



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

**ASSESSMENT OF BUDGET UTILIZATION AND BUDGET CONTROL
PRACTICES: THE CASE OF ETHIOPIAN POSTAL SERVICE
ENTERPRISE**

**BY
ZEBIDER TAMIRU
ID NO. SGS/0055/2009A**

**JUNE, 2018
ADDIS ABABA, ETHIOPIA**

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THESIS TITLE

**ASSESSMENT OF BUDGET UTILIZATION AND BUDGET CONTROL
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ENTERPRISE**

**BY
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DECLARATION

I, the undersigned, declare that this thesis entitled an “assessment of budget utilization and budget control practices in Ethiopian postal service enterprise” is my original work, prepared under the guidance of the research advisor. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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JUNE, 2018

ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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JUNE, 2018

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LIST OF ACRONYMS

BOFED	Bureau of Finance and Economic Development
E.C	Ethiopian Calendar
EPSE	Ethiopian Postal Service Enterprise
HPR	House of Peoples Representatives
ICMA	Institution of Cost and Management Accountant
MCIT	Ministry of Communication and Information Technology
MEFF	Macro-Economic and Fiscal Framework
MoFECE	Ministry of Finance and Economic Cooperation of Ethiopia
MoFED	Ministry of Finance and Economic Development
SPSS	Statistical Package for Social Sciences

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Abstract

This study was conducted on assessment of budget utilization and budget control practices in the case of Ethiopian Postal Service Enterprise. The lack of research, especially under the Ethiopian Postal Service Enterprise context, coupled by the sign of improper budget management has been a major motivation to carry out this study. Thus, the general objective of the paper is to assess the budget utilization and budget control practice of the Ethiopian Postal Service Enterprise. The study employed a descriptive survey method and questionnaires were used to gather the data. The Sampling technique used was a non-probability sampling specifically purposive sampling. Frequency count, percentage, mean and standard deviation were used to analyze the data. All 22 departments heads 30 team leaders and 19 zone managers, 3 planning experts and 3 audit experts with a total of 77 respondents were taken in collecting primary data through close ended and open ended questionnaire. The Statistical Package for Social Science (SPSS) version 20 was used to analyze the data obtained from primary sources. The study finding revealed that there was lack of adequate and experienced budget and audit experts, poor follow up on budget utilization, no accountability in budget utilization and there is weak market oriented cost estimation practice. Therefore, in order to improve budget utilization and control in Ethiopian Postal Service Enterprise, it calls for taking any possible and remedial actions in the subsequent years.

Key words: Budget Utilization, Budget Control

CHAPTER ONE

INTRODUCTION

This introduction section includes background of the study, statement of the problem, objectives of the study, research questions, significance of the study, scope and limitation of the study and organization of the paper.

1.1 Background of the Study

Budgeting involves the establishment of predetermined goals, the reporting of actual performance results and evaluation of performance in terms of the predetermined goals (Maheshwari, 2006).

A failure to achieve budget targets, the organization may be regarded as inefficient. Budgets in the organizations serve multiple roles of planning, evaluation, coordination, communication, and decision-making (Premchand, 2004).

Budgetary control is the process of developing a spending plan and periodically comparing actual expenditures against that plan to determine if it or the spending patterns need adjustment to stay on track. This process is necessary to control spending and meet various financial goals. Organizations rely heavily on budgetary control to manage their spending activities, and this technique is also used by the public and the private sector as well as private individuals, such as heads of household who want to make sure they live within their means (Dunk, 2009).

By implementing proper budgetary control planning, the firm is able to reduce costs and improve on quality of its services based on its budgetary allocations. This helps to reduce on costs and achievement of goals is enhanced and thus organizational effectiveness (Mathis, 2006).

To facilitate effective implementation of budgetary control, the management should define proper budgetary control processes, this is achieved through planning, monitoring and control and evaluation (Badu, 2011).

In recent years, much attention has been given to the strengthening of budget and planning and their interrelationship in developing countries including Ethiopia. The advocacy of this has come from prominent international agencies as World Bank and International Monetary

Fund. These agencies are all interested in encouraging developing and underdeveloped countries to improve their budget practice. All these show the importance attached to budget as a management process.

Similarly in Ethiopian postal service enterprise, budgets therefore occupy a leading place among the special tools of management employed to direct and control the affairs of large and diverse organization.

Therefore, budget utilization and budget control mechanisms keep the plans of an organization running smoothly and up to date. As such, control is very important because if we cannot control the budget processes, constraints on cost, time and objectives will follow. With this, budget utilization and budget control practices are the devices that an organization makes use for all these purposes.

So the study is aimed at identifying challenges and weaknesses, analyzing it and making suggestions towards the current budget utilization and budget control practices of Ethiopian Postal Service Enterprise based on the findings of the research.

1.2 Statement of the Problem

An institution sustains for a lengthy period of time so long as it accomplishes its activities in accordance with stated missions. In order to achieve these missions and objectives, the organization must build a strategy according to the existing situations. It should also prepare annual plan and budget based on the strategy. One of the responsibilities of budget users is controlling costs and constantly improving the ways of doing things.

Budgetary control is used by most organizations as a tool for proper management of resources in the organization and its activities. A firm with well formulated budgetary controls easily assigns its managers the responsibility for the use of designated financial resources to achieve their assigned operational objectives. Budget controls provides comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors, this is essential in reducing inefficiencies and poor budget practices leading to efficient allocation of scarce resources (Joshi and Abdulla, 1996).

Recognizing the role of budget and budgetary control has gained attention which has led some organizations to establish departments for implementation. This has attributed budget

monitoring and project implementation committees as an integral part of the administrations to governmental organizations in Ethiopia (MoFED 2014/2015).

Tilahun (2010) carried out the study on budget management and control by emphasizing on ministry of national defense by using descriptive and qualitative research approach and come up with that there is the idle cash in the ministry of defense due to lack of consistent purchase program which lead to rush expenditure toward the end of budget year.

Birhanu (2011) studies evaluation of budget practice of Ethiopia in comparison with two east African countries (Kenya and Uganda) focusing on budget practice and transparency by using qualitative research approach and revealed that the level of transparency with regard to full disclosure of all relevant budget information is very poor in Ethiopia, Kenya and Uganda.

Zerihun (2014) study on budget preparation and utilization of educational finance in public secondary schools of Shashemene town, Oromiya region by employing descriptive survey and the study revealed that the level of controlling the budget process and effectiveness and efficiency in utilization of budget is more or less positively related.

Ketema (2015) examined assessment of budget preparation and utilization in Addis Ababa city administration health bureau and revealed that there is no accountability in budget and no market oriented cost estimation because of lack of adequate and experienced expert in the budget department.

In Ethiopian Postal service enterprise level, the second growth and transformation plan has been prepared and is under operation since 2008 E.C. Accordingly, step by step and year after year, different stages of activities have been improved and coordination has been enhanced in the organization (EPSE,2015; EPSE, 2016; EPSE 2017). However, at the same time several problems remain unsolved with regard to the budget utilization and control in various units of the organization. The organization's administrative expense is increasing from time to time. On the contrary; capital budgets are underutilized (Board of directors minute No 49/2006, 60/2006, 5/2009, 6/2009, 7/2009, 8/2009, 9/2009). This problem requires further investigation with scientific approach how the budget utilization and control practices proceeded within the Ethiopian Postal Service Enterprise.

From the review of past research, studies have conducted on budget practice, transparency and accountability, and budget implementation in the public sectors, but to the best of the researcher's knowledge there is no a case study research conducted in EPSE to investigate the

above stated problem in this organization in relation to budget utilization and control practices. This research thus bridges an evident research gap as there is no document that reports any study on the probable causes that may hinder the budget utilization in the Ethiopian Postal Service Enterprise.

In brief, the paper will focus on assessing the budget utilization and budget control practices in the organization, challenges up on utilization and control of budget, weaknesses observed in budget utilization and budget control in EPSE.

1.3 Research Questions

- What is the budget utilisation practice in Ethiopian Postal Service Enterprise?
- What is the budget control practice at Ethiopian Postal Service Enterprise?
- What challenges and weaknesses are observed in budget utilization and control practices in the organisation?

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of the study is to assess budget utilization and budget control practices of the Ethiopian Postal Service Enterprise.

1.4.2 Specific Objectives

- To assess the budget utilisation practices at Ethiopian Postal Service Enterprise.
- To assess the budget control practices at Ethiopian Postal Service Enterprise.
- To assess the challenges and weaknesses up on budget utilisation and control practices of the organisation.

1.5 Significance of the Study

The study will be useful to the following stakeholders:-

For the Organization:

The study may contribute to create awareness among the management members, leaders, and any other concerned body on the budget utilization and control practice to the success of the organization. Moreover, it helps the organization to know the actual challenges up on budget utilization and control and the way forward.

For other firms

Other firms can benefit from the findings of this study by adopting proper measures of budget control to ensure efficient and effective utilization of available budget. The study, having examined the principle of budgeting; preparation, implementation and control, the other firms will in a better positioned in dealing with budgets and budgetary control matters.

For other researchers

Researchers and academicians interested in this area or other related topics can use the findings of this study to serve as a good source for further research.

1.6 Scope and Limitation of the Study

1.6.1 Scope of the Study

All public organizations need effective budget utilization and control mechanisms. However, the study covers the budget utilization and control practices of Ethiopian Postal Service Enterprise. The study covers only EPSE because EPSE by itself is a broad organization which gives mail service to the citizens of the country and all over the world. In addition, for the sake of effectiveness and efficiency, and to manage the limited project time and cost, this study was confined only to assess the practices of budget utilization and budget control at EPSE. On the other hand the researcher assessed the utilization and control aspects of budget because they are major aspects which used to evaluate the status of budget administration. It is obvious that budget includes both revenue and expenditure related issues. However, the study focused only on assessing the expenditure aspect of the budget. Because the problem which has been evaluated and raised in the organization is mostly related to expenditure.

1.6.2 Limitation of the Study

Since the spectrum is restricted on the available time and budget, the study is limited to focus only on single organization and assessed the expenditure aspect of budget only. Furthermore, it was difficult to include members of Board of directors' in the enquiry. Most of them were engaged in lots of activities. In addition, the management was not willing to reveal the enterprise's audit report documents. Even if the researcher couldn't get the ideas of board members, it was tried to get their ideas from the management members of the organization. In addition, to get data related to audit reports of the organization, the researcher conducted interview with the finance and audit department officials of the organization.

1.7 Organization of the Paper

The first chapter is an introduction of basic information about the research to taken. Next, the second chapter presents the related literature reviews. The third chapter explains the research methodology. Then the forth chapter is about data analysis, research outcomes and presentations. Finally, the fifth chapter is the summary of findings, conclusion of the research and recommendations.

CHAPTER TWO

2 REVIEW OF RELATED LITERATURE

In this chapter the concept of budget, budget preparation, budget utilization, budget control and some theoretical and empirical literatures are discussed. This is achieved by gathering the available literature by scholars and academicians on the subject.

2.1 Theoretical Literature

2.1.1 Budget

The word budget originated from a French word “baguette” which means a little bag. In Britain it was used to describe the leather bag in which the Chancellor of the Exchequer carried the statement of government needs and finances to parliament (Quick et al., 2001). The meaning of the term has, of course, changed since the days when a country’s resources were deemed to be the personal property of the king, along with the political evolution from absolute monarchies to constitutional governments. In most countries today, including a majority of African countries, approval of the budget (the “power of the purse”) is the main form of legislative control over the executive, with public money spent only under the law (Shah & Von, 2007).

Today, budget is described in a broader meaning and has been defined by various authors indifferent ways.

Frederick (2001) defines budget as a plan that is measurable and timely. In addition, Drury (2006) defines budget as a plan expressed in quantitative, usually monetary term covering a specific period of time usually one year in other words a budget is a systematic plan for utilization of manpower and material resources. In a business organization a budget represents an estimate of future costs and revenues. Horngren et al. sees budget as the quantitative expression of a proposed plan of action by management for a specified period and an aid to coordinating what needs to be done to implement that plan (Horngren et al., 2004). Falk (1994) states that budgets are financial expressions of a country’s plan for a period of time. It tells where and how the organization will spend money and where the money will come from to pay these expenses.

The institution of cost and management accountant (ICMA) defined budget as a financial or quantitative statement prepared and approved prior to defined period of time of the policy to be pursued during the period for the purpose of attaining a given objectives. It may include income, expenditure and the employment capital.

2.1.2 Budget Utilization

According to Tommasi (2007) budget utilization is the phase where resources are used to implement policies incorporated in the budget. As he noted, ‘A well-formulated budget can be poorly implemented, but a badly formulated budget cannot be implemented well. Good budget preparation comes first’.

Successful budget utilization depends on factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the organizations concerned, assurance of effective expenditure control, resolving problems arising during implementation, managing the purchase and use of resources efficiently (Allen and Tommasi, 2001).

Budget utilization system should ensure not only accurate aggregate expenditure control, but also effective and efficient uses of resource in accordance with budget priorities. Its procedure should be appropriately balanced in order to avoid conflicts between these objectives (Allen and Tommasi, 2001).

2.1.3 Over and Underutilization of Budget

Over utilization of budget could be caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures and by deficiencies in budget preparation (Allen and Tommasi, 2001). As they stated; in some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns. Lack of compliance can be addressed through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget utilization controls. Sound budget preparation processes and adequate institutional arrangements are a prerequisite to avoid over utilization caused by deficiencies in budget preparation.

On the other hand, Allen and Tommasi (2001) expressed that in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not

necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, under spending of the official budget may coexist with large amounts of off budget spending.

Based on the conclusion given by Allen and Tommasi; in most cases, underutilization and over utilization, 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 execution and to a practice known as “repetitive budgeting”.

poor planning and budgeting; no links between policy making; poor expenditure control; little relationship between budget as formulated and budget as utilized; inadequate accounting systems; unreliability in the flow of budgeted funds to agencies and to lower levels of government; and poor cash management are some of the factors that affect resource allocation and use (Peters, 1998).

2.1.4 Causes of Deviations between Budgeted and Actual Expenditure

According to Omitoogun and Hutchful (2006), there are a number of factors that can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any sector. The reasons for deviations may vary over time. Some of the more common causes are: deviation in aggregate expenditure; reallocation of fund during budget implementation; policy changes during the year; an inability to implement policies, programmes and projects; and a lack of financial discipline.

According to Ketema (2015), the causes for deviation between budgeted and actual expenditure are mainly due to lack of coordinated effort in purchasing, lack of consistency and delay in purchase processes, incapacitated budget staffs in terms of skill and knowledge in each respective budget offices and lack of information by management at each level to evaluate the budget utilization status.

2.1.5 Budget Control

Budget control is a tool implored by management to keep track of actual performance to ensure budgeted standards are met (Kpedor, 2012). It entails a repetitive circle of planning and control which is usually followed by appropriate information about actual result to the management for comparing them against the budgeted and initiating a control action if necessary (Defranco,1997).

According to Okapnachi and Muhammed (2013), 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, then it will differ from planned performance and the business will not achieve its objectives. If there is budgetary control in the organization it is easy to achieve the intended budget objectives.

2.1.6 Benefits of Budget Controls

According to Scarlett, (2008), budget controls refer to the principles, procedures and practices of achieving given objectives through budgets. The budget control helps in fixing the goals for the organization as a whole and concerted efforts made for its achievements. It enables economies in the enterprise. Preetabh, (2010), highlighted the benefits of budgetary control as profit maximization; a budgetary control aims at maximization of profits or an organization through, proper planning and co-ordination of different functions, proper control over various capital and revenue expenditures and putting resources into best use. Coordination; achieved through working of different departments and sectors. Waren,(2011) noted that within an organization , different departments have a bearing on one another, this therefore makes coordination of various executive and subordinates necessary in achieving of budgetary targets. Other budgetary benefits as indicated by preetabh (2010) include; Specific time aims; the plans, policies and goals are decided by the top management. All efforts are put together to reach the common goal of the organization. Every department is given a target to be achieved. The efforts are directed towards achieving some specific aims. If there is no definite aim then the efforts will be wasted in pursuing different aims.

Margah (2005) assert that budgetary controls are important tools for a county's economy. This is because it allows planning for expenditure thus facilitating systematic spending. Finances are put into optimum use, extending the benefits to industry and national economy. This reduces wastage of national resources. A budgetary control could help in determination of organizational weaknesses. According to Merika, (2008), the deviations in budgeted and actual performance will enable the determination of weak spots. This enables an organization to concentrate on those aspects where performance is less than stipulated. The management moreover takes a corrective action measures whenever there is a discrepancy in performance.

Shields and Young (1993) posit that budget acts as a detector of variances between organizational objectives and performance and vital part to the umbrella concept of an effective budgetary performance. Budgets project future financial performance which enables evaluating the financial viability of a chosen strategy. In most organizations this process is formalized by preparing annual budgets and monitoring performance against budgets (Silva & Jayamaha, 2012).

Budgets reflect the financial implication of business plans, identifying the amount, quantity and timing of resource needed (Shields and Young, 1993). They form benchmarks for by comparing actual results with budgeted plans and to take corrective actions if necessary (Sharma, 2012). Budgets do influence the behavior and decisions of employees by translating business objectives, and providing a yardstick against which to assess performance. Hancock (2009) even considered such operational planning as the backbone of management. A budget allows a goal and a standard of performance to be established with subsequent comparison of actual results with the created standard. It requires those involved to be forward looking rather than looking back (Hope & Fraser, 2013).

Adequate control is very essential to every organization be it individual or government owned all over the world. This is because if there is no adequate control of resources in the organization, it will be practically impossible to monitor budgets. The theory of control specifies the obligations of government/ industries in providing social and basic amenities to the citizens. It indicates that government owned industries is a basic principle of control on those scarce resources they are meant to manage (Robinson, 2009).

Shields and Young (2009) contend that government industries ought to provide both resources and employment to the citizens for meeting the laid down objectives. This implies that the government, board members and staff have joint responsibility to ensure proper accounting practices and timely budgetary implementation and appropriations by building effective management controls and directions. As per this theory, state corporations are expected to live to its responsibility of establishing standards, adequate controlling mechanism and acceptable accounting practices. Government enterprises need not to have unethical persons acting outside controls as ineffective control system in every organization can negatively affect organizational profitability and sustainability as well as companies resources and performance.

2.2 Budget Process Overview in the Case of Ethiopia

In Ethiopia a budget process is guided by a directive (financial calendar) issued by the Ministry of Finance and Economy Development (MoFED) whose name was recently changed to Ministry of Finance and Economic Cooperation of Ethiopia (MoFECE). This directive has a schedule making sure that planning and budgeting are prepared, approved, appropriated and executed in line with preset development agendas (MoFED, 2010). Budget preparation is guided by a document known as Macro-Economic and Fiscal Framework (MEFF) prepared by MOFED. The MEFF provides, among others, forecast of government revenue and expenditure, expenditure financing, the split of aggregate expenditures between federal and regional, and the split of federal expenditures between recurrent and capital for the next three years. Based on the three-year MEFF, MoFED, prepares the annual fiscal plan, which includes identification of the amount of resources (foreign and domestic) known as the resource envelops. These comprise the amount of money needed, known as the expenditure need, setting the block grant amount for regional governments and administrative councils from all sources (domestic and foreign), and splitting the federal share between the capital and recurrent budgets.

In public expenditure management, lack of predictability of financial resources undermines strategic prioritization and makes it harder for public officials to plan for the provision of services. Predictability of government expenditures in the aggregate and in the various sectors is also a challenge to guide the private sector in making its own production, marketing, and investment decisions. Besides, budgetary rules are unclear and are uniformly applied to everyone. Transparency of fiscal and financial information is another problem for an informed executive, legislature, and public. Scholars show that dumping immense amounts of raw budgetary material on the public does nothing to improve fiscal transparency (Lewis 2007).

In the Ethiopia public sector, the budget implementation period or the financial years run from 1st July to 31st June. During this period, a lay down medium term expenditure framework of budget cycle is followed in the preparation and implementation of the national budget. Budget implementation is the real execution of the budget and application of funds to the planned activities. In the financial year, however, not all funds are expended as per the plan (Alemayehu and Dawit 2011).

2.3 Features of budgetary controls in public organizations

Budgeting is a set of procedures by which governments ration resources among claimants and control the amount each claimant spends (Kiringai, 2002). Within this context, the budget can be used for three purposes: as an instrument of economic policy; as a tool for economic management; and as an instrument for accountability. The budget is an allocation mechanism that attempts to maximize the contribution of public expenditure to national welfare (Surajkumar, 2005). This can be achieved by ensuring that the budget process successfully allocates scarce resources so that the marginal unit of expenditure achieves the same marginal benefit in each category of expenditure. In determining resource allocations, the budget should reflect the development agenda of a country through which it influences the attainment of national growth and investment targets (Needles, 2011).

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

2.4 Empirical Literatures on Budget Utilization and Budget Control

Tilahun (2010) conducted an investigation of budget management and control at Ethiopian ministry of national defense. The lack of research, especially under the Ethiopian defense context, coupled by the sign of improper budget management has been a major motivation to carry out the study and the paper tried to investigate weaknesses observed in budget holders during budget process. Both primary and secondary data have been employed to explore the existing problems. 13 budget holders were taken with a total of 64 respondents. Moreover, budget and audit experts were included in collecting primary data through structured questionnaire. According to this study; in Ethiopian defense, although budget guideline has been issued on how to prepare budget request, execute, and control budget by the budget holders, the guideline alone is not sufficient to bring the desired outcome unless budget executing bodies within the institution are directly involved and made accountable for all expenditure. Descriptive and qualitative analyses demonstrate that there was no strict accountability, which allow creating sense of institutional budget perception. There is no reasonable cost estimation practice. Lack of adequate and experienced budget workers is other issue that contributes to worsen the problems.

Badu (2011) conducted an investigation of budgeting and budgetary Control at Ernest Chemist Laorea. The aim of this study was to conduct research concerning the budgeting practice in Ernest Chemist, a pharmaceutical company based in Ghana, and identify the perception of the budgeting experts in the company and assess their views towards the current status of the company. This research was necessary in order to assess the possibility of solving any problem this organization may face in designing an effective budgeting and budgetary control system. A self-designed interview questionnaire was sent to a member of staff in the company to seek his views on the problems and concerns regarding budgeting and budgetary control in the organization. The results of the study indicated that the appropriate system of budgeting and budgetary control had been adopted and used to prepare the pharmacy's budgets but there were a few problems associated with ethical issues which were also revealed.

In their study, (Nickson and Mears 2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used, a regression model was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries.

Zerihun (2014) conducted a study to assess the current practice of budgeting and utilization of educational finance in public secondary schools of Shashemene. Specifically, his study was aimed at answering the following questions. What are the main sources of budget in public secondary schools of Shashemene town? What criteria are considered in allocating budget? How adequate is the budget? To what extent budget processes are aligned with principles of budget? To what extent budget utilization is effective and efficient? The study employed a descriptive survey method using data gathering tools questionnaire, interview and document analysis. Sampling techniques used were purposive sampling and random sampling technique. Frequency count, percentage and mean were used to analyze quantitative data whereas thematic analysis was used for qualitative data. The study findings indicated that schools have sources of budget other than government allocated budget. Schools' internal income, community contribution and NGO's support were the major sources of budget. Standard unit cost per student and budget utilized in previous year were the main criteria in

the allocation of budget. Amount of allocated budget to implement education plan and in meeting the minimum quality/standard was found to be inadequate. The study finding revealed how the level of transparency and accountability in budget processes and effectiveness and efficiency in utilization of finance were measured more or less positive. Lack of forum, delay of budget, lack of block grant budget, lack of training on financial management, lack of internal audit and control, limitation in use of financial materials and rules and guidelines were among problems indicated. In light of findings, the following conclusions were drawn. Schools have sources of budget other than government budget. There were necessary financial rules and guidelines whose application was limited. Block grant budget was found to be small and its administration was in material form. There was infrequent internal auditing implying lack of timely audit and internal control system.

Ketema (2015) conducted an assessment of budget preparation and utilization at Addis Ababa City Administration Health Bureau. The general objective of the paper was to assess the budget preparation and utilization of the City Administration Health Bureau. Five out of seventeen budget holders were taken and ten key informants were selected from each budget holders with a total of 50 respondents. In addition, five budget experts were included in collecting primary data through structured questionnaire and three more BOFED budget experts involved. More of the qualitative analyses demonstrate that there was no accountability in budget utilization, there is no market oriented cost estimation practice. Lack of adequate and experienced budget experts is other issue that contributes to worsen the problems and also there is no evidence based evaluation mechanisms in the budget utilization at each level of the Health Bureau.

Dejene and Semeneh (2016) publish journal article on Intrinsic Factors Affecting Budget Utilization in Ethiopian Public Universities. The study sought to investigate internal (intrinsic) factors that affect budget utilization in public universities of Ethiopia in 2016. A total of 178 respondents were randomly selected from Dilla, Wolaita Sodo and Bule Hora Universities. Primary data were collected using closed and open questionnaires. To supplement the survey result secondary data were collected from federal general auditor annual report. The data were analyzed using various descriptive statistics. The findings indicated significant improvement of budget allocation to public universities from time to time. However, lack of proper planning and allocation of budget in these Universities were found to be serious challenges. Inadequate timely revision of initial proposed physical activity plan based on the approved and available budget, inadequate knowledge on the

concept of program budgeting system, shortage of adequate number of human resources and insufficient involvement of all concerned bodies during the budget plan preparation were found to be main the causes of the aforementioned problems. Decentralized budget administration system, absence of result oriented evaluation of budget performance and regular revision of plan in accordance with the available budget, lack of effective communication, lack of effective budget monitoring and evaluation, and absence of full involvement of the line managers in planning process were identified as the most important internal factors that affected budget utilization in public universities. The study recommended that due attention should be given by University top management during budget plan, allocation and implementation. The result also suggested capacitating the employees' skill, knowledge and attitude through continuous on job training programs.

In general, the researchers raised several issues on budget management, budget implementation and budget control in the public sectors, but to the best of the researcher's knowledge there is no a case study research conducted to investigate problem observed in EPSE in relation to budget utilization and control practices. Therefore based on its objectives, this project paper attempted to focus on the budget utilization and control issues in Ethiopian Postal Service Enterprise.

CHAPTER THREE

3 RESEARCH DESIGN AND METHODOLOGY

This chapter encompasses research design, research approach, sampling techniques, population, sample size, types of data, instruments of data collection, data analysis and interpretation methods.

3.1 Research Design

Research design is an outline of research study which indicates what the researcher will do from writing the objectives and its operational implications to the final analysis of data. A research design is the arrangement of conditions for data collection and analysis of data in a manner that aim to combine relevance to research purpose with economy in research procedure (Kothari, 2004).

This study employed a descriptive research design. The choice of this research design is the need to assess and describe the existed phenomenon of budget utilization and budget control practices of Ethiopia Postal Service Enterprise at the time of this study.

According to Aggarwal (2008) descriptive research is devoted to the gathering of information about prevailing conditions or situations for the purpose of description and interpretation. The advantage of this type of research design is that it is easy to understand as recommended by (Kothari, 2004).

3.2 Research Approach

This study used a qualitative research approach. This approach was used to collect and analyze data on the items related to budget utilization and control through questionnaire and interview.

3.3 Sampling Technique and Population

3.3.1 Sampling Technique

Based on the nature of our descriptive research question and our need to meet our objective, we have employed a Non-probability sampling method. Purposive or judgmental sampling is applied to enable us to answer our research questions. As sunders et al (2009) supported it, this form of sample is often used when working with very small samples such as in case

study research and when we wish to select cases that are particularly informative. Purposive sampling is more essential to obtain a typical and representative of the whole universe (Kothari, 2004). The criteria that the researcher has been used to select the sample of the study is the respondents who used to participate in yearly budget preparation and responsible for its implementation and control.

3.3.2 Target Population

The target population of the study was staffs who do have direct and practical bond with budget utilization and budget control activities in the organization. Therefore the total number of the target population was 77 which is the sum of 22 Department Heads, 30 Team Leaders, 19 Zone Managers, 3 Planning Experts and 3 Auditors of EPSE.

3.3.3 Sample Size

As Patton (2002) emphasized, the sampling size is ambiguous in all non-probability sampling techniques. There are no rules. Rather the logical relationship between our sample selection technique and the purpose and focus of our research is important. Generalizations are being made to theory rather than a population. Consequently, our sample size is dependent on our research questions and objectives in particular, what we need to find out, what will be useful, what will have credibility and what can be done within our available resources.

Since the number of target population stated above is manageable, the sample size has been taken to be the total population. Therefore, the study takes all the 77 respondents from 22 departments and 19 zones who have direct and practical bond with budget utilization and budget control activities in the organization.

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

Table 1. List of Target population

No	Job Category	Total Number
1	Department Heads	22
2	Team Leaders	30
3	Zone Managers	19
4	Planning Experts	3
5	Internal Audit Experts	3
	Total	77

3.4 Procedures of Data Collection

Before the administration of the questionnaire, the questionnaire was tested on 16 sampled respondents in order to check the validity of the questions by pilot survey method and also the survey was made in order to check the clearness of the questions and to check if they make any ambiguity in the respondents and to correct them carefully. After the testing the questions were found to be good and the questionnaires were distributed.

Questionnaires were administered by a “drop & pick” method. Self-administered questionnaires are usually completed by the respondents. Such questionnaires are delivered by hand to each respondent and collected later. The participants were briefed on the importance of transparency and accuracy of their response on each measuring points. Data from Zone managers of EPSE was collected at the time when they came at the head office for the organization’s third quarter performance evaluation program.

After receiving the data, the reliability of the instrument the Cronbach’s Alpha (α) analysis was conducted.

The interview was a conversation between the interviewer and the interviewee which is conducted in the respective offices of the department heads and experts of finance, planning and audit departments by taking notes for the response of interviewees. i.e. the interview was not conducted by a one to one conversation style rather the researcher have communicated the interviewees in their respective offices in mass just like a focus group discussion.

3.5 Sources of Data and Instruments of Data Collection

To carry out this descriptive type of research, the data was gathered through primary data collection method to meet the general objective of the study. The types of instruments used to collect the primary data were through questionnaire and semi-structured interview.

Questionnaire

According to Leedy (1984), questionnaires are appropriate instruments widely utilized by researchers to obtain facts about current conditions, practices and also to make inquiries. They are used due to their ability to collect as much information as possible within a short time which helped the researcher to save time. Saunders (2009, P-360) indicated that, Descriptive research, such as that undertaken using attitude and opinion questionnaires and questionnaires of organizational practices, will enable us to identify and describe the variability in different phenomena.

Therefore questionnaires were the primary data collection instruments for this study. The questionnaires were administered to the department heads, team leaders, regional managers, Planning and Audit experts by the researcher to obtain both quantitative and qualitative data. The questionnaires were composed of close and open-ended questions. The items in the questionnaire request the perception of respondents' regarding the budget preparation, budget utilization and budget control practices EPSE.

The questionnaires was adopted from prior studies and literatures review and prepared in relation to rationale and objectives of the study after modification. Questionnaires related to budget utilization were adapted from prior study which was a case study on Addis Ababa city administration health office which has been studied by Ketema Muluneh in 2015 GC. and questionnaires related to budget control were adapted and modified from prior study which was a study conducted on budget management and control of Ministry of Defence by Tilahun Bogale in 2010.

The questionnaire engaged a five point Likert-Scale items requiring respondents' agreement or disagreement where the lowest scale represent strongly disagreement while the highest scale represent strongly agreement (Likert,1932). The distributed questionnaires were organized into three parts; the first part comprised demographic questions regarding the respondents, the second part contained items relating to budget preparation, utilization and

control practices and the third part contained open ended questions about challenges and weaknesses on utilization and control of budget in the organization.

In order to assess the reliability of the instrument the Cronbach's Alpha (α) analysis was conducted.

Interviews

An interview schedule was conducted to collect information from finance, planning and internal audit staffs of EPSE. Semi-structured interview is used to gather data, which are normally analyzed qualitatively. These data are likely to be used not only to reveal and understand the 'what' and the 'how' but also to place more emphasis on exploring the 'why' (Saunders, 2009). Therefore in addition to data collected using questionnaire the researcher conducted a focus group interview with 13 officials of planning, finance and audit departments in the organization. An interview eliminates many sources of bias that could be associated with the other methods of data collection like in questionnaire.

3.6 Methods of Data Analysis and Interpretation

Data analyses are conducted through a descriptive statistics to provide details regarding the demographic question and the various items of budget utilization and control. Also Statistical Package for Social Science (SPSS) version 20 was used for the data analysis.

The collected data from questionnaires were screened and coded for completeness and accuracy and the response on each item put into specific themes in scientific way for easy analysis. In order to draw meaningful conclusion, data was 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 represent the data. A large standard deviation indicates that the points are distant from the mean. The findings of Likert Scale measures were evaluated according to $0 \leq$ strongly disagrees < 2.4 , $2.5 \leq$ Neutral < 3.4 and $3.5 \leq$ strongly agree < 5.0 .

3.7 Data Reliability

Reliability is an indicator of a measure's internal consistency. Consistency is the key to understanding reliability (Zikmund, 2009). A measure is reliable when different attempts at measuring something converge on the same result. Construct reliability was measured by internal consistency reliability that indicated the homogeneity of items comprising a measurement scale (DeVellis, 2003). Internal consistency gives the extent at which items are inter-correlated. Thus, high inter-item correlations explain that the items of a scale have a strong relationship to the latent construct and are possibly measuring the same thing. When coefficient alpha ranges in value from 0 to 1, 0 meaning no consistency and range to 1, meaning complete consistency (all items yield corresponding values). Generally speaking, scales with a coefficient (α) between 0.80 and 0.95 are considered to have very good reliability. Scales with a coefficient (α) between 0.70 and 0.80 are considered to have good reliability, and when the coefficient (α) is below 0.7, the scale has poor reliability. A coefficient alpha of 0.7 percent and above implies that the data is reliable and can be used for analysis. The following table shows the Cronbach's Alpha result summary.

Table 2. Reliability Coefficients summary

Scale	Cronbach's Alpha	Number of Items
Budget Utilizations practices	.707	8
Budget Control practices	.704	19

Source: questionnaire and SPSS output (2018)

CHAPTER FOUR

4 DATA ANALYSIS, RESULT AND DISCUSSIONS

As indicated in the previous chapter, the main attempt of this study is to assess the budget utilization and budget control practices of Ethiopian Postal Service Enterprise. Therefore, this chapter covers data analysis, result and discussion for research findings obtained from the questionnaires and interview which were designed in line of the research study objective.

4.1 Response Rate

The questionnaires were distributed to 77 respondents. When returned, two missed, another two had invalid response. So, 73 (95%) questionnaires were valid for this study. *Statistical Package for the Social Sciences* (SPSS) V.20 was used to analyze and present the data collected on the parameters of budget utilization and budget control practices of the stated firm. The descriptive statistics results in formats of tables and graphs.

4.2 Socio-Demographic Characteristics of Respondents

In the following table and graphs, the demographic information of respondents is presented. These include the gender of respondents, age group, level of education and work experience of respondents. To get information on these issues the respondents were asked a structured question and their responses are presented and analyzed as follows.

Table 3. Respondents Category, Age group and Educational level

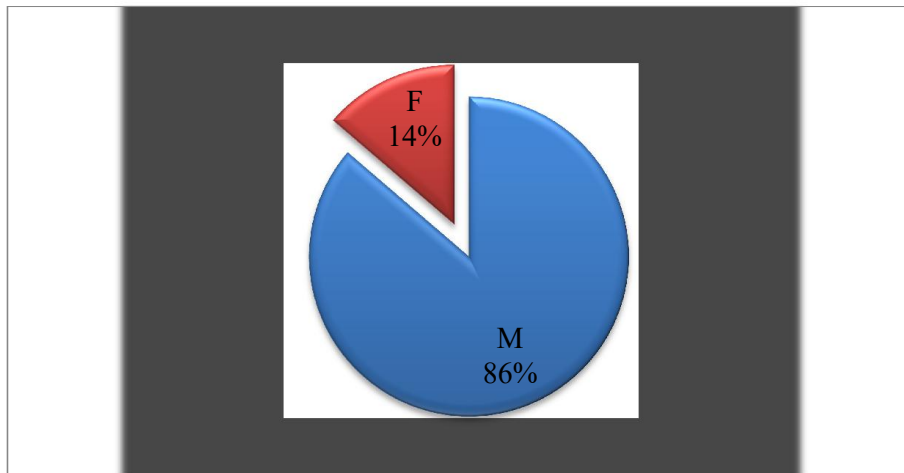
Respondents Category	Total Number	Age group (Years)								Educational level							
		25-30		31-35		36-40		> 40		Certificate		Diploma		First Degree		MA and Above	
		M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Department heads	22	0	1	1	1	4	3	8	3	0	0	0	0	11	8	2	0
Team Leader under 21 departments	30	0	0	4	0	16	2	6	0	0	0	0	0	26	2	0	0
Zone Managers	19	0	0	2	0	11	0	5	0	0	0	0	0	18	0	0	0
Planning Experts	3	2	0	1	0	0	0	0	0	0	0	0	0	3	0	0	0
Audit Experts	3	0	0	0	0	3	0	0	0	0	0	0	0	3	0	0	0
Total	77	2	1	8	1	34	5	19	3	0	0	0	0	61	10	2	0

Source: questionnaire and SPSS output (2018)

As presented in Table 3, respondents were selected from twenty one departments and 18 zones who do have relationships with budget preparation, utilization and control activities. Out of the valid respondents, 4 % were between 25 to 30 years of age, 12% were between 31 to 35 whereas, 54 % of them were between 36 to 40 and 30% were above 40 years of age group. This is an indication that respondents were well distributed in terms of their age bracket. The age bracket implies that the respondents were comprised of heterogeneous groups; which in turn enabled the researcher to get varied responses across the sample units fairly distributed. Hence, the study did not suffered from age bracket bias.

The study also requested the respondents to indicate their highest level of education and from the finding it was recognized that 71 (97.26%) of the respondents indicated their highest level as first degree and the remaining 2 (2.74%) of the respondents indicated their highest level of education as Master’s Degree. There were no certificate or diploma holders among respondents. This shows respondent’s knowhow about the issue addressed in the study.

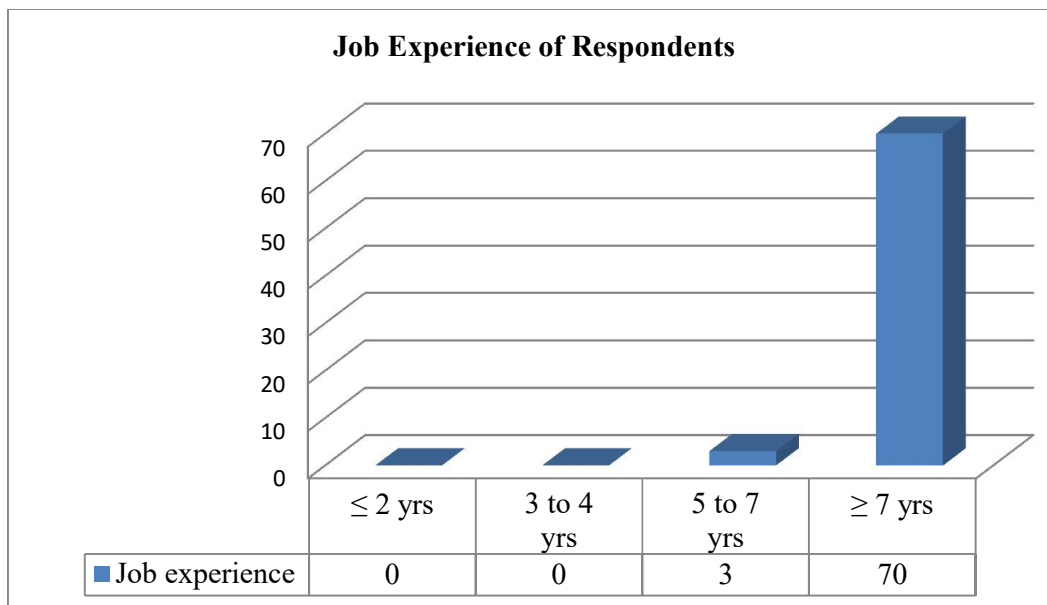
Figure 1. Gender of Respondents



Source: questionnaire and SPSS output (2018)

As presented on the above Figure 1, out of the valid respondents 10 (14%) were females and 63 (86%) of them were males. This implies that both genders were involved in the study and thus the finding of the study did not suffered from gender bias.

Figure 2. Job Experience of Respondents



Source: questionnaire and SPSS output (2018)

Finally, the study requested respondents to indicate the number of service years they had served for. As we see on the above Figure 2, 70 (95.89%) of the respondents indicated that they had worked above 7 years and the rest 3 (4.11%) of the respondents indicated that they had served 5 to 7 years. There was no a single respondent who had less than 5 years of service. This implies that majority of the respondents have above 7 years experiences and which in turn added recognized value for this study.

4.3 Assessment of Budget Utilization and Budget Control practices

The respondents were requested to measure their assessment on the budget utilization and budget control practices of Ethiopian Postal Service Enterprise in the following Likert scale measurement. The ranges were ‘strongly disagrees’ (1) to ‘strongly agree’ (5). The scores of ‘strongly disagree’ and ‘disagree’ have been taken to represent a variable which had a mean score of 0 to 2.4 on the continuous likert scale; ($0 \leq \text{strongly disagrees} < 2.4$). The scores of ‘Neutral’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous likert scale: ($2.5 \leq \text{Neutral} < 3.4$). The score of ‘Agree’ and ‘strongly agree’ have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale; ($3.5 \leq \text{strongly agree} < 5.0$).

The “mean” is a measure of central tendency i.e. tending toward the middle, or center, of the distribution. The “variances” are average errors between the mean and the observation. They indicate how well the items fit the actual data. The square root of the variance is the “Standard Deviation”. It measures how well the mean represent the data. A large standard deviation indicates that the points are distant from the mean. The standard deviation of “zero” would mean that all the scores are the same. In social science researches a standard deviation of >0.7 implies a significant difference on the impact of the variable among respondents.

4.3.1 Descriptive statistics of Budget Utilization Practices

Table 4. Descriptive Statistics of Budget Utilization Practices

Measurement of Budget Utilization		N	Mean	Std. Deviation
U1	The organization utilizes the approved budget based on its plan	73	2.75	.521
U2	All expenditures are sufficiently documented	73	2.84	.441
U3	There is no budget request without a plan	73	3.01	.565
U4	No Payments are made through exceptional procedure	73	2.84	.373
U5	There is a practice of regular follow up on budget utilization	73	2.40	.493
U6	The organization executes its projects within the stipulated Deadline	73	2.81	.593
U7	There is proper cash management practice for resource allocation	73	2.82	.586
U8	There are necessary resources (facilities) for budget utilization Process	73	2.77	.590
			2.78	

Source: questionnaire and SPSS output (2018)

As the analysis indicates, the average mean of the eight items for measuring the central tendency of respondents on budget utilization practice shows 2.78. It lays on the Likert Scale measure of $2.5 \leq \text{Neutral} < 3.4$. The analysis result infers that, the budget utilization practices are rated at neutral level. This implies that, respondents are in between/middle/moderate i.e. the budget utilization practices are not sound enough to support organizational objectives. Budget utilization is the phase where resources are used to implement activities incorporated in the budget. As Allen et al, (2001) agreed, budget utilization system should ensure not only accurate aggregate expenditure control, but also effective and efficient uses of resource in accordance with budget priorities. As the result displays, the practices proper cash management, practices of making expenditures appropriately, effective project executions and the like were moderately performed.

As Table 4 indicates, most of the questions under the budget utilization category have got moderate rate as explained by mean scores of each of 2.75, 2.84, 3.01, 2.84, 2.81, 2.82 and 2.77 i.e. (U1) The organization utilizes the approved budget based on its plan, (U2) All

expenditures are sufficiently documented, (U3) There is no budget request without a plan, (U4) No Payments are made through exceptional procedure, (U6) The organization executes its projects within the stipulated deadline, (U7) There is proper cash management practice for resource allocation, and (U8) There are necessary resources (facilities) for budget utilization process respectively. The rating of respondents on (U5) there is a practice of regular follow up on budget utilization, (Mean=2.40). This shows that, respondent's assessment on the follow up of budget utilization is laying on the rate of disagreement.

The result is consistent with the previous studies conducted by (Tilahun, 2010, Zerihun, 2014 and Ketema, 2015) on which they found that weak practice of regular follow up and practices of budget request without advance plan worsen the budget utilization performance of public organizations.

As it is explained from the open-ended questions and interviews, respondents admit the existence of the following problems which influence the effective and efficient utilization of budget in EPSE. These are:-

- Lack of effective record of actual consumption and making variance analysis for each department
- After budget is approved, there are many budget components which going to be raised afterwards i.e. there are some symptoms of executing unplanned cost
- Projects take longer period of time for execution out of their planned schedule
- Lack of adequate skill and experience for some types of projects especially for new developments; eg. Branding, Postal saving bank, logistics projects.

4.3.2 Descriptive statistics of Budget Control Practices

Table 5. Descriptive statistics of Budget Control Practices

Measurement of Budget Control		N	Mean	Std. Deviation
C1	The organization has strong budget control Mechanism	73	2.70	.545
C2	There is timely, explanatory, and complete budget utilization report	73	2.52	.556
C3	The budget utilization reports are consistent with the plans	73	2.67	.528
C4	There is a practice of taking corrective action on weak executions	73	2.75	.465
C5	There is good financial discipline in budgeting procedures	73	2.79	.470
C6	There is a regular Internal Audit practice in your organization	73	2.95	.468
C7	There are sufficient skilled internal auditors to control the budgetary system	73	2.88	.371
C8	There are well developed budget policies that monitors budget spending(s)	73	2.71	.456
C9	The management is well committed toward budget control and Objectives	73	2.49	.549
C10	Management takes corrective actions in case of discrepancy in Performance	73	2.70	.545
C11	The budget committee reviews performance of departments on regular basis	73	2.73	.607
C12	Departments perform monitoring and evaluation of budget through Continuous comparison of actual with budgeted	73	2.81	.461
C13	Departments take a corrective action if variance occurred	73	2.90	.414
C14	Managers hold budget conference and evaluation regularly to review performances	73	2.92	.493
C15	The organization performance and evaluation reports are prepared on timely basis	73	2.89	.393
C16	Department Budget deviations are reported for evaluation on timely basis	73	2.73	.449
C17	Regular control of the budget activities is done by departmental Heads	73	2.66	.478
C18	There is a uniform budgetary report and control formats among Departments	73	2.86	.419
C19	There is clear and transparent accountability in budgeting process	73	2.89	.458
			2.77	

Source: questionnaire and SPSS output (2018)

The other evaluated phenomenon was the practice of budgetary control. Here the result showed that, the average items Mean=2.77, It lays on the likert scale measure of $2.5 \leq \text{Neutral} < 3.4$. The analysis result infers that, the budget control practices are rated at neutral level. This implies that, even if respondents rate the items under practice of budgetary control is moderate; there are also gaps in making proper controlling mechanism in the firm. According to Okapnachi and Muhammed (2013), 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 planned performance and the business will not achieve its objectives.

As Table 5 indicates, all the questions under the category of budget control have got relatively moderate rate i.e. (C1) The organization has strong budget control Mechanism (Mean=2.70), (C2) There is timely, explanatory and complete budget utilization report (Mean= 2.52), (C3)The budget utilization reports are consistent with the plans (Mean= 2.67), (C4) There is a practice of taking corrective action on weak executions (Mean=2.75), (C5) There is good financial discipline in budgeting procedures (Mean= 2.79), (C6) There is a regular Internal Audit practice in your organization (Mean= 2.95), (C7) There are sufficient skilled internal auditors to control the budgetary system (Mean= 2.88), (C8) There are well developed budget policies that monitors budget spending (Mean= 2.71), (C9) The management is well committed toward budget control and Objectives (Mean= 2.49), (C10) Management takes corrective actions in case of discrepancy in Performance (Mean= 2.70), (C11) The budget committee reviews performance of departments on regular basis (Mean=2.73), (C12) Departments perform monitoring and evaluation of budget through continuous comparison of actual with budgeted (Mean= 2.81), (C13) Departments take a corrective action if variance occurred (Mean= 2.90), (C14) Managers hold budget conference and evaluation regularly to review performances (Mean= 2.92), (C15) The organization performance and evaluation reports are prepared on timely basis (Mean= 2.89), (C16) Department Budget deviations are reported for evaluation on timely basis (Mean= 2.73), (C17) Regular control of the budget activities is done by departmental heads (Mean= 2.66), (C18) There is a uniform budgetary report and control formats among departments, (Mean=2.86), and (C19) There is clear and transparent accountability in budgeting process (Mean= 2.89), were measured.

As we can see the above analyzed close-ended questions result, even if the practice of budget control of the organization has been rated on moderate level, gaps are observed when we compared them with what literatures mention to have best budget control practices.

As it is explained from the open-ended questions, some respondents revealed that, most of the problems observed on the budget utilization are the result of insufficient budget control practices in the organization.

On the other hand, from the interview conducted with Audit department head and Audit experts of EPSE, even if it is not consistent, the organization conducts financial audit. But because of the shortage of skilled manpower, there is no trend of conducting performance audit in the organization. As they have said, the number, skill and experience of experts currently available in EPSE audit department is not enough even to conduct financial audit. The researcher understood from the response of Audit officials of EPSE that, financial audit does not ensure efficiency and effectiveness of budget utilization. Performance audit is preferable but it is not easy to manage. Financial audit focuses on reviewing of financial statements whether they are prepared in compliance with the financial rules and regulations of the country. Still now performance audit is not functional due to shortage of skilled manpower. On the other hand, based on the interview conducted with plan preparation, monitoring and evaluation department, there is no trend of preparing and sending budget performance report by departments.

CHAPTER FIVE

5 SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter consists of three sections the first deals with the general summary and major findings of the study. The next part presents conclusions drawn from the findings and the last one presents solutions so as to solve problems encountered in practicing of budget preparation, budget utilization and budget control of EPSE.

5.1 Summary of Findings

As it is indicated in chapter one introduction part, the general objective of this research paper was to assess budget utilization and control of Ethiopian Postal Service Enterprise. Therefore, the following major findings were identified during the analysis.

Findings on Budget Utilization Practices

- The average mean of the items for measuring the central tendency of respondents on budget utilization practices indicates 2.78. It lays on the Likert Scale measure of $2.5 \leq \text{Neutral} < 3.4$. The analysis result infers that, the budget utilization practices in the organization are rated at moderate level.
- Gaps are observed in making regular follow-up and executing projects within the deadline.
- Lack of adequate skill and experience for some types of projects especially for new developments; eg. Branding, Postal saving bank, logistics projects

Findings on Budget Control Practices

- The average mean of the items for measuring the central tendency of respondents on budget control practices indicates 2.77. It lays on the likert scale measure of $2.5 \leq \text{Neutral} < 3.4$. Here again the analysis result infers that, the budget control practices in the organization are rated at moderate level.
- The current commitment level of the management toward budget control is insufficient
- The number of skilled audit experts to perform strict internal control is insufficient
- The budget control Mechanism of the firm is in moderate level

5.2 Conclusion

As it has been stated, the study focused on budget utilization and control of Ethiopian Postal Service Enterprise. For this reason, it has been seen relevant literatures and gathered primary data from 73 department managers, team leaders and regional managers on their budget utilization and control tendencies in EPSE.

The various twenty seven items that assess the budget utilization and budgetary control practices were examined using likert measuring scale. Items were individually and categorically compared to present means and standard deviations.

From the result outcome, with the aggregate average mean of 2.78, the budget utilization and budgetary control practices of EPSE are on moderate performance.

To sum up, the researcher concluded that the causes for some gaps observed in budget utilization and control practices in EPSE are mainly due to low rated practice of regular follow up, lack of commitment of management members, lack of skilled manpower and lack of strong controlling mechanism.

5.3 Recommendations

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

The weak consideration of regular follow up on budget utilization, projects not executed with in the stipulated deadline and unfavourable facility for budget utilization process are points that the firm has to give serious attention with regard to the budget utilization practices.

Of all cases, budgetary controls are important in influencing performance. Therefore more efforts should be made by the organization management. The study also recommends that the organization should develop more formal practice in the development of budgetary controls, that is, Planning, Monitoring and Control. It also has to develop a clear mechanism on budget control processes.

In general, Ethiopian Postal Service Enterprise should take all possible actions to perform better than the current practiced level in subsequent years.

5.4 Suggestions for Further Research

Because of the limited time and resource, this study has been conducted in one organization, Ethiopian Postal Service Enterprise. However, this may not represent the situation of budget utilization and control across different public sectors and it is difficult to generalize at the country level. Therefore, more research in this area should focus on covering a larger number of organizations so as to enhance better generalization of the results. Also, an interesting finding may come up by conducting studies on the impact of proper budget preparation, utilization and control on the organizational performance by incorporating other variables.

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APPENDICES

Appendix I

St. Mary's University

College of Business and Economics

Department of MBA, General management

Questionnaire

Dear respondents:

I am a postgraduate student of the St. Mary University who is conducting a research on the topic: "Assessing Budget Utilization and Budget Control Practices of the Ethiopian Postal Service Enterprise". The research is in partial fulfillment of the requirement for the award of Masters of Business Administration in General management. The responses provided will be kept confidential and used for academic purpose only.

Your honest and thoughtful response is valuable

Thank you in advance for your support and participation!!!

Questionnaire distributed to EPSE budget users and budget holders

PART I. Socio-demographic characteristics of respondents

1. Please indicate your Gender:

1. Male 2. Female

2. Please indicate your age group

1. 25-30 years 2. 31-35 years 3. 36-40 years 4. Above 40

3. Your educational level:

1. Certificate 2. Diploma 3. First Degree 4. Masters and above

4. Please indicate your Job experience

1. Less than two years 3. Five to Seven year
2. Three to four years 4. Seven & above

PART II. The questionnaire items about budget utilization and control

Please tick (✓) the following statements by indicating the level of agreement that you agree or Disagree with the activities below: The values of scales are:-

1 = Strongly Disagree, 2 = Disagree 3 = Neutral, 4 = Agree and 5 = Strongly Agree

N o.	Budget utilization practices	Measurement				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
5	The org. utilizes the approved budget based on its plan					
6	All Expenditures are sufficiently documented					
7	There is no budget request without a plan					
8	No Payments are made through exceptional procedure					
9	There is a practice of regular follow up on budget utilization					
10	The organization executes its projects within the stipulated deadline					
11	There is proper cash management practice for resource allocation					
12	There are necessary resources (facilities) for budget utilization process					
	Budget Control Practices					
13	The organization has strong budget control Mechanism					
14	There is timely, explanatory, and complete budget utilization report					
15	The budget utilization reports are consistent with the plans					
16	There is a practice of taking corrective action on weak budget executions					
17	There is good financial discipline in budgeting procedures					
18	There is a regular Internal Audit practice in your organization					
19	There are sufficient skilled internal auditors to control the budgetary system					
20	There are well developed budget policies that monitors budget spending(s)					
21	The management is well committed toward budget control and objectives					
22	Management takes corrective actions in case of discrepancy in performance					
23	The budget committee reviews performance of departments on regular basis					
24	Departments perform monitoring and evaluation of budget through Continuous comparison of actual with budgeted					
25	Departments take a corrective action if variance occurred					
26	Managers hold budget conference and evaluation regularly to review performances					
27	The organization performance and evaluation reports are prepared on timely basis					
28	Department Budget deviations are reported for evaluation on timely basis					
29	Regular control of the budget activities is done by departmental heads					
30	There is a uniform budgetary report and control formats among departments					
31	There is clear and transparent accountability in budgeting process					

**PART III. Challenges and Weaknesses up on Budget Utilization and Control of the
EPSE**

➤ Please give a short answer in the blank space (You can use Amharic and English languages)

32. What are the problems or challenges face about budget utilization in your department/organization? And how the problems are solved?

33. With regarding to the above question No# 32, is there any problem that cannot be solved? Why? Please Specify

34. What are the problems or challenges face about budget control in your Department/Organization? And how the problems are solved?

35. With regarding to the above question No# 34, is there any problem that cannot be solved? Why? Please Specify

36. What are the weaknesses that your department/organization has with regard to budget utilization?

37. What are the weaknesses that your department/organization has with regard to budget control?

38. All in all, what should be done to improve EPSE/your department budget utilization and control?

Thank you once again!

Appendix II

Interview Questions for Planning, Finance and Audit departments

1. How many of the budget users deliver their budget performance report to your department as per the organization schedule?
2. Is there a trend of conducting Performance Audit in your organization?
3. Would you please mention factors that influence the effective and efficient budget utilization in the organization?
4. What are the main weaknesses observed in your organization in related to budget control?
5. All in all what should be done to your organization's budget preparation, utilization and control practice?