



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**ASSESSMENT OF THE OVERALL BUDGETARY
SYSTEM: A STUDY ON ETHIOPIAN POSTAL SERVICE
ENTERPRISE**

**BY:
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SYSTEM: A STUDY ON ETHIOPIAN POSTAL SERVICE
ENTERPRISE**

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FINANCE**

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Declaration Statement

I declare that, this thesis is my original work and has not been present for any degree and that all sources of materials used for the study have been accordingly acknowledged.

Name: _____

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This thesis has been submitted for examination with my approval as a university thesis advisor of the Accounting and Finance program.

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List of Acronyms and Abbreviations

CEO- Chief Executive Officer

CSA- Central Statistics Agency

E.C. - Ethiopian Calendar

EFY- Ethiopia Fiscal Year

EPSE- Ethiopian Postal Service Enterprise

ETB- Ethiopian Birr

HPR- House of Peoples Representatives

MEFF- Macro-Economic and Fiscal Framework

MoFEC - Ministry of Finance and Economic Cooperation

MoFED- Ministry of Finance and Economic Development

NBE- National Bank of Ethiopia

SPSS- Statistical Package for Social Science

Abstract

The main purpose of this study was to assess the overall budgetary system of Ethiopian Postal Service Enterprise. A descriptive type of research design was used and data were collected from all employees that are working in the budgetary system of the organization. To achieve the objective of the study, data was collected from employees of the organization using a close-ended and mixed items questionnaire and semi-structured interview as well as data from annual reports and manual of the organization. The target population includes 70 employees which consist of 27 departments or business units, 19 zone managers, 8 region managers, and purposively selected employees that were related to the budget activity of the organization that is, 5 employees from finance, 6 from planning experts, and 5 from internal auditors. 70 respondents were selected purposively and given questionnaires 65 of them have properly filled and returned. The result of the study revealed that plan and budget preparation, allocation, utilization, budget control, and evaluation of the organization is affected by several factors. Those factors are lack of lower-level management participation after plan and budget preparation, lack of proper allocation of budget, underutilization of the estimated budget, and lack of preparing budget variance analysis. Besides that, not have of using modern technology for both budgets, and financial transactions record and control, need of management attention on budget controlling and evaluation, and no corrective action taken by management members. Based on the findings, the study recommended that top managements and other concerned bodies should take all responsibilities to adjust those mentioned problems.

Keywords: Budget preparation, allocation, utilization, control and evaluation, and budget corrective action.

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

In the world today, organizations have developed a variety of processes and techniques designed to contribute to the planning and control functions. One of the most important and widely used in these processes is budgeting. Budgeting involves the establishment of predetermined goals, the reporting of actual performance results, and the evaluation of performance in terms of the predetermined goals. Budgetary control is the establishment of budgets relating to the responsibilities of executives of a policy and the continuous comparison of the actual with the budgeted results, either to secure by individual action on the objective of the policy or to provide a basis for its revision. The advantage of using budgetary control is that top management can detect deviation from the plan and can react accordingly to increase efficiency throughout the activities (Demera & Yemer, 2018).

Budgeting is a management activity because it was assumed to support management in strategy implementation, in strategy planning, in deciding to finance activity, and controlling the ongoing activities. On other hand, it can explain an organization's competitive priorities, competitive advantages, and competitive strategies in the upcoming to exist/survive in the business world. It can be used as a performance evaluation plan against the actual result and helps the management to take corrective action where necessary for deviation occurred. On other hand, it is an important tool for organizations to see where they need to go, how to go there, how they are doing, where they are, how they are doing to achieve their plan, and how employees are doing (Ahmed, 2015).

As an economist would put it “human wants are unlimited, but the means to satisfy them are limited”, this, therefore, calls for the use of efficient management tools that will bind the limited resources for optimal use. One of the machinery of government that can be used for this purpose in the budget. Budget making and budget implementation involve the process of identification of public needs and the determination of the quality of goods and services to satisfy these needs through the political process, by economic analysis with the overall development plan objectives (Obara, 2013).

According to (Ahmed, 2015), developing countries get difficulties managing public budget allocation because society's needs and demands are unlimited whereas resources are limited in nature. In developing countries like Ethiopia, it has become increasingly complex to manage budget allocation, because the rules of the government have been expanded and financial resources are in scarce supply to meet these ever-increasing social needs and population growth. Due to inadequate financial resources as opposed to increasing demand for public service, there is a need to improve resource allocation through proper economic policy and expenditure planning.

Ethiopia has a dual budgeting system in which recurrent and capital budgets are considered separately. The Ministry of Finance and Economic Development (MoFED) determines budgeting ceilings by consulting the National Bank of Ethiopia (NBE) and the Central Statistics Agency (CSA). It has a great role in the budget process of a country and controls the formulation and implementation of the budget of line ministries at various levels (MoFED, 2010).

Ethiopia is a federal state, at each relevant level of government, budget formulation, approval, expenditure, and control system of the government structure requires practicing transparency and accountability on the part of the government to avoid misuse of resources. It also requires public participation in the full range of the budget processes as well as monitoring and tracking budget allocation and utilization at various levels and sectors of development (MoFED, 2010).

Therefore, this study focuses on an assessment of the overall budgetary system of Ethiopian Postal Service Enterprise. After assessing these issues, the paper tries to forward viable recommendations for decision-makers regarding strategies to take advantage of existing and emerging opportunities for improved sector financing and budget execution.

1.2. Statement of the problem

Budgets are the benchmark of any organization whether for profit-making or nonprofit making. The realization of operations depends on how well they plan and implement those plans. Budgets are financial plans and it is very important to any organizations. Good budgeting process assists as a management tool to increase suitable financial management and project implementation (Brookson, n.d.).

According to (SHAH ANWAR, 2007), the ‘budgeting process creates an opportunity for subordinates to become involved in planning and performance measurement, a process that is traditionally perceived to the role of top management. Usually the senior and experienced staff of the organization are involved in developing the budget. They should be in a position to take responsibility for all the financial aspects of a project. In monitoring the budget during the period, managers compare budgets with actual results to identify favorable and unfavorable variances to take corrective actions. This helps managers to gain insight into why the actual results differ from the planned performance and assist them in their planning and control decisions in the implementation of the plan to deliver outputs and achievement of objectives.

Budgetary control systems are universal and have been considered an essential tool for financial planning. The purpose of budgetary control is to provide a forecast of revenues and expenditures this is achieved through constructing a model of how an organization might perform financially speaking if certain strategies, events, and plans are carried out.

A budget is a quantitative expression forecast time of plan of action by management. It can cover both financial and non-financial aspects of these plans and acts as a design for the company to flow in the upcoming period. Budgets covering financial aspects quantify management expectations recording future income, cash flow, and financial position. Budget preparation, allocation, utilization, and controlling of the organization have many problems: such as the budget deficit, unequal distribution of budgets, and lack of skilled manpower. Budget administration and delivery of service are directly correlated. An organization has effective budget administrations deliver service according to the plan and the reverse on organization did not apply effective budget administration (PHONG, 2018).

The study was assessed different published researches. For that reason, some studies have been performed in related areas. Such as (Abebe, 2018), Assessment of budget implementation & control system in the case of Ethio Telecom South West Addis Ababa Zone, the research focus on conducting the study considering both primary data & annual performance report on budget implementation, and controlling system. In a review of time delay in the approved budget, underutilization of the estimated budget, time delay in reporting budget variance, lack of higher officials monitoring and evaluation system as a gap. (Berie, 2016), Assessment of budget preparation & utilization: a case study at Save The Children Ethiopia. There is a gap in budget preparation, and utilization of the organization due to improper planning of budgets, and late starting of project implementation affect the budget utilization, lack of collaboration work within

the organization departments, government and communities, regarding on the preparation and utilization of budget, a budget variance is not reviewed and revised on a regular base and grant review meetings are not conducted on a regular base. (Feyera, 2019), Assessment of budget management practice in public organizations in the case of Oromia Finance & Economic Cooperation, by looking at five years of actual data for budget variance/ unutilized budget and other considerations as a gap.(Tamiru, 2018), Assessment of budget utilization and budget control practice in the case of Ethiopian Postal Service Enterprise, a major motivation to carry out this study is lack of research, especially under the Ethiopian Postal Service Enterprise context, joined by the sign of improper budget management by considering primary data.

Based on the studies one of the major objectives of this study is to fill the gap observed in the previous studies, such as budget implementation & control system, assessment of budget preparation & utilizations in NGO, assessment of budget management practice, and assessment of budget utilization and budget control practice. Therefore, the research gap was previous researchers focus on specific parts of the budget that means one focus on preparation part, utilization part, controlling part or focus on implementation part and the researcher did not get any research related to assessing the overall budgetary system starting from budget preparation and implementation upto taking corrective action for budget variance and another gap was the researcher found a research that was prepared in Ethiopian Postal Service Enterprise by using primary data. To fill the gap the researcher used both primary and secondary data. Hence, this paper focuses on an assessment of the overall budgetary system of Ethiopian Postal Service Enterprise.

1.3. Objectives of the study

1.3.1. General objective

The general objective of this study is to assess the overall budgetary system of the Ethiopian Postal Service Enterprise.

1.3.2. Specific objectives

To achieve the general objective, this research addresses the following specific objectives.

- ❖ To identify the major activity plan of EPSE
- ❖ To describe the budget allocation system of EPSE
- ❖ To describe budget execution (utilization) procedure of the organization
- ❖ To explain budget evaluation methods of EPSE

- ❖ To evaluate corrective action methods taken by the organization when deviation occurs

1.4. Research questions

This study attempts to address the following questions on the budgetary system of Ethiopian Postal Service Enterprise.

- ❖ What are the major activity plans for EPSE?
- ❖ How this organization allocates budget for planned activity?
- ❖ How to implement (utilize) the allocated budget?
- ❖ How they measure the utilized budget?
- ❖ What corrective actions taken for the budget variance?

1.5 Significance of the study

This study was important to the House of Peoples Representatives (HPR) and other concerned regulatory bodies to know the overall budgetary system of the organization for decision-making purpose, to the management of EPSE for employee performance evaluation, and for checking their current business strategy to assure the internal control system of the organization. Apart from being the obligatory requirement for fulfillment of this thesis, the research also gives necessary recommendations to have relevant information for Ethiopian Postal Service Enterprise. It provides relevant information to employees and the public regarding budget preparation and utilization, and it will present information about how corrective action can be made during budget preparation and utilization and it serves as reference material for anyone who will conduct further study on the same or related topic.

1.6 Scope and Limitation of the study

All government organizations need effective budget management and control mechanisms. However, for the sake of effectiveness, and efficiency, and to manage the limited task time, and budget, this research focused on only the budgetary system of Ethiopian Postal Service Enterprise and the study did not cover other organizations. The study can be regarded as the first attempt to explore the existing Budgetary System of Ethiopian Postal Service Enterprise by taking 3 years data from 2007 – 2009 EFY.

1.7 Organization of the study

The research paper was organized into five chapters. Chapter One was an introduction part where the background of the study, statement of the problem, objectives of the study, research

questions, significance, scope, and limitation of the study was presented. Chapter Two includes a review of the literature in which theories and empirical evidence will identify. Chapter Three was contained research methodology where research design, research approach, population, sampling method, sample size, sources of data, instruments, and data analysis technique covered. Chapter Four focused on the results and discussion in which the results of the findings were interpreted. Finally, Chapter Five bring of research to an end with a summary, conclusion, and possible recommendations.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Theoretical Literature

Regardless of size, complexity, or sector, the government relies heavily on budgets and budgetary systems to succeed in strategic goals. The success of budgeting relies on the ranking of organizational goals, sharing of responsibilities for achieving these goals, and consequently its implementation. Government budget is a financial plan that contains the detail of estimated receipts as well as proposed expenditures and other disbursements under various heads. A budget is a financial plan that lists all feasible expenses and income for a given period, usually a fiscal year. It is a system proposed to accomplish various significant functions. Among the functions of budget, the most fundamental one is monitoring public expenditure, that exercising financial control over inputs. It is also instrumental for allocating scarce resources to the government's main concern so that government objectives are achieved most efficiently and effectively (Ganecho, 2018).

The public budget is a process by which the government sets levels of expenditure, allocates the spending of resources among all sectors to meet national objectives. It is the financial plan of action for the year reflecting government priorities on expenditure, revenue, and overall macro-economic policy. Policies, programs, and projects would remain as wishful aspirations of government unless they receive the required funding to translate them into practice. For these reasons, the public budget is considered an important process that attracts the attention and consideration of the public at large. The government needs to prepare a budget since it has to plan the extent of its expenditure and revenue (Deressa, 2018).

A comprehensive review of published and unpublished works in the areas of the budgetary system of public companies is made to develop and identify the problem, to develop research questions, and to come up with appropriate research methods. It also comprises various researcher's point of view on related research works from the context of various countries. Therefore, the literature review will organize and present in two sections. The first section discusses the theoretical literature about the budgetary system of public companies from different perspectives and the second section presents empirical literature on studies made at a similar level.

2.1.1. Definition and concepts of Budget

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

Budget preparation and performance: In this stage of the budget process, the government decides how much funding it will provide to which agencies and for which purposes. This is given formal expression in the budget law and budget regulations, which are enacted by the legislature and the highest executive organs of government (Robinson, 2007).

Using budgets is vital for the planning and control of a business. Budgets help co-ordinate the actions of different managers and departments while securing commitment to achieving results. Budgets also give authority for departmental managers to incur expenditure by their department and provide targets for earning revenue. By providing benchmarks against which actual activities are monitored, budgets are a reliable way of analyzing actual business performance. Budgets are therefore a way for an organization to generate information so that it can measure how it is progressing, and how it might adapt to an agreed business plan because of actual performance (Brookson, n.d.).

Budgeting creates a framework within which individuals, departments, and whole organizations can work. Budgets encourage individuals and departments to look and plan using a standardized agenda that can enhance effective communication of their objectives. Drafting assorted budgets and collating them can help co-ordinate and motivate employees. Budgets also provide a focus for an evaluation of the various aspects of a business in a controlled fashion (Brookson, n.d.).

A budget is a key management tool for planning, monitoring, and controlling the finances of a project or organization. It helps to estimate the income and expenditures for a specific period of a project or organization. Managers are responsible for the realization of the indicators within their budgets and for any variance from the estimated values, cases in which they are required to take corrective action. Budgeting can be used as a planning and controlling system in an organization. The company's goals and performance objectives are documented in financial terms and once formulated, these plans are used throughout the year. Monthly performance

reports compare the budget with the actual result, to control the operation management can examine the performance report and take corrective actions (Gudeta, 2017).

Budget is where all the financial components of an organization (individual units, divisions, and departments) are assembled into a coherent master picture that expresses the organization's overall operational objectives and strategic goals. Therefore, coordination is necessary to avoid sub-optimality. A well-co-ordinate budgeting system enhances the skills of operating managers not only by educating them about how the company functions but also by allowing them to manage their subordinates more professionally. This is because budgets delegate responsibility to the manager who assumes authority for a specified set of resources and activities. In this way, the budget emphasizes, even more, the existing organizational structure within the company (Deressa, 2018).

According to (PHONG, 2018), the budget is a blueprint of the projected plan of the action expressed in quantitative terms and for a specified period. The budgets put the plan in a concrete form and follow up action to see that plan is to adhere to complete the system of control. In other words, while budgeting is the art of planning, budgetary control is the act of adhering to the plan. Budgetary control involves a continuous comparison of actual results with the budgets and taking appropriate remedial action promptly. A budget is (a) the quantitative expression of a proposed plan of action by management for a specified period and (b) an aid to coordinate what needs to be done to implement that plan. A budget generally includes both financial and non-financial aspects of the plan, and it serves as a blueprint for the company to follow in an upcoming period.

2.1.2. Type of budget

The government budget is classified according to the characteristics of the organization in such a situation there are two types of budget recurrent and capital budget.

2.1.2.1.Recurrent budget

A recurrent budget tracks ongoing revenues and expenses that occur regularly, be they monthly, quarterly, semiannually, or annually. Also known as an operational budget, a recurrent budget includes line items such as wages, utilities, rent or lease payments, and taxes. It also includes purchases that are expected to last for less than a year, such as office supplies. A recurrent budget can help a company manage its money and come up with strategies for cutting day-to-day costs (H/meskel, 2018).

2.1.2.2. Capital budget

A capital budget is used to evaluate potential investments or expenditures for specific projects or purposes. Capital budgets cover purchases that are expected to more than a year. The amount a company spends on such purchases is known as a capital expenditure. When a company creates a capital budget; it is usually to grow the business or increase its value in the long run. However, the benefits of acquiring new purchases or pursuing special projects must be weighed against the costs involved (H/meskel, 2018).

The capital budget is the aspect of the overall national budget that determines the allocation of funds to finance capital projects and critical infrastructure, such as the construction of roads, bridges, hospitals, schools, prisons, public administrative buildings, highways, dams, and irrigation systems; the purchase of machinery and equipment; and the supply of water, electricity, and transport, health, and educational facilities. The capital budget, unlike the recurrent budget, is intended to provide funds to finance, such as the construction of durable assets. By contrast, the recurrent budget determines the allocation of funds to finance recurring governmental expenditures, such as expenditures related to personnel, overhead, civil administration, defense, health, education, and government machinery maintenance(Ogujiuba & Ehigiamusoe, 2014).

2.1.3. Budget Planning Framework

Budgets present how public resources are to be used. Budgets are the principal instrument by which governments achieve their policy objectives such as increased literacy or reduced child mortality. Budgets have a purpose. Because budgets also have the task of assigning responsibility and use of funds, it is difficult in the budget document and on the same page of a budget, to specify how an organization (budget classification) and its specific expenditures and source of finance (chart of accounts) achieve a purpose. A major task of reforming a budget is to present clearly and concisely the three functions of budgets: responsibility, use, and purpose. The first task of budgets is to ensure that responsibility and use are specified to ensure proper control of public funds. Control of funds has both a 'front end' and a 'back end'. The 'front end' of the control of public funds is when the Regional Council, which gives the legal authority to spend public money, appropriates the budget. The 'back end' of the control of funds is accounting and auditing. The 'circle of control' is completed when the Council which appropriated the funds in the first place reviews the audited statement of accounts in the last place to determine if the appropriation was executed and whether value for money was achieved. Once the annual budget

clearly and efficiently controls funds, it is then possible to improve it to present the purpose of funds (Feyera, 2019).

Management at each level is faced with the need to plan the resources under their control. The planning period identified the goals to be attained during the fiscal year, and the financial plan (budget) necessary to achieve them. The budget must be well-conceived and based upon the combination of historical data and future financial projections. Planning is an attempt to make today's decision in contemplation of their futurity, it bridges the gap from where we are to where we want to be in the future (Wangechi, 2010).

2.1.4. Budget preparation

The preparation of the budget forced management to implement formal planning procedures, which engaged all departments to participate in the formation of the overall budget. This planning would encourage the department to behave according to the expectations, and attention could be given to those who did not achieve their objectives. The budget could contribute to cost control procedures when managers spend their approved budget. It would assist in the effective management of activities, as it plans the department work and fulfills department needs(Wangechi, 2010).

The process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into a detailed, feasible plan of action. Public budget preparation is one of the tedious tasks that any country should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, a country must be able to follow accurately all the methods of preparing an annual budget. In budgeting, the focus is not only to prepare the budget but more importantly to have a follow-up operation for budgeting and to act according to known data. Budgets are financial expressions of a country's plan for a while. It tells where and how the organization will spend money and where the money will come from to pay these expenses. Budgets also assure that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still needed to have at least close estimation (Kidanu, 2017).

The budget preparation process combines top-down direction and bottom-up planning. The overall budget envelope and sector/ministry spending ceilings are usually set by the Ministry of Finance and the Cabinet/executive under policy objectives. These are then communicated to the line ministries, which are responsible for preparing their respective sector budgets. Through an

iterative process of review, debate, and bargaining, a consolidated budget is hammered out. A budget proposal is then presented to the legislature, where it is debated and negotiated with the executive and eventually passed into law (Kidanu, 2017).

2.1.5. Budget implementation

Budget implementation is public expenditure policy and therefore how public expenditure is managed would impinge on the implementation of the budget. Implementation or execution of the budget is an activity that took place throughout the financial year and was the cutting edge of the budget as it involved all branches of the government unlike the more technical and selective participation of officials in budget formulation. How revenue and expenditure are grouped for decision-making is the most important aspect of budgeting. Implementation of the budget required an advanced program of action that evolved within the parameters of the ends of the budget and the means available. Budget is not only a financial plan that sets into view cost and revenue within an organization but also a tool for resource allocation, control, coordination, communication, performance evaluation, and motivation. Budget aimed to serve the needs of management decisions and to provide a basis for management functions of planning and control. Budgetary systems should be implemented to face internal and external pressures. A key area in the budget implementation process is to ensure the fulfillment of the financial and economic aspects of the budget (Wangechi, 2010).

Budgetary participation refers to the active involvement of employees in the process of preparing the budgets they are responsible for implementing. It relates to the extent to which employees are involved in formulating the budgets and influencing the budget goals of their responsibility and accountability (PHONG, 2018).

Budget holders at all times should know what is expected of them in the budgetary process and be prepared to defend it at any given time. The budget holders own the budget and they should receive a copy of the statement of budgeting premises, participate fully in budgeting, and be informed of any revision made in the budget submitted to them. They are also entitled to receive a copy of the final approved budget. The employees on the other hand can be educated on the budget through seminars, conferences, lectures among others. Budget education motivates employee's commitment to the implementation of a successful budget more especially where bonuses are tied to achieving a set budget target (Kpedor, 2012).

2.1.6. Budget Utilization

Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds effectively to meet stated policy objectives while ensuring value for money is often just as challenging as planning how to spend it. Several reviews of Public Financial Management performance in developing countries show that countries score significantly better on budget preparation than on budget utilizing. Budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well a badly prepared budget (Mulneh, 2015).

Successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides this, the budget system should assure effective expenditure control. In addition to a realistic budget, to begin with, a good budget utilization system should have a complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items (Mulneh, 2015).

2.1.7. Concepts of under and overutilization of Budget

Over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears. Overruns are often the result of off-budget spending mechanisms (payment from special accounts, etc. In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns; lack of compliance can be address through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation. Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns. On the other hand several countries, the official budget is underspent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline. In some countries with poor governance, underspending of the official budget may coexist with large amounts of off-budget spending. Overall, in most cases, underutilization, as well as overutilization is related to insufficiencies in budget preparation and program preparation. An overestimated budget and

unrealistic projections of revenues may lead to budget revisions during budget utilization and a practice known as “repetitive budgeting”. To identify the following weaknesses in resource allocation and use: poor planning; no links between policymaking, poor planning, and budgeting; poor expenditure control; inadequate funding of operations and maintenance; the little relationship between budget as formulated and budget as utilized(Abebe, 2018).

2.1.8. Reason for Variations between Budgeted and Actual Expenditure

Several factors can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any sector. The reasons for deviations may vary over time. Some of the more common causes are deviation in aggregate expenditure; reallocation of the fund during budget implementation; policy changes during the year; an inability to implement policies, programs, and projects; and lack of financial discipline contribute to variation in budgeted and actual expenditure (Muluneh, 2015).

2.1.9. Internal control

As explained by (Allen, 2009), internal control systems are the policies and procedures put by the management of a government agency to ensure the agency achieves its objectives and complies with external laws and regulations. Such policies and procedures tend to cover financial accounting and reporting, performance monitoring, asset management, and procurement. Large agencies will have an internal audit unit comprising internal auditors that separately review and report on the implementation of management policies to the head of the agency.

2.1.10. Monitoring Budget Utilization

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

2.1.11. Budget Evaluation

Evaluation is a key determinant for effectiveness, through an evaluation plan, the firm can clarify what direction the evaluation should take based on priorities, resources, time, and skills needed to accomplish the evaluation. To enhance effectiveness and transparency the management team should be actively involved in the process of monitoring and evaluation of budgetary control processes and procedures. The process of developing an evaluation plan in cooperation with an evaluation workgroup of stakeholders will foster collaboration and a sense of shared purpose this highly contributes towards achieving effective budgetary control. Organizations monitor and evaluate actual results against approved budgets to guide current and future decision-making and hold manager is accountable for performance. Evaluations are a systematic and objective assessment of an ongoing or completed project, program, or policy, its design, implementation, and results. The aim is to determine the relevance and fulfillment of objectives, development efficiency, effectiveness, impact, and sustainability (Deressa, 2018).

2.1.12. Budgetary Control and Variance Analysis

The basis of budgetary control is variance analysis. Variance analysis is unexpected /unplanned/ change from the budgeted figure. So, if no action is taken based on management accounting. Knowing the cost of sales against the revenue generated, one will be better informed to decide whether you are over or underspending. The scope of work to determine the revenue to be generated, the cost of sales, the number of employees and their labor cost needed to execute such task, and the general set parameters within which such a plan can meet its set target. Therefore, the monthly performance management report reveals the shortfall or the loop in the operation of the scope remains the same. The variance analysis by this standard reveals if we are spending too much on the labor cost than expected, or if by ex-pats movement, variance sources can be favorable or adverse. Favorable variances happen when spending is lower than expected or the revenue is higher than expected. An adverse variance occurs when the expenditure is higher than expected and when the revenue is lower than budgeted. The budget therefore must be monitored for variances, so that they can be reacted to because each budget has a budget holder, then the responsibility of the variance must be traced to the right person (Abebe, 2018).

2.1.13. Ethiopia's budget cycle

The concept of budgeting in Ethiopia denotes a plan by the government of its expenditures and revenues for a specified period. Commonly government budget was prepared for a year, known

as the Ethiopian fiscal year (EFY), from July 8 of this year to July 7 of the next year. Budgeting involves different jobs on the expenditures and revenues sides of government finance. On the side of expenditure, it deals with the determination of the total amount of money for the year, the size of outlays on different functions, and the magnitude of expenditures on various activities. On the revenue side, it involves the determination of the size of the overall revenue and external aid. Furthermore, budgeting also addresses the issue of the budget deficit (i.e., the excess of outlays over domestic revenues) and surplus, and its financing. Budgeting is not only a matter of finance in the narrow sense. Rather it is an essential part of the government's general economic policy(Ganecho, 2018).

A directive, known as the Financial Calendar, issued to all public bodies by the Ministry of Finance and Economic Cooperation (MoFEC), guides the budget process in Ethiopia. The fiscal calendar runs from July to June annually. The state budget preparation is also guided by the Macro-Economic and Fiscal Framework (MEFF) document prepared by MoFEC. The MEFF offers, among others, projections of Government revenue and expenditure, expenditure financing, the division of total expenditure between federal and regional governments, and the division of federal expenditure between capital and recurrent expenditures for the coming three years. These activities take place between August and October each year(Ethiopia, 2017).

Using the approved formula for a general-purpose block grant (also referred to as a subsidy to regions), and based on the approved MEFF, MoFEC prepares a rolling three-year estimate of subsidies to each regional government and administrative council and notifies them of these estimates by the end of November. Simultaneously, MoFEC determines the total resources available to finance Government expenditure in consultation with the central bank, the National Bank of Ethiopia. At the end of December, the budget requirement and the available resources are compared and the budget deficit is presented to the Council of Ministers which deliberates on the figures for any required changes before approving it and setting a budget ceiling for each line ministry(Ethiopia, 2017).

Based on the three-year MEFF, MoFEC prepares the annual financial plan before the end of January. The annual fiscal plan includes the identification of the resource envelope (domestic and foreign) and the expenditure requirement, setting the block grant amount for regional governments and administrative councils, and splitting the federal government budget share between capital and recurrent budgets(Ethiopia, 2017).

By 7 July, the parliament approves the state budget that includes a “general-purpose block grant” (or regional subsidy) that is transferred to each region based on an equity formula that takes into account each region’s population size, level of infrastructure development favoring disadvantaged regions, revenue-raising potential, and expenditure assessment for the provision of basic services. Based on the principles of fiscal federalism, transfers are made from the federal to the regional governments and from the regional governments to Woreda through a system of non-earmarked block grants. Regional states obtain most of their financial resources from these transfers. Also, a “specific purpose block grant” is transferred to regions to allow for capital expenditures targeted to meet goals, tied to agreed results in selected pro-poor sectors (wash, education, health, roads, and agriculture) (Ethiopia, 2017).

The budget is executed through different ministerial councils and sectors based on their detailed sector plans, and there is an annual independent government audit that is entitled to audit sectoral budget executions and that verifies if the expenditures have followed proper government financial execution and procurement procedures. The auditor reports directly to the parliament and the execution is reviewed and monitored through joint and independent quarterly reports and verifications made by different permanent committees established by the members of the parliament (Ethiopia, 2017).

At the federal level, there are detailed public finance management procedures in place where MoFEC closely monitors each program and expenditures cannot go over the approved amount. Regional governments are autonomous with the regional president as head, and controls in place at the level of the regional parliament, the regional cabinet, and the regional auditor. Once block grant transfers are sent by the Federal Government to each autonomous regional government, the regional government decides how much of the region’s budget is retained at the regional level (with the regional government deciding the sectoral allocations for expenditures executed at the regional level), versus how much is transferred as block grants to each district (with the district determining the sectoral allocations for expenditures executed at the district level). The details of the budget cycle and budget timeline at the sub-national level are presented in the sub-national budget briefs (Ethiopia, 2017).

Ethiopia’s budgeting system is comprehensive, and policies and priorities are linked to the national budget. However, the national budget does not include state-owned enterprises, whose investment is increasingly becoming significant, and a significant proportion of external financing that is being directed through off-budget channels (including substantial funding of the

social sectors). The traditional budgeting structure of presenting on-budget expenditures by line item has been officially replaced by program-based budgeting at the federal level during the 2011/12 fiscal year, but at the sub-national level, line-item budgeting is currently in place with plans being undertaken to gradually shift to program-based budgeting(Ethiopia, 2017).

Budget and expenditure information continue to be disclosed to the general public at the federal, regional, and local levels using mass media such as TV, radio, brochures, and newspapers. As a means of accountability and, transparency billboards are also set up in public places outlining budgets and expenditures for public view. Besides, taxpayers have easy access to comprehensive, user-friendly, and up-to-date information on tax liabilities and procedures, and the revenue authority supplements this with taxpayer education campaigns(Ethiopia, 2017).

2.2. Empirical literature

MoFED is the major clearinghouse for the preparation of the federal budget in Ethiopia, although this is done in consultation with the various ministries that are the beneficiaries of the budget. The responsibilities of MoFED, as stipulated in the Council of Ministers Financial Regulations No 17/1997, consist of formulating and, issuing directives that detail government financial policies in all areas of government finances; developing and maintaining appropriate standards of work and conduct for application throughout all public bodies; internal auditing functions; and preparing a financial plan for the country (Muluneh, 2015).

The empirical study concerns previous academic research on the assessment of budget preparation and utilization practice. In this case, there are certain empirical studies undertake by different researchers related to the budgetary system discussed in the following.

(Wangechi, 2010), studied on the challenge of budget implementation in public institutions: A case study of the University of Nairobi. The study aimed at investigating the challenges of the budget at the University of Nairobi. To attain the objective of this study a descriptive study was made. The researcher used descriptive research and both primary and secondary methods used to collect data. The data was present using statistical measures pie charts, bar graphs, frequency tables, and graphical presentations. One of the major challenges that affect budget implementation is that since made the initial budgets, which were later amended during aggregation could resist the proposed budgets, other challenges included insufficient funds allocated to the department, institutional weakness, and the acknowledgment that budget has a

role to play in the organization is an important factor that helps in budget implementation. The study recommended budget implementation needs effective procedures and guidelines in the allocation of funds and operational implementation policies.

(Muluneh, 2015), conducted studies on assessment of budget preparation and utilization: in the case of Addis Ababa City Administration Health Bureau. Thus, the general objective of the paper is to assess the budget preparation and utilization of the City Administration Health Bureau. Both quantitative and qualitative research approaches were used and questionnaires and secondary data were used to achieve the objectives. The result shows that there was no accountability in budget utilization, there is no market-oriented cost estimation practice, lack of consistency and delay in purchase processes, lack of adequate and experienced budget experts, and there are no evidence-based evaluation mechanisms in the budget utilization at each level of the Health Bureau. The study recommended annual budget should be targeted at the current market price of items and responsibility and accountability should be given to each level unit for effective utilization of their budgets.

(Ahmed, 2015), conducted study on budgeting and budget monitoring practice in NGOs operating in Ethiopia. This study aims to evaluate the effect of budgeting and budget monitoring practices in NGOs operating in Ethiopia. To achieve the objectives of the thesis, a convenience sampling method was used and managers of the sample organization were communicated to identify the key staffs that are responsible for the budgeting process according to the structure of each organization. A self-administered questionnaire was distributed to respondents. Secondary data was also collected from budget performance reports and manuals. The study used both qualitative and quantitative research approaches. As the findings show, the overall budgeting system in the sample organizations missed the participation of concerned staff. Participation of staff in budget development helps to achieve the purposes of the budget such as coordination, communication, and motivation in the process of achieving the expected performance level. The study recommends that the finance department should keep reporting budget verses actual expenditures to support the monitoring of revenue and expense levels in operating activities and conducting budget review meetings.

(Demera, 2017) researched to investigate the determinants of budget control in the Benishangul Gumzu regional state public organizations using descriptive research design. The study found that the composite measure of information and communication, cost reduction, competent internal audit staff, management support, budget monitoring, and evaluation, organizational

commitment, and budget planning processes for 78% variance for the budget control in the public sector offices. That means, the impact of these seven independent variables contributed to the dependent variable budget control was 78%, and the remaining 22% were other variables that are not included in this study. It was concluded that the existence of effective budget control in the office links with the internal control management system, improves organizational efficiency and effectiveness, reduces information asymmetry during decision-making, and ensures internal reliability of the financial reporting process.

(Tolossa, 2019) researched examining budgeting and budget monitoring practices in government hospitals in Addis Ababa City Administration to improve budget preparation process, implementation, budget system, and budget monitoring. To achieve its objective the researcher has used a random sampling method to selected sample hospitals and take eight government hospitals out of eleven in addition to this used purposive sampling method to selected respondents. 32 staffs are taken as the respondent head of budget department, finance head, chief executive officer and human resource for each government hospitals and communicated head of the budget department from Addis Ababa city Administration finance bureau and ministry of finance to selected sample respondent responsible for hospital budgeting process and take 18 budget officer and expert out of 34 and distributed the questionnaire. The researcher used a descriptive study. The SPSS version 24 was used to analyze primary and secondary data was also collected from budget performance reports, and budget guidelines prepared by the ministry of finance and Addis Ababa city Administration finance bureau. Results showed that weak budgeting and budget monitoring practices in government hospitals. To improve the budgeting system it is recommended that the government hospitals should participate in concerned staffs in the budget process, change budget type, and form well-organized budget department and budget committee.

(Abebe, 2018) conducted a study on Assessment of budget implementation & control system in the case of Ethio Telecom South West Addis Ababa Zone. Conducting the study by considering both primary data (opinions of respondents) as well as considering the annual performance report of budget implementation & utilization. Both descriptive and inferential statistics method was applied and graphs, percentage, and frequency research techniques were used during analyzing the data. The result of the study showed that budget implementation and controlling system of the organization is affected by lack of lower-level management participation on budget preparation of the company, time delay in the approved budget, underutilization of the estimated

budget, time delay in reporting budget variance, lack of higher officials monitoring and evaluation system. On the other hand, results of the correlation analysis revealed that all of the identified determinant factors positively and significantly correlated with the organization budget implementation and controlling system implied at a statistical measures $p < 0.05$. The researcher recommended that it is better to participate in lower-level organizational management in preparations of the organization budget and communicate a strategic plan for all, to avoid underutilization of budget in the organization; it is good to see the previous years' experience.

(Berie, 2016) conducted a study on the Assessment of budget preparation & utilization case study at Save The Children Ethiopia. The researcher pointed out that there is a gap in budget preparation & utilization of the organization due to improper planning of budgets & late starting of project implementation affect the budget utilization, lack of collaboration work with the organization department, government and communities regarding the preparation & utilization of budget, budget variance are not reviewed & revised on a regular base. To achieve the objective of the study census method was used. A self-administered questionnaire was distributed to respondents. Secondary data was also collected from budget performance reports, financial statements, and manuals. As the findings show, the overall budget preparation and utilization system in the organization missed the participation of concerned staff. Participation of staff in budget development helps to achieve the purposes of the budget such as coordination, communication, and motivation in the process of achieving the expected performance level, and it is recommended that the organization should participate the concerned staffs in budget preparation, budget monitoring, and utilization.

2.2.1 Summary of literature review and research gap

Budgets are financial plans measured to be the core aspect of the control process and as a result, it is an essential part of performance measurement. Budgeting is a comprehensive plan for gaining and use of monetary and other resources over a specific period. Organizations use different types of budget techniques to develop the budget. Most studies proved that budgeting and budget performance evaluation helps for the establishment of goals by the management of an organization and designing a process that serves as a framework within which an organization effectively articulates overall planned activities. The involvements of all concerned staff in budget preparation and utilization will help for effective budgeting and budget performance. A good budgetary system of an organization will contribute to management efficiency, and high productivity of an organization; therefore, all relevant stakeholders must be involved in the

budget process, from planning to take corrective actions for budget variances and the budget is less criticized when the level of participation and involvement of managers and, the importance assigned to action plans during budget negotiations are high. On the other hand, budgeting practices place high importance on budget-to-actual comparison for performance evaluation both at corporate and business unit levels.

Generally, as the evidence above empirical studies were on the assessment of budget preparation and utilization, the impact of budget and budgetary control system on effectiveness of public organizations, assessment of budgeting and budget monitoring practice, budgeting and budget performance evaluation, assessment of budget implementation and control system effects of budget control for the operational performance of the public, private and nonprofit organization.

The previous studies show there is a relationship between budget preparations, budget control, implementation, and, the performance of an organization.

Based on the above theoretical and empirical evidence this study focuses on assessing the overall budgetary system of Ethiopian Postal Service Enterprise.

CHAPTER THREE

3. RESEARCH METHODOLOGY

This chapter discusses the approaches and techniques that the researcher used when collecting data, analyzing the data, and presenting the findings. These include research design, target population, sampling, and sampling techniques, data collection methods, data analyzing, and model specification.

3.1. Research design

A research design is a plan, structure, and strategy of an investigation so conceived as to obtain answers to research questions or problems. The plan is the complete scheme or program of the research. It includes an outline of what the researcher will do from writing the hypotheses and their operational implications to the final analysis of data (Kumar, 2011).

A traditional research design is a blueprint or detailed plan for how a research study is to be completed—operationalizing variables so they can be measured, selecting a sample of interest to study, collecting data to be used as a basis for testing hypotheses, and analyzing the results (Kumar, 2011).

In this research, a descriptive research design was used. This study describes and assesses the overall budgetary system of EPSE. The descriptive study attempts to describe systematically a situation, problem, phenomenon, service, or program, or provides information about, say, the living conditions of a community, or describes attitudes towards an issue (Kumar, 2011). The descriptive study is used to explain the phenomena by associating with the statement and facts on the ground as they were aimed at explaining why the situation has happened. This gives a high degree of honesty and integrity in reporting the finding.

3.2. Research approach

In this study, the researcher used a mixed research approach; which includes both qualitative and quantitative research approaches. The use of this method is helpful to ensure that the data collected were effectively be interpreted and analyzed using descriptive statements.

Qualitative research is an approach for exploring and understanding the meaning of individuals or groups assigned to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis

inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data. The final written report has a flexible structure. Those who engage in this form of inquiry support a way of looking at research that honors an inductive style, a focus on individual meaning, and the importance of rendering the complexity of a situation. Quantitative research is an approach for testing objective theories by examining the relationship among variables. These variables, in turn, are measured, typically on instruments, so that numbered data can be analyzed using statistical procedures.

Mixed methods research is an approach to an inquiry involving collecting both quantitative and qualitative data, integrating the two forms of data, and using distinct designs that may involve philosophical assumptions and theoretical frameworks. The core assumption of this form of inquiry is that the combination of qualitative and quantitative approaches provides a more complete understanding of a research problem than either approach alone (Creswell, 2014).

3.3. Research population and Sampling design

The research target populations were all employees that are working in Ethiopian Postal Service Enterprise in budget and budget-related departments that are from all business units including finance, plan and budget unit, senior management bodies, and internal audit, which participates in the budgetary system of the studied organization. To reach a meaningful conclusion, no need to take the sample, as they are already few in numbers to collect the overall information. To get the required sample size, the purposive sampling approach is applied. Therefore, the total number of the target population was 70, which is the sum of 27 departments or business units, 19 Zone Managers, 8 Regions, 5 Finance Experts, 6 Planning Experts, and 5 Auditors of EPSE.

Since the number, target population stated above were manageable, the sample size was taken from the total population. Therefore, the study was taken all 70 respondents from 27 departments, 19 zones, 8 regions who have a direct and practical link with the overall budgetary system of the organization.

Based on this, the total numbers of purposively selected respondents and their related departments are listed in Table 1 below:

Table 3.1 List of the target population

No.	Job Category	Total number
1	Business units/Department	27
2	Zone Managers	19
3	Region Managers	8
4	Finance Experts	5
5	Planning Experts	6
6	Internal Auditors	5
	Total	70

Source: Own Survey, 2020

3.4. Data source and Data collection method

For analysis purposes, the researcher used both primary and secondary data in terms of budget. The primary data includes questionnaires and interviews. The questionnaire had some questions with close-ended types of questions that are relevant to the subject of the study in such a way that the respondent fill easily. On the other hand, to get detailed information about the company's budgetary system the researcher included an open-ended questionnaire.

The format of the questionnaire was adopted from prior authors and literature and will prepare concerning the rationale and objectives of the study after modification (Abebe, 2018). Since the appearance and layout of the questionnaire have great importance in any survey where the questionnaires could complete by the respondent. The layouts of the questionnaire were very easy, simple, and prepared in English that helps to encourage meaningful participation by the respondents. The researcher tries to send and collect those questionnaires in person and by using other communication channels. The questionnaire was designed to have 5 points Likert scale measurement which is a measurement with five response categories ranging from "Strongly disagree" to "Strongly agree" which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statement related to explanatory variables. Since they are appropriate; abide by the principles of validity, reliability, and consideration (Likert 1932).

Interview carried out by a one to one conversation, which is conducted in the respective offices of the department heads of finance, plan and budget, and audit departments by taking notes from the respondents. Finally, the researcher used the secondary source of data that is obtained

through the review of selected materials such as audit reports, the board of directors' minutes, and budget performance reports of EPSE.

3.5. Data analysis and interpretation

The data gathered through primary and secondary methods were analyzed using both qualitative and quantitative data analysis methods. The data collected through the questionnaire were analyzed and presented using descriptive statistics (frequency and percentage). Qualitative methods of data analysis were used for open-ended questions and interviews for each response was given by respondents, and quantitative methods of data analysis were used for audit reports and budget performance reports of the studied organization.

Data analyses were conducted through descriptive statistics to give information about the demographic question and the various items of budget preparation, budget allocation, utilization, budget control, and evaluation, and budget corrective action. Statistical Package for Social Science (SPSS) version 22 was used for data analysis. The collected data from questionnaires was screen and coded for completeness and accuracy and the response on each item was put into specific ideas in a scientific way for easy analysis. To drawn a meaningful conclusion, data were summarized and presented using appropriate table and figure format with frequencies, percentages for classifications of responses for easier understand and also for visual impression. Frequency and percentages were used to analyze the demographic characteristics of respondents. Then the data processed to analyze the measures of central tendencies and variations that include the mean and standard deviations. The mean measures the center of tendency, whereas the standard deviation measures how well the mean represents the data. A large standard deviation indicates that the points are distant from the mean.

3.6. Validity of the study

Validity is shaping whether the findings are accurate from the standpoint of the researcher, the participant, or the readers of an account. This study's validity is certain through interviewing with few of sample population to determine the accuracy of finding drawn from questionnaire and opinion from the research advisor and experts ensure the content validity, whether the items measure the area of interest or the concept it aims to measure which is higher its validity.

3.7. Ethical consideration

Throughout administering the questionnaires and interview, names and any identifying explanation were not used. The privacy of the respondents was kept and any data received for the study keep at the hands of the researcher and the advisor. The data were analyzed based on the questionnaires rather than using the researcher's opinion and input. The researcher stays truth full to the responses of the respondents and free from any personal assessment. Results describe only from outputs of truth full inputs.

3.8. Reliability

Reliability is an indicator of a measure's internal consistency. Consistency is the key to understanding reliability. A measure is reliable when different attempts at measuring something converge on the same result. Coefficient alpha (α) is the most commonly applied estimate of a multiple-item scale's reliability. The coefficient represents internal consistency by computing the average of all possible split-half reliabilities for a multiple-item scale. The coefficient demonstrates whether or not the different items converge. Although the coefficient does not address validity, many researchers use it as the sole indicator of a scale's quality. Coefficient alpha ranges in value from 0, meaning no consistency, to 1, meaning complete consistency (all items yield corresponding values). Generally speaking, scales with a coefficient between 0.80 and 0.95 are considered to have very good reliability. Scales with a coefficient between 0.70 and 0.80 are considered to have good reliability, and a value between 0.60 and 0.70 indicates fair reliability. When the coefficient α is below 0.6, the scale has poor reliability (Babin & Griffin, 2009).

Table 3.2 Reliability statistics

Cronbach's Alpha	N of Items
.806	23

Source: Reliability statistics analysis by SPSS 2020

CHAPTER FOUR

4.Data Presentation, Analysis, and Interpretation

4.1. Introduction

As indicating in the previous chapters, the main attempt of this study is assessing the overall budgetary system of Ethiopian Postal Service Enterprise. Therefore, this chapter presents the analysis and discussions for research findings obtained from the questionnaire, interview, and secondary data. From 70 distributed questionnaires 65 were collected, 65 were usable responses, which were response rate of 92.8 %.This shows a good response rate. The discussion begins with the questionnaire response rate followed by the descriptive statistics of the respondents.

4.2 Socio-demographic characteristics

Table 4.1 Socio-demographic characteristics

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid MALE	42	64.6	64.6	64.6
FEMALE	23	35.4	35.4	100.0
Total	65	100.0	100.0	

Source: Questionnaire Results, 2020

As presented in the above Table 4.1, out of the valid respondents 42 (64.6%) were male and 23 (35.4%) of them were female. This implies that both genders were involved in the study.

4.3 Field of study

Table 4.2 Field of study

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid ACCOUNTING	26	40.0	40.0	40.0
MANAGEMENT	20	30.8	30.8	70.8
ECONOMICS	19	29.2	29.2	100.0
Total	65	100.0	100.0	

Source: Questionnaire Results, 2020

Concerning the field of study out of the valid respondents 26(40%) of respondents were accounting, 20(30.8%) were management and the remaining 19(29.2%) were in the field of economics which shows the good assignment of professionals for their appropriate job to budget.

4.4 Level of education

Table 4.3 Level of education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid DIPLOMA	17	26.2	26.2	26.2
FIRST DEGREE	35	53.8	53.8	80.0
MASTER'S AND ABOVE	13	20.0	20.0	100.0
Total	65	100.0	100.0	

Source: Questionnaire Results, 2020

Table 4.3 shows the level of educational background, most of the respondents have first degree 35(53.8%) while, the least number 13(20%) have master's and 17(26.2%) of respondents were

diploma holders. The implication of the result shows the majority of the respondents were educated/or professional and can contribute more to the effectiveness of their planned work.

4.5 Service year in the organization

Table 4.4 *Service year*

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid LESS THAN 5 YEARS	11	16.9	16.9	16.9
6 TO 10 YEARS	30	46.2	46.2	63.1
11 UPTO 15 YEARS	5	7.7	7.7	70.8
16 UPTO 20 YEARS	13	20.0	20.0	90.8
ABOVE 20 YEARS	6	9.2	9.2	100.0
Total	65	100.0	100.0	

Source: Questionnaire Results, 2020

As indicated in table 4.4 above respondents service year in the organization ranges from less than five years up to above 20 years, but the majority of the respondents are in the range of 6-10 years 30(46.2%) and some respondents work experience ranges from 16-20 years 13(20%) and less than 5 years 11(16.9 %), participants having work experience of more than 20 years 6 (9.2%), and the remaining respondents having experience of 11 up to 15 years 5(7.7%). The implication of the result shows the majorities of the respondents are well experienced and can perform their budgeting activities by using their experiences.

4.6 Current position in the organization

Table 4.5 Current position

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid CHIEF OFFICER	13	20.0	20.0	20.0
OFFICER	20	30.8	30.8	50.8
MANAGER	12	18.5	18.5	69.2
EXPERT	20	30.8	30.8	100.0
Total	65	100.0	100.0	

Source: Questionnaire Results, 2020

Table 4.5 displays from 65 respondents 20 (30.8%) were in a position of officer, 20(30.8%) were expert, 13(20%) were in a position of the chief officer and the remaining respondents were in a position of manager in the organization which consisted of 12(18.5%). The researcher infers that to get relevant information it is important to communicate from top-level to lower-level employees and it's good to participate in all levels of employees in the overall budgetary system of the organization.

4.7. Assessment of the overall budgetary system

The respondents were requested to measure their assessment of the budgetary system of Ethiopian Postal Service Enterprise in the following Likert scale measurement. The ranges were 'strongly disagree' (1) to 'strongly agree' (5).

4.7.1 Budget preparation

Table 4.6 Descriptive statistics of budget preparation

	N	Mean	Std. Deviation
you have adequate understanding to prepare a plan & budget	65	3.88	.960
your organization provides capacity building training on the budgetary system	65	2.43	1.104
there is an effective linkage of strategic plan & budget	65	3.45	1.311
there is a clear line of authority & responsibility between each department & central management in preparing & implementing the budget	65	3.15	1.228
budget is reduced without negotiation	65	3.52	1.522
Valid N (listwise)	65		

Source: Questionnaire results, 2020

Note: N- number of respondents; response measurements.....5 – Strongly agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly disagree

As indicated in the above table 4.6; overall description of respondents' answer with regards to preparing plan and budget. The mean of respondents is 3.88 that indicates most of the respondents were agree that; they have adequate understanding to prepare a plan as well as budget. Since the majority of respondents agreed with this, it implies that; employees involving in the preparation of plan and budget have adequate knowledge about the task they are performing. Additionally about the capacity building: the organization did not provide capacity building training related to the budget. Hence, to data collected from the respondents, the company's annual plan is prepared under the strategic plan or document. Mean 3.15 indicates that respondents agree that there is a clear line of authority and responsibility between each department and central management in preparing and implementing the budget. On the other

hand, most respondents agree that the budget is reduced without negotiation. (Abebe, 2018) identified that lower-level employees have participated in the early stage of the budget preparation process, the top management modifies the amount without consulting lower managements. The main reason given by the top management for the reduction of the budget is not rational and acceptable.

As discussed in the literature part, the budget preparation process combines top-down direction and bottom-up planning. The overall budget envelope and sector/ministry spending ceilings are usually set by the Ministry of Finance and the Cabinet/executive following policy objectives. These are then communicated to the line ministries, which are responsible for preparing their respective sector budgets. Through an iterative process of review, debate, and bargaining, a consolidated budget is hammered out. A budget proposal is then presented to the legislature, where it is debated and negotiated with the executive and eventually passed into law (Kidanu, 2017). Budget implementation is the actual execution of the budget and application of funds to the planned activities. During the financial year, however, not all funds are expended as per the proposed plan. These could be cases where the approved funds may not be enough to fully accomplish the intended goal. In other instances, the amount allocated to a project may be more than what the project can consume (Rotich & Ngahu, 2015).

Besides these Likert scales of the questionnaire, there were answers provided by the respondents for open-ended questions indicating that each department prepares its own work plan and budget and business units are considered that aligning with strategic plan is always prepared by the plan and budget department. Such a condition has resulted in preparing a budget without the exact basis of reasonable estimates and baseline data. As recognized from their written response, some business units prepare their annual budget by coping with the previous year's budget request.

Interview questions indicate that top management reduced the budget without negotiation with the assumption that the amount of budget requested is overstated. This is confirmed that the decision of reducing the budget by the top management without having adequate reason pushes budget holders to submit a highly exaggerated budget in the subsequent budget year. The reason is due to the top management who is responsible for budget approval allocates budget by reducing some percentage from the initial request.

Table 4.7 Descriptive statistics of budget allocation

	N	Mean	Std. Deviation
every department properly allocates their approved budget	65	2.37	.961
budgets are used to allocate resources	65	3.06	1.158
the organization keeps complete & reliable budgetary records	65	2.22	1.053
budget allocation is based on the volume of activities	65	3.05	1.374
Valid N (listwise)	65		

Source: Questionnaire results, 2020

Note: *N- number of respondents; response measurements.....5 – Strongly agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly disagree*

As indicated in Table 4.7 above: regardless of the organization's budget allocation, the majority of respondents agree that every department or business unit did not properly allocate their approved budget but respondents agree that budgets are used to allocate resources. According to the respondent's answer mean of 2.22 shows that the organization has no complete and reliable budgetary records and budget allocation is based on departments' volume of activity.

A previous study shows that budget allocation in the company is based on the work volume of each cost center. However, as one can understand from the general process of budgeting though the company is following allocating budget based on the volume of activities as the driver of budget assignment (Abebe, 2018). As discussed in the literature part (Wangechi, 2010), in budgeting, the focus is not only to prepare the budget but more importantly to have a follow-up operation for budgeting and to act according to known data. Budgets are financial expressions of a country's plan for a while. It tells where and how the organization will spend money and where the money will come from to pay these expenses. Budgets also assure that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them.

Open-ended questions indicating that the budget is allocated traditionally. It means it will allocate by looking past year performance and this organization has no complete and reliable records they use excel and manual paper form to prepare budget & they focus only in preparation stage because it is mandatory to prepare budget but management did not emphasize its allocation and utilization. Sometimes management allocates budget based on the volume of activities.

4.7.2 Budget utilization

Table 4.8 Descriptive statistics of budget utilization

	N	Mean	Std. Deviation
organization use its budget based on its plan	65	2.45	1.118
departments or business units frequently ask for a budget transfer	65	3.12	1.179
the organization faces budget shortage during the budget year	65	3.11	1.033
managements' attention on budget utilization is strong	65	2.05	1.217
there is an effective comparison of budget & actual utilization	65	1.95	1.052
Valid N (listwise)	65		

Source: Questionnaire results, 2020

Note: N- number of respondents; response measurements.....5 – Strongly agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly disagree

As observed in the above table 4.8 result of budget utilization shows that the majority of the respondents agree that the organization is not used its budget based on its plan, they also agree that departments frequently ask for budget transfer because of this the organization faces budget shortage during the budget year. Most respondents agree that management’s attention to budget utilization is not strong and there is no effective comparison of budget and actual utilization.

According to (Muluneh, 2015) successful budget utilization depends on the utilizing capability of the agencies concerned and it involves a great number of players than budget preparation and calls both for assuring that the signs given in the budget are correctly transmitted, and for taking into account feedback from experience in implementing the budget. Underutilization is related to insufficiencies in budget preparation and program preparation. An overestimated budget and unrealistic projections of revenues may lead to budget revisions during budget utilization.

Successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides this, the budget system should assure effective expenditure control. In addition to a realistic budget, to begin with, a good budget utilization system should have a complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items (Muluneh, 2015). As discussed in the literature part, if the budget system is to be successful, it must be fully supported by every member of management and direction must come from the top management no control system can be effective unless the organization is convinced that the top management considers the system important. Thus, the top management must be committed to the budget idea as well as to the principle, policies, and philosophies underlying the system (Allen, 2009).

Open-ended respondents respond that the organization did not use its budget based on its plan. Departments frequently ask for budget transfer because of this it will incur a budget deficit. In this organization, there is no comparison of the budget with the actual utilization. Inefficiency, failure to link planning & budgeting, poor internal control and follow up during execution, inflation, overall economic situation, and others may result in over/underutilization. Under/overutilization, occur because of a lack of management attention on budget utilization.

Interview questions indicate that this organization did not effectively implement the budget and there is a budget meeting quarterly and semi-annually. On that meeting program, each department including zone and region present its approved budget and actual budget utilization report but no further corrective action was taken by the management.

4.7.3 Budget control and evaluation

Table 4.9 Descriptive statistics of budget control and evaluation

	N	Mean	Std. Deviation
the organization has adequate capacity to evaluate budget with its main activity	65	2.35	1.165
the organization has a strong budget control mechanism	65	1.88	.893
managements' attention on budget variance is effective	65	1.94	.933
there is timely feedback from top management to correct the budget deficit	65	1.80	1.003
Valid N (listwise)	65		

Source: Questionnaire results, 2020

Note: N- number of respondents; response measurements.....5 – Strongly agree, 4 – Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly disagree

In regardless of budget control and evaluation the above table 4.9 shows that four questions raised to the respondents its mean result is below 2.5 and all of them agree that the organization has not in a good position in budget controlling and evaluation. This means that the organization has not the adequate capacity to evaluate the budget with its main activity, no strong budget control mechanism, managements' attention on budget variance is not effective and finally, there is no timely feedback from top management to correct the budget deficit. Previous literature discussed organizations monitor and evaluate actual results against approved budgets to guide current and future decision-making and hold manager is accountable for performance. Evaluations are a systematic and objective assessment of an ongoing or completed project, program, or policy, its design, implementation, and results. The aim is to determine the relevance

and fulfillment of objectives, development efficiency, effectiveness, impact, and sustainability (Deressa, 2018). According to (Kibet, 2016) the power of management within budgetary controls may revolve around the degree to which an organization's top management accepts the budget program as a vital part of the school's activities. It can also be viewed in the context within organizational management uses budgeted plans developed. All individuals responsible for achieving results should be consulted in the formulation of budgets. No system of budgetary control can succeed without the mutual understanding of superiors and subordinates. The organization should communicate the outcome of budget decisions to all the relevant staff. Budgets have an important part to play in the communication of objectives, targets, and responsibilities throughout the organization.

According to (Ogujiuba & Ehigiamusoe, 2014), the absence of effective budgetary control breeds disregard for laid down procedures, loss of focus, and shoddy coordination of activities and these are capable of crippling an organization. In other words, if actual performance is not controlled consistently, then it will differ from the planned performance and the business will not achieve its objectives.

Interview results indicate that this company has no separate record that is used as a tool for controlling. They use an excel sheet to prepare the budget. There is a cost department that was established for controlling the actual budget with its plan, but that department does not perform its activity /no any control at all/. If one department wants to purchase an item that is not included in its plan or budget if it is necessary to purchase they will purchase it.

As it is explained from open-ended questions and interviews, respondents confess the existence of the following problems that pressure the effective and efficient utilization, budget controlling, evaluation, and corrective action taken by the management of EPSE. This are:-

- ❖ Lack of systems for the budgetary record for planned and actual consumption and for making variance analysis
- ❖ Management give more emphasis only on budget preparation because they forced from higher officials to prepare and approve the budget before the new fiscal year starts
- ❖ After the budget is approved, there are many budget components which is going to be raised afterward i.e. there are some indication of add unplanned cost
- ❖ Projects take a longer period for execution out of their planned schedule
- ❖ Luck of adequate skill and experience for some types of projects

- ❖ Management bodies only consider financial outcomes:- meaning, the nature of the budget is numeric, so, it tends to focus management attention on the quantitative aspect of the business only. But the issue of customer satisfaction, quality matters, work environment, employees welfare may not be reflected, and difficult to build these all non-numerical issues into the budget system
- ❖ No budget controlling, evaluation, and corrective action taken by the management.

Interview with the finance department, audit and plan, and the budget unit result shows that this organization has a formal budget rule but this rule is not completely practicable. There is a form, which has all the necessary titles to prepare the budget, and the budget is prepared based on this form. The company's major activity plans are express mail service, parcel post, foreign mail service, home to home delivery, transport service, house rent and sales of SIM and voucher card. The company's revenue is a source of finance to prepare a budget and there is no subsidy from the government. On the other hand, this organization annually gives a subsidy to the government by purchasing a Treasury bill. The government will prepare the country's five years strategic plan by considering the current actual situation of the country, and other factors and this organization prepare its budget by receiving a portion from the strategic budget and this strategic budget is a base for preparing the budget.

Each department prepare its work plan and budget and send it to plan and budget department and plan department clarify each document and prepare an organized document and send to the budget committee (this committee is organized from management members and higher officials) and this committee check in detail, check whether it is aligned with income and cost, at this stage, there are difference rejection and acceptance of planned budget. After generalizing their comment this committee will send this summarized document firstly to the company CEO, after the CEO reviewing the document he/she will present it to management bodies, then management belief and approved the document it will send to the board. The board will accept the overall approved budget as it is, increases, or decrease the planned budget. After the amendment, the document is approved by the board and sends back to the organization CEO by attaching a letter for implementation.

Board approved budget document will send to House of Peoples Representatives (HPR), Government development organizations administrative agency and for Plan Commission for controlling and CEO will send this approved budget document to finance, property

administration and to whom it may concern by attaching letter says when you have any request to implement the budget use this approved budget document.

Every three months there is a budget evaluation program. Every department prepares its budget utilization and sends it to the plan & budget department then, the planning department compares the plan with actual utilization and prepares a report by giving evidence for the budget variance. However, this program will be prepared for formality because of no detailed budget evaluation, no controlling system, and no corrective action taken by the management for the budget variance.

External auditors audit the organization's financial document until 2008 Ethiopian calendar because of this lagged audit report those controlling units have no information about the current status and they cannot perform their work effectively and efficiently.

4.9 Budgetary records, reports, and audit

Table 4.10 Estimated budgets and Audited used recurrent budget reports of EPSE from 2007-2009 E.C.

Year	Estimated budget in ETB	Actual expenditure in ETB	Over(-)or under(+) utilization of budget
2007	264,343,675	211,874,762	+19.85%
2008	343,501,361	267,341,211	+22.17%
2009	439,905,020	359,374,522	+18.31%

Sources: Annual document of EPSE finance department (2020)

From the above table 4.10, we can understand that the budget of the organization increases from year to year and the sign of the variance shows poor budgetary control in the company. According to the budget performance report of the organization, it reads that the budget, estimated budget in 2007, ETB (Ethiopian Birr) 264,343,675 from this amount, birr 211,874,762 was utilized as an actual recurrent expenditure and around 19.85% was the unutilized amount of variance. Estimated budget in 2008, Birr 343,501,361 and its actual expenditure is Birr 267,341,211 and the variance shows 22.17% underutilization. Finally, in the year 2009, an

estimated recurrent budget was Birr 439,905,020 and its actual consumption was Birr 359,374,522, and around 18.31% underutilized budget.

As implied in the above table the organization did not use the estimated budget properly, accordingly the budget was underutilized in the years 2007, 2008 & 2009 E.C. Underspent budget has a huge amount in each year from the report. Underutilization does not necessarily mean that there is good fiscal discipline in the organization. Sound budget preparation processes and adequate institutional arrangements are a precondition for avoiding these discrepancies. Underspending seen from the audited report of EPSE on the above table and the above analysis ensure that there is a low performance in the approved budget in each year.

Table 4.11 Estimated budgets and actual capital budget reports of EPSE from 2007-2009 E.C.

Year	Estimated budget in ETB	Actual capital investment in ETB	Un utilized budget in ETB	Over(-)or under(+) utilization of budget
2007	239,195,847	68,400,468	170,795,379	+71.4%
2008	227,115,667	83,178,543	143,937,124	+63.37%
2009	305,646,060	94,804,990	210,841,070	+69%

Sources: Annual performance report of EPSE planning & budget department (2020)

From the above table 4.11, we can understand that the capital budget of the organization increases from year to year and the sign of the variance shows like in the recurrent budget poor budgetary control in the company. According to the annual performance report of the organization, it reads that the budget, estimated capital budget in 2007, ETB (Ethiopian Birr) 239,195,847 from this amount, birr 68,400,468 was utilized as an actual capital investment and around 71.4% was the unutilized amount of variance. The estimated budget in 2008, Birr 227,115,667 and its actual investment was Birr 83,178.543 and the variance shows 63.37% underutilization. Finally, in the year 2009, the estimated capital budget was Birr 305,646,060 and its actual consumption for investment was Birr 94,804,990, and around 69% underutilized budget.

The above two table shows that the organization recurrent and capital budget in both estimation and actual consumption and the result shows there was the huge unutilized amount, this is because of management's attention is not strong in the overall budgetary system of the organization.

In general, the respondents forwarded some recommendations on the overall budgetary system of the organization. i.e. during budget preparation; it is better to identify projects under construction, identify projects completed and which needs retention budget, and new projects planned to be constructed, it is advisable to relate budget with the plan which already targeted and doing accordingly. Moreover, it is preferable to fulfill human resources, give management attention, work with the system that supports budget records, and avoid underutilization. The finding and the way forward be presented in the next chapter.

CHAPTER FIVE

5.Summary, Conclusions, and Recommendations

The study was the overall budgetary system assessment of Ethiopian Postal Service Enterprise. This section of the research thesis presented the summary of findings, conclusions and recommendations are forwarded.

5.1 Summary

The result of the study shows the majority of the respondents were educated or professional and experienced and can contribute more for the effectiveness of their intended work, and can perform their budget activities by using their experience. The majority of respondents confirmed that employees involving in the preparation of plans and budget have adequate knowledge about the task they are performing; there is a clear line of authority and responsibility between each department and central management in preparing and implementing the budget.

Each department prepares its own work plan and budget and business units are considered that aligning with strategic plan is always prepared by the plan and budget department. Such a condition has resulted in preparing a budget without the exact basis of reasonable estimates and baseline data. As recognized from their written response, some business units prepare their annual budget by coping with the previous year's budget request.

Top management reduced the budget without negotiation with the assumption that the amount of budget requested is overstated. This is confirmed that the decision of reducing the budget by the top management without having sufficient explanation push budget holders to submit a highly exaggerated budget in the subsequent budget year.

Budget is allocated traditionally means by looking at past year performance. The organization has no complete and reliable budgetary records and budget allocation is based on the department's volume of activity and management's attention on budget utilization is not strong and there is no effective comparison of budget and actual utilization.

Departments frequently ask for budget transfer because of this it will incur a budget deficit. In this organization, there is no comparison of the budget with the actual utilization. Inefficiency, failure to link planning & budgeting, poor internal control and follow up during execution, inflation, overall economic situation, and other factors may result in over/underutilization.

The majority of the respondents confirmed that the organization has not in a good position in budget controlling and evaluation and the result of an audit report and annual budget performance report shows a huge amount of underutilization.

5.2 Conclusion

Regarding plan and budget preparation the research found that work plan of the company is prepared by each business unit in the early stage of budget preparation. After the preparation stage it is not effectively communicated to lower-level employees. Because of this communication gap, when lower management requests a planned budget, top management reduces its amount without negotiation. This top management decision encourages lower managers to submit a highly exaggerated budget in the subsequent year. Therefore, due to a lack of integration work between the budget holder and budget approval the company did not propose the needed budget.

About budget allocation, the company did not properly allocate the approved budget, and budget preparation and controlling challenge also affect budget utilization of the organization. The organization was more affected by the underutilization of the estimated budget. Relevant reports explained that such underutilization arose from low capacity to utilize the approved budget.

Concerning performance reporting, the study found that the organization prepared a performance report every quarterly for all departments by showing its variance and the annual performance report shows there is a huge amount of unutilized budget. This result comes from a lack of management attention.

5.3 Recommendation

Based on the analysis and subsequent findings from the study, the following recommendations are forwarded to EPSE. These recommendations are believed to provide feasible solutions for the EPSE and reduce risk.

Regarding budget preparation, the budget should be prepared according to a tangible plan; tangible about the financial requirement.

The weak consideration of regular follow-up on budget utilization projects not executed within the stipulated deadline and unfavorable facility for budget utilization process are points that the firm has to give serious attention concerning the budget utilization practices.

As implied in the finding parts, lower level of management were not participated on the master budget plan of the organization, as a result, there was miss - much between the need of budget and approved budget. Therefore, to minimize such a problem the study recommends that, the top level of management believe the participation of the lower level of management in the cooperate planning of the organization and submit to budget holder divisions for discussion and revision of the budget plan before budget approval.

Regarding the budgetary record, it is better to support by technology for easily controlling of budget and financial transactions record and there was a challenge of effective implementation of the budget since the effective implementation of the budget is not an easy issue, it is advisable to exist clear and open communication among managers, employees, as well as departments for better performance and to achieve the goal of the organization.

Regardless of the unutilized budget, it is better to see other similar organization's good performance on budget and experience sharing and to minimize risk organizations should provide capacity-building training on the budgetary system of the organization.

There were challenges observed on the budget deficit and variance minimization problem in the studied organization. Despite that, the organization presents a report every quarter but no evaluation and no corrective action taken by the management for the budget variance. Also, the organization should present a performance report monthly, take immediate corrective action, and control variance.

There should be a need for full review and analysis of budget expenditure of the past year experience to improve budget efficiency of the current year as well as it must be supported by plan research and development for newly established project budget requirement.

Concerning their lagged audit report (it is audited by an external auditor until 2008 E.C.), this may affect the overall financial position of the organization and management should finalize or up to date their financial statement by outsourcing employees and those controlling units should support the management by creating short term strategy to complete those lagged audit reports

and about management attention in the overall budgetary system of the organization, they should take all responsibilities to adjust those mentioned problems for the next year.

Finally, the researcher would like to recommend that future studies should be carried out to establish the challenges related to the budgetary process in Ethiopian Postal Service Enterprise.

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**ST. MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES
GRADUATE PROGRAMME IN ACCOUNTING AND FINANCE**

Dear Respondent,

I am a graduate student at St. Mary University pursuing a Master's degree in Accounting and Finance (MSC). As part of the program, I am currently undertaking a research study on "Budgetary System Assessment in Ethiopian Postal Service Enterprise", to assess the overall budgetary system of the enterprise.

Your participation in this study is essential and will be highly appreciated. Kindly spare your time to fill in the attached questionnaire that will take you approximately 30 minutes to answer.

I assure you that the information provided will be treated with the highest confidentiality and will only be used for academic purposes.

Thank you for your time and kindest regards,

Yours faithfully,

HIRUT LETIKE

Appendixes

Appendix A QUESTIONNAIRES

Section I. Socio-demographic characteristics of respondents

General Instruction: Please indicate your choice by putting the “√” mark in the bracket.

1. Sex/Gender/: Male (___) Female (___)

2. Your field of study: Accounting (___), Management (___), Economics (___), other specify (_____).

3. Your Current Level of Education: Certificate (_____), Diploma (_____), First Degree (_____), Master’s and above (_____), other specify (_____).

4. Your Service year in the organization: Less than 5 years (___), 6 to 10 years (___), 11 up to 15 years (___), 16 up to 20 years (___), above 20 years (___).

5. Your current position in the organization:

Section II. Question under the research topic

The following are the scales you attach to each question. Indicate how strongly you agree to each by making/putting a tick symbol (√) in each column. When you strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), and Strongly Agree (5).

No	Question	Responses				
		1	2	3	4	5
A	Budget preparation					
1	You have adequate understanding to prepare a plan and budget.					
2	Your organization provides capacity building training on the budgetary system.					
3	There is an effective linkage of strategic plan and budget					
4	There is a clear line of authority and responsibility between each department and central management in preparing and implementing the budget					
5	Budget is reduced without negotiation					

In your organization, who is the concerned participant staff in the budget preparation _____

No	Question	Responses				
		1	2	3	4	5
B	Budget allocation					
1	Every department properly allocates its approved budget.					
2	Budgets are used to allocate resources					
3	The organization keeps complete and reliable budgetary records.					
4	Budget allocation is based on the volume of activities					

If you have additional comments on budget allocation in your organization please explain. _____

No	Question	Responses				
		1	2	3	4	5
C	Budget utilization					
1	The organization uses its budget based on its plan.					
2	Departments or business units frequently ask for a budget transfer.					
3	The organization faces a budget shortage during the budget year.					
4	The managements' attention on budget utilization is strong					
5	There is an effective comparison of budget and actual utilization					

Describe the major points for budget over or underutilization in your organization. _____

No	Question	Responses				
		1	2	3	4	5
D	Budget control and evaluation					
1	The organization has adequate capacity to evaluate the budget with its main activity.					
2	The organization has a strong budget control mechanism.					
3	The managements' attention to budget variance is effective.					
4	There is timely feedback from top management to correct the budget deficit					

E. Budget corrective action

1. What are the corrective actions taken by the organization? Please mention and describe it.

2. What are the major challenges observed so far in the budgetary system of the organization? _____

This interview was designed to gather relevant information for research entitled Assessment of the overall budgetary system of Ethiopian Postal Service Enterprise in partial fulfillment of a **Master's Degree in Accounting and Finance.**

I would like to note that the information you provided will be confidential and used only for academic purposes.

I would like to thank you for your corporation in advance.

Appendix B: INTERVIEW

INTERVIEW QUESTION

1. Does the organization use a formal budget rule?
2. What are the major activity plans for EPSE?
3. What are the bases of the budget for the organization?
4. Where is the source of the budget?
5. How to allocate the given budget to each department or business unit?
6. Does the company effectively implement the budget?
7. How to evaluate the given budget and its effectiveness?
8. Do you have a separate budget system that is used as a tool for controlling the overall budgetary system of your organization?
9. How do you evaluate the planned budget with actual performance?
10. How do you take corrective action for the budget variance?

11. What are the critical points to increase or reduce the planned budget?
12. Who is responsible for the preparation of the performance report?

Appendix C: DOCUMENT REVIEW

Activity	Objective
Review audit reports and other relevant documents issued by Audit Services Corporation	To collect information about the actual expenditure of the organization
Review the organization Board of directors minutes	To know higher official decisions about budget
Review the approved budget and performance report manual	To get information about the organization budget utilization

Appendix D: DESCRIPTIVE STATISTICS OF QUESTIONNAIRE

1. You have adequate understanding to prepare a plan and budget

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	1	1.5	1.5	1.5
	DISAGREE	3	4.6	4.6	6.2
	NEUTRAL	19	29.2	29.2	35.4
	AGREE	22	33.8	33.8	69.2
	STRONGLY AGREE	20	30.8	30.8	100.0
	Total	65	100.0	100.0	

2. Your organization provides capacity building training on the budgetary system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	13	20.0	20.0	20.0
	DISAGREE	26	40.0	40.0	60.0
	NEUTRAL	14	21.5	21.5	81.5
	AGREE	9	13.8	13.8	95.4
	STRONGLY AGREE	3	4.6	4.6	100.0
	Total	65	100.0	100.0	

3. There is an effective linkage of strategic plan & budget

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	6	9.2	9.2	9.2
	DISAGREE	10	15.4	15.4	24.6
	NEUTRAL	17	26.2	26.2	50.8
	AGREE	13	20.0	20.0	70.8
	STRONGLY AGREE	19	29.2	29.2	100.0
	Total	65	100.0	100.0	

4. There is a clear line of authority & responsibility between each department & central management in preparing & implementing the budget

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	10	15.4	15.4	15.4
	DISAGREE	6	9.2	9.2	24.6
	NEUTRAL	21	32.3	32.3	56.9
	AGREE	20	30.8	30.8	87.7
	STRONGLY AGREE	8	12.3	12.3	100.0
	Total	65	100.0	100.0	

5. Budget is reduced without negotiation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	11	16.9	16.9	16.9
	DISAGREE	6	9.2	9.2	26.2
	NEUTRAL	13	20.0	20.0	46.2
	AGREE	8	12.3	12.3	58.5
	STRONGLY AGREE	27	41.5	41.5	100.0
	Total	65	100.0	100.0	

6. Every department properly allocates their approved budget

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	13	20.0	20.0	20.0
	DISAGREE	23	35.4	35.4	55.4
	NEUTRAL	22	33.8	33.8	89.2
	AGREE	6	9.2	9.2	98.5
	STRONGLY AGREE	1	1.5	1.5	100.0
	Total	65	100.0	100.0	

7. Budgets are used to allocate resources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	8	12.3	12.3	12.3
	DISAGREE	12	18.5	18.5	30.8
	NEUTRAL	18	27.7	27.7	58.5
	AGREE	22	33.8	33.8	92.3
	STRONGLY AGREE	5	7.7	7.7	100.0
	Total	65	100.0	100.0	

8. The organization keeps complete & reliable budgetary records

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	19	29.2	29.2	29.2
	DISAGREE	22	33.8	33.8	63.1
	NEUTRAL	17	26.2	26.2	89.2
	AGREE	5	7.7	7.7	96.9
	STRONGLY AGREE	2	3.1	3.1	100.0
	Total	65	100.0	100.0	

9. Budget allocation is based on the volume of activities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	12	18.5	18.5	18.5
	DISAGREE	12	18.5	18.5	36.9
	NEUTRAL	13	20.0	20.0	56.9
	AGREE	17	26.2	26.2	83.1
	STRONGLY AGREE	11	16.9	16.9	100.0
	Total	65	100.0	100.0	

10. Organization use its budget based on its plan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	14	21.5	21.5	21.5
	DISAGREE	24	36.9	36.9	58.5
	NEUTRAL	13	20.0	20.0	78.5
	AGREE	12	18.5	18.5	96.9
	STRONGLY AGREE	2	3.1	3.1	100.0
	Total	65	100.0	100.0	

11. Departments or business units frequently ask for a budget transfer

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	8	12.3	12.3	12.3
	DISAGREE	9	13.8	13.8	26.2
	NEUTRAL	23	35.4	35.4	61.5
	AGREE	17	26.2	26.2	87.7
	STRONGLY AGREE	8	12.3	12.3	100.0
	Total	65	100.0	100.0	

12. The organization faces a budget shortage during the budget year

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	4	6.2	6.2	6.2
	DISAGREE	12	18.5	18.5	24.6
	NEUTRAL	29	44.6	44.6	69.2
	AGREE	13	20.0	20.0	89.2
	STRONGLY AGREE	7	10.8	10.8	100.0
	Total	65	100.0	100.0	

13. Managements' attention on budget utilization is strong

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	29	44.6	44.6	44.6
	DISAGREE	17	26.2	26.2	70.8
	NEUTRAL	10	15.4	15.4	86.2
	AGREE	5	7.7	7.7	93.8
	STRONGLY AGREE	4	6.2	6.2	100.0
	Total	65	100.0	100.0	

14. There is an effective comparison of budget & actual utilization

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	28	43.1	43.1	43.1
	DISAGREE	20	30.8	30.8	73.8
	NEUTRAL	10	15.4	15.4	89.2
	AGREE	6	9.2	9.2	98.5
	STRONGLY AGREE	1	1.5	1.5	100.0
	Total	65	100.0	100.0	

15. The organization has adequate capacity to evaluate budget with its main activity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	18	27.7	27.7	27.7
	DISAGREE	21	32.3	32.3	60.0
	NEUTRAL	14	21.5	21.5	81.5
	AGREE	9	13.8	13.8	95.4
	STRONGLY AGREE	3	4.6	4.6	100.0
	Total	65	100.0	100.0	

16. The organization has a strong budget control mechanism

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	26	40.0	40.0	40.0
	DISAGREE	24	36.9	36.9	76.9
	NEUTRAL	13	20.0	20.0	96.9
	AGREE	1	1.5	1.5	98.5
	STRONGLY AGREE	1	1.5	1.5	100.0
	Total	65	100.0	100.0	

17. Managements' attention on budget variance is effective

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	25	38.5	38.5	38.5
	DISAGREE	23	35.4	35.4	73.8
	NEUTRAL	14	21.5	21.5	95.4
	AGREE	2	3.1	3.1	98.5
	STRONGLY AGREE	1	1.5	1.5	100.0
	Total	65	100.0	100.0	

18. There is timely feedback from top management to correct the budget deficit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRONGLY DISAGREE	33	50.8	50.8	50.8
	DISAGREE	18	27.7	27.7	78.5
	NEUTRAL	9	13.8	13.8	92.3
	AGREE	4	6.2	6.2	98.5
	STRONGLY AGREE	1	1.5	1.5	100.0
	Total	65	100.0	100.0	