invested in computerization to be able to adopt financial management and information systems in budget formulation, execution and accounting	110	7	7	22	42	45	3.56	1.431
2	Regional Budget directorate or woreda Finance & Economic cooperation (WoFEC) Budget process Department has improved budgetary support in training staff on the application of financial management and information systems.	110	7	19	11	51	22	3.15	1.328
3	Regions or woreda Finance & Economic cooperation (WoFEC) has put in place a strategy that all staff should be capacity built through trainings to improve their information technology capacity.	110	9	10	21	45	25	3.49	1.147
4	Regions or woreda Finance & Economic cooperation (WoFEC), IT department, willing to Upgrade IBEX-2 to IFMIS that enable effective use of IFMIS system in the region	110	11	15	11	39	34	3.31	1.360
5	Regions or woreda Finance & Economic cooperation (WoFEC), prepares and executes the budget by utilizing the IT system	110	0	15	36	43	16	3.23	1.081
	Mean of statement		8%	12%	18%	40%	22%		
	Percentage							3.35	

Source: - Researchers Questionnaire 2019

The above table 4-5 summarizes of the five statements that were administered to measure the impact of information technology on effective management of budget in county governments and their responses were tabulated. The findings indicated that 40% and 22% of the respondents agreed and strongly agreed respectively that information technology had an impact on effective management of the budget in region. These comprised of 62% of all the respondents who participated in the study which was a strong indicator that information technology has an impact on effective management of the budget in region. An examination of statements of the variable information technology in the region based on the mean and standard deviation were summarized in table 7 above demonstrated that the mean score for the five statements set to measure the impact of information technology on effective management of budget ranged between 3.15 and 3.56 with the statement ‘Regions (BoFEC & Sector Bureaus) or woreda Finance & Economic cooperation (WoFEC) has invested in computerization to be able to adopt financial management and information systems in budget formulation, execution and accounting’ recording the highest mean and standard deviation of (mean = 3.56, SD= 1.431) while ‘Regional Budget directorate (BoFEC & Sector Bureaus) or woreda Finance & Economic cooperation (WoFEC) Budget process Department has improved budgetary support in training staff on the application of financial management and information systems.’ having the lowest score (mean score = 3.15 ,SD= 1.328). This implied that the region have embraced information technology in most of their functions including budgeting.

The findings obtained were similar to the findings of Mutuma (2016) who from his research concluded that institutional constraints, use of IFMIS and effective oversight and audit function had significant influence on budget implementation.

4.4.4 Public Finance Regulations

The study required establishing the impact of government regulations/laws on effective management of the budget in selected five in ORG. Five statements were presented to the respondents and their views sampled based on five point likert scale. The results obtained were summarized and presented in the table 4-6 below.

Table 4 - 6 Government Regulations/Laws Response Analysis

S · N	Statement	N	Likert measurement scale					Frequency	
			1	2	3	4	5	Mean	SD. Devi.
1	Regional Budget or woreda Finance & Economic cooperation budget execution, allocation, & implementation was according to the federal constitution and the supporting regulations	110	12	7	17	32	42	3.62	1.320
2	Regional Budget Directorate or woreda Finance & Economic cooperation budget process department makes a provision in the budget for training staff on the application of the law in the budget making process	110	4	23	32	40	11	3.00	1.355
3	Regional Budget Directorate WoFEC budget process department ensures that each officer engaged in the budgeting process participates in trainings on effective management of the budget and in accordance to the existed law.	110	15	12	6	37	40	3.42	1.237
4	Regional Budget Directorate or woreda Finance & Economic cooperation budget process department staffs understand the Public finance Management (PFM)Regulations	110	5	11	25	34	35	3.61	1.117
5	Regional Budget Directorate or woreda Finance & Economic cooperation budget process department supports and understands the importance of effective management of the budget and in accordance with law	110	4	23	32	41	10	3.20	.999
Mean of statement			7%	13%	20%	33%	27%		
Percentage								3.37	

Source: - Researchers Questionnaire 2019

The table 4-6 above summarizes the statements that were administered to measure the impact of public finance regulations on effective management of budget in region and their responses were tabulated. The findings indicated that 33% and 27% of the respondents agreed and highly agreed respectively that public regulations had an impact on effective management of the budget in region. These comprised of 60% of all the respondents who participated in the study which was a strong indicator that public finance regulations have an impact on effective management of the budget in region. and an assessment of statements of the variable public finance regulations in the region based on the mean and standard deviation were explained that the mean score for the five statements set to measure the impact of public finance regulations on effective management of the budget ranged between 3.00 and 3.62 with fourth statement ‘Regional Budget Directorate (BoFEC & Sector Bureaus) or Woreda Finance & Economic cooperation (WoFEC) budget process department staffs understand the Public finance (PF)Regulations.’ contributing the highest mean (mean score =3.62, SD=1.320)while ‘Regional Budget Directorate (BoFEC & Sector Bureaus) or Woreda Finance & Economic cooperation (WoFEC) budget process department makes a provision in the budget for training staff on the application of the law in the budget making process’ recording the lowest score (mean score =3.00, SD = 1.355). At the end the average mean of the statement is 3.37 Implies that majority of the staff are familiar and hold on to public finance regulations with regard to budgeting and the budgeting process and also other financial management matters of the region

4.4.5 Effective Management of the Budget

The study sought to measure effective management of the budget in county governments in Kenya. Five statements were presented to the respondents based five point likert scale and results obtained were presented in the table 4-7 below.

Table 4 - 7 Effective Management Response Analysis

S. N	Statement	N	Scale of measurement					Frequency	
			1	2	3	4	5	Mean	SD. Devi.
1	Regional bureaus or woreda offices has been achieving the highest budget absorption rate	110	14	9	7	39	41	3.50	1.464
2	Regional bureaus or woreda offices manage completion of all projects planned in each budget year within the predetermined time frame.	110	18	21	7	42	22	3.20	1.353
3	Regional bureaus or woreda offices makes a follow up on the incomplete projects at the end of the budget year	110	5	5	39	52	9	3.42	0.828
4	The regional budget Directors or Woredas Budget Process owner fully supports the approval of effective budget management strategies.	110	0	0	33	41	36	3.96	0.801
5	Effective budget management has been fully achieved and has led to improved economic development in region.	110	0	33	27	39	11	3.25	0.966
	Mean of statement		6%	12%	20%	37%	25%		
	Percentage							3.45	

Source: - Researchers Questionnaire 2019

From table 4-7 above, a summary of the statements that were shows to measure effective management of budget in region and their responses were tabulated. The findings indicated that 37% and 25% of the respondents agreed and highly agreed respectively that effective management of the budget in region was achieved to a reasonable level. These results shows of 62% of all the respondents who participated in the study which was a good indicator that effective management of the budget in the region was required by the independent variables as explained the above results. And an assessment of statements of the variable effective management of budget in the region based on the mean and standard deviation were demonstrated that the mean score for the five

statements set to measure effective management of the budget ranged between 3.26 and 4.03 with the statement ‘The regional budget Directors or Woredas Budget Process owner fully supports the approval of effective budget management strategies’ contributing the highest mean (mean score = 3.96, SD= .801) while ‘Effective budget management has been achieved and has led to improved economic development in region’ recording the lowest score (mean score =3.17, SD= 0.966). This implied that effective management of the budget had been fairly achieved.

4.5 Diagnostic Tests

4.5.1 Validity and Reliability Analysis

In order to establish the reliability and validity of the research instruments, the questionnaire was tested on the selected sample in North Shewa Zone Wuchale & Kimbibit woredas which was not among the counties under study. The results obtained are presented and discussed below.

4.5.2.1 Validity analysis

Validity is the degree to which an instrument measures what it claims to measure (Borg, W. and Gall, M, 1989). The questionnaire was structured in such a way that it captured the respondents’ profile and data pertinent to study objectives. The researcher also required Expert advice from the OBoFEC budget directorate who assisted in making corrections and modifications on the items in the instrument.

4.5.2.2 Reliability

To be reliable an instrument must be consistent in such a way that it was considered stable and can be depended on to yield similar test results under similar circumstances (Borg, W. and Gall, M, 1989). A Cronbach’s $\alpha > 0.7$ implies the instrument is relatively good measurement tool therefore reliable. Cronbach’s test was run on the five variables (citizen participation, staff competency, and information technology and public finance regulations) Field (2005). The results obtained were summarized and presented in the table 4-8 below.

Table 4 - 8 Reliability Test Table

Variable	Number of items	Coefficients (Alpha)
Public participations	5	0.703
staff competency	5	0.758
Information technology	5	0.730
Government Regulations/laws	5	0.700
Effective Management of Budget	5	0.706

Source: - Researchers Questionnaire 2019

Based on the results in table 4-8 above, all the five variables posted an Alpha of above 0.7 which implied that the instrument posted consistent results and therefore was acceptable. Before carrying out regression analysis using Ordinary Least Square (OLS) method, the researcher checked that data conforms to the Linear Regression assumptions.

4.5.4 Descriptive Statistics

These tests include the generation of number of observations, means, standard deviations, the lowest and the highest figures in each variable. The use of this output is to primarily find out if the data need any transformation to reduce variance; and if the data has any outliers or mistakes. This is conducted by running the data on SPSS.

Table 4 - 9 Descriptive Statistics

Descriptive Statistics					
	N	Mean	Std. Deviation	Minimum	Maximum
Budget Management	110	3.4509	.74363	1.80	4.60
Citizen participation	110	3.4036	.76625	1.80	4.60
Competency	110	3.3727	.80251	1.80	4.60
Information Technology	110	3.3491	.86372	1.00	5.00
PF Regulation	110	3.3673	.83128	1.00	5.00

Source: - Researchers Questionnaire 2019

The output in table 4-9 above demonstrated the combined means and standard deviations for each variable. Budget Management shows the highest mean of 3.45 while information technology shows

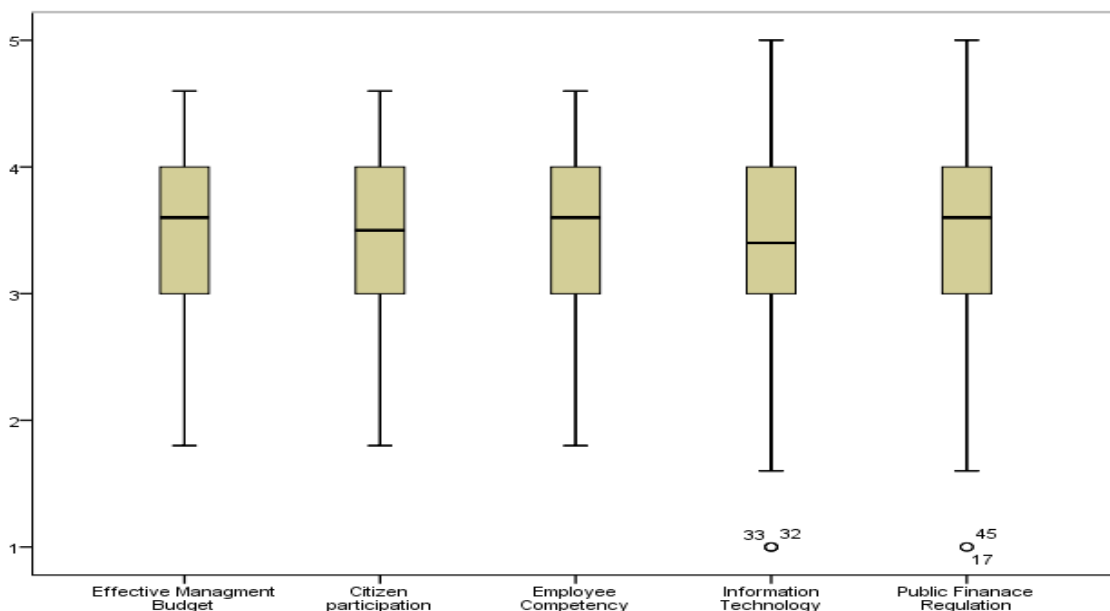
the lowest mean of 3.34. The interpretation was that most of the respondents felt that citizens' participation had a higher impact on effective management of the budget followed by public finance regulations and public staff competency.

4.5.5 Test for Outliers Using the Box Plot

An outlier is an observation that is numerically distant from the rest of the data. When reviewing a box plot, an outlier is defined as a data point that is located outside the fences of the box-plot; an outlier is a data point that is distant from other similar points. They may be due to variability in the measurement or may indicate experimental errors. If possible, outliers should be excluded from the data set. However, detecting those anomalous instances might be very difficult, and is not always possible. In statistics, an outlier is defined as observation which stands far away from the most of other observations. Often an outlier is present due to the measurements error. Therefore, one of the most important tasks in data analysis is to identify and to remove the outliers (Burke, 2001).

In this study the test entails running the data on SPSS for all the variables and then issue of box plot. Only drop extreme outliers and change the functional form of the variable dropping all outliers may reduce data points which have negative effects to final output.

Figure 4 - 1 Box Plot



Source: - Researchers Questionnaire 2019

From the box plot above, it was demonstrated that all the variables (citizen participation, employee competency, and information technology and public finance regulations) were within the acceptable range leading to the conclusion that there were no outliers in the data set.

4.5.6 Shapiro Wilk Test for Normal Data

A normality test is used to determine whether sample data has been drawn from a normally distributed population. A number of statistical tests, such as the Student's t-test and the one-way and two-way ANOVA require a normally distributed sample population.

Shapiro-Wilk (S-W) test are designed to test normality by comparing the data to a normal distribution with the same mean and standard deviation of your sample. If the test is NOT significant, then the data are normal, so any Value of the Shapiro-Wilk Test is greater than 0.050, the data is normal. If it is below 0.050, the data significantly deviate from a normal distribution. If the dataset small than 2000 elements, we use the Shapiro-Wilk test, otherwise, the Kolmogorov-Smirnov test is used. In our case, since we have only 120(df) elements, the Shapiro-Wilk test is used. From A, the Sig-value is 0.007. We can reject the alternative hypothesis and conclude that the data comes from a normal distribution (Ghasem and Zahediasl, 2012). However, when the p-value for the variables is less or equal to 0.05 (significant) then it implies that data is not good for OLS analysis. The results obtained from the Shapiro Wilk test are presented in the table 4-10 below

Table 4 - 10 Normality Table

	Tests of Normality					
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Effective Management	.200	110	.599	.923	110	.631

a. Lilliefors Significance Correction

Source: - Researchers Questionnaire SPSS Output 2019

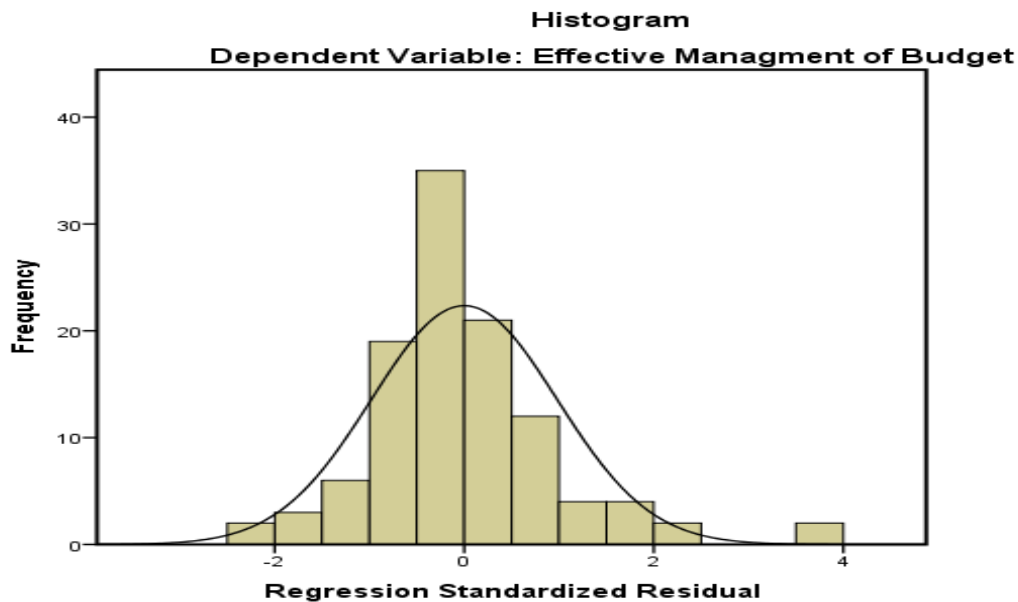
From table 4-10 above, results indicate that that all the variables had a p-value greater than (0.05) meaning that the variables (Citizen participation, Employee competency, information technology and public finance regulations) involved in the study followed a normal distribution and therefore OLS method was suitable to be applied for further analysis.

4.5.7 Histogram Test for Normality

The first characteristic of the normal distribution is that the mean (average), median, and mode are equal. A second characteristic of the normal distribution is that it is symmetrical. This means that if the distribution is cut in half, each side would be the mirror of the other (Ghasem, and Zahediasl S. 2012).

The study also checked for non-normality of residuals based on the graphical technique whereby normality is confirmed when the super imposed curve is bell shaped covering all the bars. The results obtained are presented in figure 4-2 below.

Figure 4 - 2 Histogram



Source: - Researchers Questionnaire 2019

The histogram in figure 4-2 above revealed that the bell shaped imposed curve covered all the bars of the histogram and therefore further confirmed the Shapiro Wilk test in the pre-test that data used

in the study was normally distributed and therefore considered fit to apply OLS technique in the entire analysis. The analysis entails determining the impact of citizen Participation, Employee competency, information technology and the application of public finance Regulations on effective management of budget in region.

4.5.8 Pair wise Correlation Test for Multicollinearity

According to Gujarati (2004), explanatory variables should not exhibit high correlation with each other because that may cause unrealistic results during regression. In order to avoid that problem, explanatory variables were tested for Multicollinearity using pair wise correlation technique and the results are presented in the table 4-11 below

Table 4 - 11 Correlation Matrix

Inter-Item Correlation Matrix						
	Effective Budget management	Citizen participation	Employee Competency	Information Technology	PFM Regulation	
Effective budget management	1.000	.659	.789	.463	.343	
Citizen participation	.659	1.000	.683	.297	.197	
Employee Competency	.789	.683	1.000	.336	.177	
Information Technology	.463	.297	.336	1.000	.172	
PFM Regulation	.343	.197	.177	.172	1.000	

Source: Researchers Questionnaire 2019

Results from Table 4-11 above indicated that the four explanatory variables (public participation, staff competency, and information technology and government regulations) were moderately correlated with each other and none of them had surpassed the rule of the thumb where correlations above 0.8 may lead to false results. Therefore OLS technique was appropriate in determining the effect of the independent variables on effective management of budget in ORG.

4.5.9 Vif Test for Multicollinearity

Multicollinearity is a statistical phenomenon in which predictor variables in a logistic regression model are highly correlated. Multicollinearity can cause unstable estimates and inaccurate variances which affects confidence intervals and hypothesis tests.

The Variance Inflation Factor (VIF) is $1/\text{Tolerance}$, it is always greater than or equal to 1. There is no formal VIF value for determining presence of multicollinearity. Values of VIF that exceed 10 are often regarded as indicating multicollinearity, but in weaker models values above 2.5 may be a cause for concern. Variance inflation factors (VIF) measure how much the variance of the estimated regression coefficients are inflated as compared to when the predictor variables are not linearly related. It is used to explain how much amount multicollinearity (correlation between predictors) exists in a regression analysis.

A VIF can be computed for each predictor in a predictive model. A value of 1 means that the predictor is not correlated with other variables. The higher the value, the greater the correlation of the variable with other variables, if one variable has a high VIF it means that other variables must also have high VIFs.

A rule of thumb regarding multicollinearity is that you have too much when the VIF is greater than 10 (this is probably because we have 10 fingers, so take such rules of thumb for what they're worth). The implication would be that you have too much Colinearity between two variables if $r \geq .95$. Gujarati (2004).

While the pair wise correlation carried earlier indicated that the explanatory variables were not highly correlated, the VIF test was carried out immediately after regression to confirm the authenticity of the pre-test indicated in (table13) and the results are presented in Table 19 below.

Results in table 13 below demonstrated a mean VIF of 1.52 which was less than the set threshold of 10 when variables are perfectly collinear hence confirms the pre-test done on the data that there was no multicollinearity problem in the data used. Tolerances ($1/\text{VIF}$) were between 0.51 and 0.94. This meant that for employee competency, 51% of the variance was not explained by the other independent variables. For citizen participation, 52% of the variance was not explained by the other

Table 4 - 12 Coefficients

Model	Independent Variable	Colinearity Statistics		
		Tolerance	VIF	1/VIF
1	Citizen participation	.523	1.912	0.5230
	Employee Competency	.513	1.950	0.5128
	Information Technology	.868	1.153	0.8673
	PFM Regulation	.946	1.057	0.9460
Mean			1.52	

a. Dependent Variable: Effective Budget Management
 Source:- Researchers Questionnaire 2019

Independent variables for information technology, 86% of the variance was not explained by the other independent variables and finally PFM regulations, 94% of the variance was not explained by the other independent variables. All the variables demonstrated a high tolerance and a low VIF value indicating a low degree of multicollinearity.

4.5.10 Breusch Pagan Test for Heteroscedasticity

By definition, OLS regression gives equal weight to all observations, but when heteroscedasticity is present, the cases with larger disturbances have more “pull” than other observations. A more serious problem associated with heteroscedasticity is the fact that the standard errors are biased. In simple terms, heteroscedasticity is any set of data that isn't homoscedasticity. More technically, it refers to data with unequal variability (scatter) across a set of second, predictor variables. Heteroscedasticity data tends to follow a cone shape on a scatter graph. Knaub, J. (2007). Typically, a formal test is designed to test the null hypothesis of homoscedasticity (equal error variance between parameters) versus an alternative hypothesis of heteroscedasticity.

Table 4 - 13 Breusch Pagan Test for Heteroscedasticity

```
----- Breusch-Pagan and Koenker test statistics and sig-values -----
              LM              Sig
BP             39.348         .000
Koenker        14.354         .006
```

Null hypothesis: heteroskedasticity not present (homoskedasticity).

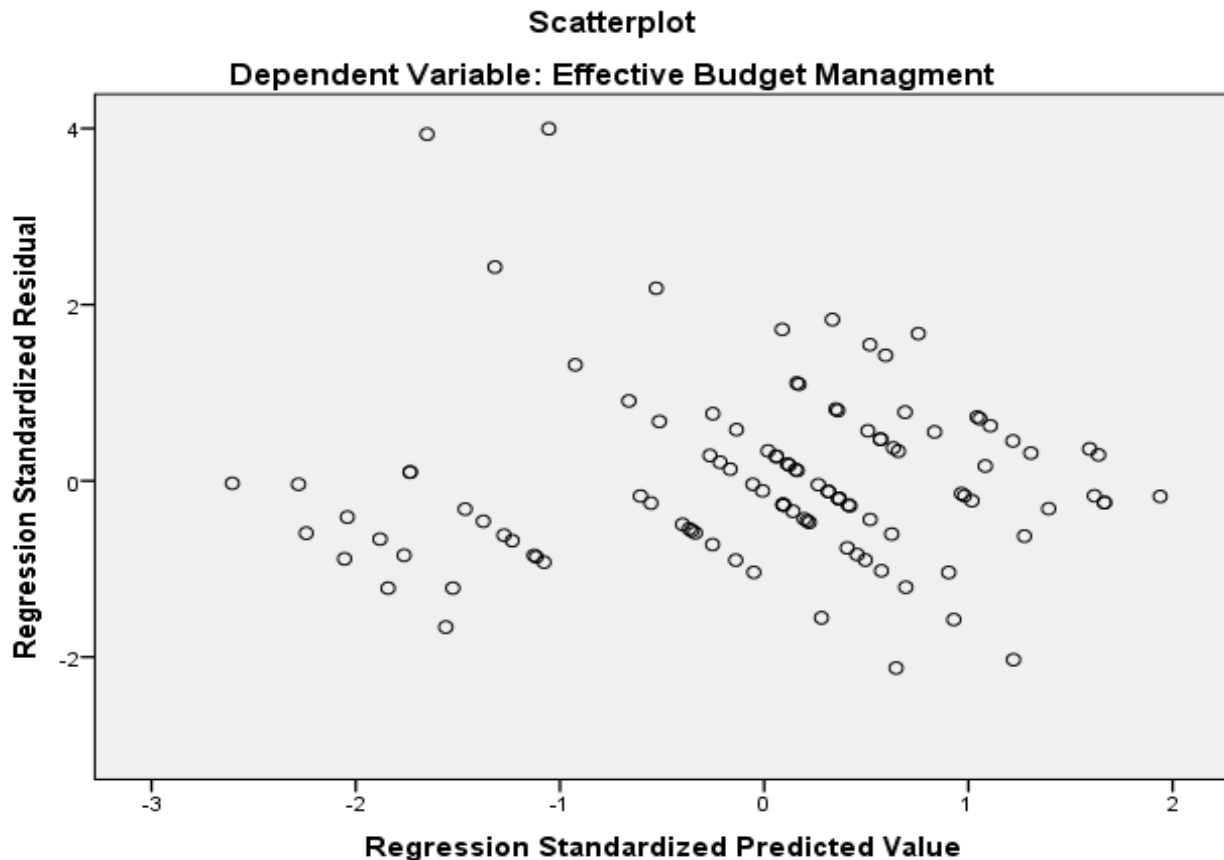
If sig-value less than 0.05, reject the null hypothesis.

Note: Breusch-Pagan test is a large sample test and assumes the residuals to be normally distributed.

Source: - SPSS out

After Conducting the Breusch pagan test was applied to detect heteroscedasticity. According to Kelly, (2007) the common test for heteroscedasticity is the Breusch pagan test. The results demonstrated below posted a p-value of 0.000 at 95% confidence level hence the study failed to reject the null hypothesis that errors are homogeneous and therefore concluded that there was no possible presence of Heteroscedasticity in the model explained above on table 4-13.

Table 4 - 14 Scatter plot



Source: - Researchers Questionnaire 2019.

The scatter point out put above, it appears that the spots are diffused and don't form a clear specific pattern. So it can be concluded that the regression model does not occur heteroscedasticity problem, and the variability of the residuals for fitted values did not demonstrate any pattern. This observation indicated that there was no heteroscedasticity. It was therefore concluded that the independent variables (citizen participation, staff competency, information technology and public participation regulations) can be relied upon to determine their impact on effective management of budget by applying regression analysis.

4.6 Model Fitting

Model fitting is a procedure that takes two steps: First you need a function that takes in a set of parameters and returns a predicted data set. Second you need an 'error function' that provides a number representing the difference between your data and the model's prediction for any given set of model parameters.

To determine the relationship between the independent and dependent variable, multiple linear regressions was performed based on the model below.

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

4.6.1 Coefficient of Determination

The coefficient of determination (denoted by R^2) is a key output of regression analysis with linear regression, the coefficient of determination is also equal to the square of the correlation between x and y scores. An R^2 of 0 means that the dependent variable cannot be predicted from the independent variable, R square or coefficient of determination is the percentage variation in y explained by all the x variables together. If we can predict our y variable then we would have R square (i.e. coefficient of determination) of 1. Usually the R square of .70 is considered good. The Pearson correlation coefficient, r, can take a range of values from +1 to -1. A value of 0 indicates that there is no association between the two variables. A value greater than 0 indicates a positive association; that is, as the value of one variable increases, so does the value of the other variable (Hauke, and Kossowsk, 2011).

In this study the coefficient of determination indicated that the proportion of variance in the dependent variable (effective management of budget) that is explained by the explanatory variables (citizen participation, employee competency, information technology and public finance regulations) in the study. Based on the regression output in table 4-15 below, the coefficient of determination is given by R-squared which is 71.6%. This implied that 71.6% of the change in effective management of budget was explained by the four independent variables: public participation, staff competency, and information technology and government regulations. However, 28.4% of the change could be explained by other factors not covered in the study. The output of the model explained below on the table 4-15.

Table 4 - 15 Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846 ^a	.716	.706	.40352

a. Predictors: (Constant), PF Regulation, information Technology, Citizen participation, Employee Competency

b. Dependent Variable: Budget management

Source: - SPSS out put

4.6.2 Regression Coefficients

Regression coefficients are estimates of the unknown population parameters and describe the relationship between a predictor variable and the response. In linear regression, coefficients are the values that multiply the predictor values.

Table 4 - 16 Coefficients of Regression

Model		Coefficients		Standardized Coefficients	t	Sig.
		Unstandardized Coefficients	Std. Error			
		B		Beta		
1	(Constant)	.005	.237		.023	.982
	Citizen participation	.171	.070	.176	2.456	.016
	Employee Competency	.532	.067	.574	7.910	.000
	Information Technology	.162	.048	.188	3.372	.001
	PF Regulation	.156	.048	.175	3.266	.001

a. Dependent Variable: Budget management

Source: SPSS output

The findings on the individual coefficients shown in table 4-16 above revealed that four independent variables (Citizen Participation, employee competency, staff competency and application of public finance regulations) had a positive and significant impact on effective management of budget in region.

The results obtained on individual coefficients indicated that citizen participation had a positive and significant relationship on effective management of the budget in the region with a coefficient of correlation (0.171, $P = 0.016$) at 5% significance level. This implied that public participation contributed about 17.1% towards effective management of the budget under study. Employee competency had a positive and significant relationship on effective management of the budget in region with a coefficient of correlation (0.532, $P = 0.000$) at 5% significance level. This implied that staff competency contributed about 53.2% towards staff competency in the four counties under study. Application of information technology had a positive and significant relationship on effective management of the budget in region with a coefficient correlation of (0.162, $P=0.001$) at 5% significance level. This implied that application of information technology contributed positively to about 16.2% towards effective management of the budget in the four counties under study, and also the application of public finance regulations had a positive and significant relationship on effective management of the budget in the region with a coefficient of correlation (0.156, $P=0.001$) at 5% significance level. This implied that Government regulations contributed about 15.6% towards effective management of the budget in the four counties under study.

4.6.3 Significance of the Model

The results in Table 21 above further revealed that the overall model had a t-value of 0.000 (significant) implied that the model was a good fit that was significant and can be used to predict the dependent variable which was effective management of the budget in Oromia regional Government.

4.6.4 Interpretation and Discussion of Results

Based on the results demonstrated in table 15 below, the following model was derived to explain the relationship between the independent variables demonstrated in the study and the dependent variable which was effective management of the budget in ORG.

Table 4 - 17 Anova

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.178	4	10.795	66.295	.000 ^b
	Residual	17.097	105	.163		
	Total	60.275	109			

a. Dependent Variable: Effective management

b. Predictors: (Constant), Regulation, information, participation, Competency

Source: - SPSS output

$$y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

$$y = .005 + 0.171x_1 + 0.532x_2 + 0.162x_3 + 0.156x_4 + \varepsilon$$

Y = Dependent variable (Effective management of budget in county governments)

X₁ = Independent variable 1 (Public participation)

X₂ = Independent variable 2 (Competency of staff)

X₃ = Independent variable 3 (Information technology)

X₄ = Independent variable 4 (Government regulations)

β_0 = Constant

β_1 = Coefficient of X₁

β_2 = Coefficient of X₂

β_3 = Coefficient of X₃

β_4 = Coefficient of X₄

e = error term

From the result indicated that Competency had the highest impact on effective management of the budget in the region. The result implied that a unit increase in citizen Participation led to 17.1% improvement in effective management of the budget in region, citizen competency also 53.2% improvement in effective management, a unit increase in Information technology led to 16.2% improvement in effective management of the budget, and a unit increase in public finance regulations led to 15.6% improvement in effective management of budget respectively.

4.7. Summary of Findings

From the general objective of the study, the study aimed at establishing the factors affecting effective management of the budget in Ethiopia in the case of Oromia Regional Government. The study established that there was a significant positive relationship between the factors identified (independent variables) that were Citizen Participation, competency, application of information technology, public finance regulations and the dependent variable.

Based on the regression output in table 4-15, the coefficient of determination as demonstrated by R-squared was 71.6%. This implied that 71.6% of the change in effective management of budget was explained by the four independent variables Citizen Participation, competency, application of information technology, public finance regulations. However, 28.4% of the change could be explained by other factors not covered in the study. Findings on each of the four objectives forming the independent variables are briefly discussed below.

4.7.1 Impact of Public Participation on Effective Management of Budget

These studies establish the impact of Citizen Participation on effective management of budgets in region. From the analysis in table 4-3, it was demonstrated that the mean score for the five statements set to measure the impact of public participation on the effective management of the budget ranged between 3.09 and 3.98. This was an indication that citizen participation had an impact on effective management of budget in Ethiopia specifically in Oromia Regional Government with the third statement 'Citizen participation has been adequately supported through funding by the region/woredas to strengthen regional /woredas level planning' contributing the highest mean; while 'Citizens are informed about project deliverables in public participation meetings' posting the lowest mean score.

A summary of table 4-3 statements that were administered to measure the impact of citizen participation on effective management of budget in region and their responses were tabulated. The

findings indicated that majority of the respondents agreed and strongly agreed that public participation had an impact on effective management of the budget in Ethiopia in the case of region. The results obtained on individual coefficients indicated that citizen participation had a positive and significant relationship on effective management of the budget Ethiopia in case of Oromia Regional Government.

4.7.2 Impact of Employee Competency on Effective Management of Budget

This study required to establish the impact of employee competency on effective manage table 4-4, it was demonstrated that the mean score for the five statements set to measure the impact of employee competency on the effective management ranged between 3.05 and 3.95. This was an indication that staff competency had an impact on effective management of budget in region. with the third statement ‘Regions or Woreda Finance & Economic cooperation (WoFEC) has put in place a strategy that all staff should be capacity built through trainings to enhance their budget management skills’ contributing the highest mean; while ‘The budget process is a technical process that requires people with expertise and experience to execute effectively’ posting the lowest mean score.

From the analysis in table 4-4, a summary of the five statements that were administered to measure the impact of staff competence on effective management of budget in region and their responses were tabulated. The findings indicated that majority of the respondents agreed and strongly agreed that employee competency had an impact on effective management of the budget in region. The results obtained on individual coefficients indicated that staff competency had a positive and significant relationship on effective management of the budget in Oromia regional Government.

4.7.3. Impact of Information Technology on Effective Management of Budget

This study requires establishing the impact of the application of information technology on the effective management of budget in Oromia Regional Government. From the analysis in table 4-5, it

was demonstrated that the mean score for the five statements set to measure the impact of the application of information technology on the effective management ranged between 3.15 and 3.56. This was an indication that the application of information technology had an impact on effective management of budget in ORG with the third statement ‘Regions (BoFEC & Sector Bureaus) or Woreda Finance & Economic cooperation (WoFEC) has invested in computerization to be able to adopt financial management and information systems in budget formulation, execution and accounting’ contributing the highest mean; while ‘Regional Budget directorate (BoFEC & Sector Bureaus) or Woreda Finance & Economic cooperation (WoFEC) Budget process Department has improved budgetary support in training staff on the application of financial management and information systems’ posting the lowest mean score.

From the analysis in table 4-5, a summary of the five statements that were administered to measure the impact of the application of information technology on effective management of budget of the region and their responses were tabulated. The findings indicated that majority of the respondents agreed and strongly agreed that the application of information technology had an impact on effective management of the budget in the region. The results obtained on individual coefficients indicated that the application of information technology had a positive and significant relationship on effective management of the budget in Oromia Regional Government.

4.7.4. Impact of Government Regulations on Effective Management of Budget

This study requires establishing the impact of public finance regulations on effective management of budget in region. From the analysis in table 4-6, it was demonstrated that the mean scores for the five statements that were set to measure the impact of public finance regulations on the effective management of the budget was on the higher side. This was an indication that government regulations had an impact on effective management of budget in ORG with the statement ‘The Regional Budget Directorate or Woreda Finance & Economic cooperation (WoFEC) budget process department staffs understand the Public finance (PF) Regulations.’ contributing the highest mean; while ‘Regional Budget Directorate (BoFEC & Sector Bureaus) or Woreda Finance & Economic cooperation (WoFEC) budget process department makes a provision in the budget for training staff on the application of the law in the budget making process’ posting the lowest mean score.

From the analysis in table 4-6, a summary of the five statements that were administered to measure the impact of public finance regulations on effective management of budget in region and their responses were tabulated. The findings indicated that majority of the respondents agreed and strongly agreed that public finance regulations had an impact on effective management of the budget in ORG. The results obtained on individual coefficients indicated that application of public finance regulations had a positive and significant relationship on effective management of the budget in Oromia Regional Government.

CHAPTER FIVE

5. Summary, Conclusions and Recommendations

5.1 Introduction

The main objective of the study was to establish the factors affecting effective management of the budget in Ethiopia in Oromia Regional Government (ORG). This chapter presents the summary of findings, conclusion, recommendations, and recommendations for further research.

5.2 Conclusions

Based on the findings above, the researcher concluded that there exists a positive and significant relationship between four of the independent variables, citizen participation, employee competency application of information technology and the application of public finance regulations on effective management of the regional budget. The application of staff/employee/ competency contributed the highest percentage, followed by citizen participation, application information technology and public finance regulations respectively. Further, the study demonstrated that the overall model was statistically significant in the prediction of the dependent variable and therefore the researcher recommends to Regional Government to give the four factors priority when developing there operational policies.

From the result analyzed in this study, it was demonstrated that the factors considered in the research have a moderate influence of 71.6% on effective management of the budget in region. Effective management of the budget in a region is a key component in realizing economic growth that would eventually transform the lives of people. Many developing countries have challenges in achieving effectiveness in the management of budget due to lack of accountability, transparency and lack of qualified personnel in the public sector. Based on this study, it was concluded that employee competency, adoption of citizens' participation and strict follow up of public finance laws and regulations would ensure success in Oromia Regional Government.

According to the findings in this study, the variables considered had a moderate positive impact on effective management of the budget. However to achieve success in effective management of

budget in Oromia Regional Government; should be advised to enhance the application of the variables under this study.

5.3. Recommendations

1. The study recommends that the regional government should carry out the way of increasing community participation to promote the participation of citizens in the region budgeting process. This is because the study has demonstrated a significant positive relationship between community participation and effective management of the budget.
2. The study also recommends that there is need for the region to follow up on the enforcement of the regulations of stakeholder participation in region budgeting process since this will ensure better management of budget and successful implementation of various projects. This is because the study has demonstrated a significant positive relationship between application of public finance /government/ regulations and effective management of the budget.
3. The study also recommends that stakeholders should make it their responsibility to participate in the regional budgeting process.
4. The study also recommends that regional governments should adopt a policy of hiring competent employee. This is because the study demonstrated a significant positive relationship between employee competency and effective management of the budget

5.4. Recommendations for Future Researcher

This study recommends that there is need to carry out further studies using regression analysis in order to establish other variables that could have an impact on effective management of the budget in Oromia Regional Government.

The study also recommended that this study should be replicated on a wider geographical scope to cover the thirty two (32) woredas, from three hundred forty six (346) woredas, eight (8) regional sectors Bureau from fifty seven (57) sector bureaus and ten(10) urban from twenty(20) urban administrative as this will help understand the issues affecting in the regional level.

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Appendix – I - Questionnaire
Addis Ababa University
College of Business and Economics
Department of Accounting & Finance

Questionnaires administered distributed to OBoFEC Budget Directorate, Some Selected Sectors Finance Department & Selected WoFEC Finance & Budget Process owners and Budget Experts in the Oromia Regional Governments (ORG).

Purpose of questionnaire

These questionnaires are prepared to collect the data for the purpose of the partial fulfillment of the requirements for the award of Master of Science in Accounting and Finance, and focus on establishing the factors affecting the effective management of the budget in Ethiopia in the case of Oromia Regional Government.

The research is intended for academic purposes only; therefore you are kindly requested to participate in the study by providing all appropriate information in the spaces provided honestly and precisely. For anything you have responded on, the privacy is strongly kept. Thank you very much for your time and cooperation, and the Responses to these questions will be treated as confidential.

Note:-

- Don't write your Name on the questionnaire.
- Please show your choice circling the letter in from of the given choice

I. Section A: - Background Information

Profile of the respondent

1. **Gender:** A/ Male B/ Female
2. **Your Age:** A/20-30 B/31-40 C/41-50 D/over 50 years

3. **Level of Education:** A/ literate B/ Certificate C/ Diploma D/ First Degree E/ Master's Degree and above.
4. **Employment Experience (years):** A/ ≤ 5 years B/ 6 to 10 years C/ 11 to 15 years D/ ≥ 16 years
5. **Nature of Employment :** A/Permanent B/Contract
6. **Your field of Study:-** A/Accounting B/management/ C/Economics D/Other
7. **Level of position in your bureau**-----

I. Section A: Citizens' participation and effective management of the budget

In the following section, the researcher is requesting for your specific perceptions toward research questions. Please kindly indicate (X) mark to express the extent to which you agree or disagree on the given statement from the choices.

1=Highly Disagree 2=Disagree 3=Moderate 4=Agree 5= Highly Agree

Citizens Participation		SD	D	N	A	SA
No	Statement	1	2	3	4	5
8	Citizens' participation enhances accountability systems in the Regions or Woreda Finance & Economic cooperation (WoFEC) budget management.					
9	Citizens are informed about project deliverables in public participation meetings.					
10	Participation of public/citizens in the budgeting process has been encouraged by the regional or woreda administrative to strengthens and empower citizens.					
11	Citizen participation has been adequately supported through funding by the region/woreda to strengthen regional /woreda level planning.					
12	Citizen participation in Regions or woreda Finance & Economic cooperation (WoFEC) level has led to improved public service delivery and increased trust of citizens in government					

II. B : employee Competency in and Effective Management of the Budget

Indicate to what extent you agree or disagree with the following statements on the impact of staff competency on effective management of the budget in your department by putting a tick against the options provided below.

1=Highly Disagree

2=Disagree

3=Moderate

4=Agree

5= Highly Agree

Competency of employee		SD	D	N	A	SA
No	Statement	1	2	3	4	5
13	The budget staffs working with the Region/Woredas have the Required qualifications and experience to perform their roles in management of the budget					
14	The budget process is a technical process that requires people with expertise and experience to execute effectively					
15	Regions or woreda Finance & Economic cooperation (WoFEC) has invested closely on staff training to enhance budget skills to ensure effective management of the budget.					
16	Regions or woreda Finance & Economic cooperation (WoFEC) has put in place a strategy that all staff should be capacity built through trainings to enhance their budget management skills.					
17	Regions or woreda Finance & Economic cooperation (WoFEC) has an effective system of staff recruitment and selection in place to ensure only the best applicants are selected for the job.					

III. Section C: information technology and effective management of the budget

Please indicate to what extent you agree or disagree with the statements provided on the impact of information technology on effective management of the budget by putting a tick against the options provided:

1=Highly Disagree 2=Disagree 3=Moderate 4=Agree 5= Highly Agree

Information Technology		SD	D	N	A	SA
No	Statement	1	2	3	4	5
18	Regions or woreda Finance & Economic cooperation (WoFEC) has invested in computerization to be able to adopt financial management and information systems in budget formulation, execution and accounting.					
19	Regional Budget directorate or woreda Finance & Economic cooperation (WoFEC) Budget process Department has improved budgetary support in training staff on the application of financial management and information systems.					
20	Regions or woreda Finance & Economic cooperation (WoFEC) has put in place a strategy that all staff should be capacity built through trainings to improve their information technology capacity.					
21	Regions or woreda Finance & Economic cooperation (WoFEC), IT department, willing to Upgrade IBEX-2 to IFMIS that enable effective use of IFMIS system in the region					
22	Regions or woreda Finance & Economic cooperation (WoFEC), prepares and executes the budget by utilizing the IT system					

IV. Section D: Regional public finance regulations and Effective Management of the Budget.

Please indicate to what extent you agree or disagree with the statements provided on the impact of public finance regulations on effective management of the budget by putting a tick against the options provided below.

1=Highly Disagree 2=Disagree 3=Moderate 4=Agree 5= Highly Agree

Regional PFM Regulation/laws		SD	D	N	A	SA
S.N	Statement	1	2	3	4	5
23	Regional Budget or woreda Finance & Economic cooperation (WoFEC) budget execution, allocation, & implementation was according to the federal constitution and the supporting regulations					
24	Regional Budget Directorate or woreda Finance & Economic cooperation (WoFEC) budget process department makes a provision in the budget for training staff on the application of the law in the budget making process.					
25	Regional Budget Directorate or woreda Finance & Economic cooperation (WoFEC) budget process department ensures that each officer engaged in the budgeting process participates in trainings on effective management of the budget and in accordance to the existed law.					
26	Regional Budget Directorate or woreda Finance & Economic cooperation (WoFEC) budget process department staffs understand the Public finance Management (PFM)Regulations					
27	Regional Budget Directorate or woreda Finance & Economic cooperation (WoFEC) budget process department supports and understands the importance of effective management of the budget and in accordance with law					

V. Section E: Effective Management of the Budget

Please indicate to what extent you agree or disagree with the statements provided on

1=Highly Disagree

2=Disagree

3=Moderate

4=Agree

5= Highly Agree

Effective Management of the Budget		SD	D	N	A	SA
	Statement	1	2	3	4	5
28	Regional bureaus or woreda offices has been achieving the highest budget absorption rate					
29	Regional bureaus or woreda offices manage completion of all projects planned in each budget year within the predetermined time frame.					
30	Regional bureaus or woreda offices makes a follow up on the incomplete projects at the end of the budget year					
31	The regional budget Directors or Woredas Budget Process owner fully supports the approval of effective budget management strategies.					
32	Effective budget management has been fully achieved and has led to improved economic development in region.					

Appendix – II – Bruschen Pagan Matrix

Run MATRIX procedure:

Written by Ahmad Daryanto

Original Regression model:

Dependent variable
MANAGMEN

R-square
.719

OLS outputs

	b	se	t	sig	95%LB	95%UB
Constant	.099	.250	.395	.694	-.391	.589
PARTICIP	.137	.070	1.965	.052	.000	.275
COMPETEN	.549	.067	8.163	.000	.417	.681
INFORMAT	.195	.060	3.234	.002	.077	.313
REGULATI	.119	.057	2.091	.039	.007	.230

OLS outputs with heterocedasticity-robust standard errors:

	b	se	t	sig	95%LB	95%UB
constant	.099	.265	.373	.710	-.391	.589
PARTICIP	.137	.108	1.268	.208	.000	.275
COMPETEN	.549	.123	4.457	.000	.417	.681
INFORMAT	.195	.067	2.924	.004	.077	.313
REGULATI	.119	.083	1.437	.154	.007	.230

* Note: standard error is HC4 variant

----- ANOVA TABLE -----

	SS	df	MS	F	Sig
Model	50.557	4.000	12.639	67.126	.000
Residual	19.771	105.000	.188	-999.000	-999.000

=====

Breusch-Pagan and Koenker test

=====

The tests use the scaled residuals from the original OLS above with no adjustment to standard errors.

OLS outputs

	b	se	t	sig	95%LB	95%UB
constant	2.938	1.288	2.282	.025	.414	5.463
PARTICIP	-.484	.360	-1.345	.182	-1.190	.222
COMPETEN	-.784	.346	-2.262	.026	-1.463	-.105
INFORMAT	.769	.310	2.478	.015	.161	1.377
REGULATI	-.045	.293	-.154	.878	-.619	.529

R-square

.130

----- ANOVA TABLE -----

	SS	df	MS	F	Sig
Model	78.695	4.000	19.674	3.939	.000
Residual	524.394	105.000	4.994	-999.000	-999.000

----- Breusch-Pagan and Koenker test statistics and sig-values -----

	LM	Sig
BP	39.348	.000
Koenker	14.354	.006

Null hypothesis: heteroskedasticity not present (homoskedasticity).

If sig-value less than 0.05, reject the null hypothesis.

Note: Breusch-Pagan test is a large sample test and assumes the residuals to be normally distributed.

----- END MATRIX -----

Appendix – III – FGE 10 years Adjusted Budget Vs Expenditure

Budget year	Adjusted budget	Annual Expenditure
2000	47,776,273,891.00	41,959,467,452.00
2001	59,215,836,539.00	54,605,376,152.00
2002	75,093,285,068.00	71,281,521,463.00
2003	91,657,292,652.00	87,265,577,829.00
2004	133,055,334,100.71	121,202,871,419.55
2005	150,630,492,061.89	141,513,595,283.57
2006	162,457,531,882.32	156,556,757,294.53
2007	194,996,945,841.02	187,920,798,825.70
2008	271,900,777,535.53	236,065,196,812.51
2009	315,607,061,650.82	276,285,871,647.01

Appendix – IV – ORG 10 Year Budget Vs Expenditure Table

Year	Approved Budget	Supplementary	Annual /Adjusted Budget	Expenditure	Difference (Under /Over)	%
2007/08	6,932,329,755.00	587,791,482.00	7,520,121,237.00	7,162,087,885.25	358,033,351.75	95%
2008/09	8,306,458,243.65	608,207,598.00	8,914,665,841.65	8,347,183,298.01	567,482,543.64	94%
2009/10	9,645,702,706.00	1,544,066,360.49	11,189,769,066.49	10,540,867,479.04	648,901,587.45	94%
2010/11	18,443,268,377.00	843,767,476.00	19,287,035,853.00	16,602,521,950.67	2,684,513,902.33	86%
2011/12	23,029,078,489.00	1,204,127,083.00	24,233,205,572.00	21,700,886,373.63	2,532,319,198.37	90%
2012/13	26,719,932,028.00	1,177,107,612.04	27,897,039,640.04	25,458,120,180.73	2,438,919,459.31	91%
2013/14	31,667,367,667.00	4,104,492,233.00	35,771,859,900.00	32,556,225,405.97	3,215,634,494.03	91%
2014/15	42,951,112,179.00	1,626,154,530.30	44,577,266,709.30	38,736,002,746.91	5,841,263,962.39	87%
2015/16	46,440,163,819.00	5,814,833,928.20	52,254,997,747.20	47,038,604,729.19	5,216,393,018.01	90%
2016/17	55,809,286,504.00	1,021,445,009.47	56,830,731,513.47	49,542,549,316.21	7,288,182,197.26	87%
Total	269,944,699,767.65	18,531,993,312.50	288,476,693,080.15	257,685,049,365.61	30,791,643,714.54	89%