WOLKITE UNIVESITY COLLEGE OF BUSSINESS AND ECONOMICS DEPARTMENT OF ACCOUNTING

ASSESSMENT OF BUDETARY PERFORMANCE (CASE STUDY EZHA WEREDA FINANCE IN GURAGHE ZONE)

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ABSTRACT

The establishment of effective budgetary performance is important for every organization in order to achieved its objectives and future plan of action. This research is conducted to the assessment of budgetary performance in Gurage zone ezha wereda finance organization.The objective of the study is to assess the budgetary performance and identify any problems which affect its effective implementation of budget in general.

In collecting data the researcher used both primary and secondary source of data. The primary data collected from questionnaire and through interview. The secondary source of data collected from reference books, internet and also used the four year budget report of the organization. The sample used for this research were simple random sampling techniques.The data analysis would be carried out based on tabulation and percentage method and interpreted accordingly.During the study major limitations like shortage of finance, lack of sufficient written materials from the organization & shortage of time. Finally summary, conclusion and recommendation on alternative sources usage are forwarded to combat the possible solution.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Budgetary performance is a critical aspect of public financial management, reflecting how effectively governments allocate and utilize financial resources to achieve development goals.

Efficient budget execution ensures the delivery of public services, promotes economic growth, and enhances accountability in governance. However, in many developing countries, including Ethiopia, local governments often face challenges in budget implementation, including weak revenue mobilization, misallocation of funds, and inefficiencies in expenditure management.

The Gurage Zone's Ezha Woreda, like many local administrations in Ethiopia, relies on budgetary resources to finance infrastructure, education, healthcare, and other essential services. Assessing its budgetary performance is crucial to identifying gaps in revenue collection, expenditure control, and service delivery.

By analyzing revenue trends, expenditure patterns, and key challenges in budget implementation, this study provides insights into improving fiscal discipline and public financial management at the local level. The findings will be valuable for policymakers, administrators, and stakeholders in enhancing budgetary efficiency, ensuring transparency, and fostering sustainable development in the region.

budgetary performance is essential to determine whether allocated funds are being used efficiently and whether they meet the intended development objectives. This study evaluates revenue mobilization, expenditure management, and key challenges in budget execution to identify gaps and recommend improvements. The findings will help enhance financial accountability and guide policymakers in strengthening public financial management for better service delivery and local development.

The research examines three core dimensions of budgetary performance: revenue generation adequacy, expenditure alignment with development priorities, and operational efficiency in budget execution. Particular attention is given to analyzing variances between planned and actual budget outcomes, identifying institutional constraints, and evaluating the impact on key service delivery sectors. By employing both quantitative analysis of fiscal data and qualitative assessment of administrative processes, the study aims to provide actionable insights for improving public financial management systems. The findings are expected to contribute to policy discussions on enhancing local government fiscal autonomy while strengthening mechanisms for financial accountability and performance monitoring in Ethiopia's decentralized governance framework

1.2 Background of the organization

Ezha weeda is found in southern part of Ethiopia, which is found in eastern gurage zone.

The wereda were far 40km around the town (wolkite) and 190km far from the center (Addis Ababa)The area were the best known in natural resource like kotter gedra forest and fesa water. In the forest three are many different kinds of wild animals like Hyna, Fox, Appe etc

The weather condition of the area becomes dega & woinadega this is suitable for production of different crops.

The population of the area is the best known by facilitating different infrastructure like school, road health service etc.

The no of population increase from year to year in the organization, this cause migration to different part of Ethiopia.

1.3 Statement of the problem

Effective budgetary performance is fundamental to local government functionality and sustainable development. However, in many Ethiopian municipalities, including Ezha Woreda in the Gurage Zone, there exists a significant gap between budget planning and actual execution. Despite annual budget allocations for critical sectors like education, healthcare, and infrastructure, persistent service delivery shortfalls suggest inefficiencies in financial management. This raises serious concerns about whether allocated public funds are being utilized optimally to achieve intended development outcomes.

liminary observations indicate several systemic challenges: chronic under-collection of local revenues, frequent reallocation of budgets between sectors, delays in project implementation, and weak expenditure tracking mechanisms. These issues are compounded by limited technical capacity in financial management, inadequate monitoring systems, and insufficient public participation in budgetary processes. The consequences are evident in substandard public services, uncompleted development projects, and growing public dissatisfaction with local governance.

This study seeks to investigate the root causes of these budgetary performance challenges in Ezha Woreda. Key questions guiding the research include: To what extent does the woreda achieve its revenue targets? How effectively are budgeted funds expended according to planned priorities? What institutional and operational factors hinder optimal budget execution? By systematically examining these issues, the study aims to provide empirical evidence that can inform policy interventions to strengthen public financial management at the local government level. The findings will be particularly valuable for policymakers and administrators seeking to enhance fiscal accountability and improve service delivery outcomes in similar Ethiopian municipalities.ExampleService Delivery Shortfalls: Healthcare Access: In some regions, a lack of adequate healthcare facilities leads to long wait times for patients, resulting in preventable health issues. For instance, in rural areas of certain countries, patients may travel over 50 miles to reach the nearest hospital, leading to delayed treatments and poorer health outcomes.Example

Revenue Under-Collection:Tax Evasion: A significant number of individuals or corporations may underreport income or fail to pay taxes, leading to substantial revenue losses for governments. An example could be a country where tax evasion rates are estimated at 20%, resulting in billions of dollars lost that could fund public services.

1.4 Objective of the study

1.4.1 General Objective

The general objective of this study is to assess the budgetary performance of Ezha Woreda in the Gurage Zone by evaluating its revenue mobilization, expenditure management, and overall efficiency in budget execution. The research seeks to identify key challenges and gaps in the budgetary process and provide evidence-based recommendations to improve financial accountability, resource allocation, and service delivery outcomes.

1.4.2 Specific Objective

This research aims to achieve the following specific objectives in assessing the budgetary performance of Ezha Woreda:

1. **To evaluate the effectiveness of revenue mobilization**
2. **To examine expenditure management efficiency**
3. **To identify institutional and operational constraints**
4. **To assess the impact of budgetary performance** on key service delivery sectors (education, health, infrastructure) through:
5. **To propose evidence-based recommendations**

1.5 Significance and scope of the study

1.5.1 Significance of the study

The assessment of budgetary performance in Ezha Woreda holds substantial importance for multiple stakeholders, including policymakers, local government officials, development partners, and the general public. The significance of this study can be categorized into the following key areas:

1. Enhancing Public Financial Management

- The findings will provide insights into gaps in revenue mobilization and expenditure efficiency, helping to strengthen financial accountability and transparency in the woreda.

- Improved budget execution can lead to better allocation of scarce resources, ensuring that funds are directed toward priority development projects.

2. Improving Service Delivery & Development Outcomes

- By identifying bottlenecks in budget implementation, the study can help enhance the quality and accessibility of essential services (e.g., education, healthcare, and infrastructure).
- Efficient budget utilization ensures that planned projects are completed on time, directly benefiting local communities.

3. Strengthening Local Governance & Accountability

- The research promotes participatory budgeting by encouraging citizen engagement in fiscal oversight.
- It highlights the need for stronger monitoring and evaluation mechanisms to reduce mismanagement and corruption risks.

4. Informing Policy & Decision-Making

- The study provides empirical evidence for policymakers to design better fiscal policies and reforms at both local and regional levels.
- It serves as a reference for other woredas facing similar budgetary performance challenges.

5. Contributing to Academic & Development Discourse

- The research adds to existing literature on public financial management in decentralized governance systems.
- It offers practical recommendations for development partners and NGOs working on capacity-building initiatives in local governments.

6. Economic & Social Impact

- Efficient budget execution fosters economic growth by ensuring that public investments yield maximum returns.
- Improved service delivery enhances living standards, reduces poverty, and promotes sustainable development.

1.5. 2 Scope of the study

To come up with effective and better study, it was better if the study would be conducted on over all organization performance as compared with other similar organizations performance but due to the financial and other constraints this study conducted only in Ezha wereda finance therefore the study is limited to the organization.

And also This study assesses the **budgetary performance of Ezha Woreda** (Gurage Zone, Ethiopia), focusing on:

1. **Revenue Mobilization** – Tax/non-tax collection efficiency
2. **Expenditure Management** – Budget vs. actual spending, sectoral allocations
3. **Execution Efficiency** – Timeliness, procurement delays, project completion
4. **Institutions Covered** – Woreda finance office, revenue authority, sector office.

1.6 Limitation of the study

In doing this research paper, the researcher face the following problems.

- During data collection some respondent are not willing to give information.
- Lack of sufficient materials from the expected organization
- Time and financial constrains

1.7 Organization of the paper

This paper includes five chapters. The first chapter present the introduction part which reflecting the background, statement of the problem objective of the study, significance of the study, scope of the study, limitation of the study and organization of he paper. The second chapter deals with literature review. The third chapter deals with methodology of the study. The fourth chapter deals with data analysis and interpretation and the fifth chapter consists of summary, conclusion & recommendation.

CHAPTER TWO

Related Literature Review

2.1 Meaning of Budget

According to Cherington budget is defined as follows

Budget is an itemized estimate of the operating result of enterprise for a future time period. Forms of budget vary from organization to organization. Budget is eventually summarized in to the form of normal financial statements. The major difference between budget and the financial statement is the data used to develop each, financial statement are based in actual result of past operations, where as budget are based on planned operations for a future time period, because of this budget is a performa statements. (Cherington P.140)

2.2 Characteristics of budget

Budget has many characteristics, According to MN. ARORA budget have the following characteristics

- A budget is primary planning and control device
- A budget is prepared in monetary term and/or quantitative term
- A budget is prepared for defined future period
- It shows planed income and expenditure and also the capital to the employed
- Purpose of budget is to implement the policies formulated by management for attaining the given objective

(Source MN. ARORA, 8th edn, P 13)

2.3 Effect of budget control

Budget are major future of management control system. In general they can:-

- Provide performance criteria
- Compel planning including the implementation of plan
- Promote communication and coordination within the organization
- Effect behavioral and organizational processes.

2.4 The Master Budget

A master budget is a set of period budgets that have been consolidated into forecasted financial statements for the entire company. Each period supplies the projected costs and revenues for a part of the company. When combined these budget show all anticipated transaction of the company for a future accounting period.

Three steps lead up to the completed master budget

1. Periodic budget are prepared
2. For casted income statements prepared
3. Forecasted balance sheet is prepared

   (SOURCE NEEDLES, ANDERSON, CALDWELL, P. 805)

2.5 Budget Implementation

Budget implementation is the responsibility of the budget directory. Communication and support determine the success of budget implementation process proper communication of expectation and targets to all key people in the company is essential. All employees involved in the operations of the business must know what is expected of them and they must receives directions on how to achieve there goals. Equally important top management must support the budgeting processes and encourage implementation of the budget. The processes will succeed only if middle, and lower level managers can see that top management truly is interested in the outcome and willing to reward people for meeting the budget goals.

Budgets must be classified and then charged to the different general ledger account the projected financial statement are the end product of the budgeting process

At this point, management must decide whether to accept the proposed master budget, as well as the planned operated results , or ask the budget director to change the plans and do part of the budget over again.

(SOURCE NEEDLES, ANDIRSON, CALDWELL, P.812)

2.6 Budget relative to time

Development of an annual budget is only one segment of the ongoing planning process of business, for the planning process to be more successful, there must be long range goals, intermediate objective and short term plan of action according to Cherrington P141

2.6.1 Long range goal: Identify the direction of a company over a 5 year to 10 year the goal are stated in general term but deal with specification in which the company intended to be successful

2.6.2 Short term plan: Is budget or annual forecast, identify the activity to be accomplishing during the coming year.

2.6.3 Intermediate Objective**:** Identifies the specific stages that will lead to accomplishing the long term goals, they provide a link between short term plan and long term objective

2.7 The structure of budget

Budget is classified broadly into two category these are operational budget and financial budget.

2.7.1 Operational budget: which reflect the result of operating decision of the firm

2.7.2 Financial budget: which reflect the financial decision of the firm .

The operating budget consists, sale budget, production budget, Ending inventory budget cash receipts budget, direct material budget, factory overhead budget, selling and Administrative expense budget. (Source Schaum's P.70)

2.7.3 Sales budget

The starting point of any master budget is the sales revenue budget based on forecasted sale of goods or services Sales forecasting: is the process of predicting sale of services of goods. Various procedures are used in sale forecasting and final forecast usually combines information from many different sources. Many firm have top management-level market research staff whose job is to coordinate the company's sale forecasting efforts (source: Hilton, Maher & Selto, P.627)

2.8 CASH BUDGET

Cash budget is prepared in order to forecast the firms future financial need. It is also a tool for cash planning and control, because the cash budget detail is the expected cash receipt and disbursement for a designed time period, it helps to avoid the problem of either having idle cash on hand or suffering a cash shortage, However, if a cash shortage is expected, the cash budget includes weather shortages temporary or permanent, i.e. weather short term or long term borrowing need. Cash budget typically consists of the following four major section.

2.8.1 The receipt section:- Which gives the beginning cash balance, cash collection from customers and others.

2.8.2 The disbursement section: which should all cash payment made or listed by purpose

2.8.3 The cash surplus or deficit section: which simply shows the difference b/n cash receipts and cash disbursement action.

2.8.4 The financial section: Which provide a detailed account of the borrowing and repayment expected during the budgeted period (Source Schams P.75)

Estimate of cash at particular point of time may be made with the help of the following:-

1. **Budgeted Balance sheets cash budget**: the cash budget may be prepared inline of capital budget with the help of budgeted balance sheet. This cash budget is essential for static type.
2. **Fund flow type of cash budget**: It does not show as to how the expected cash deficits arising
3. **Cash account type or receipts and payment type of cash budget**: Fund flow type analysis is better balance sheet type of approach

   (Source Hrishikesh Chakraborty & Srijit Chakraborty, P. 672)

2.9 The budget process

The budget process is as important into day's globally competive operation environment as in traditional environments. In fact budget becomes even more important when just in time (JIT) or total quality manager (TQM) technique are a plied and when computer and other electronic operation and data accumulation device are used. In these new operating setting actual operating data are made available quickly, and budgets must be updated continuously to accommodate management's need for performance evaluation. The basic principles of budgeting do not change in these environments, only the speed and timing with which they are applied (Source: Needles, Anderson, Caldwell P798)

2.10 The Need for Budgetary Control

Budgetary controls the process of developing plan for company's expected operations and controlling operations to help carry out those plans. The basic objective of budgetary control are the following:

2.10.1 To aid in establishing procedures for preparing a company's planned revenue and costs

2.10.2 To aid in coordinating and Communicating those plans to various levels of management

2.10.3 To formulate a basis for revenue and cost control

A business does not benefit from budgetary control by operating haphazardly the company must first set quantitative goals, define the role of individuals and establish operating targets or detail operating budget.

A period budget is a forecast of operating results for segment or function or a company for a specific period of time, it is quantitative expression of planned activity and requires timely information and careful coordination.

(Source Needles, Anderson, Caldwell, P.800)

2.11 THE BASIC OBJECTIVE OF BUDGETARY CONTROL

1) It lays down define targets of production and sales with corresponding allowable expenses. Which can be exceed only with prior approval
2) It provides definite and precise guidance regarding sales, production and finance. Types and quantities to sold and expense allowable for sale are clearly indicated. As regards production, definite instructions regarding types, quantities materials, labour and other allowable expense are available similarly, from the point of view of finance; guidance is available with respect to working capital and capital expenditure to be incurred.
3) It acts as coordinating machinery between different functional heads. Otherwise, there might be production without chance of sales, or there may be commitment for supply when chance of production would be meager, or production might be held up for want of certain materials, or for certain grades of labour

4) This is helpful in controlling production by limiting chance of wastage. Similarly, it keeps in control cost and expense by limiting the allowable expenses where decentralized functioning of is essential.
5) An aid to management in policy matters, from working of one budget management may change future plans and programs by eliminating proper line and by concentrating on more profitable illness or area. Budgetary control thus continually helps management in modification and revision of policy, and the revised policy shall be the basis of the next plan and budget.
6) It provide objective basis of judgment executives rather than pure guess these providing them with an opportunity to strive for some calculated better result Budgetary control is the system of management control in which all the operations sale purchases, production etc. are for case in advance and the results, when known, are compared with the planned targets.

(source, HRISHIKESH CHAKRABORTY & SRIJIT CHAKRABORTY, P. 584)

2.12 Purpose of budgeting system

A budget is a detailed plan, expressed in quantitative terms, that specifies how an organization will acquire and use resources during a particular period of time.

Budgeting systems have five primary objectives

- Planning

  The most obvious purpose of a budget is to quantify a plan of action, the budgeting process forces the individual who constitute an organization to plan a head
- Facilitating Communication and Coordination

  For any organization to be effective, each manger throughout the organization must be aware of plan made by other managers. Inorder to plan reservation and ticket sale effectively for facilitating communication and coordination is one example.
- Allocating Resources

  Generally an organization resource is limited and budgets provide one means of allocating resources among competing users.
- Managing Financial and Operational performance

A budget is a plan and plans are subjected to change. Nevertheless, a budget serve as a useful bench mark with which actual results can be compared

- Evaluating performance and providing incentives

  Comparing actual results with budgeted results also helps managers to evaluate the performance of individuals, departments, divisions or entire companies, since budget are used to evaluate performance, they can also be sued to provide incentive for people to perform well.

  Different types of budget serve different purposes. A master budget, or a profit plan, is comprehensive set of budgets covering all phase of an organizations operation for a specified period of time.

  (Source Hilton, Maher, Selto, P.625)

2.13 Basic Principles of budgeting

The preparation of an organizations budget is important to its success for three reason, first, preparing a budget forces management to look ahead & plan both long range and short range goals and events. Second the entire management team must work together to move and carryout the plans. Third, by comparing the budget with actual results and it is possible to review performance of all levels of management.

1. Long range goals principles

Annual operating plans cannot be made unless those preparing the budget known the direction that top management expects for the organization long range goals, projections covering a five to ten years period, must be set by top management (Needles, Anderson, Caldwell P.802)

2.Shortrange goals and strategies principle

One management has set the short-range goals the controller or budget director takes charge of preparing budget. These person designs a complete set of budget development plans & time with deadlines for all levels and parts of the year’s operating plan (Needle, Anderson, Caldwell, P.804)

3. Human responsibilities and interaction principle

First the section of a budget director (and staff, if necessary) a very important to an effective budgeting system. These person must be able to communicate well with the people both above and below in the organization hierarchy 2^{nd} we have mentioned that all participants should be identified and informed of there responsibilities, the identification process begins with high level managers. Full communication throughout the budgetary process is our final interaction principles. In particular, the budget must be communicated clearly to the participants each one of these people playing a part in developing the budget and implementation effective budgeting then require participative budgeting, which means that all level of personnel task part in the budgeting process in meaning full active way.

(Source, Needle, Anderson, Caldwell P804)

4. Budget housekeeping principles

Which means that three guidelines should be followed, first a realistic approach must be taken by the participants. Second deadlines must be meet. Third the organization must use the flexible procedures for implementing the budget. Realisms a two-way street. Top management must first suggest attainable targets and goals, there each manager must provide realistic information and not place departmental goals a head of the goal of the whole organization .

Deadlines are important because budget preparation depend on the timely cooperation of many people if one or two people ignore a dead line for submitting information, the budget might not be ready on time, management should communicate the important of time table to all participant & should review time submission of budget data as part of each manger performance evaluation.

Our final principle of budget housekeeping call for flexibility. Budget should always be treated as guide and not as absolute truths, budget are important guide to the action of management.

5. Budget follow-up principle

Since the budget consist of projections and estimates, it is important that it be checked and corrected continuously. It more sense to correct and error than to work with an incorrect guide. Budget follow up and data feedback are part of the control aspects of budgeting cost organization and departmental expectations can also be unrealistic. Such problems are detected when performance reports compare actual results with budgeted results.

(Source Needle, Anderson, Caldwell, P.805

CHAPTER THREE

METHODOLOGY

3.1 Source of data

3.1.1 Primary data:- Would gather from employees of the organization by To collect the necessary data the study team used both primary and secondary source of data.
distributing questionnaire and interview through related parties

Questionnaire:- contain both open-end and close-end questions

Interview:- by directly communicate with the finance manager

3.1.2 Secondary source of data: which are collected or obtained from review of selected materials which are related to the assessment of budgetary performance, like reference book, magazines, used internet and the organization budget report document.

3.2 Sampling techniques

The sample selection carried out by a research, so that it is reliable as to the representation of the total population, who are believed high civil servants to the finance organization.
The research, therefore, focus on the employee of the organization by using simple random sampling techniques to acquire the necessary information and to make clear investigation for the current research. The total population of the study are would include 28 employees. Out of the total, the researcher would study only forteen (14) or fifty (50%) randomly selected employees taking this in to account on factors it is found necessary to use personal judgment.

3.3 Method of Data analysis

In this study the data has been analyzed and interpreted using different methods, the method include tabulation and percentage. Tabulation used to arrange data in a table or other summary format to facilitate the process of comparison of various data analysis. Certainly! When analyzing qualitative data, such as interviews, integrating methods structured around themes, patterns, and narratives can provide deeper insight alongside quantitative measures like tabulation and percentages. Here’s how qualitative data can be analyzed:Analyzing Qualitative Data (e.g., Interviews)

Transcription: All interviews are initially transcribed verbatim to ensure that the original context and nuance of the conversation are preserved. This transcription forms the basis for all subsequent analysis.

Coding: After transcription, the data is systematically analyzed through a coding process. Open Coding: Initial codes are generated based on the data itself, allowing for emergent themes to be identified.Axial Coding: This step involves connecting related codes and structuring them into broader themes, helping to organize the qualitative data effectively.

CHAPTER FOUR

Data analysis and interpretation

This part deals with the major findings of the study. For data analysis and interpretation purpose the relevant information was gathered from questionnaires distributed to the employees of the organization and face to face interview with finance manager and also the four year budget report from the organization

Finally, the collected data organizes and arranged in appropriate manner, that will be readable and understandable to the reader by using different analysis and interpretation techniques like percentage and table.

Table 4.1 Demographic characteristic of respondent and their educational qualification.

Sex	Educational level							
	Degree		Diploma		12th Complete		Total	
	No	%	No	%	No	%	No	%
Male	2	14.3%	5	35.7%	2	14.3%	9	64.3%

Female	1	7.14%	3	21.4%	1	7.1%	5	35.7%
Total	3	21.43%	8	57.14%	3	21.4%	14	100%
Mean								4.67
SD								2.89

(Source: Data collected through questionnaires)

From the above table, the respondent answer indicates that 8(57.14%) of the respondent are diploma holders, 3(21.43%) are degree holders and also3(21.43%) of the respondent are 12th complete. In addition to this the respondent response indicates that most of the employees are males that is 9(64.3%) of the total population and the rest 5(35.7%) of the respondent are female. the variance between planned and actual budgets serves as a vital tool for assessing an organization's financial health, operational efficiency, and strategic direction. By carefully analyzing these variances, organizations can make informed decisions that enhance performance, improve forecasting accuracy, and ultimately drive better financial outcomes. It is essential for organizations to establish a systematic approach to variance analysis as part of their overall financial management strategy to navigate challenges effectively and seize opportunities for growth.

The demographic data reveals that the majority of respondents hold a Diploma (57.14%), with fewer respondents having completed a Degree or 12th grade. Males make up 64.3% of the respondents, indicating a gender imbalance in the finance office.

Table 4.2 Respondents response for know how about budgetary performance

Type of response	No of respondent	Percentage (%)
Yes	14	100%

Source: data collected through questionnaires)

From the above table we can observe that all respondents 14(100%) of the organization are know about the budgetary performance

Table 4.3 Employees participation during budget preparation

Types of response	No of respondent	Percentage (%)
Yes	4	28.57%
No	10	71.43%
Total	14	100
Mean		7.00

SD		4.24

(Source: data collected through questionnaires)

The above table indicates that 10(71.43%) of the respondents response are the employees not participated during budget preparation. The rest 4(28.57%) of the respondent response yes, this indicate more than half of the respondents are not participated during budget preparation.

From interview the response of the finance manager indicates participatory budget are important instrument for overall organization activity. In many constraints it is difficult to participated all employee during budget preparation like overload of work and sickness of employees. All 14 respondents (100%) affirmed that they are aware of budgetary performance, indicating strong general knowledge among staff regarding budgeting concepts. This suggests a significant gap in employee involvement, with relatively high variation, indicating a need for more inclusive budget preparation practices to enhance ownership and accountability.

Table 4.4 Respondent response factor affecting the organization budgetary performance

Budgetary performance affecting factors	No of respondent	Percentage(%)
In appropriate budget allocation	7	50%
The organization manager	3	21.43%
Employees of the organization	3	21.43%
Shortage of fund	1	7.14%
Total	14	100%
Mean		3.50
SD		2.52

(Source: data collected from questionnaires)

From the above table, out of the total (14) respondents 7(50%) of the respondent response that the major factor affecting the organization budgetary performance is in appropriate budget allocation, 3(21.43%) of the respondents answered indicates that factor affecting the organization budgetary performance is the organization manager and also 3(21.43%) of the respondent response indicate that employees affecting the budgetary performance of the organization. The rest 1(7.14%) of the respondent says that budgetary performances is affected by shortage of fund.

From interview the manager response indicates that the employees are affect the budgetary performance of the organization by low involvement during budget preparation, doesn’t participate in their specific job accordingly &recording of revenue and expense is not recorded accurately. Due to this reason the organization budgetary performance is affected.

In general the manager response the major factor which affect the organization budgetary performance are the following.

Inappropriate budget allocation:- this means that during budget preparation time the allocation of budget for each department is not fairly balanced with its activity, the 2nd factor which affect the organization budgetary performance is employees, employees affect budgetary performance due to not participated at specific job. The 3rd factors is low coordination of employees and manager, this problem is created due to un willingness of employee doing their activity. The most cited factor was inappropriate budget allocation (50%), followed by issues related to managers and employees.

Table 4-5 Does the organization implement its budget effectively

Types of response	No of respondent	Percentage(%)
Yes	8	57.14%
May be yes	4	28.57%
No	2	14.29%
Total	14	100%
Mean		4.67
SD		3.06

Source data collected through questionnaire

From the above table, we can understand that 8(57.14%) of the respondent says yes, which means the organization implement its budget effectively. 4(28.57%) of the respondent response that may be yes & the rest 2(14. 29%) of the respondent says the organization no implement its budget effectively. This reflects mixed perceptions of performance. The relatively high standard deviation shows a lack of consensus, indicating the need for better communication on budget outcomes and success indicators.

Table 4.6 Respondent response budgetary allocation is mostly allocated by

Responsible body to allocate budget	No of respondent	Percentage (%)
The organization manager	4	28.57%
Finance department	10	71.43%
Total	14	100%
Mean		7.00
SD		4.24

(Source: data collected through questionnaire)

From the above table, 10(71.43%) of the respondent response indicate that the responsible body to allocate budget is finance department and the rest 4(28.57%) of the respondent response shows that budget is allocated by the organization manager. This suggests that while finance is mostly responsible, the organization manager still has notable influence, emphasizing the importance of clear role definitions in budget decisions.

Table 4.7 respondent response for budget deficit occure with in the organization

Types of response	No of respondent	Percentage(%)
Yes	9	64.29%
No	5	35.71%
Total	14	100%
Mean		7.00
SD		2.83

(Source: Data collected from questionnaire)

From the above table we can understand that out of the total (14)respondents 9(64.29%) of the respondent response say that budget deficit occure within the organization. Similarly out of 14 respondents 5(35.71%) of the respondent response says budget deficit not occure within the organization. This supports the need for improved fiscal planning, as deficits appear to be a common concern

Table 4-8 respondent response about the organization used its capacity to reduce budget deficit

Types of response	No of respondent	Percentage (%)
Yes	8	57.14%
No	6	42.86%
Total	14	100%
Mean		7.00
SD		1.41

(Source questionnaire collected from the employees)

The above table indicates that 8(57.14%) of the respondent response that the organization used its capacity to reduce budget deficit. On the other hand 6(42.86%) of the respondent response the organization does not used its capacity to reduce budget deficit.

According to the respondent response the organization used its capacity to reduce the problem of budget deficit are the following

- By giving short period orientation to all employees about budget utilization and effect of budget deficit.
- By transferring some amount of fund from excess budget to shortage budget
- By promoting proper communication of employees and the manager of the organization
- By promoting appropriate allocation of budget to respective department
- By utilizing good budget system within the organization

According to the finance manager response budget deficit occure within the organization during spending exceeds revenue. The organization uses various mechanisms to reduce budget deficit like:-

- Transfer some amount of fund account excessive budget to other which has shortage
- Reducing expense by coordinating different tasks

Table 4.9 Respondent response in which method the organization uses to know the amount of utilized budget.

Method (techniques)	No of respondent	Percentage (%)
By recording revenue and expense	7	50%
By planned accordingly	5	35.71%
By recording inventory valuation	2	14.29%
Total	14	100%
Mean		4.67
SD		2.52

(source data get from questionnaire)

From the above table we can understand that 7(50%) of the respondent response indicates the organization know the amount of utilized budget by recording of revenue and expense amount. 5(35.71%) of the respondent says the amount of utilized budget known by using planned accordingly & the rest 2(14.29%) of the total sample are agree by recording of inventory valuation

Types of budget within the finance organization.

Most of the time the finance organization prepare budget for 1 year or less than one year period, but in different case of activities they conduct it may be vary form organization to organization. According to the finance head the type of budget system preferable during several year of experience are flexible budget.

Table 4-10 System or techniques used by the organization to reduce budget deficit.

Budget deficit reducing techniques	No of respondent	Percentage
Adopt good budget system	6	42.86%
Effective manager	4	28.56%

Active participation of employee	2	14.29%
Effective allocation of budget	2	14.29%
Total	14	100%
Mean		3.50
SD		1.91

(Source data collected through questionnaire)

From the above table out of the total (14) respondent 6(42.86%) of the respondents response budget deficit is reduce by using or adopting good budget system within the organization. 4(28.56%) of the respondent response indicates that budget deficit reduced by introducing effective manager with in the organization. 2(14.29%) of the respondent response budget deficit reduced by active participation of all employees at their specific job and the rest 2(14.29%) of the response indicates the organization budget deficit reduced by using effective allocation of budget. Most respondents (42.86%) believe that adopting a good budget system is key to reducing deficits.

Respondent response to reduce the organization budgetary performance problem by using the following way.

- Adapt good or well budget system with in the organization.
- The allocation or distribution of budget allocated by appropriately or correctly way.
- Active reporting of recording data by employee to respective body.
- Active participation of all employee during budget preparation.
- Introducing professional or effective manager.
- Giving orientation to employees of the organization about budget preparation and its related problems.

According to the respondent response the main objective to implement budget by the organization were fulfilling the following purpose.

- To attaining or achieving the organization goals.
- To facilitate communication and coordination with in the organization.
- For formulating or implementing the future plan of the organization.
- For managing financial and operational performance of the organization.
- It acts as coordinary machionary between different functional groups.

Table 4.11 The planned and actual budget of the four year report of the organization

Year	Planned budget	Actual budget	Variance (favorable)	%
2009	9,747,496.60	7,310,622.45	2,436,847.15	75%
2010	11,421,519.72	8,566,139.79	2,855,379.97	75%
2011	11,020076.67	9,036,462.87	1,983,613.80	82%
2012	12,446,282.81	10,579,340.39	1,866,942.42	85%
Mean				79.25%
SD				4.38%

(Source: The organization budget report from 2009_2012)

From the above table we can understand that the organization budget actually used 75% in 2009and 2010, 82% in 2011 and 85% in 2012.

In the year 2009and 2010 budget utilization remain constant that is 75%, this two year data shows that the organization not take any corrective action to improve good budget utilization. But in the remaining two consecutive years that is 2011 and 2012 the budget utilization of the organization shows improvement, this lead to the performance of the organization increase.

The variance observed in the organization were favorable for the four consecutive years, this is due to the amount of planned budget is greater than actual budget.

According to the finance head response the variance is occurred with in the organization because of unforeseen circumstance and externality (un controllable factor) such as change in market condition and increase in general and administrative expense.

The mean(average) four years buget report is mean=(75+75+82+85)\(4)

=317\4

=79.25%

The standard deviationof the four year buget report (SD) =(18.06+18.06+7.56+33.06)\(4)

=76.74\4=19.185

=4.38%

So,mean buget utilization(20009_2012) is 79.25% and the SD is 4.38%

This analysis shows that while there is some variation in utilization,the organization ,performance has improved over time especially between 2011 and 2012,indicating progress in buget management practices.

CHAPTER FIVE

SUMMERY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Summary of findings and conclusion

- The assessment of budgetary performance in an organization is to identify how about budget utilization within the organization. Hence, it is necessary to carry out study in the area of budget to promote good assessment methods which could be vital in improving the performance of budget in an organization(Ezha wereda finance)
- The organization use in approprate budget allocation. When the budget are not planned accordingly cause budget deficit.
- Since budget is the financial plan of the organization for the period of year and it enable to predicting financial result and the contents of the financial statement over the year. There for effective implementation of budget should enable to achieve the desire objectives and goals of the organization.
- Even if the organization effectively implemented its budget, variance were observed when compared actual results with budgeted estimates and the reason for occurrence was increase general and administrative expense and market change.
- When he budget was prepared it can be fixed or flexible. However, he organization prepare flexible budget is a preferable one from the organization point of view
- Most of the respondent which is 8(57.14%) of response indicates that the organization effectively implement its budget. Where as 4(28.57%) of the respondent response were not surly the organization implement its budget effectively & the rest of the respondent which is 2(14.29%) are not the organization effectively implemented its budget, from this it can conclude that the organization implemented its budget effectively.
- The organization adopt poor communication and coordination of managers and employees, this gap creat in approprate budget allocation and employee does not participate on there specific job. To conclude from the above point, the assessment of good budgetary performance requires effective budget utilization and communication inorder to accomplish the organization financial activity and objectives.

- Regarding the impacts of variance weather it was favorable or unfavorable on the performance of the organization seemed as:-
    - Most of the variance observed was favorable.
    - Its impact was not serious rather it motivates to employees of the organization to work hard.
- When we compare the budget year of 2009, 2010, 2011 & 2012, the organization has shown more improvement in budget year of 2011 and 2012. From this point we can concluded that the organization budget utilization is increase from year to year.
- Operational and financial manuals play a crucial role in streamlining processes and ensuring financial health within organizations. Beyond their immediate utility, these manuals significantly contribute to broader policy discussions and strategic initiatives.
-

5.2 Recommendation

Based on the data findings and conclusions made the following recommendations are forwarded.

- The organization enable to modify the budgeting system to improve management decisions and facilitates attainment of the firms objectives. The management on its part should widen the areas of decision making by using reliable good budget system.
- Even if, the organization effectively implemented its budget but 42.86% of its employees did not believe surely the effective implementation of budget. Since effective implementation of budget is not simple matter, it is advisable to clear and open communication among employees and department for better performance.
- The finance organization use appropriate allocation of budget to performing the financial activities of the organization.
- The organization must adopt a good budgeting system inorder to achieve or facilitate there goals and objectives.
- Use active coordination system: which helps the organization from the top managers to the low level managers should be coordinate and communicate properly.
- Active participation of all employees to their specific job is important for the organization by minimizing budget problems.
- Variance were created with in the organization due to effective and ineffective implementation of budget. There for the organization use effective implementation of budget inorder to achieve favorable variance.
- Responsibility and assignment of authority are essential for preparing good budgeting. The organization should give employees authority and responsibilities inorder to prepare good budget system
- For providing a better reporting of budget performance, use or increase the organization professional employees.
- In the study aimed at improving budgetary performance, the most critical recommendations include enhancing financial monitoring processes, implementing robust data analytics for more accurate forecasting, and improving cross-departmental communication to ensure alignment of financial goals. Furthermore, adopting advanced technology solutions for real-time budget tracking and providing comprehensive training

for financial staff are essential. Establishing clear financial accountability protocols and conducting regular performance reviews are also prioritized to maintain transparency and identify potential areas for improvement in budget management.

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Appendix

WELKITE UNVIERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING

Interview Questions

For finance head

Dear respondent:- This questionnaire is designed to help in examining and assessing the budgetary performance of the organization in Ezha wereda finance. So you are kindly requested to give the right response you think, since it contribute a lot for the success available for the study.

1. Participation of employee during budget preparation is important or not? Why?
2. What type of budget (flexible or fixed)used the finance organization?
3. Why budget deficit occur? In what way control it?
4. Is variance occure within the organization? What is the cause for the occurrence of variance?
5. What is the reason behind employees affect budgetary performance?

THANKS YOU IN ADVANCE FOR YOUR COOPERATIONS

Appendix

WELKITE UNVIERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING

Questionnaire

Dear respondent:- This questionnaire is designed to help in examining and assessing the budgetary performance of the organization in Ezha wereda finance. So you are kindly requested to give the right response you think, since it contribute a lot for the success available for the study.

NB.:- There is no need of writing your name

Make a thick mark (✓)in box which you think an appropriate response

I. Personal profile

1.1 Sex Male □

Female □

1.2 Education level

12 complete □

Diploma □

Degree □

Others □

II. General question

1. Do you have know about budgetary performance?

1.1 Yes □ 1.2 No□

2. Do you participate during budget preparation?

2.1 Yes □ 2.2 No □

If no why? ____

____

3. What is the major factor affecting the budgetary performance of the organization?

2.7 Employees □ 3.3 In appropriate budget allocation □

2.8 Shortage of fund □ 3.4 The manager of the organization □

4. Does the organization effectively implement its budget?

4.1 Yes □ 4.3 May be yes □

4.2 No □

5. Budgetary allocation is mostly allocated by?

5.1 The organization manager □

5.2 the finance department □

5.3 The market department □

5.4 Others □

6. Is budget deficit occur in the organization

6.1 Yes □ 6.2 No□

7. On basis of question No 6 if yes why? ______________________________________

____

8. Do you think the organization used its capacity to reduce budget deficit

8.1 Yes □ 8.2 No□

9. From question no 8 if yes in what way ?____________________________________

____

10. In which method use the organization inorder to know appropriate utilization of budget amount?

10.1 By recording revenue and expense □

10.2 By recording inventory valuation □

10.3 By planned accordingly □

10.4 By other ways □

11. Which system used the organization inorder to reduce budget deficit?

11.1 Adopt good budget system

11.2 Use effective manager

11.3 Effective allocation of budget

11.4 Active participation of all employee

12. To reduce the organization budgetary performance problem what means the organization accomplish?

____

____

13. What are the main objective to implement budget by the organization?