



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

**BUDGET MANAGEMENT PRACTICES AND CONSTRAINTS IN
INTERNATIONAL NON- GOVERNMENTAL ORGANIZATIONS;
THE CASE OF MANAGEMENT SCIENCES FOR HEALTH –
ETHIOPIA**

BY

NIGATU MELESE

**A RESEARCH THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION**

January 31, 2022

ADDIS ABABA, ETHIOPIA

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DECLARATION

I the undersigned, declare that this thesis is my original work, prepared under the guidance of Takele Fufa (**PhD**). All sources of materials used for the thesis have been duly acknowledged. I further confirm that this thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Name

Signature

January 31, 2022

ADDIS ABABA, ETHIOPIA

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ABSTRACT

This research sought out to assess the budget management practices and constraints in Management Sciences for Health (MSH). The general objective of the study was to assess budget management practices of the various projects within the organization and how effective the practices are in handling funding from donors. This research adopted the DMAIC (Define, Measure, Analyze, Improve and Control) lean six sigma methodology to develop the conceptual framework. The research approach employed was of a descriptive nature with both qualitative and quantitative investigation to evaluate the budget management practices within MSH. The data was collected using structured questionnaires from 72 permanent employees of Management Sciences for Health who were based at Addis Ababa office. The research scope was limited within MSH Addis Ababa staff. The finding of the research revealed the existence of ineffective budget management practices at Management Sciences for Health mainly from weaknesses in budget plan preparation, data collection, budget monitoring, and poor analysis method. The research recommended the importance of relevant staff involvement in budget preparation, highlighted the need for conduct of budget monitoring and analysis monthly, and suggested information sharing among projects.

Key Words: *Effective, gaps, knowhow, DMAIC, budget.*

CHAPTER ONE

I. INTRODUCTION

This chapter lays out the foundation of the research as it is an introduction in the subject matter of budget management. The chapter leads out with the background of the study in which budgets are briefly explained and background information into Management Sciences for Health is provided by the researcher. The researcher proceeds to the statement of the problem in which the gaps of the study are identified so as to propose the research questions will be answered by this research and subsequent objectives that will aid for further investigating the subject matter. The rest of the chapter points out the significance of the study to state what impact the study will have followed by the scope and in what areas the study was limited. The chapter is topped off with the organization of the entire research.

1.1 BACKGROUND OF THE STUDY

Organizations use budgeting as a means of planning, allocation of resources, coordinating, and evaluating the activities of the year. According to Drury (2004) “budgets are used to plan the future activities for organizations” and contain information about how much resources are needed, which makes it possible to plan. “Budgets are aimed to facilitate resource allocation within companies, secure that the resources are being used effectively and that the right amount is distributed to the departments, which is crucial.”

Having a budget in place is very essential for an organization as it is a comprehensive financial plan for achieving the financial and operational goals of an organization. Budgets give organizations a sense of security and direction. Budgets also create a basis for control, through periodic monitoring and give a clear picture of the forecast ahead. Budgets according to Siyanbola (2013) are “statements of estimated resources set apart for execution of planned works or activities over a specified period of time. It is a blue print of the outcome of the organization’s operation in a financial year. It indicates the qualitative parameters of an organization’s performance, while budgetary control is a process of finding out what is being done and involves the act of comparing the actual

result with the budget to verify accomplishment or fix the differences.” Lepori et al. (2013) also stated that “at the level of the whole organization, budgeting can be recognized as a central element in the organizational control systems that keep a balance between revenues and expenditures, manage the resources with direct links to the environment, and reduce uncertainty.”

According to Tesfaye et al (2021), funding constraints, calls for management practice, media exposure and the development of a contract culture have brought demands for increased budget management practice in organizations and control within the development sector. NGOs most often do not consider budget management to be a priority and consequently lack adequate budget management knowledge. This is often characterized by poor budget planning and adequate financial systems in place. They pay little attention to budget control and this makes the NGOs vulnerable to financial losses.

Similarly the budgeting process has a link with the financial planning process , the record keeping system, internal control practices and investigate to what extent they prepare their financial report to monitor their budget and expenditure and failing to properly address such variable may result in poor achieves of planed budget (Waraqisa.A,2021). Again, there are several researches outline the mal-practices of budget in different organization context and several constructs which are used to measure and exhibit existing problems.

International non-governmental organizations exist on the basis of the projects within them and the budget practices of the different projects within these organizations also differ. “When setting a budget, managers must predict the future and consider what changes and problems may occur. This encourages managers to take actions before problems become reality. All units within an organization are, more or less, dependent on each other. By using a budget, the units have to cooperate and compromise when it concerns limited resources. Drury (2004) further elaborated that budgets are used for evaluation as well by stating “budget functions as a control system for performance evaluation. By setting budget targets the accountable are held responsible for reaching

the objectives. Through a follow up of the budget, which means when the budget is being compared with the actual outcome, managers can be evaluated.”

Management Sciences for Health is a nonprofit international public health organization with a mission of “saving lives and improving health of the world’s poorest and most vulnerable people by closing the gap between knowledge and action in public health” (MSH website 2019). MSH was founded in 1971 but has had its presence in Ethiopia since 2003. Since then, MSH Ethiopia has been working with partners throughout Ethiopia to implement lifesaving programs in the areas of Tuberculosis care, treatment and support. This study will look into the practices of MSH as its prime objective and finding out the effectiveness of the budget management practices of different projects within MSH to give an overall picture of the practices of international non-governmental organizations in Ethiopia. The methodology that was used in this study to conceptualize the study by the researcher was the DMAIC (Define, Measure, Analyze, Improve and Control) process which is an effective problem solving technique often used in Six Sigma to improve a product or process. This method was adopted to illustrate the steps that would be needed to manage a budget and as the backbone to the conceptual frame work of this study.

1.2 STATEMENT OF THE PROBLEM

Budgets are widely known as the financial expression of a certain organization, firm or project. It can be argued that setting a budget in place means putting a monetary figure to your organizations plans for a given period. Budgets focus on resources at hand or what may be needed to be sought out or acquired to achieve a certain organizations or projects goals. Budgets create a means of strategic allocation of resources within a certain range, monetary ceiling or limit.

Budgeting according to Siyanbola (2013) improve planning and control; is used to find the most profitable course of action; assists management in holding the business (organization) as nearly as possible to the survival course; forces management to focus attention on particular operating and financial problems so that effective planning would be made for them; translate the objective of an organization into action; coordinate the

various factors of production with a view to satisfying all stakeholders and communicate the organizational objectives across the firm (organization).

It can be argued that budgets have drawbacks, due to the fact that budgets can be time consuming and rigid. There is a criticism that budgets: are too time consuming, impose a vertical command and-control structure, create centralized decision making, stifle initiative, and focus on cost reduction rather than value creation (Hansen et al. 2003). Rigidity on the other hand can be a major drawback for budget management as it will be a means of resistance to change in today's fast paced environment and rising inflation. This also has to do with the mentality of people towards budgets. Wood (1988) has noted that “many people look at budgets not as a control tool but as a strait jacket. Too much rigidity in pursuance of the budget could always be detrimental to the realization of the objectives of the budget.”

Barney (2010) depicted that, for various reasons individuals may attempt to bypass the budgeting system within international non-governmental organizations that lead to budget shortage, as a result of high utilization levels that were not originally planned for, and early project closeouts due to failure to keep a close eye on the budget. He also observed that in the specific NGO implementations there are projects that had been forced to an early project closeout before the schedule end date of the project due to lack in proper budget management. This led to the unexpected laying off project staff before they were ready to depart with the organization. To avoid such instances research assesses the budget management practices within the organization to further seek out participatory solutions for areas of concern as they arise. Siyanbola (2013) observed that the budget helps managers but that the budget itself needs help. “To this end, top management and indeed the work force must be in support of the budget. Where this support is however lacking, there is bound to be a problem in the actualization of the objectives of the budget. “Therefore, the contextual study in coincidence exhibiting existing budget management practices and related challenges emanating from various stakeholders in MSH are the study area of this thesis.

1.3 RESEARCH QUESTIONS

- (1) What are the major existing budget management practices within different projects in the MSH?
- (2) Is there a significant difference of the practice of budget management from one project to another within the organization?
- (3) What are factors or challenges causing a lack of proper budget management within the projects of the organization?
- (4) What budget management practices can be adopted by projects to bring about effective change within the organization?

1.4 THE GENERAL OBJECTIVES OF THE STUDY

The overall objective of the study will to assess budget management practices of projects within the MSH and sort out the existing challenges while implementing awarded budget for different projects.

1.4.2 SPECIFIC OBJECTIVES:

- To assess the different budget management practices in projects undertaken by the MSH.
- Comparing the budget management practices projects currently undergoing within the scope of the organization.
- Evaluating challenges that cause a lack of proper practices of budget management in these projects.
- To identify the pros and cons existing budget management practices and recommended practices that can be adopted by projects within MSH.

1.5 SIGNIFICANCE OF THE STUDY

The study will enhance the skill of the researcher to attain experiences, knowledge base and skills on methods and methodologies in the area of budget management practices. Budgeting practice constraints identified in the research can help the management of the prospective organization to take immediate corrective actions as per the recommendations of the research. In addition, the research can serve as a potential reference tool for individuals in budget management positions in other similar

catchments who seek to study further in the areas of best budget management practices within international non-governmental organizations and apply effective and efficient budget management practices ground running achievements of the study. Furthermore, academically, this research will have a great impact as it will introduce internally recognized means of budget management, the constraints associated with them and also a means of tackling these issues. The last not the least, the research shows the importance of budgeting and budget monitoring in organizations in today's world.

1.6 SCOPE OF THE STUDY

The study is based on a single organization, so it will not be able to provide other similar NGO's analysis, and it will be difficult to make comparison. Even though the researcher used Denison Organizational Culture model, few items were reduced and modified. Limited sample size was used in this study, due to location of employees, arrangement of employee's assignment, and time constraint and service years of employees in MSH. In addition, the study is confined in Management Sciences for Health Ethiopia.

1.7 LIMITATION OF THE STUDY

The limitation in this research is hurdles to gain documented and retraceable data. The research has faced time constraint prevented the researcher from undertaking in depth study and analysis is the major obstacles for the research. The other limitation is in view of is the study implemented descriptive method of analysis. Inferences and other techniques might reveal additional research knowledge from the area of budget management practices in non-government organization though the results are still relevant and important to the area of the study. COVID-19 pandemic jerked a big challenge to the researcher to perform research activities at full scope.

1.8 ORGANIZATION OF THE STUDY

The paper is organized as follows. Chapter one is an introduction of the study, which contains background of the study, statement of the problem, research objective, significance of the study, and scope and limitation of the study. Chapter two entirely focused on the Literature Review. Chapter three is the research methodology which contains research design sample size and sampling procedure, data sources and data collection methods, and data analysis method. The fourth chapter discusses data analysis and interpretation. The fifth and final chapter gives conclusion and relevant recommendations based on the findings of the study. At the end references and appendixes are presented.

CHAPTER TWO

II. LITERATURE REVIEW

2.1 INTRODUCTION

This chapter serves as the foundation for the development of this study and mainly focuses on what has been published in the area of budget management practices. The researcher discusses the main concept through developed theories and studies that play a vital role in explaining the subject matter at hand. Thus, this is an application of theories and empirical researches to address budget management practices and constraints.

2.2 THE PURPOSE OF BUDGETS

Budgets have been defined by the different practitioners and authors above in different ways but have somehow picked up on similar areas in general. When glancing back at the summary of the previous paragraph it is not difficult to notice that a budget has not just been described in terms of what it is but also in terms of what it does and what its uses are. Whenever the words 'what is the usefulness of a certain subject matter' arises it is true that we tend to go deeper into the purpose of that subject matter. Likewise, budgets have a purpose for existence in firms and in large organizations alike. The basics being planning, decision making and control among others, some of which have been touched upon in the earlier definitions, but it is fundamental to look into the purpose of budgets as stated by other authors as well. The purposes of budgets are more or less similar; for the purpose of this literature the researcher refers to Drury's (2004) suggestion, as it clearly broke down the purpose of budgets in the following manner:

In firms the budget has historically had a control function, but today there are several objectives and purposes of the budget and the purposes vary among organizations. The main purposes of budgeting are according to Drury (2004):

Planning - Budgets are used to plan the future activities for organizations: they are aimed to ensure that companies act in the best way in order to reach their goals. The planning purpose of budgets is used to plan for e.g. sales, purchase of material and for financial issues. Budgets contain information about how much resources are needed,

which makes it possible to plan. When setting a budget, managers must predict the future and consider what changes and problems may occur. This encourages managers to take actions before problems become reality;

Coordination - All units within an organization are, more or less, dependent on each other. By using a budget, the units have to cooperate and compromise when it concerns limited resources. Every unit has their own budget and when these budgets are compiled, defects and inaccuracies are revealed. The budgets can be a way to discover coordination and cooperation problems. The budget is meant to make it possible to see the organization as a whole and try to solve conflicts. If departments have different ways of doing things, the budget makes the departments' compromise and work together, in order to make the budget for all the employees;

Resource allocation - Budgets are aimed to facilitate resource allocation within companies, secure that the resources are being used effectively and that the right amount is distributed to the departments, which is crucial. Units in the organization get different priorities. By distributing resources to units, resource allocation could be seen as a control tool. However, this sort of management requires that the managers take an active part in the budgetary process;

Performance evaluation - The budget functions as a control system for performance evaluation. By setting budget targets the accountable are held responsible for reaching the objectives. Through a follow up of the budget, which means when the budget is being compared with the actual outcome, managers can be evaluated. When follow-ups are made it is possible to discover variations from the plan. By investigating the reasons to why the variations occur, actions can be taken. When budgets are made for shorter periods than a year, it can be valuable to make follow-ups every month and this enables changes if the actual outcomes vary from plan. Hence, this requires that the original budgets are distributed correctly over the year and that managers have made an effort to make budgets as realistic as possible for every month. Analyzing the budget every year and examine if there are any large variations can facilitate to more usable budgets in the future;

Responsibility distribution - Budgets are often used for distribution of responsibility. A study proved that using a budget for distributing accountability is more important than using it as a control tool. During the budget process, responsibility is assigned to employees and it is vital that the managers clarify what is expected from the employees. A follow-up is being made to guarantee that the managers/employees have lived up to their commitment. The company contributes the resources needed and person accountable for the purpose is responsible for doing what they said they would do. Further, the budget is a tool to make managers responsible for their actions and to work in the best interest of the organization;

Establishing objectives - In organizations the budget is used for setting targets for managers.

The objectives indicate what is important in the organization and what it is trying to achieve. Different targets for each unit within the organization are aimed to show what is expected of them. The objectives for the organization are being divided into goals for every department. When setting a budget for a decentralized organization it is a requirement that the main budget is divided into budgets for every unit;

Communication - Budgets contribute to good communication through the exchange of information that takes place during the budgetary process. The budget process enables employees to communicate and share their ideas with other workers within the organization. Through discussions, employees can share their opinions and ideas with each other;

Motivation - Budgets are used as a motivation tool. When employees are involved in the budget and target setting-process, they are often more motivated to try to achieve the goals. By setting clear and defined targets based on the budget, employees understand what is expected of them and can therefore feel more motivated. Though, this requires that targets are set on an appropriate level and that they are challenging but realistic. Meanwhile, if the targets are too difficult to achieve they could instead be demotivating. The main purposes stated above are complemented with:

(a) Awareness -The budget creates awareness about the organizations goals and to make workers understand the big picture. Personnel can understand how their work is contributing to the organization as a whole instead of just seeing their own unit;

(b) Incitement - Commonly, organizations use the budget as an incitement for the employees.

The budget becomes a benchmark for what is a sufficient level to reach.

2.3 Overview of Budget Management

Budget management is a common practice in large companies international for profit and not for profit organizations and at the governmental level, by in large. Budget management is one of the aspects of finance that is practiced in organizations to know their financial status and follow up on the organizations financial resources in particular. Budget management is a means used to know whether activities and the financial resources related to these activities are flowing as planned. It is a key tool in making managerial and team level decisions, in order to move forward in the right direction and according to plan and essentially accomplishing preset goals and objectives. Before dissecting the different aspects of budget management it is better to define the source of the concept that is a budget, and its purpose. Different practitioners and authors define a budget in ways that differ in some aspects; a few examples have been presented as follows:

The budget is the financial expression of a comprehensive plan that states the revenues and expenses planned for a year and that is used for performance planning and performance post evaluation (Gates and Germain, 2015).

Budgeting is concerned with planning the allocation and utilization of resources to meet certain goals. Budget planning is important in resource allocation in order to allow the organization to set priorities towards achieving these goals and to identify highest priorities to be accomplished with the available funds. Some have defined budgeting as a financial plan that is mostly used in organizations. Meanwhile, others stated that budget planning is a useful tool for planning and efficiency, which provides guidelines

for management in terms of both utilization limits and priorities for utilization (Aziz et al., 2104).

There is a view that the budget “is a financial plan summarizing the financial experience of the past, stating the current plan and projecting it over a specified period of time in the future”. Therefore, a budget is the corner stone of financial administration and the various operations in the field of finance are correlated through the instrument of budget. (Siyabola, 2013).

In general, the definitions cited above can be summarized in the following fashion:

The budget is a financial expression that provides guidelines for management in strategic decision-making with regard to planning the allocation, utilization limits and priorities of resources which will in part lead to key choices concerning strategic priorities and resource acquisition strategies. It can also be added that it is a financial experience summary of the past, stating the current plan and projecting the future.

2.4 Budget Management

In order to further examine budgets there must be a leap taken into budget management. The researcher has already established the meaning of a budget and its purposes, thus the researcher believes that the next step that must be taken is a clearer look into budget management, which is the primary topic that will be addressed in this research. Budget management is the function that majorly entails budget planning and preparation, two areas that feed off one another, and budget monitoring and evaluation of status. The latter is known to the majority as budget control.

According to Sera and Beaudry (2007), a budget is a key management tool for planning, monitoring, and controlling the finances of a project of an organization. It estimates the income and expenditures for a set period of time for your project or organization. Your budget can serve a number of important purposes, including: (1) - Monitoring the income and expenditures over the course of a year (or a specific project time frame); (2) - Helping to determine if adjustments need to be made in programs and goals (3) Forecasting income and expenses for projects, including the timing and the availability

of income (such as additional grant funds); (4) - Providing a basis for accountability and transparency. For funders, a budget is also an essential tool and provides an understanding of your work. Funders view budgets to consider the following; (5) - How are you planning to use the grant funds? (6) - What are the other sources of funds for the work? (7) - Does the budget reflect local costs? (8) - Do the expenditures correspond to the activities? (9) - Does the budget fall within the guidelines of what the funder can support? (10) - What percentage of overhead expenses (such as salaries, rent, and utilities) is included in the budget?

2.4.1. Budget Planning and Preparation

As the researcher has already hinted earlier budget planning which is the leading point to preparation, have connections to one another as there must be a planning phase that is undergone in order to prepare a budget. Budget planning is a process that brings budgeters, staff with finance backgrounds, and functions and staff that contribute to the budgeting process as well. Budget planning, forecasting and preparation are key elements in budget management.

Sera and Beaudry (2007), have not only tried to give an overview to the purpose of budgets and budget management alone, but have also tried to explain functions of planning and preparation as well. They have stated that program and financial staff should work together to formulate a budget since budgets are based on objectives, action plans, and resources. Once a draft is in place, seeking input from your governing body (such as the board of directors or general assembly) is important. This input gives you an opportunity to develop a clear rationale for your budget, helps you identify if any budget items or expenses have been omitted, and draws on the board's expertise. By collaborating with financial staff, program staff, and your board, you can develop a budget that reflects priorities for the entire organization, helping to build unity in your sense of purpose.

Sera and Beaudry (2007), also give an overview into other issues related to the budget planning process and creating budgets. Sera and Beaudry (2007), bring up issues such as what key questions need to be addressed in the planning process, external factors that

need to be considered and when budgets should be created. The overviews are briefly discussed in the following manner under the three areas as mentioned above as titles which are in the following paragraphs.

2.4.2. What key questions need to be addressed?

Building on your planning process, you need to consider the following questions in preparation of creating your budget:

- (1) - What resources will be required to achieve your planned goals?
- (2)- Where will the funds come from?
- (3) - How will you raise the funds?
- (4) - How can your organization make use of in-kind or donated services?

2.4.3. What external factors need to be considered?

External influences that are not in your control may have an impact on the success of your efforts. Having alternate plans or rethinking your strategies should be a part of your planning.

Some external influences that can affect your financial planning include (examples in parenthesis):

- (1) - Government or national policies and legislations (the Poverty Reduction Strategy that may affect the way governments address poverty);
- (2) - Natural disasters or epidemics (drought that affects the people you are working with);
- (3) - Political conditions (elections that may disrupt daily life or cause instability);
- (4) - Global economic forces (changes in global market prices for the commodity that farmers are producing);
- (5) - Local socioeconomic factors (increase in price of fuel affecting your mobility);

(6) - Availability of donor funds and resources (changes in funding priorities of funders).

2.4.4. When should you create your budget?

Begin convening financial and program staff several months before the start of your financial (fiscal) year. This should allow enough time for your group to address the question's above and draft a budget that can be reviewed by your governing board. For a budget that involves a new initiative, additional planning time may be required to develop your action plan and to determine if adequate resources can be raised to implement the project.

2.4.5. Key Elements for Budget Preparation

Budget preparation once a rigid process now user friendly. By this statement the researcher is establishing that budget preparation needs unified thinking or might end up being a constraint. The process unlike past times now involves more and more participants from the point of conception to implementation, control and evaluation. Thus, comprehensiveness and transparency are key elements among all members of the organization that are important to the process and utilization of the budget. The key elements that should go into budget preparation should first be examined before proceeding to examining a subset of budget management which is budget preparation itself. In other words, the key ingredients that will then lead to the preparation of a quality budget as stated by practitioners and authors are described as follows:

According to the International Monetary Fund (2014), comprehensiveness and transparency are achieved by designing a budget system with three key characteristics: (1) - Annuality - A budget is prepared every year, covering only one year; voted every year; and executed over one year while maintaining the core concept of annual authorization. A very few organizations are moving toward determining budget appropriations for more than one year at a time; (2) - Unity - Revenue and expenditure (as well as borrowing constraints) should be considered together to determine annual budget targets. The budget should cover all operations, so that the budget presents a

consolidated picture of these operations; (3) - Universality - All resources should be directed to a common direction, to be allocated and used for expenditures according to the current priorities of the organization. Achievement within these regards can only be done by making use of unified efforts.

Sera and Beaudry (2007), on the other hand have stated that the following areas are to be consider when preparing your budget:

1-Income: Funders like to see a diverse source of revenue which shows that sustainability does not rely on one sole source of funding. The income could include product sales, government contracts, foundation grants, and individual contributions. In some cases, organizations may not have an income to report;

2-Expenses: Expenses should be itemized and include unit costs, for example, daily fees or travel for number of participants;

3-Budget Headings: Make sure that the same budget headings or categories are consistent throughout the organization, for both income and expense items. This will simplify your bookkeeping and help with reporting and financial reviews. Headings may include: staff salaries, rent, utilities, telephones, equipment, insurance, fuel, travel, fees for expert consultants;

4-Currency: Be sure to note what currency and exchange rate you are using when presenting your budget to a funder. Some may require you to convert your currency in to the US dollars or other currency;

5-Notes: Keep notes to record the budgeting process. Notes explain how and why budget calculations are made. Combined with the budget, notes can serve as a clear guide for your organization's spending and decision-making. Budget clarity and notes also mean that as circumstances change, revisions to a budget can easily be made to reflect changing realities. It also helps in case the activity is audited;

1-Contingency funds: Include a line item that will incorporate fluctuation of costs or unexpected expenses;

2-In-kind (non-monetary) contribution: It is helpful to show the costs or services contributed by your organization (such as salary for the program manager, or labor to construct a facility). Funders see in-kind contributions as evidence of the organization and community's commitment that could lead to sustainability.

2.4.6. Steps in Budget Creation

Sera and Beaudry (2007), have illustrated the step by step in budget creation. These are some of the key steps to implement when preparing and monitoring your budget:

- (1) - Identify and plan your activities for the period in question with your staff;
- (2) - Determine what each of your expenses will be, by category. Use previous budgets or invoices as a guide. Assume an increase for cost of living, if comparing expenses from previous year;
- (3) - Estimate what your sources of income will be, including earned income from sales or services, local funds, international funders and governments. Also consider in-kind services or donations, such as supplies or volunteer time;
- (4) - Analyze the difference between your income and expenses. Make adjustments to balance your budget. Determine what expenses need to be reduced and how you may need to consider a different level of service;
- (5) - Develop a plan for the unexpected, such as if funds do not arrive at the anticipated time, if there is a crisis, or if there are price fluctuations;
- (6) - Present your draft budget and cash flow statement to staff, your governing board, or other key groups within your organization for inputs and endorsement. Being transparent about your budget with the key stakeholders helps to legitimize your organization.
- (7) - Make any changes and finalize your income and expenses budgets, as well as the timing of your expenditures and income;
- (8) - Monitor the budget, as your project progresses.

2.4.7. Budget Approval

Moving forward to other aspects of budget management, an organization or projects must insure that the budget is approved. In the case of NGOs, this not only includes top management in the projects or the organization but also entails having to go to a higher level. This higher level in the case of NGOs and the work that NGOs do and how they are designed to function, is donor approval. NGOs flourish due to donor funds and must therefore seek out the approval of their budgets from these donors in order to carry out their mission and continue operations.

Diaz (2008), illustrated that the final steps in estimating the budget is to get approval. The completed project budget should be reviewed by the project team and be reviewed by the representative from the finance department. Once the project budget has been completed the next step is to get approval for the project budget, this occurs at three different times during the project lifecycle, during project negotiations with the donor, during the planning phase of the project and when the project budget is developed in more detail, following the organization's chart of accounts, and becomes the baseline budget. Approval of the project budget can result in negotiations between the organization and the donor, depending on the size of the budget these negotiations can take some time before the budget is approved and a contract is signed.

2.5. Factors of Effective Budget Management

2.5.1. Budget Control

Budget control or budgetary control as referred to by some is the process by which organizations monitor their budgets in place for projects, activities or budgets as a whole. Controlling basically means keeping a close eye, a close watch on your budget, making sure that activities that are undergone are within budgetary limits, they are in line with the preset activities and organizational plans. Budget control is key to insure that money is not over or under spent, what activities need to be pushed through and which areas need to be cut down in order to carry out day to day operations. A proper control system makes sure that things are going according to organizational and project goals, targets are being met, resources are availed when needed and costs are controlled.

In the long run it is a means of also checking for availability of funds for future activities upon doing status analysis of budget versus expense and seeing whether new activities that are highly warranted and have now come into play can be squeezed in at times of revision.

Drury (2006), notes that two main budgetary controls exist, these are feed forward and feedback control. The feed forward control comes into being when the predictions are matched against desired outcomes. The purpose of feed forward control system is to anticipate errors or variances before they happen and to take steps to minimize them. The feedback control system is the measure of differences between planned and actual results so that subsequent actions can be modified to achieve the required results. Furthermore, the master budget is the budgeted profit and loss and balance sheet for the coming period which will be used as a basis for decision making and control.

Diaz (2008), on the other hand notes that monitoring and controlling the project budget ensures that only the appropriate project changes are included in the budget baseline, that information about authorized changes are communicated and corrective actions are taken by those in charge. The action of budget control is also a process of managing the budget. Budget management is the process by which costs or expenses incurred on the project are formally identified, approved and paid. Purchase order forms are completed for each set of related project expenses such as consulting services, equipment and materials costs. Depending on the authorization level the purchase order forms are approved by the project manager and recorded by the finance unit for tracking, donor reporting and auditing purposes. Controlling the budget is a critical responsibility of the project manager, and it is equally important that the organization defines the roles and responsibilities of all parties involved in budget control. Usually the finance department responsibility is to record, track and monitor the budget from a cost accounting perspective and generates reports for the organization management and the donor as part of compliance requirements such as ensuring the correct accounts are properly used and recorded. The finance unit is not responsible for monitoring if the project budget follows the project goals and targets, that is the responsibility of the project manager who need to use the reports and monitor the budget and determine if the resources are

used according to plan and identify any deviations, changes or modifications to the budget.

2.5.2.1. Budgetary Control Best Practices

Andersen (2000), came out with the following best practices of budgetary control:

- i. **Link Budget Development to Corporate Strategy:** This connection provides managers and employees with a clearer comprehension of strategic goals and prompts more noteworthy support for the goals. It also ensures better coordination of tactics which result in a more grounded performance of the entire organization. Communication plays an essential role in organizations that apply best practice and senior management must lead the pack in creating and imparting key objectives.
- ii. **Design Procedures that Allocate Resources Strategically:** Competition for resource is inevitable in any organization. Funds are needed for both capital and operating expenses of business functions and units. It is vital for organizations to come out with ways that resources can be allocated to help key strategies;
- iii. **Reward on other Performance Measures but not Meeting of Budget Targets:** It is not uncommon to find organizations assessing manager's performance mainly on how close they achieve their budget targets. This is often seen as reasonable, but may lead to managers engaging in budgetary gamesmanship which is mostly not in the utmost interest of the organization. It is therefore good to place meeting budget targets secondary to other performance measures;
- iv. **Link Cost Management Efforts to Budgeting:** Getting access to accurate cost information is crucial to budgeting. It leads to the enhancement of the speed and accuracy of the budget process. When cost management system is standardized in the entire organization, it is a critical stride in enhancing the connection between cost management and budgeting;
- v. **Cut down Budget Cycle Time and Complexity:** This permits the gathering of budget information by management; ensure the making of allocated decisions, and communication of final targets in short time, at lower cost, and with less interruption to the organizations core activities;

vi. Prepare Flexible Budgets: Organizations can react to competitive threats or opportunities more rapidly and with more accuracy by developing flexible budgets. Resources can be used effectively to exploit the most promising opportunities. Realizing budgets have some flexibility relieves developers of budget from the need to "cushion" budgets to cover a wide mixed bag of possible developments. This prompts simpler yet more reasonable budgets.

2.6. Budget Reporting and Analysis

Analysis is another key aspect in the management of budgets. Budget or financial reporting and analysis are the actions taken to see where you stand financially. Budget reporting and analysis shows you your burn rate by budget line items, where you stand in terms of over or under spending. Budget analysis is also known as budget versus expense, where we see what spending on our budget looks like, what areas need to be under close watch, what needs to be cut back upon, where focus needs to be and so much more. Diaz (2008), has tried to state the importance of budget reporting and analysis in the following manner:

When describing the importance of reporting when coming to projects in particular Diaz (2008), stated reports from the finance unit, request for purchase approval from the procurement unit, and reports from the project team are used to track the project budget and provide a picture of how the project spending is tracking with the budget. The project will need to determine the format and content of the budget reports it needs to control project expenses. The typical report contains a list of all budget accounts and columns that list the budget baseline, the cumulative expenses to date, the balance to date and the burn ration or how the budget is spent according to the yearly budget plan. Below in figure 1, is a simple example of a budget report that the researcher has included as a clear depiction of budget analysis.

Diaz (2008), also attempted to emphasize budget analysis in the following manner: budget analysis identifies the causes for the deviations from plan. Major deviations from the budget baseline need to be analyzed to determine what caused the difference so that steps can be taken to prevent the situation from happening again in the future, or with

similar projects. (a) - Forecasting, Earned Value enables the project manager to forecast the probable final cost and schedule results on the project. With Earned Value, the project does not have to wait until it is almost complete to know that it has a cost problem. Earned Value gives a project manager an “early warning” signal in time to take corrective action, in time to influence the final results by taking corrective actions. (b) - What if Scenario Analysis, Scenario analysis uses mathematical models to aid the project manager get results based on different alternative situations; a project manager can use a spreadsheet and place different values to determine the impact on the budget for different situations that range from increasing personnel to reduce the time to complete the project, to the implications to the project budget based on currency fluctuations.

2.6.1. Budget Revision

Budget revision is a process by which changes are made to the budget upon analysis and truly understanding where the organization or a project is currently financially standing. Monitoring your budget closely will lead to analysis reports that will show you how strong your controlling mechanisms were and how planned activities are progressing, leading to a status evaluation of the budget and planned activities. Upon evaluation budgeters can truly foresee the need of revisions. These needs not only arise from looking back at performance but by also taking into consideration new arising essential activities, as directed by management. Evaluation of budget status can also aid management in deciding whether or not these new arising needs must be incorporated into the budget during the time for revision. In the case of NGOs this need for revision or budget changes may arise from project donors.

Diaz (2008), conveyed that updates to the budget come from approved changes to the budget. For most projects changes to the budget need to be approved by the donor, in some instances the donor can give the project a small percentage that the project can use to cover small budget modifications. In other instances, the donor may have strict limitations to allow budget changes, for example the donor may specify that any unauthorized project expenses will not be covered by the donor and leaving the organization with the responsibility to absorb those charges. It is important that the

project manager understands the donor contract clauses and monitors, with special attention the accounts or budget items that have restrictions. Not doing so may result in losses to the project and the organization. Other type of changes comes from causes external to the project that may limit the activities or work it needs to perform. Civil unrest or another critical event may cause the cancellation of project activities, in this case the project manager may request that the funds originally budgeted to that activity be reallocated to another activity that the project can still work. Other changes come from the donor who may reduce the original project budget or changes caused by currency fluctuations that impact the funding available to the project. Approved changes to the budget will need to be reflected in the accounting system used by the organization and new project budget reports will need to reflect this change. After conveying these important points Diaz (2008), went on to mention the following actions that must be undergone when budget changes occur:

- Corrective Actions - Some project may include a predefined limit by which a project may be under or over budget during the project implementation phase, it is usually set as a small percentage of the total, if the project is above the defined limit then the project manager needs to take corrective actions to bring the budget back on track, these actions may include trade-offs that will need to be discussed with management and the donor, trade-off include reducing the scope or lowering the quality. Corrective actions may include the use of alternative options to produce the similar output using different inputs, the project manager will implement the corrective actions and monitor their performance to see if they are effective in reducing the project expenses and help bring the project back on track. Corrective actions need to be consulted with the project team and the staff in charge of the activities so that changes are implemented.
- Capture Lessons Learned - The lessons can apply to the remainder of the project activities or to future projects. For example, the initial estimates used to develop the budget may have used wrong assumptions about the time it takes one person to collect beneficiary data or poor road conditions increases the costs of vehicle maintenance. The lesson captured need to be written as action steps that the project will monitor and

evaluate in the next reporting period. It makes no sense for a project to capture lessons if the lessons are not used.

➤ Communicate Changes - Changes to the budget need to be communicated and incorporated on the system that track cost performance. Communicating the changes of the budget to the people that will use the information helps reduce the chances that work will be done on activities that have been either cancelled or postponed.

2.7. Challenges of Budgets & Budget Management

Budgeting, the budgeting process and budget management face challenges when being implemented and practiced just as any other field of study as is expected. Budgeting and the whole budgeting process encounter limitations problems and challenges in its own unique manner. Many authors have tried to portray what they considered limitations and challenges in the field of budgeting. The researcher has chosen to present them as follows:

According to Collier and Agyei-Ampomah (2007) budgeting disempowers the front line, discourages information sharing and slows an organizations response to market conditions. Barrett and Hope (2006) argue that the annual budget takes too long and in many instances adds little value. Traditional budgeting evolved at a time of stable trading environments, however, today's markets are increasingly unstable and the pace of change is rapid.

A major challenge can also be lack of departmental collaboration. Akintoye (2008) argues that the finance department is often seen as traffic cops rather than strategic partners. Budgetary planning then becomes a mere exercise; consequently, the quality of information for budgetary planning and control is seriously compromised. This kind of organizational paradigm regarding the budgeting and forecasting process can have serious implications as to whether the process itself adds value to strategic decision-making.

Some have also argued that budgeting is lengthy, inflexible and it also entails a laborious planning cycle. John and Ngoasong (2008) state that with less time spent on the mechanics of budgeting, there is more time to devote to analyzing the implications

of the plan. Organizations are able to do more ‘what-if’ thinking to look into alternative approaches and consider responses to changes in the plan. In view of the above-mentioned argument, it is clear that more time is spent preparing the budget or forecast than analyzing it. Analyzing data from the budgeting and forecasting process is only valuable to the organization if the data is relevant, timely and accurate.

A portrayal of budgeting as having behavioral implications was another aspect sought out by the researcher. When budgets are used for both planning and control purposes, conflicts invariably arise. If managers are evaluated and compensated according to whether they ‘meet the budget’, they may have incentives to pad the budget, thus making targets easier to reach (Jackson, Sawyers & Jenkins, 2009).

According to Collier and Agyei-Ampomah (2007) the practice of reducing budgets where they have not been spent has led to managers spending their budget allocations at year end, whether the expenditure is needed or not to avoid budget cuts in the following year. Collier and Agyei-Ampomah (2007) go on to mention that the manipulation of data or its presentation to show performance in the best possible light is one of the dysfunctional behaviors of budgeting, these include: (a) - smoothing: shifting revenue or expenses from one accounting period to another; (b) - biasing: selection of a message that the recipient wants to hear; (c) - focusing: emphasizing on certain positive aspects rather than on other negative ones.

Another example of dysfunctional behavior as a result of traditional budgeting is ‘gaming’. Jackson, Sawyers and Jenkins (2009) makes the following example of ‘gaming’ behavior, if a manager knows that he or she will receive a bonus if sales in the department exceed the budget, they may attempt to set the sales budget at an unrealistically low level. This dysfunctional behavior in traditional budgeting has a serious impact on the financial information being used to drive decision-making.

Despite the numerous benefits of budgets to organizations, Cox and Fardon (2012) offer the following limitations of budget:

1-The advantage of the budget must be more than the cost: Budgeting is a fairly complex process and some businesses – especially smaller ones – may find that the

undertaking is a lot of a weight in terms of time and other resources, with just limited advantages. In any case, numerous lenders – for example, banks – often require the production of budgets as part of the business plan. The general rule is that, the benefit of creating the budget must surpass its cost;

2-Budget information may not be precise: It is fundamental that the information going into budgets ought to be as exact as could reasonably be expected. Anyone can produce a budget, yet the more mistaken it is the more futile it is to the business as a planning and control mechanism. Extraordinary care should be brought with estimate of sales which is often the beginning stage of the budgeting process, as well as costs. Budgetary control is used to compare the budget against what really occurred – the budget should be changed if it gets to be unachievable;

3-The budget may de-motivate: Workers who have had no part in concurring and setting a budget which is forced upon them will feel that they do not own it. Thus, the staff may be demotivated. Another limitation is that workers may see budgets as either a "carrot" or a 'stick'; as a form of encouragement to accomplish the objectives set or as a form of punishment if targets are missed;

4-Budgets may lead to dysfunctional management: A limitation that can happen is that employees in one department of the business might over-achieve against their budget and make issues somewhere else. Case in point, a production department may accomplish additional yield that the sales department finds difficult to sell. To stay away from such dysfunctional management, budgets should be set at practical levels and connected and coordinated over all departments inside of the business;

5-Budgets may be set at too low a level: Where the budget is too easy to achieve it will be of no benefit to the business and may, in fact, lead to lower levels of output and higher costs than before the budget was established. Budgets should be set at realistic levels, which make the best use of the resources available.

What they were actually stressing is the fact that traditional planning and budgeting processes used in organizations are failing to deliver results. They are too time

consuming to undertake, encourage internal politics and gaming behavior, too inward looking, short-termism culture that focuses on achieving a budget figure.

Adams et al (2003) explained the weakness of traditional budgetary practices under three headings which are discuss below:

Competitive Strategy:

- Budgets are rarely strategically focused and are often contradictory;
- Budgets concentrate on cost reduction and not on value creation;
- Budgets constrain responsiveness and flexibility, and are often a barrier to change;
- Budgets add little value- they turn to be bureaucratic and discourage creative thinking.

Business process:

- Budgets are time consuming and costly to put together;
- Budgets are developed and updated too infrequently- usually annually;
- Budgets are based on unsupported assumptions and guesswork;
- Budgets encourage gaming and perverse (dysfunctional) behavior.

Organizational capability:

- Budgets strengthen vertical command and control;
- Budgets do not reflect the emerging network structures that organizations are adopting;
- Budgets reinforce departmental barriers rather than encourage knowledge sharing; and Budgets make people feel undervalued.

2.8. Empirical Literature Review

Different researchers have done different empirical studies into the budget practices of NGOs, the impact of budget participation on managerial performance, budgeting control practices, challenges of budgeting, budget use as a measure of managerial performance and determining what affects different budget-based manager's performance. The researcher has looked into these studies and has established that Onduso (2013) has cited them in an effective manner as follows:

(Muleri, 2001) did a study on budgeting practices in Non-governmental organization in Kenya. The aim of the study was to establish effectiveness of budgeting practices among British NGO's in Kenya. The research looked at the concept from a different point of view and found that most organization used modern practices as zero based and philosophies to reduce financial management. The researcher observed that there is a limitation on budgeting process which leads to cost cutting to achieve cost effectiveness there is lack of solid based to enforce budgeting controls as a motivator and concluded that although profit was the main indicator of performance in public sector, budget management should be measured against the background of sound financial policies. The researcher concluded that budgeting is well accepted in evaluation and generally used to communicate plans and operations.

(Melek, 2007) did a study on the impact of budget participation on managerial performance via organizational commitment. He conducted a study on the top 500 firms in Turkey the results of this study provided a number of contributions to management accounting literature by improving understanding of budget participation and organizational commitment affecting managerial performance. First, according to regression analysis results, this study suggested that the effects of budget participation and organizational commitment by itself on managerial performance are positive and significant second this study found out that the managerial performance scores were found to increase when the interaction score between budget participation and organizational commitment increase. That is to say high interaction between budget participation and organizational commitment provides appropriate condition, for high managerial performance. However, the results indicated that while improving high organizational commitment feeling of subordinates in firms can lead to increase in their performance, low organizational commitment feeling of subordinates can lead to decreasing in their performance. Similarly the study supported the hypothesis that interaction score between budget participation and organizational commitment varies according to low and high managerial performance. While high interaction between budget participation and organizational commitment is associated with high managerial performance, low interaction score between budget participation and organizational commitment is associated with low managerial performance.

A survey conducted by (Ambetsa, 2004) of budgeting control practices by commercial airlines operating at Wilson Airport, Nairobi indicated that the challenges faced were budget evaluation deficiencies, lack of full participation of all individuals in the preparation of the budget and lack of top management support. He further concludes that airlines operate and use budgets to plan implement and evaluate their business performance. All enterprises make plans using budgets some in a systematic and formal way, while others in an informal manner but still have some form of budgetary control and budgetary control practices. Therefore, the issue is not whether to prepare a budget but rather how to do it effectively.

(Wamae, 2008) researched on challenges of budgeting at National social security fund (NSSF) in Kenya. The aim of the study was to establish the challenges of budgeting process and the challenges faced when drawing up a budget to be used by an organization and how organization can effectively face the budgeting challenges. The population constituted nine (9) board of directors and sixteen (16) senior managers at NSSF who were concerned with budgeting issues at the organization. The researcher collected data by use of questionnaire, observation, and interviews as main instrument of data collection. From the study the researcher found that the organization faced challenges when drawing up budget and the biggest included on commitment, various head of department did not take budget seriously leading to giving ambitious budgets which would end up not achieving target, leading to complaints from the board. The researcher concluded that budgeting was very effective at NSSF as they served their purpose assisting in control, used as a means by which management communicates by other level of department. The researcher added that the process of budgeting at NSSF faced some challenges which were inability to achieve the required value of business inadequate authority to spend despite allocation, cost inflation, poor participation and poor co-ordination of the exercise. The researcher recommends that all units in the organization should be involved in the budget preparation and enough time is allocated to prepare.

(Otley, 1978) did a study on budget use as a measure of managerial performance. He did a research on a single large organization which had a considerable number of

production facilities, producing similar products geographically dispersed around the United Kingdom. The individual production units were largely independent on each other. Therefore, the unit of analysis was the individual unit manager who was responsible to the group manager for the production of their units. His findings were that there is a positive relationship between budget use in evaluating managers and their level of performance unlike (Hopwood, 1972) he noted little evidence to indicate that any particular style of budget use affected actual performance although this is a most elusive relationship to capture in a field study, but it was found that there were considerable, interaction and long-term unit profitability. A situation had evolved where profitable units produced accurate budgets which were subsequently used as a basis for evaluation; whereas unprofitable units produced optimistic budgets which gave the impression & profitability, but which were not then used in evaluating unit and managerial performance.

(Hopwood, 1972) had done a previous study to determine what effects different budget based styles of evaluation had on manager's performance. He suggested that one important dimension of budget use is the relative importance attached to the budget in evaluating managerial performance. A rigid style of evaluation based primarily upon whether or not a manager has met his budget, was found to result in the belief that the evaluation was unjust, in wide-spread tension and worry on the job and in feelings of distrust and dissatisfaction with the superior using the style managers evaluated in this rigid manner were also found to manipulate accounting data to improve their reported performance and to make decisions detrimental to the long-term wellbeing of the organization. However, when a more flexible style of evaluation was adopted with budget information being used in conjunction with other sources of information, concern with long-term economic performance was maintained but fewer dysfunctional side effects were observed. However, Hopwood's emphasis was primarily on the effect that budget use has on manager's beliefs and feelings and not with the overall effectiveness of operations. Though he found no significant difference in the extent to which managers evaluated under different styles met their budgets he was able

to conclude that this was likely that the tensions and manipulations noted under the rigid style of evaluation caused deterioration in long-term performance.

(Amalokwu and Obiajulum, 2008) in a thesis presented a paper titled Budgetary and management control practices (budget being the tool for management control in Guinness Nigeria plc). The study was described based on a qualitative approach in data collection (primary data) research purpose, data analysis as well as critiques to the method use. A sample of 50 respondents was used. The research conclusion was that budgets could facilitate the creating and sustaining of competitive advantages by enabling the following management functions. The process consists of forecasting, planning, communication and coordination, motivational device evaluation and control and decision making.

(Brownell, 1982) did a study to establish relationships between budget participation and performance. New variables are effective on the relationship between participation and performance namely moderator variables. By using contingency approach, he categorized them into the four groups. These moderators included: 1) The cultural variables of nationality legislative systems, race and religion; 2) The organizational variables of environmental stability, technology, task uncertainty and organizational structure; 3) The interpersonal variables of task stress, group size, intrinsic satisfaction of task and congruence between task and individual, and 4) The individual variables to locus of control, authoritarianism, external reference points and perceived emphasis placed on accounting information. There are two important studies examining national culture variable that was categorized in the first category by Brownell. Norway culture based study of (Lau and Buckland, 2000) accepts thus culture as a natural chance for managerial performance and low diversity within the Norwegian participation is expected to range from medium to high rather than from low situations are common in Norway, prior studies finding pertaining to high participation situations are expected to be supported in Norway.

(Tsui, 2001) study based on China and Caucasian cultures points that the interaction effects of management accounting system and budget participation on managerial performance were different, because of the cultural background of managers more

specifically, he put forward the observation that the relationship between management accounting system information and managerial performance of Chinese participation but positive for Caucasian managers past studies consider organizational culture as an element of organizational structure as in Brownell technology.

2.9. Conceptual Framework

The research framework is based on the DMAIC process incorporated with a plan outlined specifically for budgeting and adopted for the purpose of this research by the researcher. The researcher has observed that the sequence of the budget management process flows down as shown in figure 1 below with the DMAIC lean six sigma model adopted for the framework as a backbone. This framework was also used by the researcher to frame the structure and sequence of this literature review chapter. The structure and sequence was further used by the researcher in the development of the data collection tools of this research as a guide to the researcher in the development of the questions in both the questionnaire and the interview and ultimately has contributed to the analysis in which the data collected by these same tools is presented in chapter four.

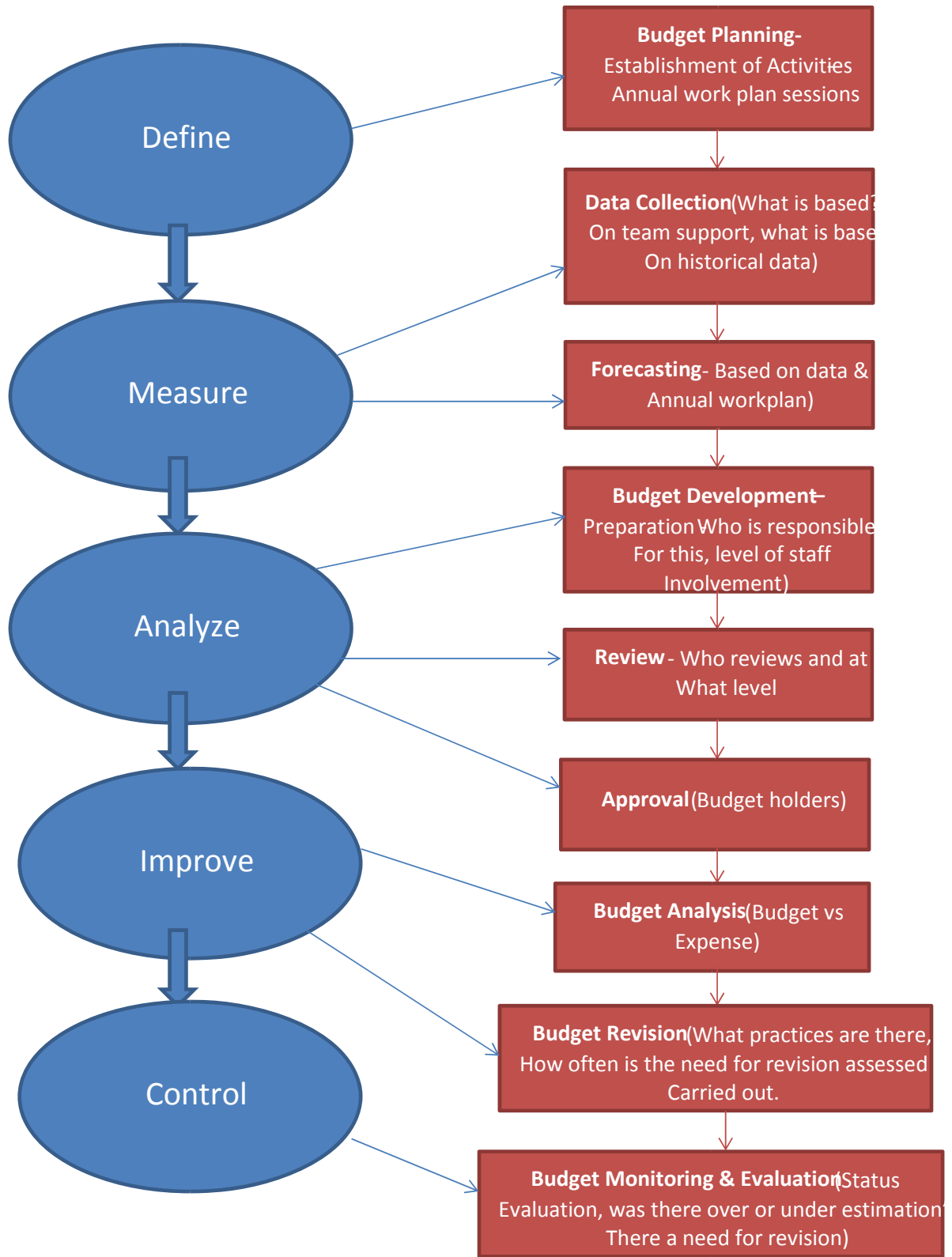


Figure 1. Conceptual Framework Based on DMAIC

The first phase of the DMAIC methodology is to define the project and this will entail the budget planning stage which involves the scope and the establishment of activities, this is done primarily in work plan sessions. The second is the Measure phase in which Data Collection ensues and data is collected from both team members within projects and finance staff that are involved in looking back and analyzing historical data. The second step in the Measure phase is forecasting expenditure expectations which will depict the process as is to get a better understanding of the whole process. In the Analyze phase there are three stages, the first being the budget development stage. This entails the Preparation step of the budget by the finance/budget officers passed on the information in stage one; Review by the budget/finance managers and then the escalation to a higher level in management to get to the final point in this stage; budget approval by the budget holder/ top level manager/ project director. This Improve phase includes two steps which begins with budget analysis, in this step there is the process which is now widely known as budget versus expense, where the budget is viewed against the expenditures, where further analysis is done to evaluate the expenditures versus what was originally budgeted, this will lead to improvement of over or under estimations and to also leading into the next step of budget revision, in periods established by management. The final phase of the DMAIC methodology is the Control phase which ensures continuity. After setting the approved budget in place, the next major and most important step for this research is the budget monitoring and evaluation. This is a very important phase because by continuously evaluating and monitoring, the process can be perfected over time and standardized to minimize errors.

Bearing in mind the above literature as a reference point, the research will identify budget management and its constraints in coalition with this framework.

CHAPTER THREE

III. RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter outlines the methodology that will be used in conducting the research. The chapter presents the research design, target population and sampling procedure employ. It further identifies the data collection instruments employ in the research and procedures for data collection. It concludes by describing how data analysis will conduct and its methods.

3.2 RESEARCH DESIGN

The research will implement different methods and research approaches to sort out the questions and answer the problem faced by the organization. The approach adopted here is the descriptive. This research practiced both qualitative and quantitative methods of research analysis. The instrument used is structured questionnaire develop for the collection of data on Likert scale to gain access to the employees' judgment of budget management practices and constraints with in MSH. Similarly, the questionnaire will consist open ended qualitative interview to generate effective budget management practice data by employing. The interview questions also will be developed the same qualitative nature towards the topic at hand. Thus, this research mainly adopts a descriptive qualitative nature, also practicing exploratory research to identify the real problems of budget management practices within Management Sciences for Health.

The research will design in a way that give the researcher essential access to key information regarding budget management practices in the different projects in MSH. This will be done through the development of instruments that follow the conceptual framework, that points out the budgeting process in sequence which will in part aid in answering the research questions which ask of the budget management practices of projects, their differences, where they lack and what practices can be adopted for effective change. The researcher will observe that one can only begin to answer these questions through the understanding of the budget management process as a backbone.

As stated in the limitations section of the first chapter the research was mainly surround by individuals in positions of financial management within the different projects, budget analysts, budget management position holders, budget holders themselves, project directors and technical staff members involved in the budget management process. The research will design in a manner in which the researcher gain the most useful data from these chosen individuals to produce a study that will bring about significant change through the process that will be indicated in the subsequent topics within this chapter.

DMAIC METHODOLOGY

The DMAIC (Define, Measure, Analyze, Improve and Control) method refers to an improvement cycle that is data-driven and seeks to optimize and stabilize business processes. Each phase has specific requirements and all the phases are important and can be applied and adopted to the budget management process as done for this research by the researcher.

Define Phase:

The define phase is the first phase of the Lean Six Sigma process. This is a critical phase of the project in which the teams define the outline of their efforts.

The objective of the define phase is to:

- Identify and validate the business improvement opportunities
- The requirements are gathered
- Problem statements and goals are developed
- Resources are defined
- The process is documented
- Key organizational support is identified.

Measure Phase:

The measure phase involves the numerical study of the previously defined problem.

Measurement is a critical stage of any project because the data collected will be used throughout the life of the project. In this phase raw data is collected and the system is observed to get a clear picture of the process.

Analyze Phase:

The purpose of this step is to identify, validate and select root causes for elimination. A large number of potential sources of the project problem are identified via root cause analysis. The top 3-4 potential causes are selected using a consensus tool for further validation.

Improve Phase:

The purpose for this phase is to distinguish, test and actualize solutions for the problem to some extent in the following order:

- Identify potential solutions
- Select solutions to implement
- Improvements are implemented
- Improvements are evaluated

Control Phase:

During the control phase, the improved process or product performance is tested to ensure the targets were met as can be done through budgetary monitoring and evaluation. Once the solution had resolved the problem, the improvements are then standardized and sustained over time. The most important thing in this phase is to devote the same high level of energy and commitment throughout this phase as in the beginning of the project.

3.3 POPULATION AND SAMPLING

3.4 POPULATION

This study assesses the budget management practices and constraints in INGOs with MSH as the case study. The employees of MSH as whole are taken as the population. According to the Human Resources department of MSH there are currently 78 employees working in the organization. Due to the subject matter of this study being aimed at budget management a sample size will determine by the researcher bearing in mind that the research would need answers to questions directly aimed at the subject

matter. To this affect the researcher will observe the need to target a specific sample of the population that is directly linked to the budget management process within MSH.

3.4.1 SAMPLING TECHNIQUE

The Purposive sampling technique is implemented for this study. Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on his or her own judgment when choosing members of population to participate in the study. In this regard, the researcher has taken employees working on budget management positions each project, top leadership of projects and financial management staff pooled in head office.

3.4.2 SAMPLE SIZE DETERMINATION

To decide the sample size of employee to be included in the study, several statistical formulas are available for determining sample size. There are numerous approaches, incorporating a number of different formulas, for calculating the sample size for categorical data.

$$n = p (1-p)^2 / E^2$$

n is the required sample size

P is the percentage occurrence of a state or condition (where p is taken as 0.5 proportions)

E is the percentage maximum error required 10 percent error margin

Z is the value corresponding to level of confidence required

This formula can be reduced to $n = \frac{N}{1 + N(e^2)}$ without losing its precision.

$$1 + N(e^2)$$

Therefore, for at 1% precision and N= 359 the simple size is equal to

$$(359 / (1 + 359 * 0.01)) = 78$$

The overall sample size will be 78 staff members from the existing projects. The researcher purposively has taken the individuals in budget management positions as samples from each project and from different functional areas including the top leadership of the projects within the organization. The researcher also needed to take the data from those in Financial Management positions that support these projects on an external basis. These 71 are comprised of Project Directors/Coordinators/Chief of

Parties, the Finance Manager (operations support unit), Regional Finance and Administration Managers (operations support unit), Monitoring and Evaluation Advisors /Managers, Project Budget and Finance Directors/Managers/Coordinators of which there will subordinates who will considered as well as a selected few technical staff member that are directly related to the budget management and development process.

3.5 DATA SOURCES AND DATA COLLECTION METHODS

Due to costs associated with other collection methods and personal preferences of staff incorporated into the survey, structured questionnaire are employed to collect the data.

3.5.1 Primary Source

In this study, the most widely used office survey will the main method used to collect quantitative information. The researcher carefully designed a self-developed questionnaire consisting of questions aimed at tackling the main issues. The questionnaires are distributed to selected employees in the organization.

In addition the questionnaire consists of carefully formulated interview questions that were also used by the researcher as another primary source of data. This was used to gain information from the Project Directors/Coordinators/Chief of Parties. Since they had the most experience with regards to project management it was highly essential for the researcher to have a sit down with them and discuss issues surrounding budget management practices. The researcher has also opted to go with this form of data collection due to the lack of time that those leading projects have.

The researcher's observation was another means of primary data collection during the course of the study.

3.5.2 Secondary Data

In addition to primary data, secondary data will also use in this study. Several books, journals, articles, internal organizational manuals on budget management were used to gain access of secondary data.

3.6 VALIDITY AND RELIABILITY OF DATA COLLECTION TOOLS USED

3.6.1 Validity

Validity determines whether the research truly measures that which it will intend to measure or how truthful the research results are (Golafshani 2003). To ensure validity the researcher sought specific individuals involved in the budget management process through purposive nonprobability sampling as mentioned earlier in this chapter so as to get head on budget management information through the data collection instruments ultimately aimed at answering the research questions of this study.

3.6.2 Reliability

The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable (Golafshani 2003). The researcher's instruments that will base on the conceptual framework of this study have been analyzed using SPSS version 22. The researcher has used the DMAIC lean six sigma approach that was adopted to aid as a backbone to the conceptual framework of the study which intern was used by the researcher to develop the research questions that the researcher observed as viable for the research and ultimately answering the research questions.

3.7 DATA ANALYSIS METHOD

Qualitative data will analyze through systematically organizing the information and giving attention to the practices employed by the budget managers in general terms. Quantitative data analyses will carry out using the statistical package for Social Science Software (SPSS) version 22 in order to give the research simple and relevant data with regards to frequency distribution, percentage and average. The questionnaire will base on five point Likert scale ratings of individual variables. The respondents will be asked to rank their opinions on a scale of 1 to 5, where 1 indicated "Strongly Disagree" and 5 indicated "Strongly Agree". All this has clearly aided the researcher, in seeing which budget management practices are viewed as the best, where the areas of risk lay and perspectives that lead to solutions.

CHAPTER FOUR

IV. DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

4.1 INTRODUCTION

This chapter covers the data analysis, presentation, and interpretation part of the thesis. As explained in the earlier chapters, this study aimed at An Budget management practices and constraints in international non- governmental organizations; the case of management sciences for health – Ethiopia. Therefore, this part of the paper tries to analyze, summarize, and present the result of the data obtained from MSH-Ethiopia.

4.2 RATES OF RESPONSE

Respondents' response rate refers to the proportion of questionnaires that were returned and filled during the study. A total of 78 questionnaires were distributed to the target respondents of which 76 aggregate questionnaires were returned which indicates the return rate is about 97.4 percent. But, among returned questionnaires' five percent or 4 questionnaires are not usable for different reasons. Therefore, the exact number of usable questionnaires returned during the collection period is 72 which are 92.3 percent of the total balance. This is acceptable from several theoretical literature point of view which recommends up to 55 percent response rate.

4.3 RELIABILITY TEST

Reliability refers to the consistency and stability of measurement. The finding of this research study said to be reliable if other researchers repeated this study and obtained the same result. In this study, Alpha reliability was used to measure the internal consistency of the mean of the items at the time of administration of the questionnaire. The measurement of Cronbach's Alpha is specified as number 0 and 1. Hence, Cronbach's Alpha has better consistency within items in the scale if the coefficient that closer to 1. George and Mallery (2003) provides the following rules of thumb: >0.9-Excellent, >0.8-Good, >0.7-Acceptable, >0.6-Questionable, >0.5-Poor, <0.5-Unacceptable (as cited in Gleam and Rosemary, 2003).

Total numbers of questions in the questionnaire were six testing variables. From the analysis of the Cronbach's alpha result found from the data collected, the overall

Cronbach's alpha score is 0.897. The values of the reliability analysis were shown in the below Table 4.1.

Table 4.1: Reliability Statistics

No	Dimensions	Cronbach's Alpha	No of Items
1	Budget Planning practices	0.752	5
2	Budget Measuring	0.743	5
3	Budget Analysis	0.736	5
4	Budget revision	0.727	5
5	Budget Implementation	0.779	5
6	Challenges Faced	0.782	5
7	Budget Management Practice	0.765	2
	Average Cronbach's alpha	0.754	7

Source: SPSS Output from survey result, 2020

4.4 GENERAL INFORMATION ABOUT THE RESPONDENTS

The first part of the questionnaire consists of general information about the respondents and it requested a limited amount of information related to the personal and professional characteristics of the respondents. Demographics information of the respondents was presented by gender, age, educational level, job position, and respondent's experience. Accordingly, the following variables about respondents were summarized and described.

Table 4.2: General information about the respondents

Construct	Variable	Frequency	Percent	Cumulative Percent
Gender of respondents	Male	40	56	56
	Female	32	44	100
	Total	72	100	
Age of respondents	18-22	1	1	1
	23-27	36	50	51
	28-32	26	36	88
	33-37	6	8	96
	38 and above	3	4	100
	Total	72	100	
Experience of respondents	2-5 years	2	3	3
	6-10 years	12	17	19
	11- 15years	21	29	49
	More than 15 years	37	51	100
	Total	72	100	
Education level of respondent	PhD	7	10	10
	Masters	16	22	32
	Degree	35	49	81
	Diploma	5	7	88
	Others	9	13	100
	Total	72	100	
Working Position	Technical Staff	26	36.1	36.1
	Project Support Staff	32	44.4	80.6
	COMU Staff	14	19.4	100
	Total	72	100	

Source: SPSS Output from survey result, 2020

As the above table depicts (Table 4.1), the male respondent constitutes the largest portions of respondents, which is about 56% of the sample size, while female respondents covers only 44% of the total. This implies that the male employees are a dominant in the organization. The figure indicates that gender equality around job opportunities are getting to the goal compared to practices in the past decades. The age of the respondents was classified in range and majority of the respondents (50%) in age group 23-27 years, (36%) in age group 28-32 and a smaller number of the respondents (8%) were in age group 33-37 years. As expected, a smaller number of youth is

recruited and working in MHS. Educational levels of the respondents were also assessed. Large number of the respondents (49%) had first degree, (22 %) respondents had first second degree qualification and (10%) of the respondents had completed their PHD in different disciplines. Employees with diploma level qualification are 7 percent and employees with other categories are 4 percent of working in the organization under consideration. The implication is, employees are working in the organization are of different and diversified educational background.

Regarding the job position of staff participating on the study, 36.1 percent are technical staff while project support staff covers 44.4 percent of interviewed positions. The rest are COMU staffs working across various projects under going in the organization.

4.5 BUDGET PLANNING PRACTICES IN MSH

Project Budgeting is performed on the initial stages of project planning and usually in parallel with the development of the project schedule. Responses to five structured questions were collected from different positions working across the projects. Accordingly, the summarized table is shown below;

Table 4.3 Budget Planning practices in MSH

	N	Minimum	Maximum	Mean	Std. Deviation
Budget planning are aimed to ensure that MSH act in the best way in order to reach project goals	72	1.00	5.00	2.8333	.99293
The budgeting process starts with preparation of forecasts of the expected confirmed income grants	72	1.00	5.00	3.0278	.97825
The budget planning align operating tasks with strategic planning	72	1.00	5.00	3.0417	1.06728
The organization follow planning and budgeting as collaborative process	72	1.00	5.00	2.4028	.94436
The organization rigorously consider the external environment while budget planning.	72	1.00	5.00	2.6667	1.08770

Source: SPSS Output from survey result, 2020

The descriptive statistics above reveals that the mean score of responses are concentrated about 3.00. Respondents' attitude around existence of good practices of budget planning in MSH was not such satisfactory. Specially, planning initiatives to achieve better budget goals, budget process held in the organization and collaborative tasks to execute budget planning operations scored below expected mean value of 3.0. This depicts that the budget planning activities shall be given appropriate due before any other budget management practices are undertaken.

4.6 BUDGET MEASURING

According to the model adopted, the measure phase involves the numerical study of the previously defined problem. Measurement is a critical stage of any project because the data collected will be used throughout the life of the project. Indicative points were raised to assess presence of proper implementation of measurement in budget preparation. Results exhibited on table 4.4 reveals some irregularities on the process of measuring budget enacting.

Table 4.4 Budget measuring

	N	Minimum	Maximum	Mean	Std. Deviation
Proper data is collected from project baseline prospective as input to budget preparation	72	1.00	5.00	2.6528	1.03678
Historical data is collected from team as well as finance staff to accurately prepare and allocate budget to new and existing projects	72	1.00	5.00	3.3056	.95886
MSH exercise forecasting expenditure expectations to get a better understanding of the whole budgeting process in projects	72	1.00	4.00	2.1389	1.02511
The MSH has documented budgeting process (budget notes) which is referenced during the process	72	1.00	5.00	2.7222	1.03763
Budgets are prepared with reference to the organization annual plans, strategic plan and overall goal	72	1.00	5.00	2.9028	0.93688

Source: SPSS Output from survey result, 2020

The staffs at different positions disagree that the projects consider data collected at the baseline survey and measure and incorporate the finding while preparing the budget. But, as the mean score point of 3.3 depicts inclusion of historical data from different teams and financial segment are used to measure the validity of the budget allocation. On contrary, poor documentation of budgeting process, low attention given to the activity or task plan to measure and prepare the budget are observed from the responses of participants.

4.7 BUDGET ANALYSIS

What does your data tell you are an important part of budget management process? This phase is often intertwined with the budget measure phase. As data is collected, the project team may consist of different people who will collect different sets of data or additional data. As the team reviews the data collected during the measure phase, projects may decide to adjust the data collection plan to include additional information. This continues as the team analyzes both the data and the process in an effort to narrow down and verify the root causes of waste and defects. To this end questions to evaluate existence of proper budget analysis procedure in MSH were conducted. Accordingly, the following responses are obtained from participants.

Table 4.5 Budget Analysis

	N	Min	Max	Mean	Std. Dev.
The individual project budget describe the need and include an adequate justification of how each cost was estimated	72	1.0	5.00	2.8194	1.05251
Each project budget explain the need for each activity or task and how they relate to the overall project	72	1.0	4.00	2.3889	.89687
The budget practice conduct break down costs into cost/ units and explain the use of each item requested by individual projects	72	1.0	5.00	2.7500	.86806
The individual team in each project evaluates appropriateness of allocated budget across projects	72	1.0	5.00	3.0833	1.01745
Budget discrepancies are analysed before approval for projects in the scope of MSH	72	1.0	5.00	3.2778	1.01012
Valid N (list wise)	72				

Source: SPSS Output from survey result, 2020

The summary indicates that as the budget measurement results are at their average or below, consequently, the analysis practices were as good as mean score value of 3.2. In detail view, cost justification, activity and task proper breakdown, estimate of different expenditures across projects, previous budgets evaluation and inclusion to the latest practices are barely exercised in various projects in the organization.

4.8 BUDGET REVISION OR IMPROVEMENT

How will you fix the problem? Once the project teams are satisfied with their data and determined that additional analysis will not add to their understanding of the problem, it's time to move on to solution development. The project team is most likely collecting improvement ideas throughout the project, but a structured improvement effort can lead to innovative and elegant solutions. But what is the status quo? Are there real budget revision and improvement activities across projects in MSH? The results exhibit under mentioned response related to these practices.

Table 4.6 Budget Revision/Improvement

	N	Minimum	Maximum	Mean	Std. Deviation
The approved budgets are shared with all departments and budget holders and ensure they are understood.	72	1.00	5.00	3.4167	.96049
Coordination among the various projects during budget execution is achieved through clear communication and consultation	72	1.00	5.00	3.0556	1.06001
Recording of actual result is accurate and timely	72	1.00	5.00	2.6528	.99520
Budget vs. actual comparison and identification of variances is done regularly.	72	1.00	5.00	3.3889	.98661
Reports on budget variance are shared with budget holders and senior management.	72	1.00	5.00	2.8194	.93938
Valid N (list wise)	72				

Source: SPSS Output from survey result, 2020

The budget improvement and revision task are the consequences of understanding existing budget allocation across department and project owners, communication and collaborative tasks during execution of budget and its limitations, comparison of results with actual plan target and measuring the discrepancy to adjust or improve the enacted budget in the remaining period of project tasks. The budget revision or improvement prospective of MSH is appreciable. Respondents justified that, the existence of improvement practices in enacted budget allocation after envisioning the current results on progress. The mean score is above 3.0 and it indicates that the organizations self-adjust the budget plan before the completion of the period of executions.

4.9 BUDGET IMPLEMENTATION

Accomplishing successful implementation requires careful planning. The team must consider logistics, training, documentation and communication plans. The more time the team spends on planning, the faster they reach total adaptation to the improvements by their process participants. So the project budget implementation phase is the total of previous process. In particular the planning stage is determinant factor to proper budget implementation in the MSH projects. What do the results of respondents views tell us? Table 4.6 reveals the existing budget implementation practices in the organization of study.

Table 4.7 Budget Implementation

	N	Min	Max	Mean	Std. Deviation
In some period budget include unattainable targets or Standards	72	1.00	5.00	3.0694	1.10475
The budget contain uncertainty which hinders effective implementation	72	1.00	5.00	3.3333	1.02091
Insufficient funds allocated to department or projects affect budget implementation	72	1.00	5.00	3.4306	.94685
The budget process is time consuming and expensive and may become volatile before implementation.	72	1.00	5.00	2.4722	1.08734
There may be tendency by user department to adhere to budget process just to comply with organization or donor requirement.	72	1.00	5.00	3.2500	1.07140
Valid N (list wise)	72				

Source: SPSS Output from survey result, 2020

The results of the analysis show that practices in project budget in MSH non-government organization are not good compared to any other prior process. The reason for lowered achievement on budget implementation activity partly comes from unmeet budget processes executed before implementation phase. The respondents believed that the implementation adverse effect is due to improper plan of project targets, insufficient funds, uncertainty of some activities and tasks and the budget centers the donors requirement rather than prevailing activities on ground. The respondents agrees to the above implementation results at mean score value of 3.2 with standard deviation of 1.071 which is significant to accept the case.

4.10 CHALLENGES FACED DURING BUDGET MANAGEMENT PROCESS

Several simple and complex challenges to project budget management process and can be listed. Scope creep, Lack of communication, lack of clear goals and success criteria, budgeting issues, inadequate skills of team members, inadequate risk management, and lack of accountability can be mentioned as some of the challenges in the catchment. The result of analysis on challenges faced by MSH non-government organization has the following sort;

Table 4.8 Challenges Faced During Budget Management Process

	N	Minimum	Maximum	Mean	Std. Deviation
Over all the budget planning process is poor in MSH	72	1.00	5.00	3.0000	1.06149
Weak links between policy making, planning, and budgeting	72	1.00	5.00	3.6944	.91373
Inadequate funding of operations and maintenance	72	1.00	5.00	3.1389	1.01128
Little relationship between budget as formulated and budget as executed	72	1.00	5.00	3.1111	1.06884
Poor management of external aid	72	1.00	5.00	3.5278	.90339
Valid N (list wise)	72				

Source: SPSS Output from survey result, 2020

At mean score value of 3.0 and above, the respondents agree that the itemized challenges are real existence in MSH budget formulation and implementation processes.

More than half of interviewed participants believe that there is poor budget planning, loose links among projects during budget planning, inadequate funding and other sorts of challenges emanating from external environment.

4.11 OVERALL BUDGET MANAGEMENT PRACTICE IN MHS

The overall budget management practice in MSH were assessed from holistic prospects and views of participants. The summary of the result is exhibited in table 4.8 below.

Table 4.9 Budget Management Practice in MSH

	N	Minimum	Maximum	Mean	Std. Deviation
The overall budget management practices exercised in MSH meet my expectations	72	1.00	5.00	2.9722	1.10022
Most of projects under MSH scope do not complain seriously about the budget allocation across programs and projects	72	1.00	5.00	2.9722	1.12553
Valid N (list wise)	72				

Source: SPSS Output from survey result, 2020

As a result of previously adopted phases and process implementations, the overall trends and culture of MSH project management has result below mean score value of 3.0. Respondents argue that the overall budget practices do not meet their expectation and there are complains about enacted budget in their area.

4.12 THE SUMMARY OF BUDGET MANAGEMENT PRACTICES IN MHS

The budget management practice in MSH is assessed from six different variables. The relationship between budget management in the organization and related variables are defined based on the DMIAC budget enacting process support methodology. Summarizing the whole question into six categories and examining the relationship with prevailing budget management, we can see the broad picture of MSH non-government organization budget process implementations. Table 4.9 depicts the overall summary of budget management in MSH.

Table 4.10 Budget Management Practice in MSH

	N	Minimum	Maximum	Mean	Std. Deviation
Budget Planning practice in MSH	72	1.00	4.60	2.7944	.71992
Budget Measuring	72	1.00	4.40	2.7444	.68070
Budget Analysis	72	1.40	4.80	2.8639	.67788
Budget revision/Improvement	72	1.60	5.00	3.0667	.68382
Budget Implementation	72	1.00	5.00	3.1111	.76316
Budget Management practice	72	1.00	5.00	2.9722	.83872
Valid N (list wise)	72				

Therefore, the result of computation on the overall budget management practice again indicates that inefficient budget management practice in the non-governmental organization. Table 4.10 also confirms that the mean score in each of summarized budget management phases are below average mean score value of 3.0 at larger standard deviations.

4.13 CORRELATION ANALYSIS

Correlation analysis is a method of statistical evaluation used to study the strength of a relationship between two, numerically measured, continuous variables (Fikre et al, 2009).

According to Mooi and Sarstedt (2011), the calculated value of the correlation coefficient ranges from -1 to 1, where -1 indicates a perfect negative relation (the relationship is perfectly linear) and 1 indicates a perfect positive relationship.

The correlation between dependent and independent variables along with the causal effect was analyzed using Statistical Package for Social Science (SPSS). The correlation matrix shows the correlation between variables in the questionnaire with a Pearson Correlation coefficient to show the strength of the relationship among the variables considered in the questionnaire.

According to Bartz (1999), the interpretation of the correlation value is as follows: -

Between 0 to .20 → Very low correlation between .20 to .40 → Low correlation

Between .40 to .60 → Moderate correlation

Between .60 to .80 → Strong correlation

Between .80 to 1.0 → High correlation

Based on the classification, the result in the table is interpreted as below: -

- There is moderate, positive and significant correlation between Project budget Management Practice and Planning (**$r = .0.587^{**}$ $P \leq 0.01$**)
- There is moderate, Positive and significant correlation between Project budget Management Practice and measuring activities (**$r = . 632^{**}$ $P \leq 0.01$**)
- There is moderate, positive and significant correlation between Project budget Management Practice and budget analysis (**$r = 0. 640^{**}$ $P \leq 0.01$**)
- There is moderate, positive and significant correlation between improvement and Project budget Management Practice (**$r = . 662^{**}$ $P \leq 0.01$**)
- There is moderate, positive and significant correlation between implementation and Project budget Management Practice (**$r = . 467^{**}$ $P \leq 0.01$**)

Table 4.11 Correlations

		Planning	Measuring	Analysis	improvement	Implementation	Budget Management
Planning	Pearson Correlation	1					
	Sig. (2-tailed)						
Measuring	N	72					
	Pearson Correlation	.659**	1				
Analysis	Sig. (2-tailed)	.000					
	N	72	72				
improvement	Pearson Correlation	.643**	.698**	1			
	Sig. (2-tailed)	.000	.000				
Implementation	N	72	72	72			
	Pearson Correlation	.587**	.630**	.676**	1		
Budget Management	Sig. (2-tailed)	.000	.000	.000			
	N	72	72	72	72		
Implementation	Pearson Correlation	.352**	.335**	.546**	.610**	1	
	Sig. (2-tailed)	.002	.004	.000	.000		
Budget Management	N	72	72	72	72	72	
	Pearson Correlation	.540**	.632	.640**	.662**	.467**	1
Budget Management	Sig. (2-tailed)	.003	.050	.003	.002	.000	
	N	72	72	72	72	72	72

** . Correlation is significant at the 0.01 level (2-tailed)

CHAPTER FIVE

V. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summary, conclusions and recommendations based on the data collection and analysis.

5.1 SUMMARY OF MAJOR FINDINGS

This study attempted to investigate Budget management practices and constraints in international non- governmental organizations; the case of management sciences for health – Ethiopia. From the analysis made, the root cause for ineffective budget management practices in the organization is due to inappropriate budget enacting phases and processes. The study revealed that the moderate and below expected average response rate for budget planning design, reluctance on budget data and information collection and measuring and poor analysis methods and exclusion of important data input for the purpose of budget analysis. Further, budget implementation has suffered a lot of hurdles that brought result mismatch among budget plan or goals versus achievements from budget utilizations. On contrary, the MSH has good practice on improving budget allocation on the middle of project execution. This helped the organization to maintain implementation at an average execution level than the worst scenario. From planning prospective lack of focus on baseline studies, reluctance to forecast existing expenditures and project goals and loop holes between the project budget and overall strategic initiatives are measure findings. On the other hand, while measuring budget requirement, documentation problems and lack of interest to comprise data from finance department is encountered. Similarly, the dependence of analysis on budget measuring tools hurt the analysis phase for inappropriate input of budget information and data.

Regarding the correlation among overall budget management practices constraints and phase of budget enacting process, the dependent variable i.e. budget management practice is directly and positively related with all variables believed to cause increased and better project management practice in any organization theoretically. But, budget planning and design in the organization, as predicted by the theoretical expectation is

positive but moderately correlated with dependent variable, i.e. project budget management. These can be justified by the as the initial phase of project budget enacting process, poor definition of budget planning may cost the overall cycle of budget preparation . The lower but positive correlation is exhibited by budget data collection and sorting its prevalence. Since it is time consuming and expertise activity, several projects may miss initiating proper measurement of budget data and information.

The improvement and implementation process are somehow registered better performance results compared to the other three variables of study. To summarize, the descriptive and correlation analysis results depicted existing poor budget management practices in the organization which the management staff shall give due attention.

5.2 CONCLUSIONS

The finding of the study concludes that there is a positive and moderate relationship between the budget management in MSH nongovernmental organization and the study variables related to budget enacting phases and process. The define stage or budget plan preparation is the one affected the budget management practice in different projects. The study concluded that due to improper budget planning initiatives taken on the process of allocation activates. The study also understands that, the data collection, documentation and identification process i.e. the budget measurement part is not fairly undertaken to help the later process of data and information analysis. Which information and data to collect, to include or exclude trend and historic data are not well decided. The mal-functioning of measurement stage accrued budget management drawbacks for succeeding phased of the accurate allocation. From respondents interview assessment still the budget analysis do not implemented the appropriate methods and tools for enacting of final budget. The issues identified here are lack of communication among project teams and managers to decide on what to analyze and decide the outcome of computation. The improvement and implementation part are fairly good enough practices helping better project budget management phases. The correlation statistics conducted also verifies the existence of moderate and positive

relationship among project budget management practices and the outcome of this management to effective and efficient resource allocation.

The research has also attempted to seek out the significant differences of one budget management practice to another within the projects of the organization. Before moving forward, it is important that the researcher has concluded that from the findings staffs are aware of the fact that budgets are in fact an essential tool in achieving organizational goals. That being said this importance goes hand in hand with that of the management of the budget itself. The researcher has also assessed the possible budget management practices that can be adopted to bring about effective change if implemented in projects within the organization. The first area that was explored was the staff knowledge in the importance of this fact to which the researcher found that MSH Ethiopia staff believes that the budget monitoring, analysis and evaluation should be done by projects at the country level. Staffs are not sure if they are happy with the existing budget management practices within MSH and they also believe that strong financial management determines project achievement.

5.3 RECOMMENDATION

Based on the study findings and conclusions on budgeting and budget management practice of MSH in managing budget variances which involves planning and implementation, the following recommendations are made.

Budgets inspire individuals and departments to look and plan forward using a determined timetable that can enhance effective communication of their objectives and provide a bench mark to measure performance. The organization should involve those staffs who will be responsible for budget monitoring and project implementation in preparing the budget. This helps to increase the accuracy of budget and motivate the staff to spend within budget in the process of implementation to control variances or reach fund raising targets.

Budget monitoring and variance analysis should be made on regular bases in line with the monthly close of financial system to compare budget versus expenditure by budget holders and finance who are responsible for managing the projects budget and activities

with clear justification and action points. So that managers are able to prevent over or underspends timely and take corrective actions.

To ensure integrity of different Projects in the process of project implementation, the non-government organizations should conduct regular grant review meetings with different departments such as program, finance, logistics and human resource to ensure smooth communication and timely delivery of outputs as per planned activities in accordance with the requirements of the donor and management. Measuring budget accuracy and timeliness on continuous basis and conducting more formal reviews are two ways to identify areas for continuous improvement.

There must be budget management information and practice sharing among the different projects within MSH, thus strengthening inter-project coordination. Budget practices of the different projects with MSH must be shared to increase motivation organization wide, creating a sense of unification of MSH as a whole rather than have a project first, MSH second mentality. PMI shouldn't wait until a budget line item is exhausted to advise staff to use another line item. There must be a practice to avoid such circumstances by periodically monitoring their projects budget so that they are ready for such situations beforehand in a proactive manner rather than being reactive.

The finance department is also responsible to maintain updated records in the financial system to provide reliable and timely report to support the budget holders in discharging their responsibilities. In some organizations the finance department do not provide budget versus actual reports in regular bases to support budget holders in monitoring their budget. The study recommends that organizations finance department should keep reporting budget versus actual expenditures to support the monitoring of revenue and expense levels in operating activities. It also ensures that cash outflows and inflows remain at adequate levels. Finally the researcher suggested the above recommendations.

While implementing a solid budget monitoring mechanism it is important to decentralize budget holders for more responsible follow up and establish the ownership of budgets and budget management by staffs that are not necessarily in directorial or top management positions. This can be achieved through building the capacity of staff that is recommended for budget holding posts. Some projects have a good budget

monitoring mechanisms, but the project finance manager only shares monthly financial reports with project management and headquarters, but there must be more transparency through sharing financial information with the rest of the staff, so that they are aware of their projects financial status which they seem to not be

The recommendations are crucial to improve budgeting and budget monitoring practice as a management tool for enhancing financial management in the MSH. This is because the recommendations are forwarded based on the results of the findings in the process of budget preparation, budget monitoring and implementation for enhancing budget management in projects under MSH. Moreover, the researcher would like to recommend that future studies should be carried out to establish the challenges related to the budgeting process among the other similar organization operating in Ethiopia.

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ANNEX I

QUESTIONNAIRE

Dear Respondent:

My Name is Nigatu Melese; I am currently studying on Master of Business Administration (MBA) Degree at Addis Ababa University. The purpose of this questionnaire is to collect primary data for conducting a study on the topic, "Budget Management Practices and Constraints among different Projects in International Non-Governmental Organizations; The Case of Management Sciences for Health, Ethiopia Head Office" as partial fulfillment for the completion of an MBA at Addis Ababa University. I am kindly requesting the respondent to provide honest, reliable information, which is to the best of your knowledge so that the information provided will be a valuable asset in the success of this research. Please note that all information gathered as a result of this questionnaire will be used for academic purposes only and kept confidential. Thank you for your cooperation.

Directions

- Please don't write your name
- Please answer all questions with options provided by putting a tick-mark (✓) in the appropriate box.
- Please answer open ended questions by providing your opinions in the space provided.

Part I - Respondents Profile

1. Sex: Male Female
2. Age: 18-22 23-27 28-32 33-37
38 and above
- 3- Highest level of educational achieved: PHD
MA/MSc
Degree

Diploma

Other _____

4. Years of experience related to your current position:
- Less than 2 years
 - 2-5 years
 - 6-10 years
 - More than 10 years

5. Name of your project (COMU is considered as a project for this purpose)

6. Occupation: Technical Staff Project Support Staff

Part II - Questions on Budget Management

Listed below are statements about budget management practices in your project. Carefully consider each statement and mark the answer that indicates the extent to which you agree with the statement.

Please use the following to indicate you answer:

1= strongly disagree, 2= Disagree, 3= Neutral, 4= Agree and 5=strongly agree

No.	Budget Planning practices in MSH	1	2	3	4	5
1	Budget planning are aimed to ensure that MSH act in the best way in order to reach project goals					

2	The budgeting process starts with preparation of forecasts of the expected confirmed income/grants					
3	The budget planning align operating tasks with strategic planning					
4	The organization follow planning and budgeting as collaborative process					
5	The organization rigorously consider the external environment while budget planning.					

No.	I. Budget Measuring	1	2	3	4	5
1	Proper data is collected from project baseline prospective as input to budget preparation					
2	Historical data is collected from team as well as finance staff to accurately prepare and allocate budget to new and existing projects					
3	MSH exercise <i>forecasting</i> expenditure expectations to get a better understanding of the whole budgeting process in projects					
4	The MSH has documented budgeting process (budget notes) which is referenced during the process					

5	Budgets are prepared with reference to the organization annual plans, strategic plan and overall goal					
	II. Budget Analysis					
1	The individual project budget describe the need and include an adequate justification of how each cost was estimated					
2	Each project budget explain the need for each activity or task and how they relate to the overall project					
3	The budget practice conduct break down costs into cost/ units and explain the use of each item requested by individual projects					
4	The individual team in each project evaluates appropriateness of allocated budget across projects					
5	Budget discrepancies are analyzed before approval for projects in the scope of MSH					
	III. Budget revision					
1	The approved budgets are shared with all departments and budget holders and ensure they are understood.					

2	Coordination among the various projects during budget execution is achieved through clear communication and consultation					
3	Recording of actual result is accurate and timely					
4	Budget vs. actual comparison and identification of variances is done regularly.					
5	Reports on budget variance are shared with budget holders and senior management.					
IV.	Budget Implementation					
1	In some period budget include unattainable targets or Standards					
2	The budget contain uncertainty which hinders effective implementation					
3	Insufficient funds allocated to department or projects affect budget implementation					
4	The budget process is time consuming and expensive and may become volatile before implementation.					
5	There may be tendency by user department to adhere to budget process just to comply with organization or donor requirement.					

V.	Challenges Faced					
1	Budget planning process is poor in MSH					
2	Weak links between policy making, planning, and budgeting					
3	Inadequate funding of operations and maintenance					
4	Little relationship between budget as formulated and budget as executed					
5	Poor management of external aid					

VI.	Overall Budget Management Practice in MSH					
1	The overall budget management practices exercised in MSH are meet my expectations					
2	Most of projects under MSH scope do not complain seriously about the budget allocation across programs and projects					

Part III - The following questions should be answered in your own opinion using the space provided.

25. Do you believe that those in budget decision making positions feel ownership towards their projects budgets? Please briefly explain your observation.

26. What in your own words could be the dangers of not closely monitoring a projects budget?

27. Finally, is there anything that you would wish to add?

Thank you!

ANNEX II

Addis Ababa University MBA Program

Interview Questions

Budget Management Practices and Constraints among Different Projects in International Non-Governmental Organizations; the Case of Management Sciences for Health, Ethiopia Head Office

1. What is the current practice of your project/unit of budget preparation & process?

2. Who are the parties involved in budget monitoring? And how are they involved in monitor your Budget? _____

3. What methodologies are used for budget monitoring? What activities get done in this aspect by your project/unit?

4. How often is the project's budget monitored? And how often is it revised?

5. Is the status of the budget clearly communicated to the different teams within the project?

6. Is there a practice of giving and getting feedback with regards to budget utilization from teams?

7. What factors do you consider as limitations of your project's budget management?

8. In your opinion, how do you rate your projects budget management? And what was your budget utilization rate in terms of percentage the past fiscal year?

9. Do you have any suggestions that you believe would improve the budget management practices of MSH as whole?
