

Assessment of Budget Utilization and Allocation Practice: In Jimma University, Ethiopia

*A Thesis Submitted to the School of Graduate Studies of Jimma University in
Partial Fulfillment of the Requirements for the Award of the Degree of Master of
Accounting and Finance (MSC)*

BY:

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**MSC Program, Department Of Accounting and Finance, College Of Business and
Economics, Jimma University, Jimma, Ethiopia June, 2020**

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DECLARATION

I declare that this thesis entitled “**Assessment of Budget Utilization and Allocation Practice: In Jimma University**”, submitted to Research and Postgraduate Studies’ Office of Business and Economics College is original and it has not been submitted previously in part or full to any university.

Researcher’s Name

Date

Signature

CERTIFICATE

We certify that the Research Report entitled “Assessment of budget Utilization and Allocation practice: In Jimma University” was done by Mrs Asegedech Dumessa for the partial fulfillment of Masters Degree under our Supervision.

(Main Advisor)

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ABSTRACT

Proper budget utilization is a priority for any organization. The deviations between actual and planned that hamper proper budget utilization could be contributing directly or indirectly to the service delivery. Allocating more money by itself does not necessarily produce results, it is crucial to ensure that resources throughout the system are used more efficiently. The purpose of this study is to assess the practice of budget allocation and utilization, identify major challenges and factors affecting proper budget utilization in Jimma University. The researcher used descriptive and explanatory types of research design and both primary and secondary data collection technique. Primary data were collected from finance employees and officers, planning office experts and internal auditors, deans, directors and administrator by open ended and closed ended questionnaires. Secondary data was collected from the IBEX database of Jimma University for the past five years (2007-2011 E.C) .The target population of this study were 80 employees of Jimma University. The researcher used census sampling technique because census is a process of collecting data by distributing questionnaire to all population in the study area. The collected data was analyzed using SPSS version (23). In addition, descriptive and inferential statistical tools such as mean, percentage, frequency, normality test, correlation and multiple regressions were used to analyze the collected data from questionnaires. This study result indicated that lack of adequate data, lack of transparency, lack of clear criteria, lack of accountability, frequency of requested additional budget, strict procurement procedure, strict finance procedure, employee turnover, planning gaps, lack of adequate training for staff are challenges to allocate and utilize budget very well. On the other hand decentralization of finance office, automation and monitoring & evaluation system are the strength of Jimma University with respect to budget utilization. Therefore, Budget prepared and allocated must be utilized on time effectively and efficiently for the right purpose by following financial calendar of the University.

Key Words: Budget utilization, Budget allocation, Budget preparation, Monitoring and evaluation, Planning

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ABBREVIATIONS/ACRONYMS

ABU - Awareness of budget users

BPP - Budget preparation Process

EPB - Experience of program budget

GFR - Government finance regulation

IF - Inflation

JU - Jimma University

ME - Monitoring and evaluation

MOFEC - Ministry of Finance and Economic Corporation

OS - Organizational staffing

PR - Purchasing regulation

SPSS - Statistical Package for social Sciences

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

The national budget is the most important policy vehicle to achieve a country's economic and social priorities within the scarce resources that are available to government for public expenditure. It plays a vital role in the process of government fulfilling economic, political, legal and managerial functions of the government (Richard & Daniel, 2001).

In order to perform the roles assigned to it by its people, the government needs among other things to collect resources from the economy in a sufficient and appropriate manner and allocate and use these resources responsively, efficiently and effectively. The national budget is the main instrument through which the transactions are planned and carried out (Allen & Tommasi, 2001). The national budget is the single most important policy vehicle (Allen & Tommasi, 2001) for giving effect to a country's economic and social priorities within the scarce resources that are available to government for public expenditure. It is through the budget process that competing policy objectives are reconciled and implemented in concrete terms.

Budgeting and funding models in higher education relates to the procedures used by governmental authorities in appropriating and/or allocating public funds to higher education institutions. Various budgeting and funding models are used by different countries to allocate public funds to higher education institutions. The choice of a budgeting mechanism depends on the objectives sought by the funding authority; and the degree of control which government authorities wish to exercise over higher education institutions. Sanyal (1995) observes that the state requires a mechanism that can steer, control the higher educational system, and provide a means for ensuring value for money and protection against bad management. This quest for value for money has led to the evolution of various budgeting models in higher education.

The normal task given to financial officers at university level is that of monitoring the budget regularly throughout the year in order to compare actual budget and expenditures under various budget heads with those planned. If divergences persist and imbalances occur, as is likely the role of management is to correct them. This may involve adjusting certain expenditure plans or

by implementing better financial control on internal budget holders, such as heads of colleges/offices, in order to curtail or stimulate spending as required. It is here that an efficient management information system is important in keeping university leaders and administrators up-to-date on the academic and financial performance of the various units of the institution.

Budgeting is the process of expressing the predicted costs and resources for a planned course of action over a specified time period. Budgets can be drawn up for business units, departments, products, teams or the entire organization. Budgeting helps all types of organization to plan and control their operations, and to support their managerial strategies (Louise, 2008).

Public budgeting systems are intended for carrying out numerous significant functions. Among the functions of a budget, the most fundamental one is controlling public expenditure, which is commonly carried out by exercising financial control over inputs. It is also instrumental for allocating scarce resources to government priorities so that government objectives are achieved in the most efficient and effective manner (Bradley, 1968). The budget can thus be seen as the tool for policy implementation. Rosenberg (1999) asserted that a budget is not only a tool of macroeconomic policy but also a management mechanism. It can help to achieve administrative efficiency, economy, and honesty through businesslike behavior. Last but not least, the budget document can be a major tool of accountability, whether to the legislative body or to the press and the public. It can help hold administrators accountable not only for the funds they receive but also for a given level of performance with those resources. Typically, a budgeting system cannot execute these functions equally well at the same time. The relative strength of each function depends on budgeting tools and techniques, but most critically on political decisions about which issues matter to the government (Shah, 2007).

Like any other organization, proper budget utilization is a priority for Jimma University (JU). JU the national innovator in community based education, where education and research are strongly interlinked with the community to address its socio-economic problem. The deviations between actual and planned that hamper proper budget utilization could be contributing directly or indirectly to the service delivery.

1.2 Background of Jimma University

This study was conducted in Jimma University which is found in Jimma town, South west Ethiopia and located 350km from Addis Ababa. Its geographical coordinates are approximately 7°41'N latitude and 36° 50'E longitude. The town is found in an area of average altitude of about 5400 ft (1780 m) above sea level (Seifu, 2002).

As already mentioned, Jimma University (JU) is found in Jimma town. JU is a public higher educational institution established in December 1999 by the amalgamation of Jimma College of Agriculture (founded in 1952), and Jimma Institute of Health Sciences (established in 1983).

JU is Ethiopia's first innovative community oriented education institution of higher learning. The University adopted the city's name for logically sound reasons. For one thing, Jimma is one of the biggest cities in the country noted for its coffee production. Secondly, Jimma was the seat of the King of the five Gibe states during the 19th century.

1.3 Statement of the problem

In developing countries, it has become increasingly complex to manage public expenditure allocation. Because the roles of the government have been expanded and financial resources are in scarce supply to meet this ever-increasing social needs and population growth. Due to inadequate financial resources as opposed to an increasing demand for public service, there is a need to improve resource allocation through proper economic policy and expenditure planning (Getachew, 2005).

These processes require a realistic medium term expenditure planning and annual budget allocation, which reflect policy objectives and priorities of the government organization. It is a tool for improving public sector expenditure planning and management. Failures to link up these systems across all levels of the government organizations have been contributing to poor expenditure planning and budget management systems. The problem regarding this issue is that the budgetary institutions are not aware of what they have to do in a budget year.

The national budget is the most important policy vehicle to achieve a country's economic and social priorities within the scarce resources that are available to government for public

expenditure. It plays a vital role in the process of government, fulfilling economic, political, legal and managerial functions of the government (Richard & Daniel, 2001).

Budgeting is the process of expressing the predicted costs and resources for a planned course of action over a specified time period. Budgeting helps all types of organization to plan and control their operations, and to support their managerial strategies (Louise, 2008). The politics of public budgeting is more serious and challenging particularly in federal countries where there is constitutional power and resource sharing among different levels of government.

The Ethiopia aggregate public spending on education rose, in constant from 1994–2002 and an increase of nearly 1.8 times. More broadly across the education system, Ethiopia spends more than 100 times as much per student in higher education as on a pupil in grades 1–4. Although it is common for spending per student to climb as the level of education rises, the current structure of spending is more highly skewed in favor of higher education in Ethiopia than in other countries (World Bank, 2005).

Allocating more money by itself does not necessarily produce results, it is crucial to ensure that resources throughout the system are used more efficiently. So that the purpose of this study is assessing the practice of budget utilization, allocation and identify the factors affecting proper budget utilization in Jimma University.

Moreover, as employee of Jimma University, from annual report of the university the researcher experienced the mismatch of approved budget and actual expenditure .As far as the researcher knowledge is concerned, there is no research conducted in the study area on the crucial issue of assessment of budget utilization and allocation practice in Jimma University. It is with this in mind that the study had been planned to fill the gap.

Therefore, this research aimed to assess budget utilization and allocation practice in Jimma University and to fill the gap through conducting a study.

1.4 Research Questions

This study is intended to answer the following research questions:-

- What are the major challenges of budget allocation and utilization in Jimma University?
- How is the budget utilization performance in last five years (2007-2011 E.C) in Jimma University?
- What are the determinants of budget Utilization in Jimma University?

1.5. Objective of the Study

1.5.1 General Objective of the Study

The general objective of the study is to identify the factors affecting proper budget utilization in Jimma University.

1.5.2 Specific objectives

1. To examine the trend of budget utilization in Jimma University
2. To identify factors(determinants) that affect effective budget utilization in Jimma University
3. Investigate major challenges of budget allocation and budget utilization in Jimma University.

1.6. Significance of the Study

The study is significant in a number of ways because the output will: first contribute in filling the budget utilization and allocation gap of Jimma University and helps the University top management to have clear understanding about budget utilization in the organization and take the necessary measure to improve budget utilization in line with university's plan

Second helps ministry of finance and economic on the way Jimma University allocating and utilizing its budget and lastly researchers and academicians interested in this area or other related topics can use the findings of this study as a source for further research.

1.7. Scope of the study

The scope of this research is limited to Jimma University. The research goes through to assess budget allocation and utilization in the selected area of study and utilized accordingly. The time horizon of the study covered by this research had been limited to assess the last five years budget

utilization of Jimma University covering from 2007 up to 2011 E.C. During the last five years, a budget utilization trend of the Jimma University is observed from ibex data base. Assessing budget utilization in other higher education institutions and other government organizations is beyond the scope of this study.

1.8. Organization of the study

This thesis attempts to explore the factors affecting proper budget utilization in Jimma University. Accordingly, the paper is organized in a way this the current chapter presents the background of the study, background of the organization, a statement of the problems, objectives of the study, significance of the study, scope of the study, and structure of the thesis. Chapter two describes literature review, which is relevant to the topic under which the research is conducted. The third chapter describes research design and methodology and chapter four is about result and discussion. Chapter five presents the major findings of the study, conclusion, recommendation, limitation of the study, and future research directions.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Theoretical literature review

2.1.1 Definition and concept of budget

Budgeting is the process of creating a plan to spend our money. This spending plan is called budget. Creating this spending plan allows to determine in advance whether we have enough money to do the things we need to do.

A budget is a key management tool for planning, monitoring, and controlling the finances of a projector organization. It estimates the income and expenditures for a set period of time for your project or organization (World Bank, 2007).

Budgeting is not solely a matter of finance in the narrow sense. Rather it is an important part of government's general economic policy. It is a strong instrument in implementing the long term, medium term, and annual administrative and development programs. Budgeting involves different tasks on the expenditures and revenue sides of government finance. On the side of expenditure, it deals with the determination of the total size of the budget (i.e. total amount of money for the year), the size of outlays on different functions, and the magnitude of outlays on various activities (Taye,2016)

2.1.1.2 Type of Budget

Government budget basically classified according to the characteristics of the organization in such situation there are two types of budget. Those are recurrent and capital budget

Recurrent Budget

Recurrent budget is spending on items that are consumed and are repeated every budget year, such as salaries for teachers, health workers and development assistants, offices' operational costs, medicines, books and electricity. Salaries for employees of public bodies dominate the recurrent budget (MOFED 2009).

Capital Budget

Capital budget is spending on items that will last for several years, like buildings, roads and water points. Money is needed to build schools, health post, water points and roads. Once constructions under the capital budget, for schools, health posts, etc., are completed, the maintenance and service provision in most cases continues to be assigned in the recurrent budget (MOFED 2009).

2.1.1.3 Budget Preparation

Maitland (2001) mentions 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. In budgeting, the focus is not only to prepare the budget, but more importantly to have a follow-up operation for budgeting and to act according to known data.

Falk (1994) states that budgets are financial expressions of a country's plan for a period of time. It tells where and how the organization will spend money and where the money will come from to pay these expenses. He adds that budgets set limits. Besides setting limits, Andrews and Hill (2003) say that budgets also provide the assurance that the most important needs of a country are met first and less important needs are deferred until there are sufficient funds in which to pay for them. Even though budget preparation is not the sole thing that needs consideration in budgeting, the basis of it is still needed in order to have at least close estimation.

As per Shah (2007) 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.

Preparing a budget proposal that suggests a set of recommended policies and stays within whatever financial limits are considered politically realistic has been a prominent issue in public budgeting (Bunch and Straussman, 1993). One approach is to set specific dollar ceilings on budget requests. This approach has the distinct advantage of making agencies prepare requests

that include only financially feasible options (Lee, 1992). This method is often called fixed-ceiling budgeting. 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.

As Schiavo-Campo (2007) 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.

2.1.1.4 Budget Utilization

Once a budget has been approved by the legislature, the government embarks on the challenging task of spending funds. Utilizing public funds effectively to meet stated policy objectives while ensuring value for money is often just as challenging than planning how to spend it. Several reviews of Public Financial Management performance in developing countries show that countries score significantly better on budget preparation than on budget utilizing. According to Schiavo-Campo and Tommasi (1999) budget utilization is the phase where resources are used to implement policies incorporated in the budget. As they argued, it is possible to utilize badly a well-prepared budget; it is not possible to utilize well a badly prepared budget.

As per Allen and Tommasi (2001), 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. In addition to a realistic budget to begin with, 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).

2.1.1.5 Managing and Monitoring Budget Utilization

As indicated by Tommasi (2007) 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. At the same time budget execution covers both activities related to the implementation of policies and tasks related to the administration of the budget. Both the central agencies (the ministry of finance, the ministry of planning in a dual budgeting system, and the prime minister's office) and the spending agencies are involved in these tasks. The distribution of responsibilities in budget management should be organized according to the agency's respective areas of responsibility and accountability.

2.1.1.6 Concepts of over and underutilization of budget

According to Allen and Tommasi (2001) stated that over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. Since cash allocated to spending units for appropriated expenditures is generally controlled, these overruns generate spending arrears; Overruns are often the result of off-budget spending mechanisms (payment from special accounts, etc.). In some countries, payments made through exceptional procedures are not controlled against the appropriations and are therefore an important cause of overruns; lack of compliance can be addressed through strengthening the audit system, and reporting system, and ensuring the effectiveness of the basic budget execution controls. Moreover, overruns can be caused by deficiencies in budget preparation, Sound budget preparation processes and adequate institutional arrangements are a prerequisite for avoiding overruns.

On the other hand, Allen and that Tommasi (2001) expressed in a number of countries, the official budget is under spent, particularly its non-wages expenditure items. This does not necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, under spending of the official budget may coexist with large amounts of off budget spending.

2.1.1.7 Reason for variation between budgeted and actual expenditures

As per Omitoogun and Hutchful (2006), there are a number of factors that can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any sector. The reasons for deviations may vary over time. Some of the more common causes are deviation in aggregate expenditure; reallocation of fund during budget implementation; policy changes during the year; an inability to implement policies, program and projects; and a lack of financial discipline contribute for variation in budgeted and actual expenditure, lack of day to day monitoring and controlling commitment and weak transparency, accountability and participatory on planning and implementation of government budget.

2.1.2. Budgeting in public institutions

The significance of planning in the general population divisions of both creating and created nations is past level headed discussion. Open division spending plans serve three large scale points; they go about as apparatuses of responsibility; devices of administration; and instruments of financial approach (Otley, 1980; Premchand, 1983). All the more by and large, planning fills numerous needs that are imperative to open part administration. It is an instrument for arranging, planning, sorting out and controlling exercises (Henley et al., 1992) and can improve correspondence in associations (Coombs and Jenkins, 1991), and it might likewise serve as a political device (Wildavsky, 1986).The capacity of directors to organize budgetary use as indicated by nearby needs should be improved under a decentralized administration structure (Kaplan and Atkinson, 1998).

The planning writing proposes that financial plans frame a vital reason for budgetary control. At the crudest level, add up to yearly consumption ought not surpass the financial plan. To accomplish association wide control, a similar necessity can be connected to use on and inside administrations, and to discrete use things (Premchand, 1983).

2.1.3. Budget Implementation in public institution

Budget implementation take place throughout financial year and it's critical for any institution to perform. It is a public expenditure policy and the manner in which public expenditure are managed would impact on budget implementation. It is the actual execution of the budget and application of funds to the planned activities. Budgeting process is affected by level of revenues

collected and the availability of external resources to bridge the gap associated with the shortfall. Revenue fall short of projected level will affect budget implementation to the extent that expenditures have to be reduced either development or recurrent budget hence affecting service delivery. Budget implementation involves ensuring the proposals made in the budget are affected and that programs incorporated there in are undertaken and implemented effectively. The members of the public are supposed to follow these projects and ensure their proposals are input in the budget and that the resources allocated to them are efficiently utilized. The country citizens are able to hold to account the state actors and county officials who in turn become responsive to the interests of the citizen (Kirira, 2007).

Modern financial management demands that we review past performance when allocating new funds and the budget should speak to how performance has been taken into account in the proposed budget. Wagithi (2013), in her key findings reveal that whereas the Ministry of Finance, planning and economic development attempted to make available at least 95% of the budgetary funds to spending agencies, a number of them could not spend all the cash made available. There are also weaknesses and lags pertaining as to when cash limits are issued and the when funds are actually credited to the accounts of beneficiary institutions, especially local governments. The analysis of the report revealed that many important constraints to enhanced absorption capacity relate to the efficiency of government as a whole, as well as issues internal to individual spending agencies. For some government spending agencies, particularly at the local government level, internal weaknesses in budget execution are the binding constraint. Under financial management, these weaknesses include poor cash management, inconsistent accounting practices and weak internal controls. This was therefore reflected in her recommendations which are grouped into to the four key areas: - financial management, planning processes, procurement practices, sector capacity and human resource management

2.1.4. Budget Process

Drury (2004, p. 590) stated that budgeting process refers to the processes and procedures a budget passes before, during and after the budget. Budgeting process would be understood by looking at how it fits into an overall framework of planning, decision-making and control. One tends to agree with Drury to the extent that the budgeting process should be put into stages the same way planning and decision-making processes are put into stages. This calls for the physical

and mental involvement of all levels of personnel in the budgeting process (Gyasi, 2005, p. 101) because, a well thought out budget which is properly prepared and implemented has a far reaching implication on every aspect of the organization and therefore requires everybody's involvement.

2.1.5 Budgeting Process in Ethiopia

Currently, the annual budget formulation process has two dimensions: the identification of priorities and goals, and allocation and management of funds. The budget formulation process has four stages: the planning stage, the budget preparation stage, the budget legislation and budget implementation and control stages. Several stakeholders are involved at each step of the budget cycle, with some contributing exceedingly more than others. The executive body has considerable power in the budgetary process with Ministries playing important roles in planning, budget formulation and implementation. Ethiopia has a dual budgeting system in which recurrent and capital expenditure are considered separately. Ministry of Finance and Economic Corporation (MOFEC) is the major clearing house for the preparation of the federal budget in Ethiopia, although this is done in consultation with the various ministries that are the beneficiaries of the budget. The responsibilities of the MOFEC, as stipulated in the Council of Ministers Financial Regulations No 17/1997, consist of formulating and issuing directives that detail government financial policies in all areas of government finances; developing and maintaining appropriate standards of work and conduct for application throughout all public bodies; internal auditing functions; and preparing a financial plan for the country (MOFED, 2009).

Each public body needs to take the initiative to commence budget preparations before they receive the budget call letter from MOFEC with their budget ceilings, such as development of unit costs (where appropriate), a midyear program review, and the preparation of work plans. Various steps are involved in the process of budgeting in Ethiopia. The first step in the process is the sending of budget calls and ceiling notifications to line ministries by the MOFEC. The various line ministries submit their budget request as per the established regulations. After the budget hearing and defense process at the MOFEC, the final budget will be submitted to Parliament by the Prime Minister for approval.

It is important to distinguish between the approved budget and the annual appropriations. The budget that is approved by the Council of Peoples Representatives is a detailed budget, i.e., by public body, sub-agency, project, expenditure item, etc. However, the appropriations are at a more aggregate level. An appropriation is a legal mandate to spend money out of the consolidated fund. After the Council of Peoples Representatives has approved the budget, it is the responsibility of the civil service to implement that budget implementation of the approved budget is also known as budget execution. The implementation phase of the budgetary process covers not only measures for disbursing funds already allocated but also the monitoring of how funds are spent to ensure that they are used judiciously and for the intended purposes. It is the responsibility of Ministry of finance and economic development to inform all public bodies of their approved budget. It uses forms to notify each public body of their approved recurrent and capital budget respectively; and between July 8 and 15 (MOFED, 2006).

2.2 Empirical Literature Review

The empirical study concerns on prior academic research on the factors affecting budget implementation. In this case there are certain empirical studies undertake by different researchers related to the budget implementation and discussed in the following

H/meskel (2018) on his title Assessment on budget implementation and controlling: Case of Addis Ababa city Administration Finance and Economic development bureau ensured that all budgetary institutions integration of plan and budget their activities based on their plan but Planning and Budget Department does not arrange regular workshops and short-term training to improve the skill of budget personnel engaged in budget holders and for the adequate understanding of budget preparation the department takes the Lion's share of responsibility for budget integration problems so that is difficult for linking the budget with the performance goals and objectives of budgetary institutions in the city administration . The budget expenditure in both budget types indicated & decreasing & increasing to end all over the study periods. The reasons for such kind of for variation budget according to physical plan there is lack of preparing annual plan based on strategies document and also lack of reliable and reasonable estimated cost to properly prepare the budget. In addition to this there a tendency of submitting budget without plan.

As indicated by Wangechi(2010) on the challenges of budget implementation in public institutions: a case study of University of Nairobi, gives an overview of the institution and the budget process it has adopted. The study looked at some of the factors that influence budget implementation in public universities which included planning, controlling, communication and budget participation, reforms in budgets and constraints in budget implementation.

Zerihun (2014) conducted a study to assess the current practice of budgeting and utilization of educational finance in public secondary schools of Shashemene. Specifically, his study was aimed at answering the following questions. What are the main sources of budget in public secondary schools of Shashemene town? What criteria are considered in allocating budget? How adequate is the budget? To what extent budget processes are aligned with principles of budget? To what extent budget utilization is effective and efficient? The study employed a descriptive survey method using data gathering tools questionnaire, interview and document analysis. Sampling techniques used were purposive sampling and random sampling technique.

Tilahun (2010) conducted an investigation of budget management and control at Ethiopian ministry of national defense. The lack of research, especially under the Ethiopian defense context, coupled by the sign of improper budget management has been a major motivation to carry out the study and the paper tried to investigate weaknesses observed in budget holders during budget process. Both primary and secondary data have been employed to explore the existing problems.

Horngren et al., (2008) point out that the result of a survey carried out in North America shows that most managers still agree that good budget preparation and utilization, correctly used as significant value to management. They reported that over 92% of the 150 companies in North America prepared and utilized budget and remarked budget process as the top among the top activity expected from management.

Muleri (2001) did a study on budgeting practices in NGO in Kenya. The aim of the study was to establish effectiveness of budgeting practices among British NGOs in Kenya. The researcher looked at the concept from a different point of view and founds that most organization used modern practices as zero based and philosophies to reduce financial mismanagement. The researcher observed that, there is a limitation on budgeting process which leads to cost cutting

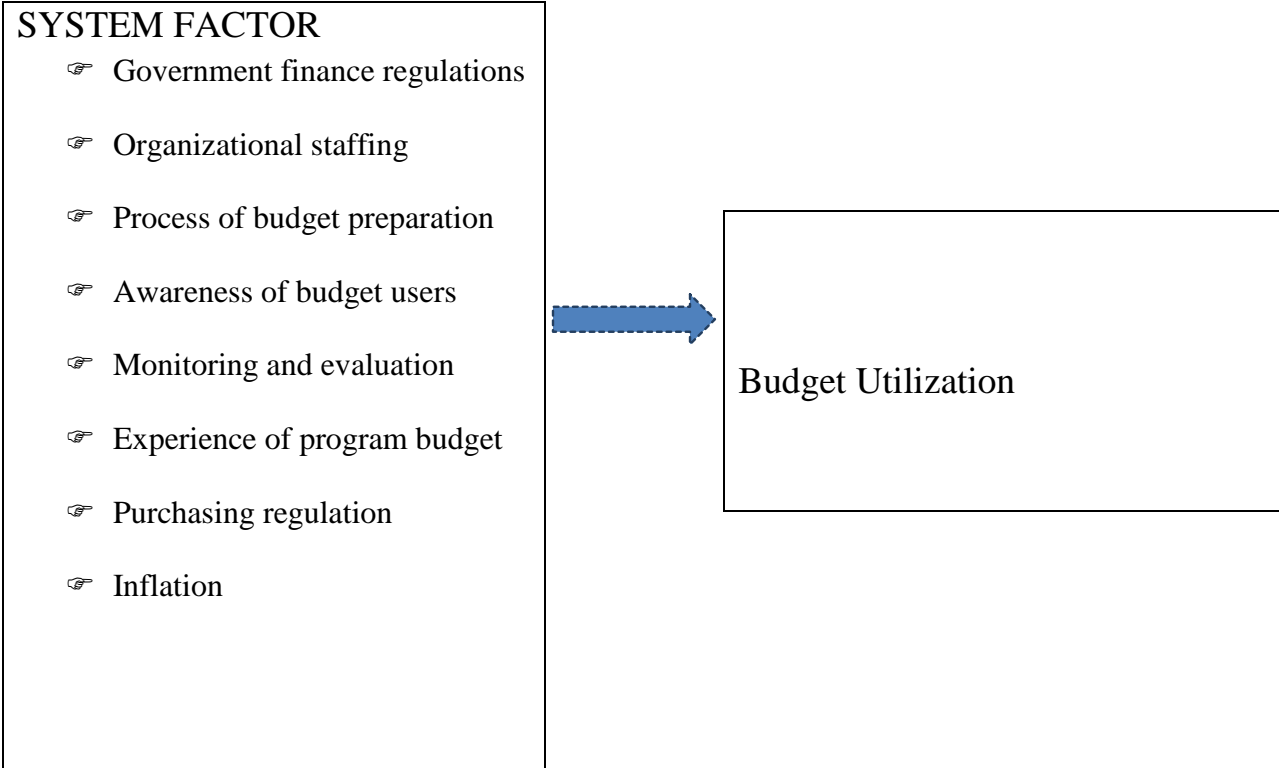
to achieve cost effectiveness, there is lack of solid base to enforce budgetary controls as a motivator and concluded that although profit was the main indicator of performance in public sector, budget management should be measured against the background of sound financial policies. The researcher concluded that budgeting is well accepted in evaluation and generally used to communicate plans and operations.

2.3 Conceptual Framework

This sub section outlines the conceptual framework of the study and provides a discussion of the main areas of focus. It seeks to describe the substantial and crucial link between the issues and as a final point it seeks to summarize the variables for the study.

INDEPENDENT VARIABLE

DEPENDENT VARIABLE



Source: Formulated by Researcher, 2020

Figure 1: A conceptual framework illustrating the relationship between system factors and successful budget utilization

The model shows system factors as the predicator/cause variable and proper budget utilization as the predicted/effect variable. The conceptualization took the conceptual problems in measuring the study variables.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

Introduction

This chapter gives an outline of the research design and methodology used in the study. Therefore, the research design, sources of data & data collection techniques, target population, sampling methods and sample size, method of data analysis and presentation, model specification, and ethical consideration was discussed.

3.1 Research design

Research design is the arrangement of conditions for collection and analysis of data in a manner that aims at combining relevance to the research purpose with economy in procedure (Kothari, 2004). This study adopted an explanatory and descriptive design. According to Kothari (2004) the emphasis of explanatory study is on studying a situation or a problem in order to explain the relationships between variables. In this case the researcher examined the relationship between independent variables and dependent variable. Although, descriptive research design was employed for the data that the researcher collects from respondents through questionnaire and more appropriate to detail description of the findings displayed in tables.

3.2 Sources of Data & Data Collection Techniques

The researcher used both primary and secondary data collections techniques. The primary data was collected from finance officers and experts of colleges and institutes, planning office experts, internal auditors, and deans/administrators and directors. The secondary data was collected from finance office IBEX data base of past five years periods to compare and contrast both the budget approved and actual expenditure of the organization. Secondary data collection in the University was under the permission of finance office managers.

3.3 Target Population, Sampling Methods, and Sample Size

The target population of this study was 80 employees of Jimma University. The respondents are from all colleges and institutes within the universities because the practices of budget utilization issue affect the entire University. The target population of this study included 12

deans/administrators and directors, 10 finance officers, 4 internal auditors and 54 experts. The researcher used census method for the study due to the limited number of respondents which allowed for the whole population to be included in the study and census is a process of collecting data by distributing questionnaire to all population in the study area. All permanent finance employees and officers, planning office experts and internal auditors, deans/administrators and directors that working in the University. Those employees who are on sick leave and out of the Universities during data collection periods were excluded.

3.4 Method of Data Analysis & Presentation

The data collected using primary and secondary data collection techniques have been analyzed by using mixed (both qualitative and quantitative) methods. The researcher used SPSS (statically package for social science) software for analysis of collected data. The data collected through open ended and close ended questionnaires and secondary data from IBEX database were analyzed and presented using descriptive statistics. Socio-demographic data was summarized by frequency and percentage tables and summary statistics. Tables and graphs were used for description of the data as appropriate.

3.5 Model Specification

The study used different kind of statistical methods including descriptive and inferential statistics. It adopted multiple linear regression model to test the relationship between the variables(budget utilization as the dependent variable and Government finance regulation, Organizational staffing, Budget preparation process, Awareness of budget users, Monitoring and evaluation, Experience of program budget, Purchasing regulation and Inflation as independent variables) affect budget utilization.

Where; $Y = \alpha + \beta_1ABU + \beta_2ME + \beta_3EPB + \beta_4PR + \beta_5IF + \varepsilon$

Where:-

Y= Budget utilization measured by mean score from the questionnaire

ABU= Awareness of budget users measured by mean score from the questionnaire

ME= Monitoring and evaluation measured by mean score from the questionnaire

EPB= Experience of program budget measured by mean score from the questionnaire

PR= Purchasing regulation measured by mean score from the questionnaire

IF= Inflation measured by mean score from the questionnaire

α = Regression coefficient / Intercept

β = Regression coefficient / Slope

ε = Error Term

3.6 Ethical Considerations

The study gathered primary and secondary data to analyze the factors affecting budget utilization in Jimma University. The necessary explanation about the purpose of the study and about its procedures was done. Consent was obtained from each respondent. Those who unwilling to participate in the study were omitted. All the primary and secondary data collection in the organization was under the permission of the managers and experts.

CHAPTER FOUR

RESULT AND DISCUSSION

Introduction

This chapter deals with results and discussions of data collected from different sources which are related to budget preparation, utilization and control of Jimma University. These data categorized in to two parts:-The first part deals with the characteristics of the respondents which describe the study population by gender, age group, educational background and service year, while the second part deals with the analysis and discussion of the study that were gathered through questionnaire and secondary data. In this study, both quantitative and qualitative methods of analysis were employed and the report was organized in a way to answer research questions raised in this research.

4.1 Reliability of the Instrument

The researcher had tried to avoid the error that likely happen due to shortage of instrument or inability of the instrument to measure what is intended to measure and crosses validate the response of the questionnaire with the document analyzed. Then, the improved language clarity of the questionnaire was used through refining the instruments and avoiding personal bias of the researcher. A performance of reliability test was used to check the consistency and accuracy of the measurement scales.

Checking the validity and reliability of data collecting instruments before providing to the actual study subject is the core to assure the quality of the data (Kerr et al., 2006). After the dispatched questionnaires" were returned, necessary modification on items and complete removal and replacement of unclear questions were done.

Table 1: Reliability Test of Instruments

Cronbach's Alpha	N of Items
.795	46

Source: Survey Data on Budget Utilization in Jimma University, 2020

As suggested by researcher (Davis, 2000) an alpha value of 0.7 or above is considered to be reliable. In this research average test results of the Cronbach’s alpha values was 0.795. Therefore, the result is greater than 0.7 and it indicates there is not reliability problem in the instrument (questionnaires).

4.2 Response Rate of Respondents

The sample of respondents used in this paper are employees whose works are directly related to budget preparation, utilization, and control issues (budget planning officers, Accountants, Purchasers, Internal Auditors, directors, colleges’ administrators and deans). Thus based on the prepared schedule open ended and close ended questionnaire (Attached at Appendix I) were distributed to 80 respondents. Among these respondents, 76 respondents (95%) has filled and returned the questionnaires properly.

Table 2 Response Rate of Respondents

Data collection Tools	Total number of respondent	No of returned	No of unreturned	Response rate
Questionnaires	80	76	4	95%

Source: Survey Data on Budget Utilization in Jimma University, 2020

4.3 Demographic Information of the Respondents

The results obtained from general (demographic) information of the respondents were presented through percentage and frequency.

Table 3 Demographic Information of Respondents

Variables	Categories	Frequency	Percentage
Gender of respondents	Male	37	48.7
	Female	39	51.3
	Total	76	100.0
Age group of respondents	18-25 years	2	2.6

	26-35 years	30	39.5
	36-45 years	32	42.1
	46-55 years	11	14.5
	56-65 years	1	1.3
	Total	76	100.0
Educational background of respondents	PhD	5	6.6
	Master's Degree	16	21.1
	First Degree	54	71.1
	Diploma	1	1.3
	Total	76	100.0
Service year of respondents	1-5 years	11	14.5
	6-10 years	26	34.2
	11-15 years	18	23.7
	above 15 years	21	27.6
	Total	76	100.0
Functional position of respondents	College/Institute Dean	5	6.6
	Director	9	11.8
	Administrator	6	7.9
	Finance officer	8	10.5
	Planning officer	5	6.6
	Auditor	4	5.3
	Accountant	36	47.4
	Purchaser	3	3.9
	Total	76	100.0

Source: Survey Data on Budget Utilization in Jimma University, 2020

As observed from the table 3, the numbers of female respondents were 51.3 % and 48.7 were male .This shows that there is no big difference between male and female respondents. Regarding age group of respondents 42.1% of the respondents' age is grouped between 36-45 years old, 39.5% respondents' age is between 26-35 years old, 14.5% respondents' age is in between 46-55 years old, 2.6 % respondents' age is in between 18-25 years old and 1.3% respondents' age is in between 56-65 years old. This could give reliable data for the study.

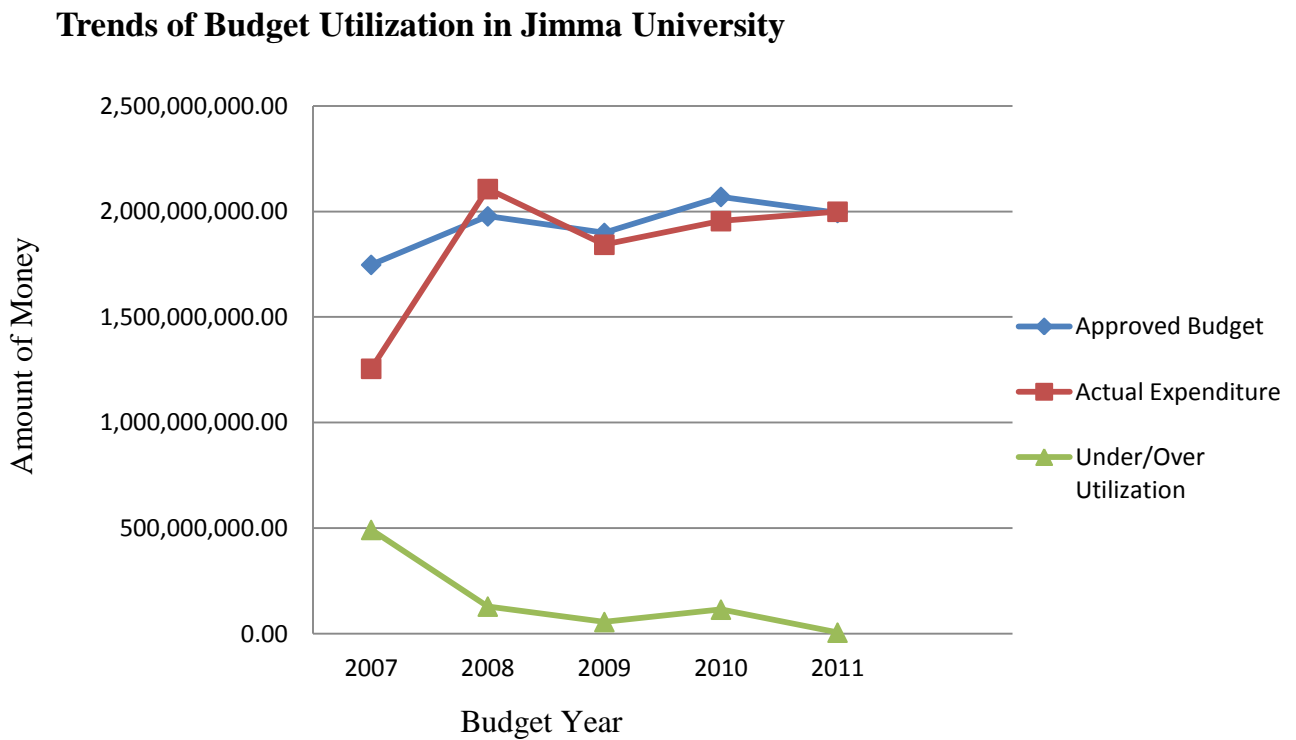
As prevailed in the table 3, regarding to educational background 71.1 percent of respondents are first degree holders, 21 percent of respondents are masters 6.6 of respondents are PhD holders, and 1.3 percent of respondents are diploma holders. This means the majority of the respondents

have first degree and above. Therefore, this result indicates that all of respondents can understand the budget utilization of Jimma University.

On the other hand as shown in the above table 3, 34.2% of the respondents had 6-10-year service year, 27.6% of the respondents had > 15 year service year, 23.7% of the respondents had 11-15 year work experience and 14.5 % of the respondents had <5 years work experience. This implies majority of the respondents are experienced and they had enough information regarding budget utilization of the University.

4.4 Trends of Budget Utilization in Jimma University

Primary data and secondary data have been collected to cover every aspect of the study. The secondary data was collected from finance office IBEX database of past five years periods. It was used to compare and contrast the trend of both approved budget and actual expenditure of the University.



Source: Jimma University Finance office report from 2007 to 2011 E.C

Figure 2: Trends of Budget Utilization in Jimma University

Figure 2 shows, the approved budgets and utilized budget of Jimma University from 2007 up to 2011 E.C. But it deviated from the levels approved at the beginning of the financial year. There was underutilization of budget in 2007, 2009 & 2010 E.C and overutilization of budget in 2008 & 2011 E.C budget year in Jimma University. The budgets were set for both capital and recurrent budget expenditures, which considered teaching-learning, research and services.

Public financial management performance in developing countries shows that countries score significantly better on budget preparation than on budget utilizing. According to Schiavo-Campo and Tommasi (1999) budget utilization is the phase where resources are used to implement policies incorporated in the budget.

As per Allen and Tommasi (2001), 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. In addition 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).

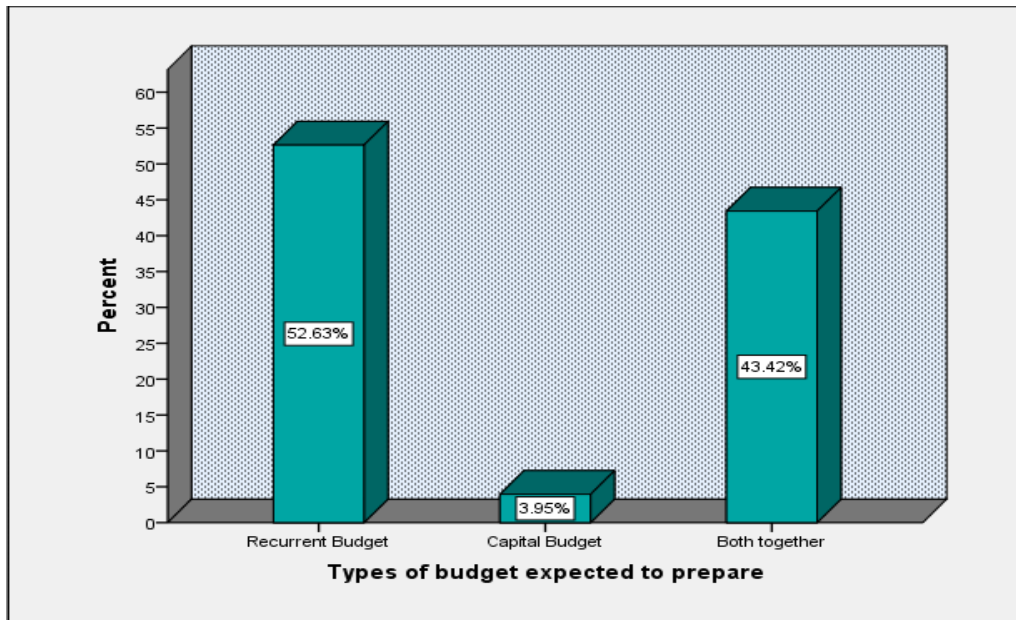
According to Omitoogun and Hutchful (2006), there are a number of factors that can explain why actual expenditure deviates from the levels approved at the beginning of the financial year in any sector. The reasons for deviations may vary over time. Some of the more common causes are: deviation in aggregate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

Allen and Tommasi (2001) stated that over utilizations are sometimes caused by non-compliance of budget managers with the spending limits defined in the budget, when committing expenditures. On the other hand, in a number of countries, the official budget is under spent. This does not necessarily mean that there is good fiscal discipline in these countries. In some countries with poor governance, under spending of the official budget may coexist with large amounts of off-budget spending. Generally speaking, in most cases, underutilization as well as over utilization is related to insufficiencies in budget preparation and program preparation.

4.5 Analysis of Budget Allocation and Utilization

According to Ketema (2015) several reviews of public financial management performance in developing countries show that countries score significantly better on budget preparation than on budget utilization. In principles of budget, after the budget planned and prepared are approved and allocated properly for intended purpose, it is going to be utilized. Budget utilization is the overall execution of the resources for the benefit of the organization and the employees as well.

For better utilization of budget every budget user unit has the obligation to register daily inflow and outflow budget movement and maintain the balance on the ledger prepared for this purpose. It has also the responsibility to submit monthly reports to ministry of finance and economic. Further, the budget holder is required to utilize the allocated budget for the specified period only. However, according to the answer revealed by respondents about budget utilization and allocation, monitoring and evaluation, challenges related to budget utilization, and trends in budget approved and utilized are provided as follows:

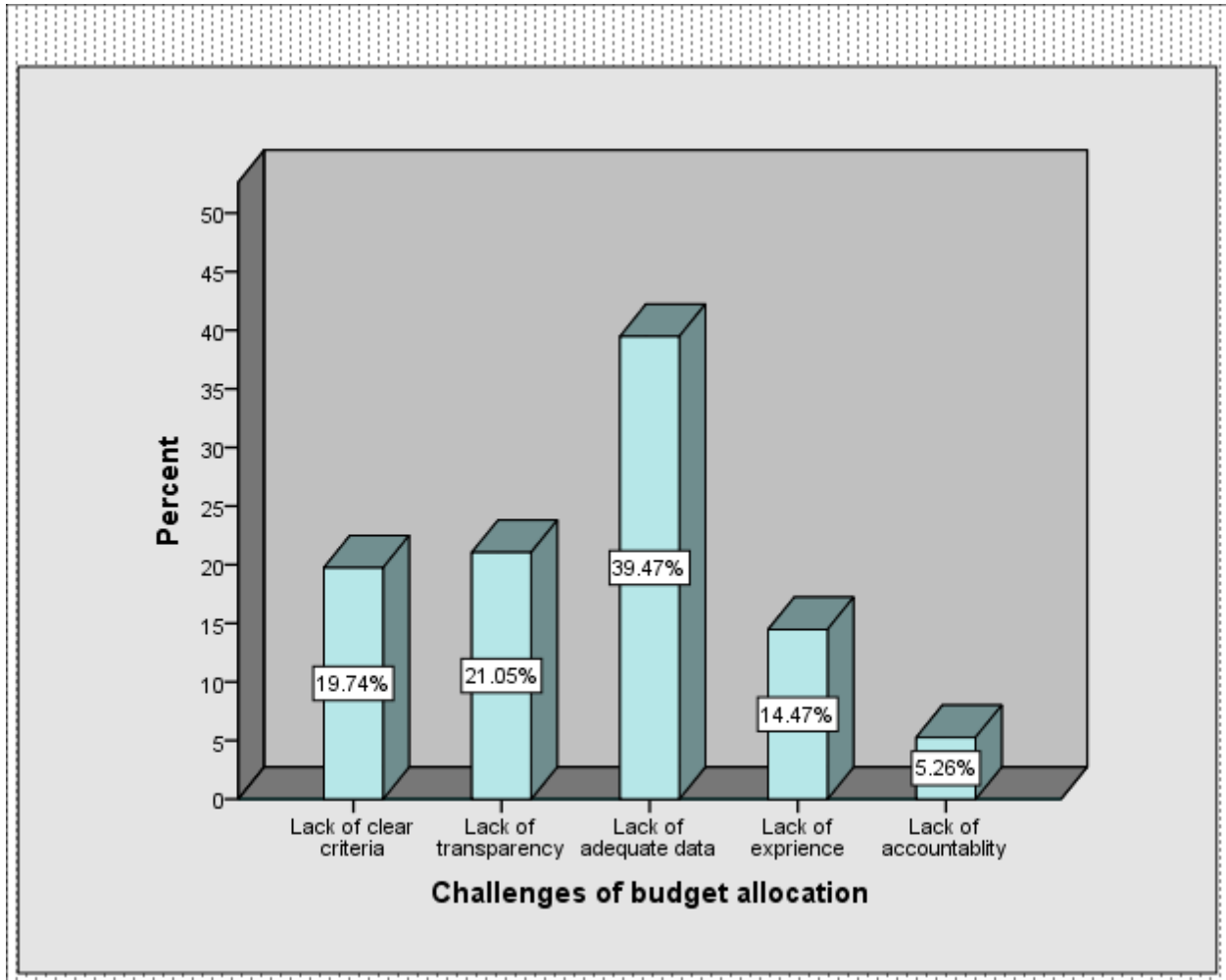


Source: Source: Survey Data on Budget Utilization in Jimma University, 2020

Figure 3 Types of Budget Expected to Prepare

As the figure 3 shows, from different colleges and institutes of Jimma University different types of budgets are expected to be prepared. Accordingly, as the majority (52.63%) of respondents

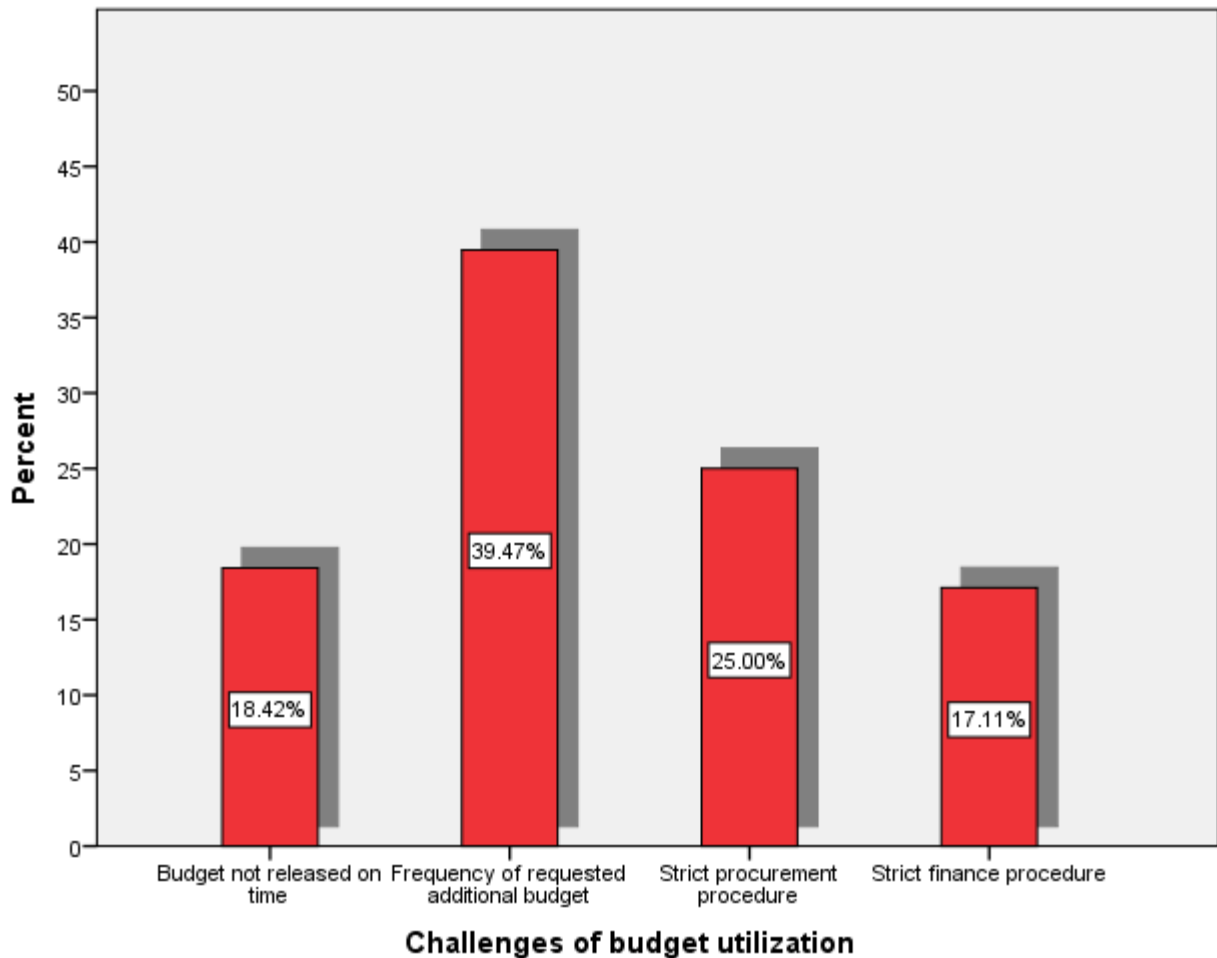
replied that different colleges and institutes are preparing recurrent budget. But 43.2 % of respondents replied that they are expected to prepare both recurrent and capital budgets. On the other hand 3.95% of the respondents replied that they are expected to prepare capital budget. That means majority of the colleges and institutes of Jimma University prepare recurrent budget.



Source: Survey Data on Budget Utilization in Jimma University, 2020

Figure 4 Challenges of Budget Allocation

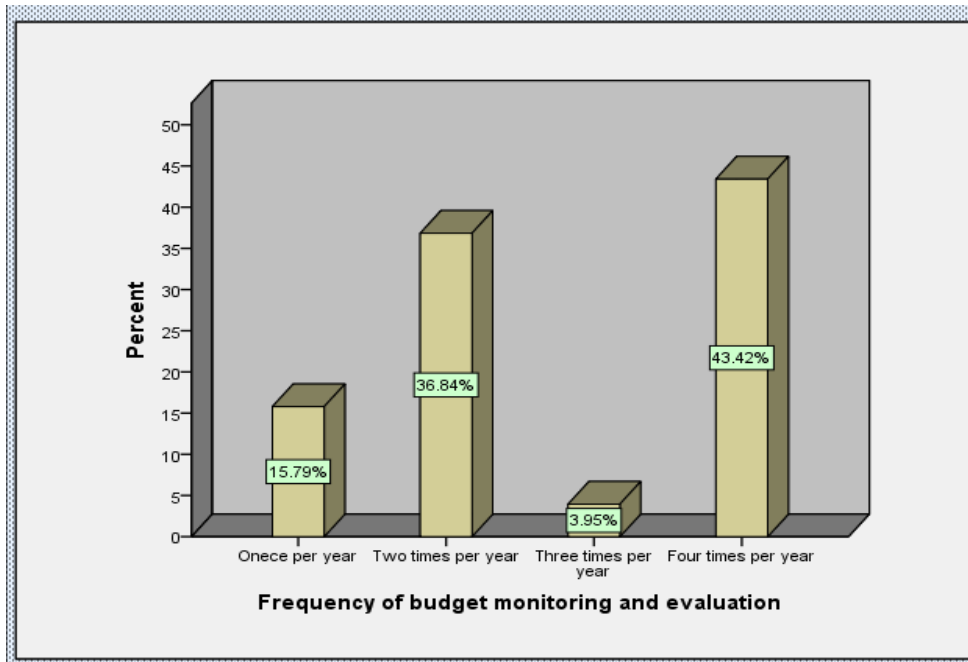
Figure 4 shows that there were challenges of budget allocation in Jimma University and the respondent answers the questions as follows: About 39.47% of respondents replied that because of lack of adequate data, 21.05% because of lack of transparency, 19.74 because of lack of clear criteria, 14.47% because of lack of experience and 5.26% because of lack of accountability.



Source: Survey Data on Budget Utilization in Jimma University, 2020

Figure 5 Challenges of Budget Utilization

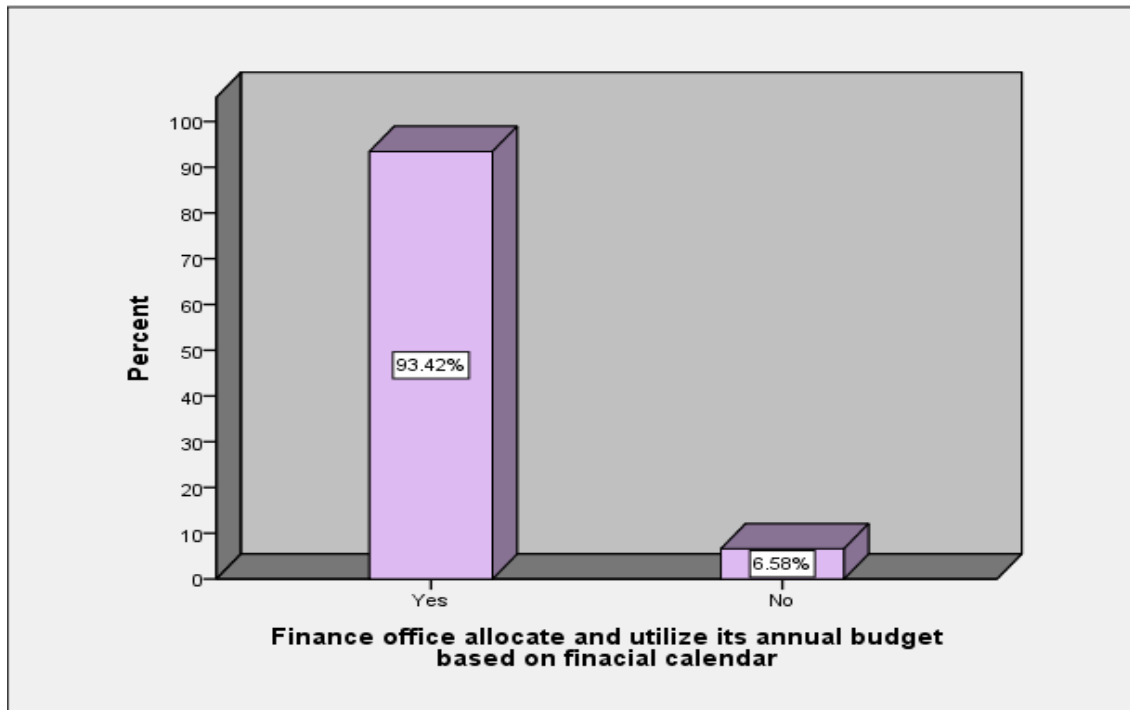
Figure 5 shows that budget utilization was another challenge of Jimma University. For the above challenges, there are some reasons for the respondents' answer. Accordingly, 39.47% of respondents replied that the problem is related to frequency of requested additional budget, 25% of the respondents replied that it is related to strict procurement procedure, 17.11% is strict finance procedure and 18.42% of respondents replied that there are problem of releasing budget on time. This result shows that frequency of requested additional budget is the most challenging factor affecting budget utilization. This means budget users (colleges and institutes) have no clear plan for their colleges and institutes. In addition to this strict procurement procedure, not releasing budget on time and strict finance procedure respectively another factors affecting budget utilization of the University.



Source: Survey Data on Budget Utilization in Jimma University, 2020

Figure 6 Frequency of Budget Monitoring and Evaluation

As shown in the figure 6, concerning frequency of budget monitoring and evaluation in Jimma University 43.42% of respondents replied that in their college/institute the allocated budget were monitored and evaluated four times per year, 36.84% of respondents replied that budget monitoring and evaluation conducted two times per year, 15.79% of respondents replied that monitoring and evaluation were conducted once per year, and 3.95% of respondents replied that monitoring and evaluation conducted three times per year. These results indicated that in Jimma University there is better monitoring and Evaluation of budget per year, because monitoring and evaluation of budget are conducted quarterly.



Source: Survey Data on Budget Utilization in Jimma University, 2020

Figure 7 Allocations and Utilization of Budgets on Financial Calendar

As the figure 7 shows, most of the respondents 93.42% replied finance office allocate and utilize its annual budget based on financial calendar where as 6.58% of the respondents replied finance office does not allocate and utilize its annual budget based on financial calendar.

4.6 Analysis of Factors Affecting Budget Utilization

This part focuses on respondent's opinions on factors affecting budget utilization. There are eighteen independent variables examined in the study. Ten variables among demographic (general information) and budget allocation and utilization issue were analyzed separately. Results of the analysis of the remaining eight explanatory variables relating to certain of budget utilization and factors affecting budget utilization issue (government finance regulation, organizational staffing, budget preparation process, awareness of budget users, monitoring and evaluation, experience of program budget, purchasing regulation and inflation) were presented separately. Respondents required to rate their level of agreement on items related to their attitude towards themselves that are believed to be a factor using a five point Likert scale.

Based on the responses of respondents the descriptive analysis was performed to compare using mean and standard deviation. The analysis is based on the assumption Zaidatol (2009)

comparison bases of mean score for five point Likert scale (i.e. strongly disagree = 1, disagree = 2, Neutral = 3, agree =4, and strongly agree = 5) instruments is used to compare the mean value.

Table 4: Mean Score Measurement Assumptions

Mean Score	Description
< 3.39	Low
3.40 - 3.79	Moderate
> 3.80	High

Source: Zaidation (2009)

According to Zaidation (2009), the mean score below 3.39 is considered as low; the mean score from 3.40 up to 3.79 is considered as moderate and mean score above 3.8 is considered as high.

4.6.1 Summary of Descriptive Statistics

This section summarizes the above respondents' answer regarding dependent and independent variables in the study. In other words, government finance regulation, organizational staffing, budget preparation process, awareness of budget users, monitoring and evaluation, experience of program budget, purchasing regulation and inflation are factors affecting budget utilization in Jimma University.

Table 5 Summary of the Descriptive Statistics

	N	Mean	Std. Deviation
ABU	76	3.4789	0.57788
ME	76	3.6553	0.73583
EPB	76	3.5230	1.02077
PR	76	4.2544	0.81626
IF	76	4.2061	0.77930
BU	76	3.5921	0.88040

Source: Survey Data on Budget Utilization in Jimma University, 2020

As it has been indicated in the above table 5, a summary of the descriptive statistics of the dependent and an independent variable. The average mean of awareness of budget users is 3.4789 with standard deviation of 0.57788, mean of monitoring and evaluation is 3.6553 with standard deviation of 0.73583, mean of experience of program budget is 3.5230 with standard deviation of 1.02077, mean of purchasing regulation is 4.2544 with standard deviation of 0.81626, and mean of inflation is 4.2061 with standard deviation 0.77930.

Therefore, the average responses of the factors are greater than 3.39, which means that awareness of budget users, monitoring and evaluation, experience of program budget, purchasing regulation and inflation are the major factors affect budget utilization in Jimma University

4.6.2 Correlation Matrix

According to Wajahat (2010) before the start of regression analysis it is important to check the correlation test between dependent variable and independent variables. The Pearson correlation scale ranges from -1 to 1, any value greater than zero indicate a positive direct relationship between the two variables, which implies that every increase in the independent variable will lead to increase the independent variable, while any value less than zero indicate a negative indirect relationship between two variables, this means that every increase in the independent variable will lead to the decrease on the dependent variable (Hafiz, 2007).

Table 6 Correlation Matrix of Variables

		ABU	ME	EPB	PR	IF	BU
ABU	Correlation	1					
ME	Correlation	.092	1				
EPB	Correlation	.502**	-.177	1			
PR	Correlation	.198	.175	.382**	1		
IF	Correlation	.153	.192	.329**	.606**	1	
BU	Correlation	.164	.653**	-.216	.332**	.375**	1

Source: Survey Data on Budget Utilization in Jimma University, 2020

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

The above table shows the relationship between variables can be observed that monitoring and evaluation is the most correlated variable with budget utilization (with the r value of 0.653^{**}) followed by purchasing regulation with inflation (with the r value of 0.606), and awareness of budget users with experience program budget (with the r value of 0.502^{**}) respectively. As a result of existing relationship, the budget utilization may have been affected by stated and other independent variables.

4.6.3 Analysis of Model Summary

Table 7: Regression Analysis Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.777 ^a	.604	.576	.57319

Source: Survey Data on Budget Utilization in Jimma University, 2020

a. Predictors: (Constant), IF, ABU, ME, PR, EPB

b. Dependent Variable: Budget Utilization

As can be seen from Table 7 R value is 0.777 which indicates there is a positive relationship between budget utilization and independent variables. The value of R^2 is 0.604, which means that 60.4 percent of the total variance in budget utilization has been explained by explanatory variables. Therefore, it is proved that independent variables contribute positively towards change in the dependent variable.

4.6.4 Regression Analysis ANOVA

Table 8 Regression Analysis ANOVA

ANOVA ^a						
Model	Sum of Squares	df	Mean Square	F	Sig.	
1						
	Regression	35.134	5	7.027	21.387	.000b
	Residual	22.999	70	.329		

Total	58.133	75
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Source: Survey Data on Budget Utilization in Jimma University, 2020

- a. Dependent Variable: Budget Utilization
- b. Predictors: (Constant), IF, ME, ABU, PR, EPB

Table 8 shows, the significant value of the F is less than 0.05, which means that the effects would be statistically significant

4.7 Multiple Linear Regression Assumptions

Testing assumption of multiple linear regression analysis models is very important before running regression analysis. In the previous section of this paper the descriptive and inferential analysis were carried out separately to identify factors affecting budget utilization. In addition to these the influence each independent variable must be assessed and identified sequentially. The researcher used multiple linear regression models to identify factors affecting budget utilization.

4.7.1 Multicollinearity Test between Independent Variables

According to Gujarati (2003) Multicollinearity tests helps identify the high correlation between explanatory variables and to avoid double effect of independent variable from the model. When independent variables are multicollinear there is overlap or sharing of predictive power. Predictor variable should be strongly related to dependent variable but not strongly related to each other. For this purpose, variance inflation factor (VIF) and tolerance test were used to check Multicollinearity for variables if the value of VIF is less than 10 there is no Multicollinearity problem and on the other hand if VIF greater than or equal to 10 there is a serious Multicollinearity problem. In addition, tolerance is an indicator how much of the variability of independent variable is not explained by the other independent variable in the model .If the value is less 1 there is no problem of Multicollinearity among the independent variables which are statistically significant

Table 9 Collinearity Statistics

Variables	Collinearity Statistics	
	Tolerance	VIF

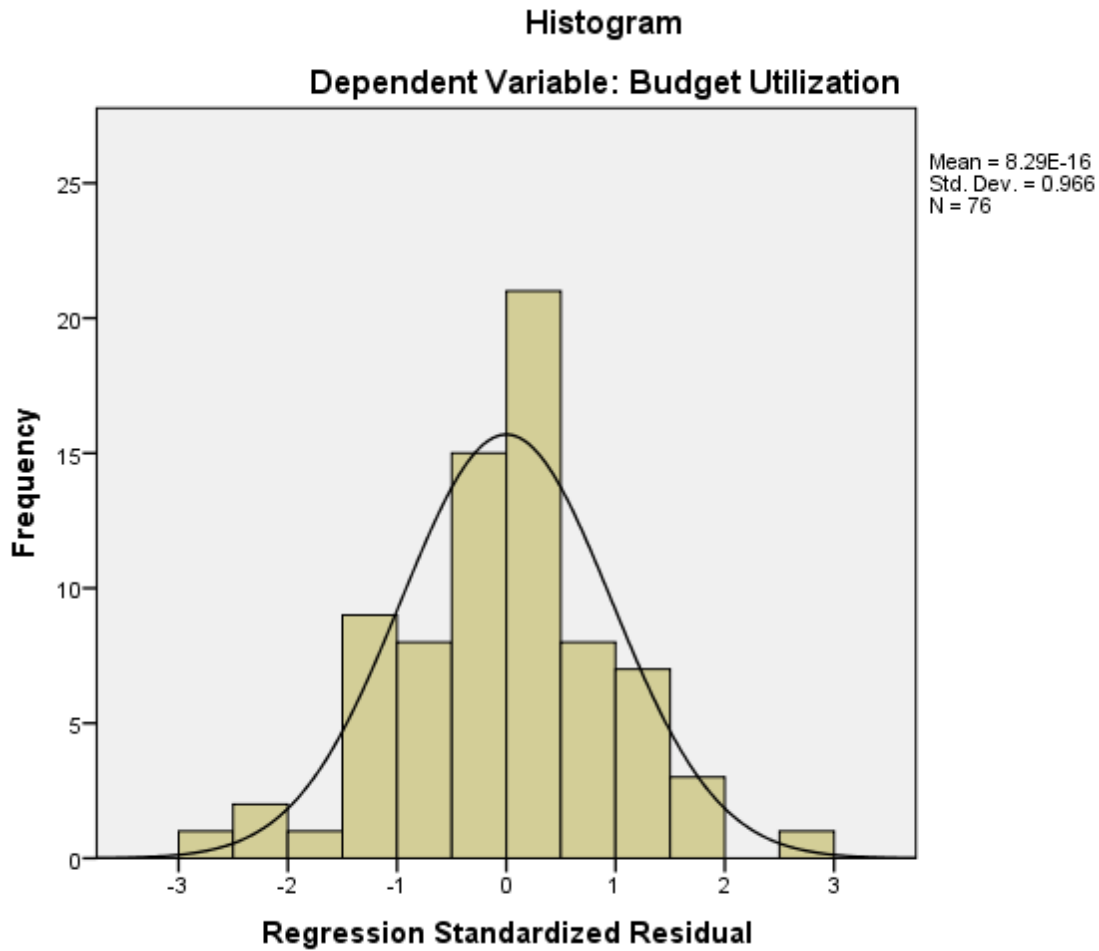
ABU	.710	1.409
ME	.835	1.198
EPB	.572	1.749
PR	.583	1.717
IF	.605	1.652

Source: Survey Data on Budget Utilization in Jimma University, 2020

Therefore, as shown in the table 9, under Collinearity statistics the value of both Tolerance and VIF (Variance Inflation Factors) shows the tolerance value is less than one (Tolerance value < 1) and VIF (Variance Inflation Factors) is less than ten ($VIF < 10$), there is no the problem of Multicollinearity among the independent variables which are statistically significant (Gujarati, 2003).

4.7.2 Normality test

Normality assumption is around the mean of the residuals is zero and used to determine whether a data set is well modeled by a normal distribution or not and also to indicate an underlying random variable is to be normally distributed (Gujarati, 2009). There the researcher was used histogram methods of testing the normality of the data. If the residuals are normally distributed about its mean of zero, the shape of histogram should be a bell-shaped and regression standardized residual plotted between -3.3 and 3.3. From the figure below data normality can be indicated



Source: Survey Data on Budget Utilization in Jimma University, 2020

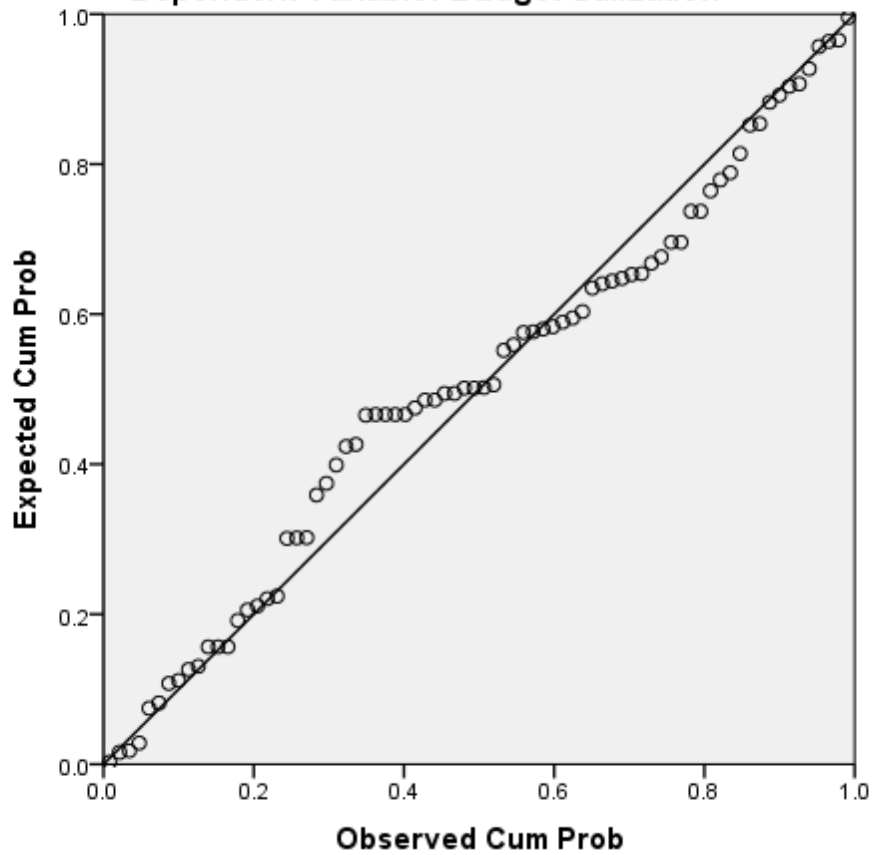
Figure 8 Regression Standardized Residual

4.7.3 Linearity Test

Linearity is used to check whether all the estimates of regression including regression coefficients, standard errors and tests of statistical significance are biased or not (Keith, 2006). This means that errors are normally distributed, and that a P-P plot of the values of the residuals will approximate a normal curve. So from the following figure 8 indicated that that the regression analyses satisfy the normality assumption of a linear relationship between the dependent and independent variables.

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Budget Utilization

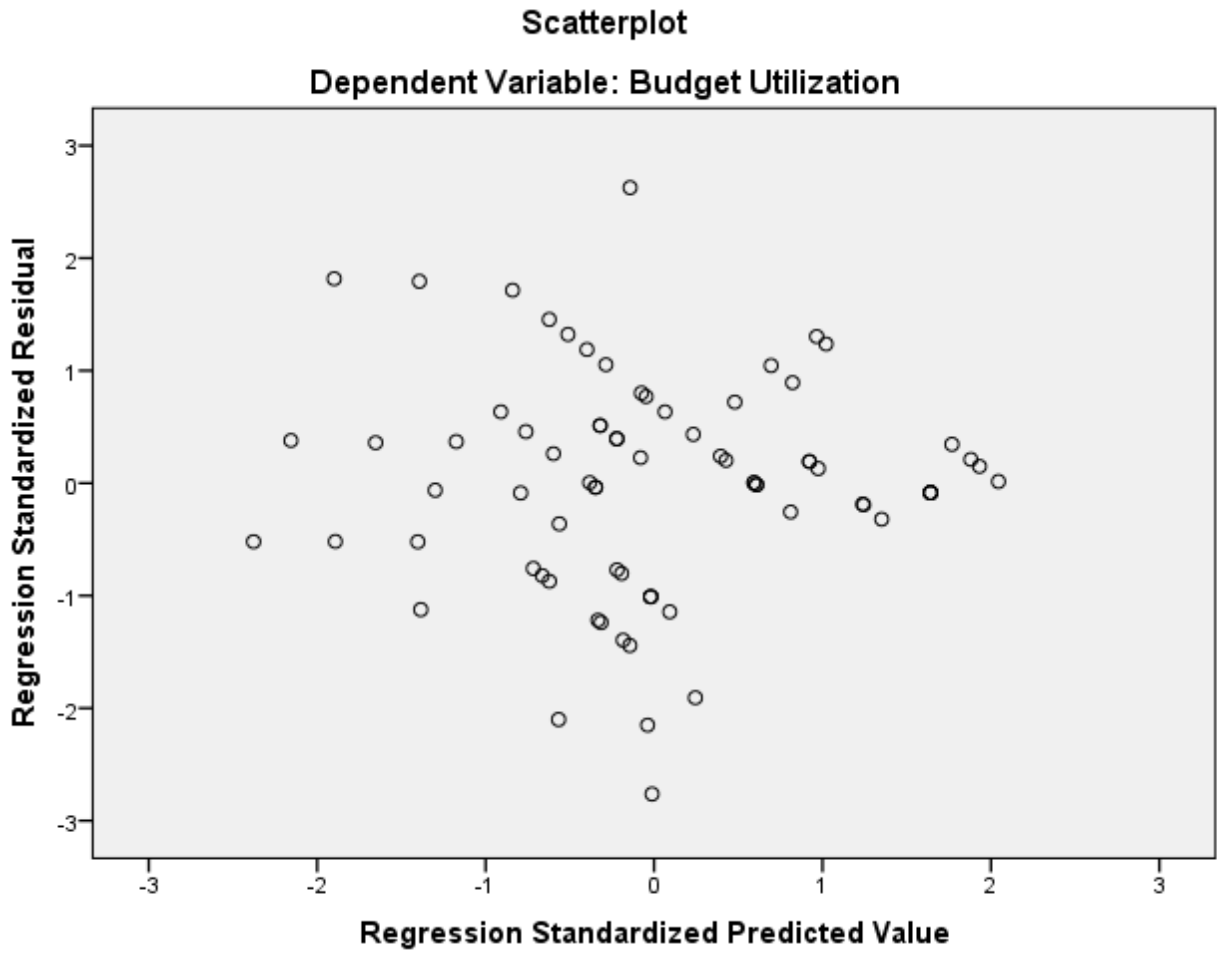


Source: Survey Data on Budget Utilization in Jimma University, 2020

Figure 9 Assumption of Normality

4.7.4 Heteroscedasticity Test

Heteroscedasticity is the equality or violation of the residuals for every set of values for independent variable. So the researchers assume that errors are spread out constantly between the variables. Heteroscedasticity problem exist when scatterplot is greater than 3.3 and less than -3.3. Therefore, as it was indicated in figure 10 below the data did not violate Heteroscedasticity assumption and instead it was homoscedastic.



Source: Survey Data on Budget Utilization in Jimma University, 2020

Figure 10 Heteroscedasticity Test

4.8 Regression Coefficients Analysis and Model Interpretation

Table 10 Regression Coefficients Analysis and Model Interpretation

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-.688	.567		-1.213	.229	-1.820	.444
1 ABU	.385	.136	.253	2.834	.006	.114	.656
ME	.561	.098	.469	5.695	.000	.364	.757
EPB	-.366	.086	-.424	-4.263	.000	-.537	-.195
PR	.219	.106	.203	2.060	.043	-.007	.431
IF	.297	.109	.263	2.716	.008	.079	.514

Source: Survey Data on Budget Utilization in Jimma University, 2020

A dependent Variable: BU

From the above table, regression coefficient analysis shows awareness of budget users (sig.006), monitoring and evaluation (sig.000), experience of program budget (sig.000), purchasing regulation (sig.043) and inflation (sig.008) are statistically significant with budget utilization which is the P-Value is less than 5 percent of level of significant.

The dependent (Y) and independent (X) variables relationship can be explained as; assume that Y= Budget Utilization, ABU= Awareness of Budget Users, ME= Monitoring and Evaluation, EPB= Experience of Program Budget, PR= Purchasing Regulation and IF=Inflation; the model has the following formula:

$BU = \beta_0 + \beta_1 ABU + \beta_2 ME + \beta_3 EPB + \beta_4 PR + \beta_5 IF$. Therefore, as shown in the above table, regression coefficient analysis the value of $\beta_0 = -0.688$, $\beta_1 = 0.385$, $\beta_2 = 0.561$, $\beta_3 = -0.366$, and $\beta_4 = 0.219$, $\beta_5 = 0.297$

$Y (BU) = -0.688 + 0.385 (ABU) + 0.561 (ME) + -0.366 (EPB) + 0.219 (PR) + 0.297 (IF)$

Interpretation of Significant and Insignificant Variables

According to Zina(2004) the lower the p-value, the more confident researchers can be that findings are genuine. The .01 level means that if other samples were drawn from the same population, the likelihood of obtaining a comparable sample finding is 99 in 100 samples (Yogesh, 2006).

From the above table the coefficient for ABU is 0.385.It is positive and statistically significant with 0.006 P-Value which is less than 5% level of significant value. So that for every unit, increasing ABU, a 0.385 unit increase in budget utilization is predicted holding all other variables constant.

The coefficient for ME is 0.561.It is positive and statistically significant with 0.000 P-Value which is less than 5% level of significant value. So that for every unit, increasing ME, a 0.561 unit increase in budget utilization is predicted holding all other variables constant.

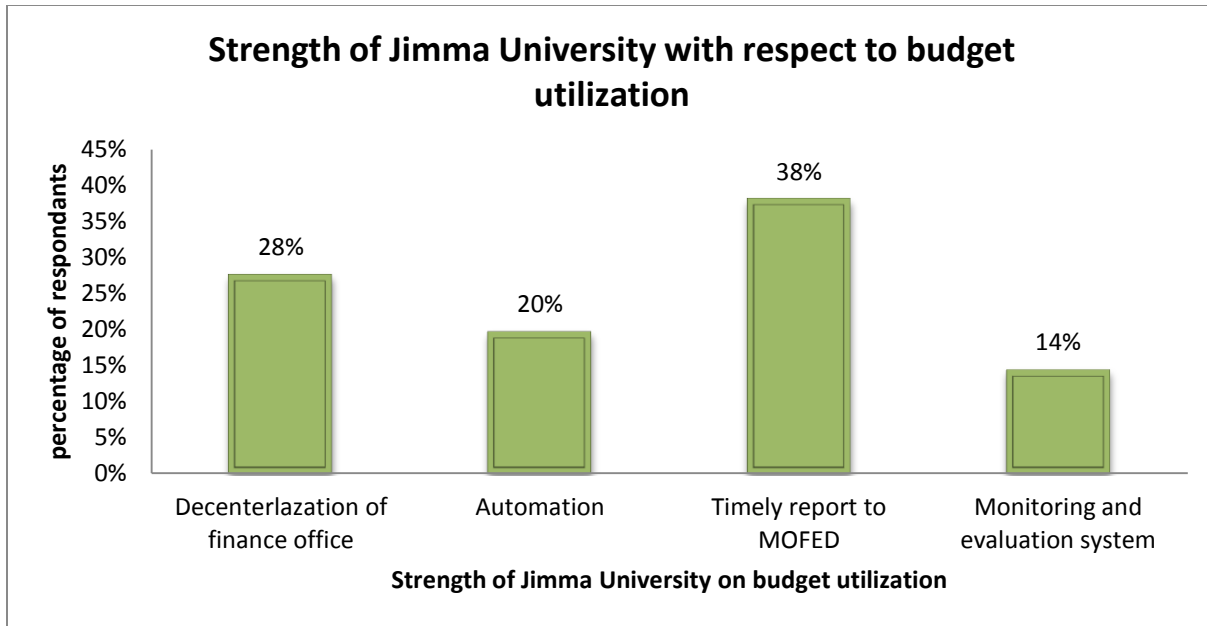
The coefficient for EPB is -0.329.It is negative and statistically insignificant with 0.000 P-Value which is less than 5% level of significant value. So that for every unit, decreasing EPB decrease in budget utilization is predicted holding all other variables constant.

The coefficient for PR is 0.219.It is positive and statistically significant with 0.047 P-Value which is less than 5% level of significant value. So that for every unit, increasing PR, a 0.219 unit increase in budget utilization is predicted holding all other variables constant.

The coefficient for IF is 0.297.It is positive and statistically significant with 0.008 P-Value which is less than 5% level of significant value. So that for every unit, increasing IF, a 0.297 unit increase in budget utilization is predicted holding all other variables constant.

4.9 Analysis of Open Ended Questions

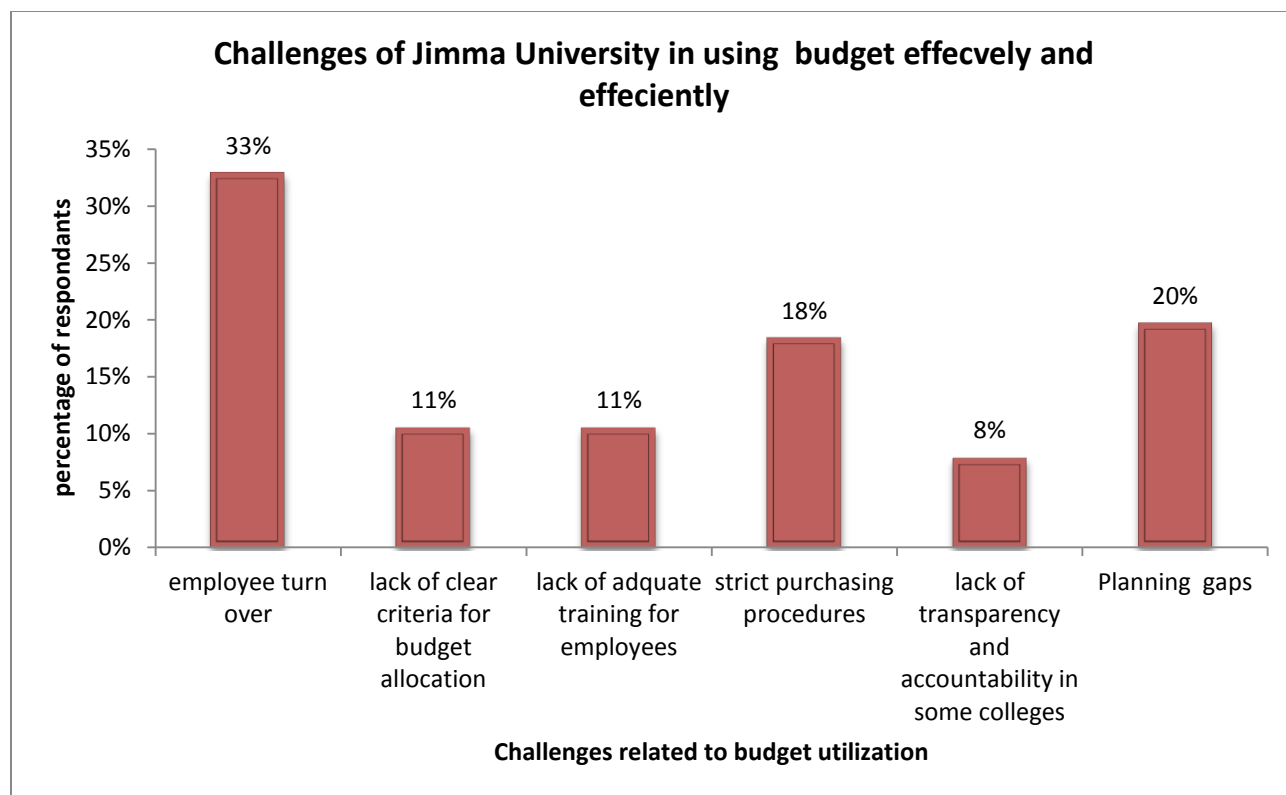
The relative advantages and disadvantages of open-ended questions largely mirror the advantages and disadvantages of close-ended questions. Open-ended questions offer respondents an opportunity to provide a wide range of answers. Because some of these answers will be unexpected (Michael R Hyman & Jeremy J. Sierra, 2016). So that the researcher used three open ended questions to capture additional responses on budget utilization in Jimma University.



Source: Open ended question data on Budget Utilization in Jimma University, 2020

Figure 11 Strength of Jimma University on Budget Utilization

Figure 11 shows the response of respondents to question on the strength of Jimma University on budget utilization. The respondents answered the question and the captured responses grouped into common themes: decentralization of finance office, timely report to MOFEC, automation (IBEX usage) and monitoring and evaluation system. As can be observed from the above figure timely report to MOFEC, decentralizing finance office and automation are the major strength of Jimma University on budget utilization.



Source: Open ended question data on Budget Utilization in Jimma University, 2020

Figure 12 Challenges Related to Budget Utilization

There was a question forwarded to respondents to assess the challenges of Jimma University in using budget effectively and efficiently. The respondents answered the question in different ways and the captured responses grouped into common themes: employee turnover, planning gaps, strict purchasing procedures, lack of adequate training for employees, lack of clear criteria for budget allocation and lack of transparency and accountability in some colleges. Accordingly, employee turnover, planning gaps and purchasing procedures are the major challenges of Jimma University related to budget utilization.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

This chapter presents the conclusion, recommendation, and direction of future research which came from previous chapters which contains introduction, review of literature, research design and methodology, and result and discussion part.

5.1 Summary of Research Findings

As it is discussed in chapter one introduction part this research aimed to assess budget utilization and allocation practice in Jimma University. During the investigation the researcher used both descriptive and inferential statistics and based on the findings made the following major conclusion were drawn from the study.

The descriptive results of background information of respondents indicated that majority of the total respondents have first degree and above with more than five years work experience. Therefore, level of education and service year of respondents are appropriate and they are experienced related to budget utilization.

The study result showed that the majority of colleges' and institutes' finance offices are expected to prepare recurrent budget only, but some colleges' and institutes' finance offices prepare both recurrent and capital budgets together. The result indicates that lack of adequate data, lack of transparency, lack of clear criteria, lack of experience and lack accountability respectively are challenges of budget allocation in Jimma University.

There are challenges in budget utilization which observed in Jimma University finance office such as frequency of requested additional budget, strict procurement procedure, and budget not released on time, strict finance procedure. Above all, frequency of requested additional budget is the most challenging factor affecting budget utilization. This implies budget users (colleges and institutes) have no clear plan for their colleges and institutes.

The result of the study shows the frequency of budget monitoring and evaluation are good and the time period of budget allocation and utilization are mostly based on a financial calendar of the country. This implies budget monitoring and evaluation system helps for timely correction of budget utilization.

Responses to open ended questions revealed that, timely report to MOFEC, decentralization of finance office; automation and monitoring & evaluation system are the strength of Jimma University with respect to budget utilization. On the other hand employee turnover, planning gaps, strict purchasing procedures, lack of adequate training for staff, lack of clear criteria for budget allocation and lack of transparency & accountability in some colleges/institute are challenges related to budget utilization.

Secondary data on trends of budget utilization in Jimma University shows that except 2011 E.C, from one budget year to next budget year, both approved and actual expenditure was increasing and underutilization of budget from year to year was decreasing. This means budget utilization in Jimma University is improving from year to year.

This study indicated that awareness of budget users, monitoring and evaluation, experience of program budget, purchasing regulation and inflation are the major factors affect budget utilization in Jimma University.

5.2 Conclusion

This research is intended to examine the practice and major challenges of budget utilization and allocation, identify the factors affecting proper budget utilization in Jimma University. The researcher used descriptive and explanatory types of research design and both primary and secondary data collection technique.

The researcher concluded that the causes for mis-utilization of budget in the University are mainly due to awareness of budget users, monitoring and evaluation, experience of program budget, purchasing regulation, inflation, employee turnover, planning gaps, lack of adequate training for staff, lack of clear criteria for budget allocation and lack of transparency & accountability in some colleges/institute. The deviations between actual and planned budget that hamper proper budget utilization could be contributing directly or indirectly to the service delivery. So that based on the result obtained, due attention should be given by university managers and all other concerned bodies during budget plan and implementation by solving factors leading to underutilization or overutilization of budget in the University.

5.3 Recommendation

Based on the findings and conclusion, the researcher forwarded the following recommendations concerning proper budget utilization.

- ✿ The experienced manpower is very essential in improving the effectiveness of budget utilization; so that the University must provide training to fill skill gaps and should create staff retention mechanism to minimize staff turnover.
- ✿ The University should create awareness on budget utilization for all budget owners(colleges and institutes)

- ❖ Budget prepared and allocated must be utilized on time effectively and efficiently for the right purpose by following financial calendar of the University.
- ❖ The university must solve challenges that affect proper budget utilization of the institution.
- ❖ Timely follow up of budget utilization is needed to minimize under/over utilization of budget.
- ❖ Budget allocation procedure should be transparent, accountable and have clear criteria with adequate data.

5.4 Future research direction

Despite the successes scored during the study, some factors have not been properly accounted due to its scope. In this regard, the researcher recommends future researcher should work on other variables which are not addressed in this study which may determine the effectiveness of proper budget utilization and allocation. In addition researchers should investigate on factors affecting the effectiveness of budget utilization by taking large sample from different government institutions and higher organization.

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APPENDICES

Msc research on factors affecting proper budget utilization in Jimma University

LETTER OF INTRODUCTION

Dear respondent,

I am a postgraduate student at Jimma University College of business and economics department of accounting and finance. I am carrying out a research on the factors affecting proper budget utilization in Jimma University.

In order to carry out this study your feedback and suggestion is highly recommended. I kindly request you assist filling in the attached Questionnaire. The Information you give will be treated with strict confidence and will be used for academic purpose only. Your assistant toward this is highly appreciated.

Thank you.

Fill the space and circle the one related to your personal information

1. Gender:

Male female

2. Age:

18 –25 Y ears 26 – 35 Years 36–45 years
 46 – 55 Years 46– 65 years

3. Educational Background

PHD Master’s Degree First Degree
 Diploma Certificate

4. Service year of respondents

Less than one year 2-5 years above15
 6- 10 years 10-15 years

5. What is your functional position?

Administrator Accountant Purchasing
 Financial manager planning Officer Auditor

Budget Allocation and Utilization Issue

6. which of the following types of budget are the different colleges expected to prepare?

Recurrent Budget Capital Budget

Both together others,

7. What are the challenges in budget allocation in your organization/university?

Lack of clear criteria Lack of transparency Lack of adequate data

Lack of experience Lack of accountability

Others,

8. What are the challenges in budget utilization in your organization/university?

Budget not released on time Frequency request of additional budget

strict procurement procedure strict finance procedure

Others _____

9. Frequency of budget monitoring and evaluation in your finance Offices?

Once per year Two times per year Three times per year

Four times per year

10. Do you think that your finance office allocate and utilize its annual budget based on the financial calendar of the institution? Yes No

QUESTIONNAIRE Kindly answer the following questions by ticking the appropriate box: [√]

PART A: GENERAL INFORMATION

☞ Part III: Budget Utilization and Factors Affecting Budget Utilization Issue

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

No	Question	Measurement				
		1	2	3	4	5
Government finance regulation						
1	New reforms in budgeting guidelines keep on changing and come with new set of rules which take time to learn and can be a challenge to budget utilization.					
2	Complexity of budget transfer affect budget utilization					
3	Policy changes during the year may affect proper budget utilization					
Organizational staffing						
4	The responsibilities allocated to each employee are clear					
5	There is job rotation in the organization that ensures effective budget utilization					
6	There is job enrichment at the organization					
7	The management allows the staff to decide how to accomplish the duties					
8	I schedule and coordinate work in a manner which ensures easy budget utilization					

Budget preparation process						
9	University's colleges prepare budget plans prior to the budget year which help for wise control					
10	Planning and Budget Department have a means to take corrective action on the weaknesses of budget preparation, utilization and control					
11	Your university have adequate number of professionals (budget officers) who prepare plan and budget					
12	The annual budget process in the university is documented with tasks, responsibility assignment and deadlines are clearly stated					
13	You have adequate understanding to prepare plans and budget					
Awareness of budget users						
14	Failure to present information on budget progress to facilitate scrutiny by relevant government agencies					
15	A lack of clear performance indicators to measure the actual results					
16	Your Finance office always presents timely, explanatory, and complete budget utilization report					
17	Your university makes aware of the users how and why the budget is prepared and utilized.					
18	Lack of Awareness affect budget Allocation and Utilization in your university.					

Monitoring and evaluation					
19	All colleges regularly monitor actual activity to planned activity				
20	All colleges control their expenditure to ensure that in line with available budget				
21	The financial report of your university is/are audited regularly by an Internal Auditor				
22	In your university all expenditures are monitored and evaluated by federal Auditors properly in the fiscal period.				
23	There is up to date Control of excess spending beyond approved budgets in your university.				
Experience of program budget					
24	Inadequate knowledge of people to ward program Budget				
25	Lack of proper training to employees on the functioning and utilization of the budget				
26	Weak accountability mechanism for designating responsibility				
27	Lack of some conceptual understanding in program budget system				
Purchasing regulation					
28	Purchasing procedure has effect on utilization of budget				
29	Buying the same goods for different users affect proper budget utilization				
30	Long step of purchasing process affect proper budget utilization				

Inflation						
31	Un predictable inflation affect proper budget utilization.					
32	Lack of reasonable and acceptable inflation affect budget utilization					
33	An increase in prices will lead to an increase in the budget deficit					
Budget Utilization						
34	Your Finance office has the practice of regular follow up on budget utilization.					
35	Each colleges will take allocated budget on time to utilize it for what it was planned.					
36	There is strong supervision and control by the budget holder leaders and their successive subordinates; on budget utilization in order to correct the observed problems.					

Part III open ended question

37. What is the strength Jimma University with respect to budget utilization?

38. What are the challenges of Jimma University in using budget effectively and efficiently?

39. What recommendation do you want to give in order to solve the problems?
