FACTORS AFFACTING BUDGET UTILIZATION IN ETHIOPIAN PUBLIC UNIVERSITIES

MSc. THESIS

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`

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FACTORS AFFACTING BUDGET UTILIZATION IN ETHIOPIAN PUBLIC UNIVERSITIES

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STATEMENT OF DECLARATION

By my signature below, I declare that this thesis entitled ‘‘Factors Affecting Budget Utilization in Ethiopian public universities ’’ and the work presented in it are my own and has been generated by me as the result of my own original research. The study in which all sources of materials used has been duly acknowledged. I have produced it independently except for the guidance and suggestion of the thesis Advisor. To the best of my knowledge, this study has not been submitted for any degree in this University or any other University. It is offered for the partial fulfillment of the degree of Masters of Science in accounting and finance specialization in Wolkite University.

_____ _____ _____

Student name signature date

_____ _____ _____

Main advisor signature date

_____ _____ _____

Co-advisor signature date

ACCRONYMS AND ABREVATION

FDRE Federal Democratic Republic Of Ethiopia

MEFF Macro-Economic and Fiscal Framework

MINDEF Ministry of Defense

MOFED Ministry Of Finance and Economic Development

OC Organizational Commitment

POI Perception of Innovation

QBU Budget Utilization

QC Cultural Factor

QEB Employee Behavior Related Factor

QIF Internal Factor

QS Structural Factor

QTE Training and Education Related factors

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ABSTRACT

This study wanted to investigate factors affecting budget utilization in Ethiopian public universities. In this study a lot of factors that affect budget utilization were assessed in depth. Among them, transparency, delay in approval of budget, tendency to corruption, lack of work plan and budget preparation, lack of effective communication, responsiveness to government directives, lack adequate training on budget utilization, government interferences, unstable government policies, unplanned activities dropped from the government were the common factors affecting budget utilization. A total of 120 respondents were randomly selected from the study universities equally (30 from each). Primary data were collected using likert scale question and open questionnaires. The collected data were analyzed using various descriptive statistics. The result of the study indicated significant improvement of budget allocation to public universities from time to time. But drift of improper utilization were observed. It is observed that budget were not frequently revised and not systematically linked with annual plan and transparency in public universities was the common factors that influence budget utilization. Corruption was the other factors that disturb budget utilization and lack of clear performance indicators to measures the actual results significantly influence budget utilization. Besides this, unplanned activities dropped from government had negatively and significantly influence and affected budget utilization. Finally, it is concluded that Lack of transparency, lack of linking between the work plan & budget preparation, Tendency of corruption, unplanned activities dropped from the government, Lack of skills and experience of employees in few instance, lack of training and other many have been deteriorating budget preparation and utilization. To improve these common problems the researcher recommended the universities and government should set strict rules and regulation to punish for those corrupted individuals, the government should apply Block grant budget method for public Universities specifically for the capital budget to utilize the approved budget successfully, the university also should assign better trained, experienced and committed professionals.

Key words: Accountability, Budget Utilization, Behavioral Factor, Corruption, Transparency

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Budget is the most widely used and highest rated management tool of cost reduction and control. It is a tool that helps managers in planning and control functions (Arora, 2010). 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, 2007).

The public budget planning is a process by which government sets the level of expenditure, collects revenues and allocates the spending of resources among all sectors to meet national goals (Shah, 2008). Budget implementation on the other hand is the actual execution of the budget and application of funds to the planned activities. During the fiscal year, however, not all allocated budgets are used as per the proposed plan. These could be cases where the approved funds may not be enough to fully accomplish the intended goal. On the other hand, Rotich and Ngahu (2015) described that the amount allocated to a project may be more than what the project can consume. The disparities between the budget allocated and actual expenditure arise due to multiplicity of factors and improper costing of County functions.

The major objective of the government is to use the allocated budget properly, while much organization faced problem in using the allowed budget from ministry of finance. As stated by Rotich (2015) budget utilization are affected by a factors like lack of arrangement between the organizational structure and structure of performance reporting requirements, value and effectiveness of performance information were found to undermine budget utilization. Other scholars stated that budget demonstrates financial accounts of the earlier year, the budget and revised estimates of the current year, and budget approximations for the next year. It describes both the fiscal policies of the government and financial plans equivalent to them (Bhatia, 2003).

In our country, the greatest emphasis given to budget administration and implementation control in the government organization, Ministry of Finance and economic development (MOFED) set budget guideline to all government finance bureaus. This helps as a standard to control expenditures of budget holders and create sense of institutional budget perception. On the other hand, they do not ensure efficiency and effectiveness of budget utilization unless the responsible budget holders show commitments and sense of accountability. Even though public sector follows MOFED regulations and rules because of many factors budget utilization are affected. The finding of different research showed that budget utilization in many organizations was; lack of debate, delay of budget disbursement, 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. The amount of allocated budget to implement plan was inadequate (Abera, 2014). As far as the knowledge of the researcher, the problem was still the major problem in public universities and the research work conducted in Ethiopia at previous years were mainly inclined to budget preparation. Therefore, the researcher was initiated to investigate the factors that affect budget utilization in Ethiopian public Universities.

1.2.Statement of the problem

Budget utilization is the phase where resources are used to implement policies incorporated in the budget (Tommasi, 2007). It also noted that, '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). In many parts of the world, the governments emphasis on budget preparation and utilization. Besides, efficient utilization of the government budget is the core focus for accomplishments of the planned objectives and another side relating effective usage of budgets is needed. Budgets are used to aid longer planning, co-ordinate the operation, control expenses, aid short-term planning, evaluate performance, motivate managers, motivate employees and communicate plans with employees (Shah, 2008).

As Mohamed *et al.(* 2015) indicated that, management in various organizations should put in place measures to solve the budgetary practice such as enhancing better understanding of budgetary control techniques, their behavior and institutional dynamics among the staff, developing strong financial integration with performance management, quarterly revision of financial plan to redirect resources at frequent intervals and better engagement between organizational leaders, managers and finance staff with proper timing of the financial plan (Mohamed *et al.,* 2015).

The public sector overall performance depends on properly designs budget and proper utilization budget. In most Ethiopian public sector, the budget implementation period or the financial years run from 1 July to 31 June. Through this time, a lay down medium term expenditure framework budget cycle is followed in the preparation and implementation of the national budget. The implementation of the budget involves two main operations: commitments and payments. As regard the commitment of expenditure, a decision is taken to use a particular sum from a specific budgetary line in order to finance a specific activity. Moreover, it is the real 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 plan. Budget utilization affected by different factors within the boundary of in and outside of the organization having the influence on the proper utilization of the budget.

The higher public education obtained their annual budget from ministry of finance and economic cooperation for the current year activities. The real purpose of budgeting should have several advantages. It guides monitoring the flow of the organization activities at all. While some public universities did not properly used, the allocated budget due to some factors that are behind utilization of budget and the challenges faced in the implementation of the planned activities their consequence creates great impact on the organization.

Dejene et al., (2016) conducted on intrinsic factors affecting budget utilization in few Ethiopian public universities .The causes for mis-utilization of public budget are mainly due to lack incapacitated budget staffs in terms of skill and knowledge in each respective budget offices, lack of knowledge in the use of information (ICT) by management and the experts at each level, inadequate human resources, lack of continuous monitoring and evaluation, lack of commitment of top management, among others. In many of the organization would not utilize budget according to their plan and thus this problem faces a series unfavorable budget

variance. Hence, this study was attempted to assess factors affecting budget utilization in Ethiopian public universities desired to prove the problem in advance.

1.3. Hypothesis

Internal factor

Many researchers have been argued that Universities are multifaceted institutions in all societies. They are especially important to the knowledge economies of the 21st century, but their roles extend far beyond this. Universities are quintessential public-good institutions; they are an essential underpinning of intellectual life in all societies, and especially in developing countries. They are key international links for science, scholarship, culture and ideas. Understanding the complex roles of universities is a first step towards providing the needed support-not only appropriate public funding, but also academic freedom and autonomy (Global University Network for Innovation, 2009). Even if the mandate of public universities is multidimensional, there are many challenges facing these public institutions including public universities of Ethiopia. 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 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. During the financial year, however, not all funds are expended as per the plan. The budget cycle above shall be tracked and at every stage the factors that could be affecting the utilization of the budget analyzed. Many internal factors hinder proper budget utilization in public universities. Lack of transparency, lack of ICT, absence of full involvement line manager, lack of skilled employee were the most commonly reported internal factors hindering proper budget utilization.

H1: internal factor have positive and significant effect on budget utilization

Organizational structure

Different researchers assess the effect of organizational structure on public organization budget utilization. According to Christine, 2012, lack of alignment between the organizational structure and structure of performance reporting requirements, value and usefulness of performance information were found to undermine the budget utilization.(KAJUJU, 2012)

Dejene Tafa, 2016 has also found that organizational structure induced factors such as lack of effective budget monitoring, lack of a decentralized budget administration system, absence of clear hierarchy in the administration of budgets, structural relationship between different department and lack of effective communication are some of the main factors that affect public budget utilization in Ethiopia(Tafa,2016). From the different literature different organizational structural factors affecting budget utilization at public organization including universities were identified. Among them lack of effective budget monitoring, lack of clear hierarchy in budgeting and lack of decentralized budget administration were identified.

H2: organizational structure has positive and significant effect on budget utilization

Cultural factor

Organizational characteristics create the attitude of organizational members to get what is intended so that it will create a strong organizational culture in the organization and give pressure to all members to take action or behave according to what is desired for the organization. Frucot and Shearon (1991) found the impact of the cultural dimension on the effectiveness of participation in budgeting for additional managerial performance, and Kanan (2015) found that culture influences the budgeting process in manufacturing companies in Libya and America. In this regard, organization culture is one the key factors that affect budget utilization in many public organization. Among cultural factors lack of focus on achieving the goal/ results of the organization were mostly observed cultural factor in many literature.

H3: cultural factor have negative and significant effect on budget utilization

Behavioral factor

How the budget is administrated will affect their effectiveness and efficiency in achieving the organization's goals. Besides using budget to forecast the organization's coming year's performance, it also serves another purpose. It can be used as a performance evaluation on the managers' actual performance against the budgeted performance. By doing so, the organization is trying to use budget as a tool for control. When the performance evaluation is linked with any form of rewards and penalty system, there are possibilities that the managers will distort any information and data passed to upper level of management (i.e. their superiors). The managers may underestimate the revenue, over-estimate the costs required. It can have an

effect on their job performance, which will be reflected on their annual appraisals. All these will affect their budget utilization. The employee's and manager's behavior towards the budget will be influenced as the actual performance of budget will either have a favorable or adverse effect on their job appraisal. Clear Performance indicators and knowledge related budget is the most known behavioral factors that affect budget utilization.

H4: Behavioral factor have positive and significant effect on budget utilization

External factor

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 a deviation in aggregate expenditure, reallocation of funding during budget implementation, policy changes during the year, an inability to implement policies, programs and projects, government interferences and a lack of financial discipline.

H5: External factors have positive and significant effect budget utilization of public universities

1.4. Objectives of the study

1.4.1. General Objective

- The general objective of the study is to investigate the factors that affect budget utilization in Ethiopian public Universities.

1.4.2. Specific objectives of the study

- ☞ To assesses the practices of budget utilization in public universities
- ☞ To identify the effect of internal factor affecting proper budget utilization in Ethiopian public universities
- ☞ To examine the effect of organizational structure on proper budget utilization in Ethiopian public universities
- ☞ To examine the effect of cultural factor affecting proper budget utilization in Ethiopian public universities
- ☞ To examine the effect of behavioral factor on proper budget utilization in Ethiopian public universities
- ☞ To examine the effect external factors affecting budget utilization in Ethiopian public universities

1.5. Significance of the Study

As indicated above in the main objective, investigating the factors affecting budget utilization in Ethiopian public universities and it will provide to the public to use their allotted budget properly and all concerning bodies by recognizing the key factors affecting budget utilization. Besides this, the study will improve more knowledge on the issue and its effect on the public universities and offer more empirical finding on the issue. Furthermore, the study will also serve as sources for other researchers who want to make depth study about the budget utilization else were in the country. Finally, the study will be supportive to various shareholders and stakeholders in the budget preparation and utilization area who are interested in limiting the effect of improper budget utilization.

1.6. Scope of the study

To achieve the goal of any organization, budget utilization is the key tool and need effective budget utilization mechanisms. However, the study covers the proper budget utilization practices of Ethiopian public universities. The study covers only public universities because public universities by its self very broad organization which provide information properly when needed. Moreover, it is important for effectiveness, efficiency and to manage the limited research time and research budget, this study was confined only to assess the practices of budget utilization at Ethiopian public university.

1.7. Limitation of the Study

Lack of adequate budget for study expenditure, unwillingness to give desired information & misperception on issue under study, Poor responses- respond positive sides in political angles specially office representative, lack of secondary data related to the study, time constraints, weaknesses of information holding system and other were observed during study period. To overcome those constraints the researcher used three data collector (my colleague) and primary data as much as possible.

1.8. Organization of the thesis

The first chapter is an introduction of basic information about the paper and includes background of the study, statements of the problem, research objectives, scope and significance of the study. Next, the second chapter presents the related literature reviews. The third chapter explains the research methodology. Then the forth chapter is result and discussion. Finally the fifth chapter discussed about conclusion and recommendation.

CHAPTER TWO

LITERATURE REVIEW

2.1. Theoretical review

2.1.1. Traditional Budget Theory

As reported by Caiden (1990), public budgeting was studied in different perspectives. The most common divergent perspectives were; economics, management, and political science. The economics perspectives tend to focus on the nature of public goods and the alocative efficiency of the mix of goods and services provided by government. In such perspectives, various decision rules and allocation processes are examined for their relative utilities in this regard. However, today big deals have been required to construct models of public sector decision making using concepts from micro economics. The specter of the public administrator as the self-interested budget maximize is a central character in these scenarios. Economics offers logic, mathematical elegance, and simple forms that avoid issues regarding political values, but, economists have "offered remarkably little guidance to the budgeter of the practical world" Caiden (1990).

The second perspectives are Political perspectives. In this dimension, scientists naturally highlight the political dimensions of the resource allocation process, and the budget's role in the policy making process. The political perspective has been dominated by the theory of incrementalism, which began as a descriptive theory but achieved normative status in some circles (ibid).

In brief summary, incrementalism holds that budgets change only marginally from year to year, and major reallocations can be costly and should be avoided in light of the state of knowledge regarding public sector policy issues; the resource allocation process is a fragmented, bottom-up process characterized by deference to substantive expertise and previous allocations. The organization-based approach to the development of budget theory focuses on how the nature of the public organization affects the resource allocation process and how the nature of the resource allocation process affects the operations of the public organization (ibid).

The public organization is as inescapable on the local level as it is problematic at the federal level, even if it is only weakly coupled on the resource allocation process. This is why practitioners in public organizations experience the budgetary process as the internal resource allocation system of their organizations, rather than as a purely political process. A potentially productive area for research is the prospect for enhancing the capacity of the research allocation process to serve an integrative role in the public organization. If the salient decision makers in the various service delivery areas are more tightly coupled and share operational perspectives and decision premises, the resource allocation schemes they produce will be more responsive to community needs. Political scientists typically approach public agencies as atomistic political actors in the policy making process, and the organizational dimensions of agency functioning are usually ignored. The less ambitious management school focuses on the relative utility of alternative budget formats, and on the place of analytical techniques and formal policy planning in the budget process (Cope, 1989).The prescriptions written from the management orientation are only occasionally based on descriptive or explanatory studies associated with any of the three perspectives. The management perspective is the one most clearly associated with public administration. Budgeting is approached as a technical process, and public administrators are cast as technicians apart from the organizations in which they work. Theoreticians are able to avoid value issues through this separation, but the development of theory is constrained by the question that has dogged the field from its beginnings: technical efficiency for what end?

One of the reasons that budget theory prescriptions have been divorced from budget theory descriptions is that most of the latter have been based on studies of the federal budget process, and adoption of the former has been more wide- spread at the state and local level. The substance of the dominant incremental description of the national budget process obviously limits the relevancy of management tools, but any descriptive theory of budgeting derived from analysis of the federal process will be of limited relevance to the state and local level(Cope, 1989).

However, state and local budget processes differ widely (Hackbart and Carson, 1993) and, hence, those areas appear to be less promising ones for the development of a single theory of public budgeting than the national budget process. The “grandness” of the theory derived from a focus on the federal government, however, is ultimately dimmed by its limited generalizability to other levels of government.

The conceptual fragmentation that characterizes budget theory reflects the multidimensional nature of the subject (Caiden, 1990), the variety of approaches brought to bear on it (Schick, 1988), and the fragmented structure of the field of public administration in general. Indeed, some theorists view budgeting, itself, as a distinct discipline (Caiden, 1990; Cope, 1989), from which public administration borrows and in which it tinkers. The perspectives and findings of a range of related disciplines regarding a variety of relevant phenomena are imported by public administration but never synthesized to form a unique theoretical perspective. The management perspective on budget theory that public administration calls its own fails to address the allocative efficiency concerns of the economists, the related political issue of distributional equity, or the challenge to the relevancy of analysis posed by the incrementalist model.

Practitioners are left with an impressive array of tools for action but no realistic guides to action. Bailey (1968) contends that instrumental theory—that is, guides to action in specific situations such as those that the management perspective on public budgeting seeks to develop—should be based on normative and descriptive/explanatory studies of the particular phenomena under consideration. However, in the absence of the latter, the management school theorists, including those focusing on the executive budget, tend to ascribe normative status to instrumental theories (Rubin, 1990; Cope, 1989). According to Bailey (1968), normative theory should seek to prescribe future states by identifying the values that should undergird administrative action. These value issues are those that public administration avoids by focusing on techniques rather than on the demands of the environments and the nature of the organizations in which they are employed—that is, on the context of public management. The fact that (Rubin, 1990) may be quite beside the crucial point: do they help, and what do them help one do?

From the perspective of the practicing public administrator, resource allocation processes serve to create and continuously recreate the public organization. The appropriateness of the goals and technologies is always in question, due to differences in political values and the general lack of cause and effect knowledge regarding many public issues. These goals and technologies are manifested in resource allocation schemes; the budget process can potentially change organizational goals, enable new technologies that have resource allocation implications, and legitimize alternative organizational arrangements. The nature of this process and the basis on which these decisions are made constitute the basic stuff of public management, describe the environment of the practicing administrator, and delineate the theoretical turf of public administration (Kuhlmann *et.al.* 2014).

Few studies have approached budgeting from this perspective. The most fully developed model is provided by Miller (1991) in his theory of government financial management. Miller builds an interpretive theory of financial management, in which the financial manager must deal with the ambiguity and uncertainty precipitated by the social construction of an organizational reality by a variety of actors manifesting a range of perspectives on, and interpretations of, organizational mechanisms, processes, and other phenomena, such as the budget process. For Miller, traditional financial management theory is based on the assumption that there is considerable consensus about organization goals and technologies in public organizations, and this may not hold for governmental organizations. In this scenario, budget managers manipulate symbols and pro- duce rituals centered on the common element of resource constraints. These serve to bridge the range of alternative visions of the organization's enterprise made possible by the absence of "the widespread notion of 'making a profit' " (Miller, 1991). The budget office becomes a salient organizational actor and a unifying metaphor in an environment characterized by resource scarcity.

Rubin (1979) examined the responses of five state universities to budget cut- backs in an effort to determine the relationship between resource reductions and the organizational concept of "loose coupling." This study was weakened by conceptual confusion regarding the nature of "loose coupling" (Orton and Weick, 1990). Lynch develops an approach to public budgeting that focuses on explaining those aspects of public budgeting involving policy making, management, and the interrelationship of policy and management. With a better theoretical knowledge of that phenomenon, one can use that understanding to argue for change in the way that activities are conducted in a bureaucracy (Lynch, 1989). However, his model rests at an abstracted "systems" level, which he recognizes may not be intuitively accessible to practitioners. Many theories of organizations tend to reify their subject, and conceptual abstraction may become an issue with any organization-based approach to budget theory. Other studies have examined organizational dimensions of specific budgeting processes, such as forecasting (Klay, 1985), decision sequencing (Whicker and Sigelman, 1991), the adoption of budget reforms (Rubin, 1990), the supplemental budget process (Forrester and Mullins, 1992), and budget analyst behavior (McCue, 2000; Thurmaier, 1995; Willoughby, 1993). These studies indicate that an important link exists between the structure of the public organization and the nature of the jurisdiction's budget process,and they highlight some of the areas in which organization theory may be able to illuminate that relationship.

2.1.2. Organization-Based Budget Theory

One of the organizational purposes of the budget process is to enhance the capacity of the organization's management to make optimal resource allocation decisions. In pursuit of this end, the resource allocation process should function as a counterweight to the centrifugal forces generated by the highly differentiated nature of multiservice public organizations. Budget formats and processes should be examined for their relative utility in that regard, in light of the existing capacity of the management staff. In addition to the prescription that the resource allocation process should enhance the capacity of the management staff to make optimal resource allocation decisions, it is posited here that the ultimate criterion for determining optimality is the preservation and development of the organization's economic base. The local government organization derives its resources from the economic base of its jurisdiction, and a basic function of professional public management is to maintain the organization's flow of resources.

In this scenario, the resource allocation process of the public organization serves a developmental function for both the internal structure of the organization and its relationship with its external environment. The need to maintain the economic base of the jurisdiction functions as a centripetal force in the public organization, in much the same way as the need to make a profit does in the private sector. This is not to say that the determination of the optimal course of action is not ultimately a function of societal values and political power. The approach outlined herein provides a framework for the development of theory to inform and to guide the actions of the participants, particularly the professional public administrators. Thus, the organization-based approach to budget theory also holds promise for the development of a normative theory of budgeting rooted in the profession of public management.

These issues are examined in this section using Bailey's framework for the objectives of theory in public administration. For Bailey, "four overlapping and interlocking categories of theory are required if improvement in the processes of government are, in fact, to take place: descriptive-explanatory theories, nominative theories, assumptive theories, and instrumental theories" (Bailey, 1968: 129). The implications that the organization-based approach to budget theory holds in each of these areas are explored below. "Improvement in the processes of government" is defined here as the maximization of the number of "politically legitimated goals" that can be achieved within "constitutionally mandated means" (Bailey, 1968: 129); this definition ties professional public administration to enhanced efficiency in the use of public resources; as developed below, the responsibility is not limited to technological efficiency, nor is it only a function of the finance professional.

2.1.3. Assumptive Theory

Bailey defined assumptive theory as "propositions which articulate root- assumptions about the nature of man and about the tractability of institutions" (Bailey, 1968: 133). He decried public administration's tendency to articulate administrative models and management techniques without due regard for the contexts in which they would be implemented. Although the field has made some progress in describing institutional inertia and in prescribing organizational change processes (or, at least the field of organization theory has made such progress), less progress has been made in understanding and characterizing public organizational man.

Political science and economics tend to de-contextualize public managers. In studies of the public resource allocation process, the public manager is cast as another political or economic actor seeking to maximize his or her own self-interest, and this characterization is reinforced by the tendency to focus on the national resource allocation process, where it is feasible to approach the agencies in which these managers function as individual political actors. Thus, the "budget maximizing bureaucrat" has become a mainstay of budget theory, despite evidence that public managers will often refuse funds tied to the assumption of duties that may compromise their capacity to pursue their organizations' primary missions (Wilson, 1989), and findings that public managers seek to expand only the discretionary portion of their budgets (Blais and Dion, 1991) or simply seek to maximize the autonomy they require to function as professional managers. These two caveats indicate the issues on which assumptive theories of public administration should be focused. The budget maximizing bureaucrat is, in part, a default characterization of the public manager in the public resource allocation process, because the field of public administration has developed no alternative.

This has left the world of practice open to attack from reformers advocating private sector management techniques or market-based alternatives to public sector provision of core services. The failures of the field to describe public management and managers has meant that they have been described in the negative as "broken" private management and as venal or incompetent private managers.

The development of assumptive theories in public administration requires that researchers study public managers in the context in which they function— namely the public organization. The authors have taken some care not to tie this polemic on budget theory to any particular paradigmatic approach to social science research, in part to encourage a dialogue with practitioners, but assumptive theories require researchers to understand practice from the perspective of practitioners. Positivistic research tends to standardize or randomize contexts, and much of the "theory-practice gap" in public administration is due to the dominance and limitations of the positivist paradigm (Harmon, 1981; Miller and King, 1998). Furthermore, studies of "man's personal and institutional capacity" (Bailey, 1968: 135) in regard to public administration forces the field to face its elemental question: the role of the expert in a democratic society—an issue it has largely sought to escape. Both of these factors have led to an emphasis on the development of de-contextual techniques, rather than the illumination of context. Assumptive theories here call for the definition of a profession and the organizational

context in which it is practiced; in this way, personal and institutional capacities are delineated, and the prospects for increasing these capacities are enhanced.

2.1.4. Descriptive Explanatory Theories

Bailey held that "we cannot improve what we cannot describe and explain" (Bailey, 1968: 131). Here he focused squarely on the nature of the organizations in which public administrators practice. What must a budget theory for public administration explain? Research should focus on the determinants of the elements of the budget process broadly defined, as well as the determinants of budgetary outcomes favored by political science and the normative standards for the mix of outcomes targeted by economics. Budget theory for public ad- ministration should be able to explain national budget processes in light of society preferences for macro political and economic structures, differences in state and local budget processes, as well as differences among national, state, and local processes. Factors influencing the evolution and development of budget systems should also be explored.

A potentially fruitful focus for these efforts is the public organization. The concepts, elements, and issues outlined above can be explored by other disciplines, but the field of public administration should operationalize them in terms of the public organization because that is definitive disciplinary focus of the field. The focus on the public organization will allow the field to develop a contingency theory of resource allocation processes in terms and contexts that are familiar to practitioners. Possible contingent factors include the degree of organizational differentiation and integration, managerial capacity, available technology, and form of government, as well as environmental factors such as political divisiveness, political culture, economic base, and demographic variables.

Public administration is also the field that should target what occurs within the public organization and how organizational process and structures influence budgetary outcomes and processes. The public organization is where the societal history, political and economic structures, political culture, needs for collective action, and resource capacity, which are the proper study of other disciplines, meet the organizational structure, development, culture, and decision-making capacity that is the proper study of public administration. In the framework described here, the former are operationalized as the environment of the public organization, and public budgeting issues can be approached as the study of the "goodness of fit" between

these environmental factors and the public organization's managerial, operational, and strategic planning subsystems. Organizational factors include the source and substance of the values and predispositions that budget analysts use to evaluate resource requests, the role of the budget process as an organizational communication mechanism through which agency missions and their interrelationships are expressed, the symbolic and latent functions of the formal budget process, and the degree to which the parallel decision processes that comprise the resource allocation process described by Rubin (1993) are integrated and rationalized in the organization.

The thing to be "improved" through this effort to develop descriptive/explanatory theories of the resource allocation process from an organizational perspective is the capacity of the organization's managers to produce "good" decisions. The nature of this "good" is outlined in the section on normative theory that follows. The development of instruments to pursue this end should be rooted in the descriptive/explanatory theories of the resource allocation functions of public managers operating in public organizations described here. Otherwise, instrumental theories of managerial action are rooted in theories of private management, and they reflect the normative stance the public sector management should simply be made to resemble private sector management.

2.1.5. Normative Theory

Although he acknowledged the problems associated with the articulation of desirable "future states," values or outcomes, Bailey contended that "if the supreme objective of public administration is the improvement of practice, normative postulates are essential. How do we know that improvement has occurred unless values are established as a measure of approximation?" (Bailey, 1968)? The problems of developing normative theory in a political environment are compounded in budgeting, where outcomes are direct precipitates of the clash of political values. As pointed out by Key (1940), judgments regarding the normative status of budgetary outcomes are ultimately a function of political philosophy.

The organization-based approach to budget theory allows normative theorists to focus on the organizational role of the finance official and the distinctive competencies of the profession. Distinctive competencies do not simply refer to the application of rational analyses to determine the optimal mix of outputs. The role of the finance professional in private sector

firms is to ensure the long-term financial viability of the firm; public sector finance professionals, particularly at the local level, where viability can become problematic, share the same responsibility. Thus, one proposition of a normative theory for local government budgeting is that the finance professional should seek to protect the long-term financial viability of the local government organization.

This proposition does not mean that the finance professional can determine the resource allocation mix that can optimize this end through structured analysis or implement a solution through fiat based on professional expertise. However, the finance officer's professional responsibility mandates that he or she bring this issue to the resource allocation process, because there is virtually no political constituency for this end. Thus, his or her professional responsibility lies in ensuring a better budget process—that is, one that considers the long-term financial viability of the organization, and one that is informed by structured analyses of alternative courses of action. However, these professional values must ultimately be manifested in terms of outcomes, because no political values will be viable if the financial viability of the jurisdiction is long ignored.

One way of providing for the long-term financial viability of the jurisdiction is to provide a mix of goods and services that meet the short-term needs of its constituents. Thus, the allocative efficiency of the budget process is also a responsibility of the finance professional. The emphasis here is, once again, on process; the finance professional should provide a resource allocation process that maximizes the probability that it will yield a responsive mix of goods and services. This entails minimizing the centrifugal forces that characterize multi-service public organizations, because the resource allocation process must inevitably defer to the substantive expertise housed in the many agencies that comprise the organization. The decision perspectives of these agency managers are crucial to the responsiveness of the allocative mix, and this implies that the financial professional also has an organizational development responsibility. As above, the budget process is the only organizational dimension that can serve this managerial capacity building effort.

The finance professional should seek to build knowledge of the local jurisdiction into the public organization and see that this knowledge base informs the organization's resource allocation processes. The protection of the long-term financial viability of the organization and the production of a responsive mix of budget outputs will not come from the application of

professional standards or accepted theories. In order to meet these ends, it is necessary to know the jurisdiction in terms of service preferences, political history, and social culture. This implies that the formal budget process should be open to political participation, and the underrepresented must be represented by the organization. This requirement may further politicize the process and conflict with the need to develop a management team manifesting a common decision-making perspective.

2.1. 6. Instrumental Theory

By identifying a basis for normative theories of the budget process, it becomes possible to use descriptive/explanatory theories to develop instrumental theories regarding pursuit of those normative ends. The normative stance outlined above focuses on the nature of the resource allocation system of the public organization and how that system could be positioned to produce optimal outcomes. Instrumental efforts would target the capacity of the management staff to make "good" resource allocation decisions, given the need to maintain the long-term financial viability of the organizations and to be responsive to the short-term needs of the jurisdiction.

Instrumental theories would focus on the extent to which alternative budget systems facilitate these ends, as well as the extent to which the public organization is capable of employing alternative budget systems. It is posited here that the resource allocation process can be used to develop and enhance the managerial capacity to overcome the centrifugal forces of the public organization, and that limited managerial capacity may render some budget systems unfeasible. Pettijohn and Grizzle (1997) have demonstrated that alternative budget for mats and resource allocation processes, largely under the control of the local government public organization, are not neutral to the policy process; the organization-based approach to budget theory provides a platform for examining how resource allocation processes influence budgetary outcomes.

The contention here is that they may work through their effects on managerial capacity and organizational communication. The focus on the organization also allows researchers to reach into other areas of public administration study for instrumental theories regarding managerial capacity building through the resource allocation process. These include theories of motivation, relationships to incentive systems, organizational communication, and strategic

planning and other administrative systems. Rubin contends that "budget theory has been too restrictive about what is important for far too long" (Rubin, 1990: 187). The field must be broadened, and the public organization provides a common locus for these additional considerations.

2.1.7. Budget concept

The English word "budget" derives from the Middle French *bougette,* which is the diminutive of *bouge,* a leather bag. At its most basic, therefore, a budget is a small leather bag. During the middle Ages in England, letters of particulars about taxes and spending were brought before Parliament by putting them in a small leather bag (a bougette), which was placed on a table before the assembly. As centuries passed, the word came to be applied to the contents as well as to the bag itself, though originally only in the sense of a group of things (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, 2007).

Different scholars described a budget as a quantitative expression for period of time designed for future plan of action by management. A budget can cover both financial and non-financial aspect of these plans and act as a blue – print for the company to follow in the upcoming period. Thus a budget is also an itemized estimate of operating result of an enterprise for a future time period (Horngren and Datan, 1997).

According to Adams (2009), a budget could be defined as a future plan of action for the whole organization or a section thereof. Budget can also be defined as a financial and/or quantitative statement prepared and approved prior of time to be pursued by the organization in order to achieve organizational goals and objective.

Budget has been defined as an accounting device used to plan and control resources of Operational Departments of Governments and Divisions (Reeve & Warren, 2008).

As Omolehinwa (2005) reported that budget is financial and/or quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective. A government budget is a financial plan which describes its intention and policies that it would like to pursue in the coming period along with their cost implications. Such a plan describes in detail the estimated receipts and proposed spending under different heads. Indeed, the word 'budget' comes from the French word: bougette which is a small leather bag or wallet containing spending money along with the spending purpose. Moreover, a budget is defined as an itemized summary of estimated expenditures for a given period along with proposals for financing them (Daniel, 2005).

According to Wildavsky (1975) the national budget is the most important policy statement made by the executive in the course of the year. It reflects the fundamental values underlying national policy. It outlines the government's views of the socio-economic state of the nation. It is a declaration of the government's fiscal, financial and economic objectives and reflects its social and economic priorities. Government budget decisions affect everyday lives and the future of every citizen.

As reported by Arora (2010), Budget is the most widely used and highest rated management tool of cost reduction and control. It is a tool that helps managers in planning and control functions. However, the relative strength of each function depends on the current view of the function of budgeting and budgeting tools and techniques, but also depends on the strength of particular organizations and/or institutional arrangements to support these functions (World Bank, 1998). Governments and other public authorities are required to support the universities by allocating a huge amount of budget in order to accomplish their mission.

In addition a budget is a plan for the accomplishment of programs related to objectives and goals within a definite time of period, including an estimate of resources required, together with an estimate of resources available, usually compared with one or more past periods and showing future requirements (Smith & Thomas, 2004).

2.1.8. Budget preparation

Different researchers indicated that the process of preparing and agreeing on a budget is a means of translating the overall objectives of the organization into detailed, feasible plan of action. Public budget preparation is one of the tedious tasks that any country should look upon. The preparation process for the annual budget involves a great deal of energy, time, and expense. Hence, it is important that a country must be able to follow accurately all the methods of preparing an annual budget (Maitland, 2001).

Besides, preparation of the budget usually takes many months and involves all public institutions: the Ministry of Finance manages the process; the Cabinet/President sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state's limited resources to competing demands (Shah, 2007).

According to Anderson (1996), Budget preparation helps management focus on the next month or the entire coming year. The budgeting process forces managers to assess current operating conditions and aids in forecasting and implementing needed changes. Budget preparation is also an excellent vehicle with which to work with all supervised personnel by requesting their managers and their staffs. At the end of a period the budget helps managers evaluate performance, locate problematic areas, bottlenecks and provide solutions to these problems (David, 1988).

Different researchers stated a successful 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 in accordance with 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 (Schiavo, 2007).

Budget ceilings instruct agencies to request next year's budgets based on certain assumptions, such as their set of priorities regarding rankings. Another approach is for the governor to provide policy guidance in terms of overall priorities and/or guidance by major program. According to Schiavo-Campo and Tommasi (1999) and Allen and Tommasi (2001), the main starting points for the preparation of the annual budget should be a clear definition of fiscal targets and a strategic framework consisting of a comprehensive set of objectives and priorities. In Ethiopia, budget preparation is often guided by a document known as the Macro-Economic and Fiscal Framework (MEFF) prepared by MoFED. The MEFF provides, among others, forecasts of government revenue and expenditure; expenditure financing, the division of total expenditure between federal and regional, and divide federal expenditures between recurrent and capital expenditures for the next three years which the program budget is planned for (MoFED, 2010).

Moreover, preparation of the budget usually takes many months and involves all public institutions: the Ministry of Finance manages the process; the Cabinet/President sets or approves the policy priorities, line ministries plan and advocate for their resource needs and the legislature reviews and approves the final plan. Preparation is at the heart of the political process: it is the decision on how to allocate the state’s limited resources to competing demands (Abshiro, 2014).

2.1.9. Budget utilization

Budget utilization is take place throughout financial year and it's critical for any institution to perform. Public expenditure policy and the manner in which are managed would impact on budget utilization. It is the actual execution of the budget and application of funds to the planned activities. There should be distribution of responsibilities for budget utilization, budget appropriation management rules and budget revisions, various special issues related to budget utilization, and the monitoring of budget execution (Kirira, 2007). The successful budget utilization depends on numerous factors, such as the ability to deal with changes in the macroeconomic environment, and the implementation capacities of the agencies concerned. Besides to this, the budget system should assure effective expenditure control (Allen and Tommasi, 2001). Moreover, a good budget utilization system should have complete budgetary/appropriation accounting system. It is necessary to track transactions at each stage of the expenditure cycle (commitment, verification, payment) and movements between appropriations or budget items (Schiavo-Campo and Tommasi, 1999).

At the same time budget execution covers both activities related to the implementation of policies and tasks related to the administration of the budget. The central agencies 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 (Tommasi, 2013).

2.1.10. Budgeting process in public institutions

Different scholars tried quote about the process of budgeting. There is on old saying to the effect that "a man is usually down on what he isn't up on" (Ray *et.al.* 2004). Managers who have never tried budgeting are usually quick to state that budgeting is a waste of time especially in public institution. These managers may argue that even though budgeting may work well in some situations, it would never work well in their institutions because operations are too complex or because there are too many uncertainties. These complexities and uncertainties provide one of the importance justifications for budgeting: to analyze the situation on paper before consuming the resources necessary to try it in reality. Managers usually will have informal plans even before they become involved in writing their budgets.

Budgeting process requires all levels of management to plan ahead and formalize their future goals on a recurring basis, provides definite objectives for evaluating performance at each level of responsibility, creates an early warning system for potential problems, facilitates that coordination of activities within the business by correlating the goals of each segment with overall company objectives, results in greater management awareness of the entity's overall operations and the impact of external factors, such as economic trends, on the company's operations, contributes to positive behavior patterns throughout the organization by motivating personnel to meet planned objectives(Jerry et.al., 1996).

In Ethiopia budget process is guided by a directive (financial calendar) issued by the ministry of Finance and Economy Development (MoFED) to all entities listed as public bodies. This directive has a schedule to make sure that planning and budgeting are prepared, approved, appropriated and executed so in line the pre-set development agendas (FDRE, 2009).

2.2. Empirical studies

The existing literature is sated with studies undertaken internationally and locally on this phenomenon and the researcher attempt to review some of this study in line with the context of this study.

A study under taken by Rotich (2015), on Factors Affecting Budget Utilization Kericho County Government in Kenya showed that the variable vat policy had weak negative and statistically significant effect on budget utilization. Whereas, inflation rate, Government policy moderately strong Negative and statistically significant effect on budget utilization and tax compliance has positive and significant effect on budget utilization. It is meaning that there was increasing or decreasing the effect from the sides of the variables in the area.

Many researchers such as, Yahya N. (2008) explores on the effect of budgetary participation and performance relationship in a public sector organization in a developing country, Malaysia. The study also attempts to examine whether organizational commitment and perception of innovation mediate the BPP relationship. The results suggest that budgetary participation has a direct relationship with managerial performance. Thus the public sector, even bureaucratic and mechanistic organizations should encourage budgetary participation as it is evidenced to have an effect on performance. The results also suggest that budgetary participation indirectly affects managerial performance through the mediating variable of organizational commitment (OC). However, the results do not support managers 'perception of innovation (POI) as a mediating variable in the budgetary participation and managerial performance relationship, although budgetary participation is positively related to POI. It is an interesting finding that in a public sector organization, at least in a mechanistic organization like the Ministry of defense (MINDEF), further initiatives may be required, such as reward schemes, in order for POI to have an effect on performance.

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

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

The other researchers conducted a study on challenges of budgeting at National social security fund (NSSF). The aim of the study was to establish the challenges of budgeting process and the challenges faced when drawing up a budget to be used by an organization and how organization can effectively face the budgeting challenges. The population constituted nine (9) boards of directors and sixteen (16) senior managers at NSSF who were concerned with budgeting issues at the organization. The researcher collected data by use of questionnaire, observation, and interviews as main instrument of data collection. From the study the researcher found that the organization faced challenges when drawing up budget and the biggest included on commitment, various head of department did not take budget seriously leading to giving ambitious budgets which would end up not achieving target, leading to complaints from the board (Wamae, 2008).

Nsana B (2010) investigated research on Assessment of Factors Affecting the Effectiveness of Budgeting Process in Public Institutions of Higher Education in Rwanda. The finding of the authors showed that Organizational structure had significant positive effect on effectiveness of the budgeting process. Similarly management style had positive significant effect on budgeting process. The author also found positive and significant Relationship between financial management skills, communication system and the effectiveness of the Budgeting process. Finally the author stated that, the organization management was moderate and significant in the effectiveness of the budgeting process in terms of organizational structure, management style, financial management system and skills, and communication system.

A study under taken by Birhanu (2011), the evaluation of budget practices of Ethiopia in comparison with two east African countries. The aim of the study was to assess similarities and differences between Ethiopia and two east African countries with respect to budget practice and procedures. The researcher concludes that the general public in Ethiopia cannot significantly involve in the country budget process and citizens have no access to monitor and evaluate the budget performance. Factors that limit citizens‟ participation in the budget process are limited accessibility to budget information; budget language and country population. Lack of involvement of citizens in the budget process would minimize a way of improving budget formulation, efficiency in resources allocation and better oversight of the budget process. Then, government has a duty to make an effort to increase budget transparency because; it allows citizens to properly assess government financial position and performance. Scarcity of budget information might decrease the level of public participation in the budget decision Process.

Other scholars like Mohammed and Asfaw (2014) also under taken studies on government expenditure management and control in Ethiopia. The objectives of the study were reviewing public expenditure management and controlling of financial resources as it is crucial because society's needs and demands are unlimited whereas resources are limited in nature. Therefore, the result showed that there is a problem of linking the work plan with expenditure budget preparation. It is also revealed that purchasing of goods and services is not based on the annual action plan by sectors. In other word, this indicated that there is a problem of budget preparation and execution. On the other hand, In relation to budget approval, the result indicated that Legislature has effective systems of check and balance on public expenditure. The test was also undertaken to check auditor's satisfaction in relation to the support they get from management to conduct their task. The test result indicated that auditors have a problem of motivation with the financial and material support to carry out audit work to achieve their objectives for the accomplishment of organizational goals.

Similar studies were conducted at BenishangulGumzu regional state by focusing on five government bureaus at Assosa town weather information and communication, cost reduction, competent internal audit staff, management support, budget monitoring and evaluation, organizational commitment and budget planning process were contributed for the budget control in the public sector and recommend that public organizations should understand the contributions of these five variables; information and communication, cost reduction, competent internal audit staff, management support, budget monitoring and evaluation collectively contributed the outcomes and add values for the budget control in the public sector offices(Geletaw, 2017).

Dejene T and Semeneh B (2016) investigated on Intrinsic Factors Affecting Budget Utilization in Ethiopian Public Universities. This study has tried to analyze the effect of training and education related factors affecting budget utilization in public universities. The result revealed that among the training and education related factors, lack of adequate training on budget and plan, lack of specialization or skill on the part of the budget officers and lack of proper training to employees on the functionality and implementation of the budgets were found to be the most significant factors which affect the budget utilization in public universities. The authors had tried to analyze the effect of organizational factors affecting budget utilization in public universities. The result showed that among the organizational factors, absence of continuing and systematic evaluation of budget performance at different organizational structure, delay in approval of project proposal and the absence of full involvement of the line managers in planning and budgeting process were found to be the most significant factors which affect the budget utilization in public universities. This showed that lack of transparency and accountability had effect on budget utilization in public universities.

2.3. Literature gap

Budget is very important for ever private and public organizations regardless of their economic size and type, firm size or level of growth. Budgeting take a lot of management time top managements want lower level managers have valuable knowledge about the day to day aspects of running the business. Participation also creates greater commitment and responsibility toward the budget among lower level managers. The widespread prevalence of budgets indicates that the advantages of budgeting systems outweigh their costs. This can be observed from survey company practice. Budgeting management at all levels of the company should under-stand and support the budget and all aspects of the management control sys-tem. Top management support is critical for obtaining active line management participation in the formulation of budget and for successful administration of the budget (Charles, 2012).

The studies cited in literature showed that there are a number of factors that can explain why actual expenditure deviates from the levels app-roved 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 (Omitoogun and Hutchful, 2006).

In Ethiopia, study done on different private and public organization, they are of very few in numbers. Some of the authors only focused on internal factors affecting budget preparation and utilization. On the other hand, the other researcher focused on external factors affecting budget preparation, process and utilization in Ethiopian private and public sectors (Dejene et al, 2021; Geleta, 2020; Esayas A *et.al*. 2014). However, their major finding focused on few variables those affecting budget preparation and utilization, as the same time majority of these studies were recommending the finical sector should regulate to use their budget properly. Beside this, many researchers fail to include sufficient theories in their studies. To fill this gap the researcher incorporated many theories from different sources. Therefore, this study were undertaken to investigate the factors affecting proper budget utilization in Ethiopian public universities.

2.4. Conceptual Framework

A conceptual framework is a research intended to assist a researcher to develop awareness and understanding of the situation under review. It shows the interaction of variables both independent and dependent variables. The independent variables are those factors which affect budgeting utilization in Ethiopia public universities and the dependent variable is budget utilization.

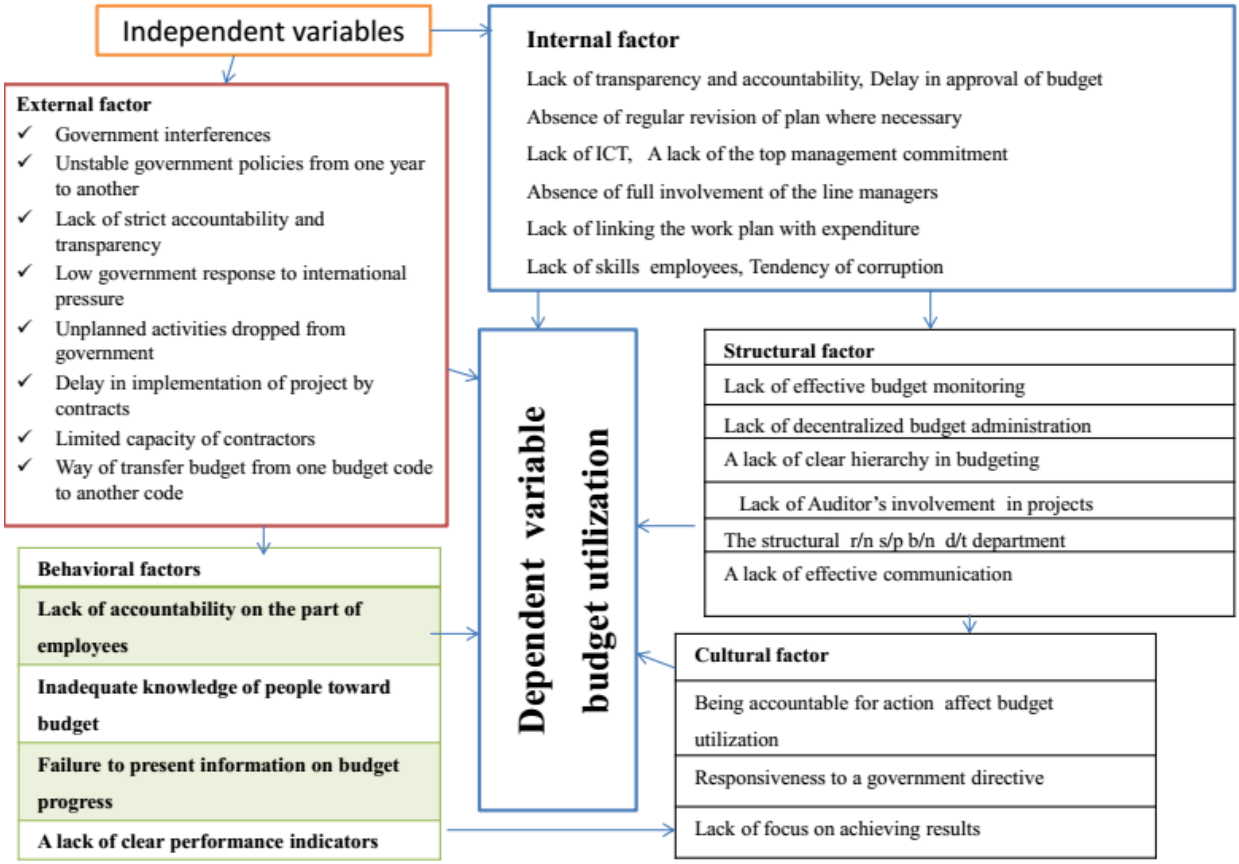


Figure 1: conceptual frame work of the study

CHAPTER THREE

3. RESEARCH METHODOLGY

3.1. Research Design and approach

3.1.1. Research design

Leedy (1997) defines research design as a plan for a study, providing the overall frame work for collecting data. MacMillan and Schumacher (2001) define it as a plan for selecting subjects, research sites, and data collection procedures to answer the research question(s). They further indicate that the goal of a sound research design is to provide results that are judged to be credible. For Durrheim (2004), research design is a strategic framework for action that serves as a bridge between research questions and the execution, or implementation of the research strategy.

A research design is the 'procedures for collecting, analyzing, interpreting and reporting data in research studies' (Creswell & Plano Clark 2007). It is the overall plan for connecting the conceptual research problems with the pertinent (and achievable) empirical research. In other words, the research design sets the procedure on the required data, the methods to be applied to collect and analyze this data, and how all of this is going to answer the research question (Grey, 2014). As explained by Robson (2002), there are three possible forms of research design: exploratory, descriptive and explanatory. To achieve the research objectives of this study, explanatory research design were used.

3.1. 2. Research Approach

Broadly speaking, there are three approaches or methods to conducting research: qualitative methods, quantitative methods and mixed methods (Creswell, 2003; Creswell & Plano-Clark, 2007; Teddlie&Tashakkori, 2009). Therefore, for this study the researcher was used quantitative research approach. The Likert scale is used for analyzing quantitative data since one cannot measure qualitative data in numbers. Usually, a Likert scale determines the degree to which an individual agrees or disagrees with a particular statement. Data from the Likert scale is continuous, and whether you are using the 5-pointer or 7-pointer scale; it will yield quantitative data.

3.5. Research population

The populations for this study were comprised of all Ethiopian public universities.

3.6. Sampling Technique and Sample Size

Today in Ethiopia there are 45 public universities. Among them 12 universities are clustered under first generation, 13 universities classified under second generation, 9 universities under third generation and the remaining 11 universities are grouped under fourth generation.

Table 1: Public universities in Ethiopian in their respective generation

1st Generation Universities	2nd Generation Universities	3rd Generation Universities	4thGeneration Universities
Hawassa(1976)	Debre Birh(2007)	AASTU(2011)	Bonga
Haramaya (1954)	Debre Mark(2005)	WKU(2011)	Debark
Gondar (1954)	Diredawa(2006)	Wachamo(2012)	Dembidolo
Jima (1983)	Jigjiga (2007)	Woldiya (2011)	Injibara
Arba Minch (1986)	Medda Walabu(2006)	Adigrat	Jinka
AddisAbaba(1950)	Mezan Tepi(2006)	Ambo(2011)	Odabultum
Bahirdar (2001)	Wolaita(2007)	Gambella	Selale
Mekele (1991)	Wollega(2007)	Arsi	Kebridahar
Adama (1993)	Wollo(2007)	Assosa (2011)	Raya
Adigrat (2001)	Axum (2007)		Worabe

Metu (2001)	Semera (2008)		Mekidela
Dila (1996)	Bule Hora(2008)		
	Debre Tabour(2008)		

Ministries of education have organized all the universities into four major clusters. Among that southeastern cluster is where the current research focused on. The research had taken four universities from first generation on the basis of the simple random sampling method. Out of Ethiopian public universities the researcher was consider only four Ethiopian public universities namely Adama Science and Technology University, Arbaminch University, Dilla University and Hawassa University based on their generation by using purposive sampling techniques. Since all the four selected public universities were found at southeastern cluster that the current study targeted.

On the other hand, simple random sampling technique was used to select informants (respondents) for prepared questionnaire. This method allows selecting sample from large number of study population with similar characteristics. As result 120 (30 respondents in each university) respondents were selected from universities top level managements, finance and budget employees, Procurement, team leaders, auditors, planning employees, and directors/dean/, department head and other university employees.

3.4. Sources of Data collection

Based on the objective of the study, only primary source of data was used to collect appropriate information for the study. Primary data was collected from oral interview, questionnaire. Moreover, primary data was collected from University planning and program experts, finance and procurement department, school directors, department heads and internal audit experts. The main purpose of collecting these primary data is to acquire fresh and first-hand information on the issue.

3.3. Method of data Collection

Data collection is an integral part of any research effort. Just as important as it is to decide on a research design and strategy, is the choice of specific data-collection methods in conducting the research (Maxwell, 2005). For data collection to be successful the goal of the data-collection operation needs to be established. Once the purpose of the data gathering is known and understood, it will be an indication of the format of the data-gathering operation and how the data should be analyzed. The study was used only primary data source. The primary data was collected through open ended and likert scale question. In this study the open ended questions require to inspire respondents to inform what they know and to share as much information as possible in an unrestricted way. The questionnaires were structure to acquire necessary data related to the study and other informant's background necessary to the study. In addition to these methods, the researcher was interviewed the key informants particularly stakeholders and experts in the university for example university Finance and budget directorate directors and team leaders, project coordinators, internal auditors, anti-corruption experts, economists and accounting teachers from the Universities.

3.7. Descriptive and inferential statistics analysis

The researcher used primary data source only, the data was collected by using likert scale questionnaires which explain the perception of the respondents from strongly agree to strongly disagree. The collected data was analyzed by using descriptive statistics. Moreover, the descriptive statistics was explained by using percentage, frequencies, Pearson correlation and SPSS V 16 software was employed. For the qualitative data analysis, the data was collected through likert scale question followed by coding, and then by categorizing based on their similarities and differences. Lastly, this coded unit was analyzed, interpreted and presented qualitatively through summarizing and description of the participants' attitudes.

Model specification

The study adopted linear regression model to test the relationship between budget utilization as dependent variable and six independent variables, According to Kothari (2004), when study includes two or more independent variables, multiple linear regressions is appropriate. To determine the relationship between the variables, multiple linear regression model is formulated which is discussed below. The multiple linear regression formula is applied that is;

Yi= β0+ βi (QIF, QS, QC, QEB, QEF) + ei

This formula indicates Y as the dependent variable –budget utilization practice and (IF, QS, QC, QEB, and QEF) are the independent variables included in this study.

The empirical model is thus:

$$BU = \beta 0 + \beta 1QIF1 + \beta 2QS2 + \beta 3QC3 + \beta 4QEB4 + \beta 5\, QEF5 + +£i,$$

- ☞ Where, Y = Budget utilization (BU):- it is the dependent variable which was examined using the Likert scale questionnaire by measuring the level of agreement of the respondents that affect budget utilization.
- ☞ Independent variables are IF= Internal factors, QCF = Cultural factors, QS=structural factors, QEB = employee behavior and QEF= external factors
- ☞ £ = is the error term, β0 = Constant variable and β1, β2, β3, β4, and β5 are the parameters of the estimates.

Table 2: Description and measurement of variables

Dependent variable	Description	Measurement of variables
Budget utilization (BU)	It is a process of how the approved budget is practically execute for the planned activities.	This is measured by degree of agreement to wards perception of respondents about budget utilization.in this study the researcher doesn't use a single unit of measurement to measure dependent and independent variables rather different likert scale questions are asked to the respondents in order to increase the reliability of data. E.g. budget utilization measured by the level of agreement about periodic revision the planned budget.
Independent variables		
Internal factors (IF)	It is internal related factors which affect utilization of budget which emanates within the organization.	Measured by degree of agreement of respondents concerning about internal related factors affect budget utilization. e.g. delay in approval of project proposal affect budget utilization

Structural factors (QS)`	It is a design in which how each human resource and the designed activities are constructed systematically in a manner that each level of departments was easily communicated. It is a system that outlines how certain activities are directed in order to achieve the goals of an organization	Measured by degree of agreements of the respondents regarding about structural factors affect budget utilization e.g. lack of clear hierarchy in the administration affect budget utilization.
Cultural factors (QC)	It is a Factor, how the management and employees of an organization adapted in their day to day activities at a specified working place.	Measured by degree of agreements of the respondents regarding about cultural factors affect budget utilization. e.g. Responsiveness to a government directive affect budget utilization
Employee behavior (QEB)	It is defined as characteristics, which is reflected by the managers and employees of an organization.	Measured by degree of agreements of the respondents regarding about cultural factors affect budget utilization. e.g. Inadequate knowledge of people toward budget (program Budget)
External factors (EF) it is a factor that affect budget utilization and which arise from out of the organization.	It is a factor that affect budget utilization and which arise from out of the organization.	Measured by degree of agreements of the respondents regarding about cultural factors affect budget utilization. e.g. Unstable government policies from one fiscal year to another affect budget utilization

CHAPTER FOUR

RESULT AND DISCUSSION

RESULT AND DISCUSSION

4.1 Demographic Characteristics of the Respondents

Demographic Characteristics of the Respondents those Socio-demographics are nothing more than characteristics of a population. In this study about 120 respondents were participated and out of which the number of male respondents (67%) was twice the female participant in the study (33%).

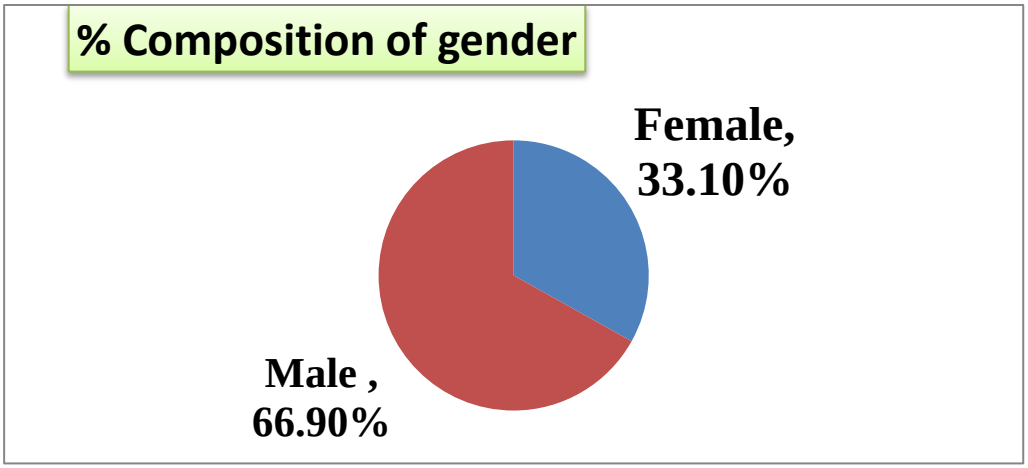


Figure 2: respondents gender composition

4.2. Educational level of the respondents

Related to their education status of the respondents, the figure below revealed that the majority of were masters holder 53(43.3%) followed by bachelor degree holders which account about 24% of the respondents. Moreover, PhD holders were the other groups of informant next to degree in number and account about 21.5% of the respondents. The remaining was occupied by diploma and certificate respectively. Therefore, since the education level relates to the profession and, it can undertake that the information provided by the respondents was valid and reliable.

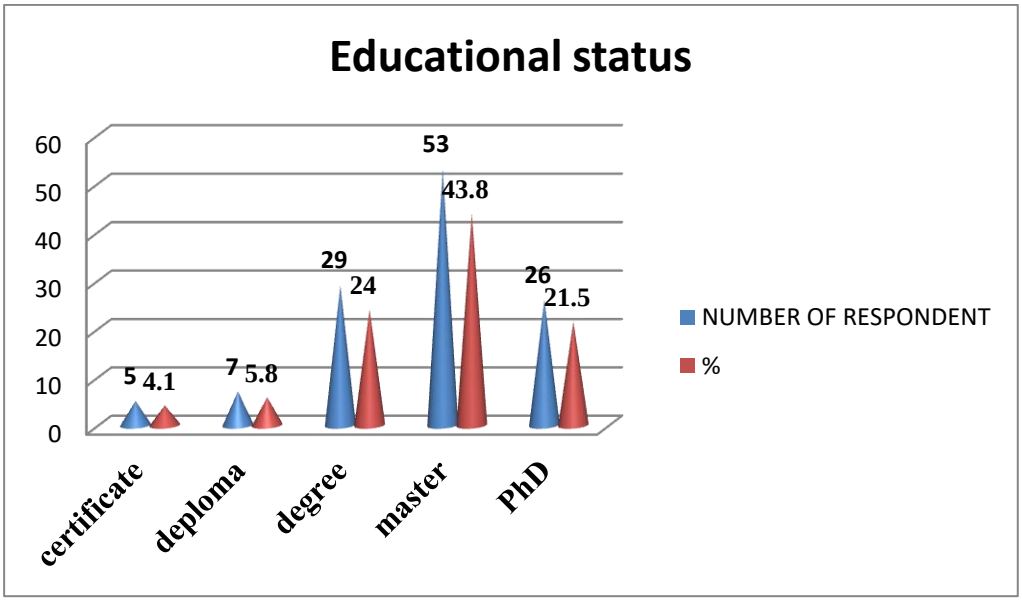


Figure 3: Educational level of the respondents

In this study most of the participants were team leader which account about 25.1% followed by dean/directors (24.8), budget experts (24%), department heads and other top management, who have direct relationship with budget utilization in public universities respectively. On the other hand, based on their department finance and budget, audit, college dean occupies the front place. Otherwise, department head, planning and Procurement s was the other core participant next to the above list ones in budget utilization.

Based the information gathered from the respondents showed that, majority of the informants (31.4% had three to five years' work experiences followed by five to seven, above seven and less than two years work experiences with 27.3%, 25.6% and 14.9% response rate respectively. Therefore, as clearly indicated in the table below the respondents were well experienced and it can, easily understand the questioners and fill the appropriate answers budget utilization

Table 3: Some demographic characteristics of the respondents

Demographic characteristics		Frequency	Percentage
Age of respondent	25-30	8	6.6
	31-35	20	16.5
	36-40	26	21.5
	ABOVE 40	66	54.5
	Total	120	99.2
RESPONDENT'S POSITION	Expert	29	24.0
	team leader	31	25.6
	department head	27	22.3
	director/dean	30	24.8
	Top level management (president or vices president)	3	2.5
	Total	120	100.0
RESPONDENT'S DEPARTMENT	finance and budget	21	17.4
	Procurement	11	9.1
	Audit	20	16.5
	Planning	14	11.6
	college dean/school dean/director	28	23.1
	department head	26	21.5
	Total	121	100.0
RESPONDENT'S EXPERIENCE	less than 2 years	18	14.9
	three to five	38	31.4
	five to seven	33	27.3
	above seven	31	25.6
	Total	120	100.0

Source: output of SPSS 2022

4.3. Descriptive statistics

According to the result , the average mean of the nine items for measuring the central tendency of respondents on internal factors affecting budget utilization shows 3.9. It lies on the Likert Scale measures of 2.5 ≤ agree<5 strongly agree. The analysis result infers that, the internal factors in general highly affected budget utilization in study public universities. This revealed that, respondents are agreed on the stated issue (that internal factor affect budget utilization and they are sound enough to replied the stated question.

However, the mean score of all the responses for all the items under internal factors affecting the budget utilization have been seen to be various in their status. The mean score of QI1 (Lack of transparency and accountability has affected utilization of budgets) is 3.94. This score implies that most respondents replied agreed upon it and QI5 (A lack of the top management commitment affect budget utilization) is 3.93, which implies most of respondent agreed on the stated issue. Therefore, lack of top management commitment, lack of transparency and accountability affect budget utilization. On the other hand, the mean score of QI2 (Delay in approval of budget by universities has affected utilization of budgets) is 2.62. This implies that, most respondent disagree on stated question. As informed by the respondents Delay in approval of budget by universities has not as much influence budget utilization as the other internal factors listed here. Inconsistent with this, Dejene *et.al.,* (2016) Described that, delay in approval of project proposal, approved budget are the most significant factors which affect the budget utilization in public universities with a mean value of 3.93 and 3.84 respectively.

The mean score of QI6 (Lack of linking the work plan with expenditure budget preparation) is 3.85. This “mean value” is approach to agree and Lack of linking the work plan with expenditure budget preparation is one of the most influential issue under internal factor that affect budget utilization.

Moreover, the central value (mean) of the remaining three items found to be 4.85(Tendency of corruption affects budget utilization), 3.94(Lack of skills and experience of employees affects budget utilization) and 3.9(lack of ICT) respectively. The descriptive statistics for the above statements show that a mean values of the item indicating that most respondents strongly agreed that corruption has affected budget utilization since mean is found to be 4.85, most

respondents agreed that ICT has affected the budget utilization in public universities and lack of skill and experience of the employees has affected budget utilization respectively.

As revealed on table below the mean score of all the responses for all the items under the structural factors affecting budget utilization have been seen to be well in their status. This indicates that structural factors have its own strong effect on budget utilization in selected universities in Ethiopia. The mean score for structural factors affecting budget utilization lies between 3.41-4.73, this implies that there is no clear hierarchy in the administration of budgets, there is no effective budget monitoring, there is no enough decentralized budget administration in selected public universities. Those problem hinder from proper utilization approved budget in public universities. As per the interview result and document review there is budget utilization structured in paper at higher institution, but not practically applicable. Nsana B (2010) argued that Organizational structure had significant positive effect on effectiveness of the budgeting process and utilization.

Culture factors comprise an important organizing influence on budgetary loose. Organizational culture was found to have a significant relationship with budget utilization in this study. In this study accountability, responsiveness to government directives, focus on achieving results and managing performance were used as cultural factors. As table revealed, regarding cultural factors in respects with Budget Utilizations the mean score of all the responses for all the items have been seen too good in their status. It implies that, QC4 (Lack of focus on achieving results and managing performance) highly influence and affect budget utilization. In this regard, accountability and transparency are very important to utilize the allotted budget properly. The mean score of QC1 (4.39) and QC2 (3.81) tells us responsiveness and accountability is the key cultural factors to enhance budget utilization at public universities. Moreover, lack of focus on achieving results and managing performance were found to be another major cultural factor that affects budget utilization.

This study has tried to analyze the effect of each employee behavior relate factors affecting budget utilization in public universities. The result revealed that out of the employee behavior related factors, lack of accountability on the part of employees, inadequate knowledge of people toward budget, Failure to present information on budget progress to facilitate scrutiny by other relevant government agencies affects budget utilization, A lack of clear performance indicators to measure the actual results were found to be the most significant factors which

affect the budget utilization in public universities with a mean value of 4.88, 4.10, 4.81 and 3.93 respectively. As it can be seen above one could understand that the respondents have on average strongly agreed that inadequate knowledge of people have affected utilization of budgets in selected public universities at study period. In the same way, the average response of the respondents agreed that Failure to present information on budget progress and lack of clear performance indicators to measure the actual results of the budget utilization were the other significant factors affecting budget utilization respectively.

As shown in Table below, concerning external factor in respects with Budget Utilizations the mean score of all the responses for all the items have been seen to be high in their status.

This indicates that, most respondent agreed and strongly agreed that external factors like (government interferences, unstable government policy, the need of upholding strict transparency, expenditure cuts and alternative policies, government interferences on annual plan, unplanned activities dropped from the government, delay in implementation of project by contactors, limited capacity of contractors, regulation set by ministry of finance and economic cooperation and ways of transfer from one code to another).

Table 4: descriptive statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
QBU(budget utilization)	3.6168	.52684	120
Lack of transparency and accountability has affected utilization of budgets(QI1)	3.94	.612	120
Delay in approval of budget by organizations (universities) has affected utilization of budgets(QI2)	2.62	1.238	120
Absence of regular revision of plan where necessary(QI3	3.96	.627	120
A lack of the top management commitment affect budget utilization(QI4)	3.93	.707	120
Absence of full involvement of the line managers in planning	4.00	.674	120

and budgeting process(QI5)			
Lack of linking the work plan with expenditure budget preparation(QI6)	3.85	.729	120
Tendency of corruption affects budget utilization(QI7)	4.85	.513	120
Lack of skills and experience of employees affects budget utilization(QI8)	3.94	.737	120
Lack of ICT affects budget utilization(QI9)	3.90	.793	120
Lack of effective budget monitoring affects budget utilization(QS1)	4.73	.648	120
Lack of decentralized budget administration system(QS2)	4.11	.924	120
A lack of clear hierarchy in the administration of budgets affects the budget utilization(QS3	3.93	.972	120
The need to involve the auditor general office in major projects affects the budget utilization(QS4)	4.04	.541	120
The structural relationship between different department affect budget utilization(QS5)	3.41	1.033	120
A lack of effective communication to all staff on the progress of the budget implementation(QS6)	4.69	.646	120
Employees being accountable for action affect budget utilization(QC1)	4.39	.555	120
Responsiveness to a government directive affect budget utilization(QC2)	3.81	1.125	120
Delivery of services fairly and impartially affects budget utilization(QC3)	3.69	1.098	120
Lack of focus on achieving results and managing performance(QC4)	2.28	1.152	120
Lack of accountability on the part of employees(QE1)	4.88	.371	120
Inadequate knowledge of people toward budget (program Budget) (QE2)	4.10	.834	120
Failure to present information on budget progress to facilitate scrutiny by other relevant government agencies affects budget utilization(QE3)	4.81	.490	120

A lack of clear performance indicators to measure the actual results(QE4)	3.93	.724	120
Lack of adequate training on budget and plan affects budget utilization(QT1)	4.08	.780	120
Lack of specialization or skill on the part of the budget officers(QT2)	3.95	.743	120
There exist a lack of proper training to employees on the functioning and implementation of the budgets(QT3)	4.27	.576	120
As a result of a lack of adequate training, there is no positive feeling on the budget among the staff which affects budget utilization(QT4)	3.93	1.035	120
Government interferences affect the utilization of budgets in the public university(QEX1)	3.80	1.127	120
Unstable government policies from one fiscal year to another affect budget utilization(QEX2)	3.15	1.261	120
The need of upholding strict transparency and accountability has affected utilization of budgets(QEX3)	4.78	.611	120
Reviews, expenditure cuts and alternative policies by the government affects budget utilization(QEX4)	3.93	.896	120
Low government response to international pressure changes the policy attention affect budget utilization(QEX5)	4.55	.754	120
Governmental interference on the annual plans affects its implementation(QEX6)	3.96	1.056	120
Unplanned activities dropped from government affects budget utilization in public universities(QEX7)	4.53	.648	120
Delay in implementation of project by contractors affects budget utilization(QEX8)	4.57	.807	120
Limited Capacity of contractors affects budget utilization(QEX9)	3.98	.869	120
Regulations set by Ministry of Finance and Economic Cooperation of Ethiopia(MoFECE) to transfer budget from one program to another program(QEX10)	2.06	.473	120

Way of transfer budget from one budget code to another code(QEX11)	1.16	.389	120

4.4. Regression analysis

The results of the study in above table, the R^2 for the model is 96.8%, the adjusted R^2 is 95.3%, which means that 96.8% of the variation in budget utilization (QBU) was explained by the explanatory and in and 3.2 % of variation in Budget utilization is due to other many factors that are not incorporated in this study. The R2 and the Adjusted R2 result implies as a measure of goodness of fit. Since R2 and adjusted R2 greater than 50%, in this study our data fit our model well. Moreover, the Durbin-watson value of the model was 1.79. This implies that, there is no problem of autocorrelation in the model.

Table 5: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.984[a]	.968	.953	.11382	1.793

a. Predictors: (Constant), QEX11, QC3, QC4, QI2, QI1, QC1, QC2, QE1, QS5, QI8, QI7, QEX8, QI6, QEX10, QI9, QII4, QI3, QT3, QI5, QS4, QEX5, QT1, QEX1, QT2, QS1, QEX7, QE4, QS2, QEX2, QS6, QEX6, QE2, QEX9, QS3, QE3, QT4, QEX4, QEX3

b. Dependent Variable: BU

The table below about ANOVA is all about the model fitness test for measuring the factors affecting (explanatory variables) on the budget utilization (dependent variable) of the Ethiopian selected public universities. As such, the significance level 0.000 shows that the F test is large enough to prove that the model is adequate to measure the effect of these factors on the budget utilization with lesser residuals provided.

Table 6:

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.981	38	.842	64.964	.000[b]
	Residual	1.049	81	.013		
	Total	33.030	119			

a. Dependent Variable: BU

b. Predictors: (Constant), QEX11, QC3, QC4, QI2, QI1, QC1, QC2, QE1, QS5, QI8, QI7, QEX8, QI6, QEX10, QI9, QII4, QI3, QT3, QI5, QS4, QEX5, QT1, QEX1, QT2, QS1, QEX7, QE4, QS2, QEX2, QS6, QEX6, QE2, QEX9, QS3, QE3, QT4, QEX4, QEX3

4.5. Coefficient analysis

One of the explanatory variables of the study is transparency (QI1) and which is the one factor affecting budget utilization in Ethiopian public universities. The coefficient parameter (β) for transparency (lack of transparency) affecting budget utilization in public universities is -0.103 with p-value of 0.000. Other factor remains constant, a one or more increase lack of transparency in public universities results a 0.103 decrease in budget utilization on average. As a result the transparency in the public universities is very important, has a negative and statistically significant effect on budget utilization.

Delay in approval of project proposal (QI2) by universities is another factor affecting budge utilization in public universities. The coefficient of the explanatory variable (delay in approval of project proposal) is -0.002 and p value of 0.876. Other factor remains constant a one or more delay in approval of project proposal results a (0.2%) decrease in budget utilization on average.

In this study, evaluation of budget performance at different level (QI3) were taken as independent variable and the coefficient value of the variable was (-0.008) and the p value of 0.822. This implies that, evaluation of budget performance had negative and insignificant effect on budget utilization. In this case, a one more increase budget utilization results a 0.008 unit decrease in budget utilization.

In public universities, absence of regular revision of plan where necessary (QI4) had its effect on budget utilization. The beta coefficient of the variable is 0.043 with p value of 0.147. This revealed that absence of regular revision of budget had positive and insignificant effect on budget utilization.

The other common factor affecting budget utilization was lack of top management commitment in public universities (QI5). The unstandardized coefficient value of the variable was 0.075 and p-value 0.023. Other factor remain constant a one or more increase in lack of top management commitment results 7.5% increase in budget utilization. In this regard, top management commitment had positive and significant effect on budget utilization since the p value of the variable was less than 0.05(0.023).

In budgeting system the involvement of line management is very important. Absence Full involvement of the line management in planning and processing budget (QI6) is the factor affecting in budget utilization. The beta coefficient for this variable was 0.003 with p value of 0.897. This value shows that, QI6 had positive and insignificant effect on budget utilization in Ethiopian public universities.

The most known factor affect budget utilization in most public organization was lack of linking the work plan with expenditure budget preparation (QI7). The variable (QI7) had a beta coefficient value of (-0.084) with p-value of 0.035. This implies that, QI7 has negative and significant effect on budget utilization. Other factor remain constant a one or more increase such mistake will result 8.4% decrease in budget utilization on average.

Corruption is the one of key factors affecting budget utilization elsewhere in the world. Tendency of corruption (QI8) had negative and insignificant effect on budget utilization in this study since the p value for the variable is greater than 0.05(0.210).

Lack of skill and experiences of the employee (QI9) has negative and significant effect on budget utilization of Ethiopian public universities. The coefficient of the independent variable (skill and experiences) is (-0.118) with the p-value of 0.00. Other factor remain constant a one or more increase employee with insufficient skill and experience results a 11.8% decrease in budget utilization on average. The QI9 has significant effect on budget utilization since the p value of the independent variable less than 0.05.

Budget monitoring is one the common issue in budgeting system. Lack of effective budget monitoring (QS1) has negative and insignificant effect on budget utilization in public universities. The beta coefficient of QS1 was -0.001 with p value of 0.980. The QS1 has insignificant effect on budget utilization since p value of the variable is greater than 0.05.

Lack of decentralized budget administration (QS2) has positive and statistically significant effect on budget utilization. The variable has the beta coefficient of 0.094 with p value 0.005. The QS2 has significant effect since the p value of the independent variables is less than 0.05. Other factor remain constant a one or more increase such problem in public universities will result 9.4% increase in budget utilization on average.

Lack of clear hierarchy in the administration of budget (QS3) has positive and statistically insignificant effect on budget utilization. In this study the beta coefficient for the independent variable QS3 is 0.052 with p value of 0.198.

The involvement of general auditor officer (QS4) and structural relation between different departments (QS5) had positive effect on budget utilization. The beta coefficient of QS4 is 0.007 with p value of 0.876. so, need to involve the auditor general office had significant effect on budget utilization of public universities while structural relationship between

different department had significant effect on budget utilization since p value of the variable is less than 0.05(0.028) respectively.

Lack of effective communication between and among staff on progress of the budget implementation (QS6) had negative and insignificant effect on budget implementation. In this study the beta coefficient of the variable was found to be -0.012 with p value of 0.834. Therefore, QS6 had insignificant effect on budget utilization since the p value is greater than 0.05(0.834).

There are a lot of employee work cultures that affect budget utilization. Among them, being accountable (QC1), responsiveness to government directives (QC2) and lack of focus on achieving results and management performance (QC4) had positive and statistically significant effect on budget utilization. Accountability is the one the main principle in every organization but varies from organization to organization. In this study being accountable for an action had beta value of 0.052 with the p value of 0.044. Other factors remain constant a one or more increase results 4.4% increase in proper budget utilization. Responsiveness to government directives (QC2) had beta coefficient of 0.032 with p value of 0.002. This implies that QC2 had positive and significant effect on budget utilization in Ethiopian public universities since the p value is less than 0.05.

Lack of focus on achieving main goal (QC4) had beta coefficient 0.029 with p value is 0.012 as result this variable (QC2) had statistically significant effect on budget utilization since p value less than 0.05.

On the other hand, services delivery and impartially (QC3) had negative and insignificant culture that affects budget utilization in Ethiopian public universities. The beta coefficient of the variable QC3 is -0.004 with p value of 0.739. The p value of the variable is greater than 0.05, so it has no significant effect on budget utilization.

Employee behaviors were other factors identified in the study. Among employee behavior, lack of accountability on the parts of employees (QE1) had negative and insignificant effect on

budget utilization. The beta coefficient for this variable was -0.139 with p value of 0.124. Other factor remain constant a one or more increase in accountability problem results decrease in 13.9% in budget utilization. This implies that accountability and budget utilization are inseparable.

The other employee behavioral factors were inadequate knowledge toward budget (QE2). Budget related works need sufficient knowledge in order to implement, proceed and use that budget in it plan. In this, regard the variable had beta coefficient of -0.082 with p value 0.116. as result QE2 had negative and insignificant effect on budget utilization. While lack of clear performance indicators to measure the actual results (QE4) had beta coefficient of -0.167 and p value of 0.001. This revealed that, QE4 had negative and statistically significant effect on budget utilization since the p value less than 0.05(0.001). Other factors remain constant a one or more increase in such problem results 0.167 decrease in budget utilization.

Training and education were also very important in budget utilization. Lack of adequate training on budget and plan (QT1), Lack of specialization on the part of the budget officers (QT2), lack of proper training on functioning and implementation of the budget(QT3) and lack of positive feeling among the employee(QT4) have effect on budget utilization. Lack of adequate training had negative effect on budget utilization with beta value of -0.044 and p value 0.226. This shows that, QT1 had statistically insignificant effect on budget utilization. In this regard lack of specialization had beta coefficient value 0.088 and p value of 0.014.

As result the variable QT2 had positive and statistically significant effect on budget utilization since the p value less than 0.05. Lack of proper training to employee on the functioning and implementation of budget (QT3) had 0.081 and p value 0.043. This implies that, the variable had positive and statistically significant effect on budget utilization.

In this study external influences also affect budget utilization in Ethiopian public universities. Among these external factors affecting budget utilization; government interferences(QEX1), unstable government policies (QEX2), the need of upholding strict transparency and accountability(EX3), review, expenditure cuts and alternative policies by government(QEX4), low government response to international pressure(QEX5), government interferences on annual plans(EX6), unplanned activities dropped from government(QEX7), delay in implementation of project (QEX8), limited capacity of contractors(QEX9), regulation set by

ministry of finance and economic cooperation of Ethiopia(QEX10) and ways of budget transfer from one code to another code(QEX11) were mentioned.

In this regard, expenditure cuts and alternative policies by government QEX4 (beta 0.225: p, 0.000), government interferences on annual plans QEX6 (beta=0.020& p=0.005), unplanned activities dropped from government QEX7 (beta=-0.113 & p=0.016), delay in implementation of project QEX8 (beta=0.091& p =have statistically significant effect on budget utilization while the remaining other had not significant effect on budget utilization since their p value greater than 0.05.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations	
		B	Std. Error	Beta			Zero-order	Partial
1	Constant	2.534	.448		5.657	.000		
	QI1	-.103	.027	-.119	-3.849	.000	-.365	-.393
	QI2	-.002	.011	-.004	-.157	.876	-.404	-.017
	QI3	-.008	.035	-.009	-.225	.822	-.627	-.025
	QII4	.043	.029	.058	1.463	.147	-.462	.160
	QI5	.075	.032	.096	2.324	.023	-.581	.250
	QI6	.003	.025	.004	.130	.897	-.571	.014
	QI7	-.084	.039	-.082	-2.141	.035	-.411	-.231
	QI8	-.032	.025	-.045	-1.265	.210	-.551	-.139
	QI9	-.118	.027	-.177	-4.426	.000	-.674	-.441
	QS1	-.001	.042	-.001	-.026	.980	.639	-.003
	QS2	.094	.033	.165	2.885	.005	.871	.305

	QS3	.052	.040	.095	1.298	.198	.881	.143
	QS4	.007	.047	.008	.157	.876	.626	.017
	QS5	.043	.019	.084	2.242	.028	.712	.242
	QS6	-.012	.057	-.015	-.210	.834	.709	-.023
	QC1	.052	.026	.055	2.043	.044	.411	.221
	QC2	.038	.012	.081	3.163	.002	.340	.332
	QC3	-.004	.012	-.008	-.334	.739	.189	-.037
	QC4	.029	.011	.064	2.562	.012	.056	.274
	QE1	-.139	.089	-.098	-1.554	.124	.590	-.170
	QE2	-.082	.052	-.130	-1.587	.116	.805	-.174
	QE3	.062	.094	.058	.667	.507	.729	.074
	QE4	-.167	.051	-.230	-3.301	.001	.789	-.344
	QT1	-.044	.036	-.065	-1.220	.226	.799	-.134
	QT2	.088	.035	.124	2.516	.014	.806	.269
	QT3	.081	.039	.089	2.060	.043	.746	.223
	QT4	.038	.041	.075	.923	.359	.877	.102
	QEX1	.030	.029	.063	1.038	.303	.818	.115
	QEX2	.022	.025	.054	.895	.374	.822	.099
	QEX3	.060	.079	.069	.757	.451	.681	.084
	QEX4	.225	.049	.383	4.634	.000	.836	.458
	QEX5	.020	.040	.028	.494	.623	.796	.055
	QEX6	.092	.032	.185	2.908	.005	.871	.307
	QEX7	-.113	.046	-.140	-2.453	.016	.776	-.263
	QEX8	.091	.029	.139	3.124	.002	.752	.328
	QEX9	-.017	.043	-.027	-.385	.701	.845	-.043
	QEX10	-.039	.044	-.035	-.872	.386	.677	-.096
	QEX11	.041	.050	.030	.821	.414	.515	.091

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5.1 Conclusions

There are so many factors affecting budget utilization in Ethiopian public universities. Among them, lack of transparency, delay in approval of project proposal, lack of evaluation of budget performances, absences of regular revision of plan where necessary, lack of top management commitment, lack of involvement of line management in planning, lack of linking between the work plan with expenditure preparation, tendency of corruption, lack of skilled and experienced man power and lack ICT collectively are internal factors affecting budget utilization. Similarly lack of effective budget monitoring, lack of decentralized budget administration, lack of clear hierarchy in budget administration, auditor's involvement, the structural relationship between different departments and lack of effective communication are universities structural factors affecting budget utilization. Furthermore, lack of responsiveness to government directives, fairness and impartiality, lack of focus on achieving results and managing performances were employee cultural factors affecting budget utilization. In this study, Lack of accountability, inadequate knowledge of people toward budgeting, failure to present information on budget progress, lack of clear performance indicators to measure the actual results were the common employee behavioral factors affecting budget utilization. The other common factors that influence budget utilization were, Lack of adequate training, lack of specialized man power on the part of budget officers, government interferences, unstable government policies, low government response to international pressure, unplanned activities dropped from government, delay in implementation of project by contractors, limited capacity of contractors, regulation set by MoFECE and ways of transfer budget from one budget code to another budget code. Over recent years, there is an increasing interest in research on factors affecting budget utilization in Ethiopian public universities. On the other hand, very few research works were conducted on factors affecting budget utilization in Ethiopian public universities. The issue of factors affecting budget utilization in Ethiopian public universities is very important and researchable topic in the context of Ethiopia but not well studied in the country. Some researchers have attempted to identify the factors affecting budget utilization in Ethiopian public universities. However, the results of the prior studies have provided varying evidence related to the factors affecting budget utilization. Based on the aforementioned, the

general objective of this study was to investigate factors affecting budget utilization in Ethiopian public universities. To achieve the proposed objective, the study used explanatory research design with qualitative approach. The qualitative data were collected through Likert scale question of concerning bodies. The researcher used primary data source. The collected data were analyzed by using descriptive statistics, Pearson correlation analysis statistical package SPSS latest version.

The regression analysis of the study that, the R2 and adjusted R2 value highly fitted the model used in the study since the R2 and Adjusted R2 values greater than 50 %(96.8 &95.3%). There is no problem of autocorrelation because the durbin Watson value of the model found to be 1.79 which is normal (1.5<1.79<2).

The results of the model showed that, lack of transparency, lack of linking the work plan & budget preparation, tendency of corruption, lack of skill and experienced man power had a negative and significant effect on budget utilization in the study area. On the other hand, lack of top management commitments had positive and significant effect on budget utilization. In this regard the top management in these selected universities was committed to use their allocated budget and they tried to uses the budget in visible projects as much as possible. However, the other internal factors used in this study had not significant effect on budget utilization.

There is decentralized budget administration in selected public universities. Accountability and responsiveness to government directives had positive and significant effect on budget utilization. This indicated that, there is accountability in study areas and the employee responded the government directives properly.

Again in this study the researcher found that lack of clear performance indicators to measures the actual results had negative and statistically significant effect on budget utilization. This revealed that, even if the budget used properly but there are no clear indicators to show their achievement and performance.

The other independent variables in the study were cultural factors that had mixed effect on budget utilization. Among them, expenditure cuts &alternative policies by the government, and government interferences in annual plan had positive and significant effect on budget utilization. While, unplanned activities dropped government negatively affect budget

utilization and had significant effect on budget utilization. The remaining other external factors had no significant effect in budget utilization in public universities.

5.2 Recommendation

The findings of this study indicated that the variables such as lack of transparency, lack of linking the work plan & budget preparation, tendency of corruption, lack of skilled & experienced man power and lack of clear performance indicators to measure the actual results, and unplanned activities dropped from government negatively and significantly affected budget utilization in selected Ethiopian public universities. On the other hand accountability, responsiveness to government directives, expenditure cuts & alternative policies by the government and government interferences on annual plan positively and significantly affect budget utilization in selected Ethiopian public universities. Therefore, factors affecting budget utilization in Ethiopian public universities should pay greater attention to these significant variables in examining the factors affecting budget utilization in Ethiopian public universities. The following recommendations are made based on results of this study.

- Based on the result attained and the conclusion drawn from the study, due consideration should be given by the government on the budget of those activities released unexpectedly without a plan after the budget was assigned to universities.
- Transparency should be very important to clear up what was done and to use allocated budget properly and wisely.
- In budget preparation due consider is necessary for budget utilization in order to link work plan with budget preparation.
- The government should set strict rules and regulation to punish for those corrupted individuals in public organizations particularly universities.
- The government should apply Block grant budget method for public Universities specifically for the capital budget to utilize the approved budget successfully on those projects which have the best performance during the fiscal budget year. Meanwhile some events are consuming more budget than allocated and some are less due to different external factors and Implementation of projects was found to be limited by this red tape and if the same is reduced, then the success of budget utilization will be improved.

- Consequently, the possible of the contractor both technical and financial capacity and their past performance should be appraised before coming to an agreement and there should be a need timely and constant follow up of the improvement of the project and take corrective action before the end of the fiscal budget year.
- The result of the study showed that structural factors had positive and significant impact on budget utilization. Therefore the organization should maintain confirmatory action so as to increase transparency and accountability, top management commitment, to enhance communication system and increase relationship between different organizations.
- The result of the study showed that the internal factors affect budget utilization. Which is mainly arise from, lack of incapacitated budget officers in terms of skills knowledge in each level ,inadequate human resource and lack of continuous monitoring, evaluation. Therefore it would be a great attention should be given by university managers during budget plan and implementation by capacitating the employees through training and involving all concerned bodies in budget plan and implementation.

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APPENDIXES

Questionnaire

Dear respondents:

I am a postgraduate student of the Wolkite University who is conducting a research on the topic: “Factors affecting Budget Utilization in Ethiopian public universities”. The research is in partial fulfillment of the requirement for the award of Masters of Science in accounting and finance. The responses provided will be kept confidential and used for academic purpose only.

Questionnaire distributed to EPSE budget users and budget holders

PART I. Socio-demographic characteristics of respondents

1. Sex: A. Male B. Female

2. Age A. 25-30 years B. 31-35 years C. 36-40 years D. Above 40

3. Educational level: A. Certificate B. Diploma C .First Degree D.Masters and above

4. Job experience: A. Less than two year’s B. Five to Seven year C. Three to four years d. Greater than seven year

PART II. The questionnaire items about proper budget utilization and 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:-

EPSE(finance, planning and internal audit staffs of the university)

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

SECTION A.

GENERAL INFORMATION

1. Name of your university_____

2. Gender of the respondent Male ☐ Female ☐

3. What is your work experience in your university? _____ Years.

4. Respondents leadership position

A. Expert ☐

B. Team Leader ☐

C. Department Head ☐

D. Directors/ Dean ☐

E. Top level Management (President and Vice President) ☐

5. Respondent's educational level

A. Certificate ☐

B. Diploma ☐

C. Bachelor Degree ☐

D. Master ☐

E. PhD ☐

6. Respondents category by department

A. Finance and Budget ☐

B. Procurement ☐

C. Audit ☐

D. Planning ☐

E. School directors ☐

F. Department head ☐

G. Others ☐

SECTION B: Budget Utilization

7. Please indicate the extent to which you agree with the following statements relating to the annual budget planning and utilization of your University

Key: 5= Strongly Agree; 4= Agree; 3= Neither Agree nor disagree; 2= Disagree; 1= strongly disagree

No	Statement	5	4	3	2	1
1	Your university utilizes the approved budget based on its plan.					
2	There is a tradition of overspending of budget in your university.					
3	There is underutilization of budget in your university					
4	There is a problem of matching plan with a budget in your university.					
5	There is a tendency of submitting budget requests without a plan					
6	Budget is prepared based on reliable data and estimates					
7	The budget demand prepared by your office is based on approved plans and programs.					
8	Plans of your office are systematically linked to the annual budget.					
9	Your office revises its plan frequently in relation to budget.					
10	You have adequate understanding to prepare plans and program budget.					
11	Your office has adequate number of professionals (budget officers) who prepare plans and budget					
12	All concerned bodies are involved during the budget plan					
13	The amount of budget prepared for each program is based on an estimate					

8. In your perception, how do you see the financial performance of your university?

A. Improving ☐ B. Not improving ☐ C. As it is ☐ D. I don't know ☐

SECTION C: Internal Factors affecting budget Utilization in the Public Higher Education Institutions

9. The table below presents statements regarding internal factors that affect budget utilization in your university. Please indicate the extent to which you agree or disagree with each statement by ticking on the appropriate column, using the scale below. **Key: 5= Strongly Agree; 4= Agree; 3= Neither Agree nor disagree; 2= Disagree; 1= strongly disagree**

No	Statement	5	4	3	2	1
1	Lack of transparency and accountability has affected utilization of budgets					
2	Delay in approval of project proposal by organizations (universities) has affected utilization of budgets					
3	Absence of the evaluation of budget performance at different level affects budget utilization.					
4	Absence of regular revision of plan where necessary					
5	A lack of the top management commitment affect budget utilization					
6	Absence of full involvement of the line managers in planning and budgeting process.					
7	Lack of linking the work plan with expenditure budget preparation					
8	Tendency of corruption affects budget utilization					
9	Lack of skills and experience of employees affects budget utilization					
10	Lack of ICT affects budget utilization					
	Structural Factors					
11	Lack of effective budget monitoring affects budget utilization					
12	Lack of decentralized budget administration system					
13	A lack of clear hierarchy in the administration of budgets affects the budget utilization					

14	The need to involve the auditor general office in major projects affects the budget utilization					
15	The structural relationship between different department affect budget utilization					
16	A lack of effective communication to all staff on the progress of the budget implementation					
	Cultural Factors					
17	Employees being accountable for action affect budget utilization					
18	Responsiveness to a government directive affect budget utilization					
19	Delivery of services fairly and impartially affects budget utilization					
20	Lack of focus on achieving results and managing performance					
	Employee Behavioral Factors					
21	Lack of accountability on the part of employees					
22	Inadequate knowledge of people toward budget (program Budget)					
23	Failure to present information on budget progress to facilitate scrutiny by other relevant government agencies affects budget utilization					
24	A lack of clear performance indicators to measure the actual results					
	Training and education					
25	Lack of adequate training on budget and plan affects budget utilization					
26	Lack of specialization or skill on the part of the budget officers					
27	There exist a lack of proper training to employees on the functioning and implementation of the budgets					

28	As a result of a lack of adequate training, there is no positive feeling on the budget among the staff which affects budget utilization					

10. In your view, what is the most important internal factor that influence budget utilization in public universities of Ethiopia?

_____

_____

_____

_____

SECTION D: External Factors affecting budgeting Utilization in the Public Higher Education Institutions

11. The table below presents statements regarding external factors that affect budget utilization in your university. Please indicate the extent to which you agree or disagree with each statement by ticking on the appropriate column, using the scale below. **Key: 5= Strongly Agree; 4= Agree; 3= Neither Agree nor disagree; 2= Disagree; 1= strongly disagree**

No	Statement		4			
1	Government interferences affect the utilization of budgets in the public university.					
2	Unstable government policies from one fiscal year to another affect budget utilization					
3	The need of upholding strict transparency and accountability has affected utilization of budgets					

4	Reviews, expenditure cuts and alternative policies by the government affects budget utilization					
5	Low government response to international pressure changes the policy attention affect budget utilization.					
6	Governmental interference on the annual plans affects its implementation					
7	Unplanned activities dropped from government affects budget utilization in public universities					
8	Delay in implementation of project by contractors affects budget utilization					
9	Limited Capacity of contractors affects budget utilization					
10	Regulations set by Ministry of Finance and Economic Cooperation of Ethiopia(MoFECE) to transfer budget from one program to another program					
11	Way of transfer budget from one budget code to another code					

THANK YOU