Challenges and Prospects of Budget Preparation and Utilization: a Study in Selected Finance Bureau of Kaffa Zone

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Abstract

The main objective of this study was to examine challenges and prospects of budget preparation and utilization in Kaffa zone selected finance bureau. All 94 employees directly related to budget related issue was used as population. Five-year data has been collected from secondary sources and also primary data was collected through self-administered questionnaire, & semi- structured interview. To collect essential data the study employed both qualitative and quantitative approach. All collected information was analyzed by using both descriptive and empirical model. Finding indicates that budget preparation process in Kaffa zone was good but budget utilization practice is unsuccessful. As the study compare recurrent budget to capital budget, recurrent budge have satisfactory utilization performance while capital budget was ineffective performance. The finding also discovered that budget utilization significantly affected by contractor's capacity, auditing system and diverting fund from planed activities to unplanned one whereas staff capacity and Inland Revenue collection has no significantly effects on budget utilization. The study recommended that budget utilization performances more focused to capital budget rather than recurrent budget. To protect delays of capital projects and its weak quality strong rules and society involvement is essential. Finally focusing on planed program, strong auditing system, re-structuring planning and construction and design department are the most critical mechanisms to overcome challenges in budget utilization as a solution in Kaffa zone.

Keyword: Budget, budget preparation, utilization, prospects & challenge

1. INTRODUCTION

1.1 Background of study

As Drake and Fabozzi (2010) regardless of size, complexity or sector, government relies heavily on budgets and budgetary systems to succeed strategic goals. The success of budgeting relies on the ranking of organizational goals, sharing of responsibilities for achieving these goals, and consequently its implementation. Bhatia (2003) defines that government budget is a financial plan that contains the detail of estimated receipts as well as proposed expenditures and other disbursements under various heads.

Bradley (1968), defines that budget is a financial plan that lists all feasible expenses and income for a given period, usually a fiscal year. It is a system proposed to accomplish various significant functions. Among the functions of budget, the most fundamental one is monitoring public expenditure, that exercising financial control over inputs. It is also instrumental for allocating scarce resources to government main concern so that government objectives are achieved in the most efficient and effective way. Therefore, many scholars explain that, public budget is a plan which governs public sectors to focus on specific program with specified finance. However, many finding shows whole budget system and implementations have a full of challenges. According to Robinson (2007) expenditure allocation in the public sector was not sufficiently responsive to changing social needs and priorities, and that money could keep for the following year ineffective because of a lack of proper expenditure planning processes and accountability for results linked to budget process. Rotich (2015) stated that the aim of government is to utilize budget in effective and efficient way but budget utilization are affected by a factors like lack of arrangement between the organizational structure and structure of performance reporting requirements, value and effectiveness of performance information were found to undermine budget utilization.

In general Bhatia (2003) stated that budget demonstrates financial accounts of the earlier year, the budget and revised estimates of the current year, and budget approximations for the next year. It describes both the fiscal policies of the government and financial plans equivalent to them. In Ethiopia, With the intention of building uniform budget administration and implementation control in the government organization, Ministry of Finance and economic development (MOFED) set budget guideline to all government finance bureaus. As a principle, those guidelines serves as a standard to control expenditures of budget holders and create sense of institutional budget perception. However, they do not ensure efficiency and effectiveness of budget utilization unless the responsible budget holders show commitments and sense of accountability. Even though public sector follows MOFED regulations and rules because of many factors budget utilization are affected. Abera (2014) finding concluded that lack of debate, delay of budget disbursement , lack of training on financial management, lack of internal audit and control, limitation in use of financial materials and rules and guidelines were among problems indicated. The amount of allocated budget to implement plan was inadequate. There were necessary financial rules and guidelines whose application was limited. Finally there was infrequent internal auditing

implying lack of timely audit and internal control system.

1.2 Statement of the Problem

Public services like education, health, municipality, road construction, agricultural inputs, police and legal services are rendered to society which requires a million birr budget. However, government has also been facing the challenges of providing these services to the expectations of its citizens. According to Ymisrach (2012) finding critical challenges facing government, in relation to budget utilization is the lack of adequate institutional and managerial capacity to support its implementation, variation in understanding the concept of differentiating objectives from targets, lack of harmony and uniformity on terms and definitions and difficulties in making the structures of the organizations. As the researcher reviews previous finding in Ethiopian, there are variables that are still not yet studied in detail like, ineffective Inland Revenue collection, capacity of external stockholders (particularly contractors), and diverting fund from Planed activities to unplanned activities. Also no previous research conducted to evaluate prospects and causes that affect the budget preparation and utilization in Kaffa zone. This research thus bridges an evident research gap, as there is no document to the best of researcher knowledge that reports any study on the probable causes that may hinder the preparation and utilization of budgeting in Kaffa zone. The general objective of this study is to examine the challenges and prospects in budget preparations and utilization in selected finance bureaus in kaffa zone. The specific objectives are: To examine budget preparation process in Kaffa Zone, to determine the trend in budget utilization in Kaffa Zone, to identify factors affecting budget utilization in Kaffa Zone finally to examine the prospects in budget preparation and utilization Kaffa Zone.

2. LITERATURE REVIEW

2.1 Overview of budget

According to Parameswaran (2005) budget is a plan that tells us the amount and source of money assigned for the facility of a certain service among the priority lists. The word Budget originally meant the moneybag or the public reward. The word now means, "Plans of government finances submitted for the approval of the legislature". Budget is a time bound financial program systematically worked out and ready for accomplishment in the succeeding fiscal year. It is a full plan of action, which brings together in one consolidated statement all financial requirements of the government. Obadan (2003) stated that budget is a procedure of plan, which show programs or projected of government expenditure spent towards for achieving some policy targets.

2.1.2 Budget concept in Ethiopia

Parameswaran (2005) stated that the Concept of Budgeting in Ethiopia denotes a plan by government of its expenditures and revenues for a specified period. Commonly government budget prepared for a year, known as Ethiopia fiscal year (EFY), From July 7 of this year to July 6 of the next year. Budgeting involves different jobs on the expenditures and revenues sides of government finance. On the side of expenditure, it deals with the determination of the total amount of money for the year, size of outlays on different functions, and the magnitude of expenditures on various activities. On the revenue side, it involves the determination of the size of the overall revenue and external aid. Furthermore, budgeting also addresses the issue of the budget deficit (i.e. the excess of outlays over domestic revenues) and surplus, and it's financing. Budgeting is not only a matter of finance in the narrow sense. Rather it is an essential part of government's general economic policy.

According to Yimer (2011), Ethiopian government laid down long term, medium term or annual expenditure budget cycle is followed in the preparation and implementation of national budget. The Zonal administrations under-take the zonal Expenditure Review to analyze their past expenditure against the government priorities as outlined in the government Vision or the corresponding Medium Term Plan. As per help Age International (2009) in Ethiopian context in first stage of budget process all public bodies are required to perform all budget preparation activities and including the mid-year program reviewing for the current fiscal year, preparation of unit costs work plan for upcoming fiscal year. In second phases, Finance and economic development office circulates a budget call letter and guideline to all public bodies. Every public body is required to prepare their budget requirement and submit it to the central agency. The central agency is responsible for summarizing and consolidating the national budget and finally presenting it before the council of ministers and/ or parliament. This call latter includes recurrent and capital ceiling, priority of focal areas to be considered in preparing budget, submission date on budget request by public bodies to the respective MOFED institution in all jurisdictions. In the third stage, once the recommended budget is, revised and adjusted by the councils of minister and then presented to the parliament for debate and approval. The fourth stage is disbursement of the approved budget to the important agencies, implementation of planned activities, and recording expenditure. In the final stage in the budget, process is control or performance monitoring.

2.1.3 Determinant factors on budget utilization

According to Help Age International (2008), for Poor financial management implications are lack of effective planning and implementation, dumping of spending on last quarter. Fund diversion; the government often divert

funds to other programmers; unexpected events: the government has a contingent reserve to deal with unexpected events (e.g. disasters); inadequate funding sometimes the budget fail to fund a program adequately and Weak oversight: capacity limitation and Corruption, because of weak financial management system. According to Economic Departement report (2012), Budget utilization challeng is more on local government authorities than Ministyr of finance and further budget autilization difficulties and the failure to implement planned activities. Challnges related to budget related issue is Poorly managed procurement, Unpredictability in the availability of and access to budgetary supplies, Delayed releases, inefficiencies collection of local resources, Staff Capacity, contractors capacity, Intra-governmental coordination and Weak supervision, auditing and accountability mechanisms .

2.4 Conceptual Model:- *Conceptual relationship between research Dependent variable -Budget Utilization with Independent variables are staff capacity, Inland Revenue collection, capacity of contractor`s, Diverting fund and Auditing system*
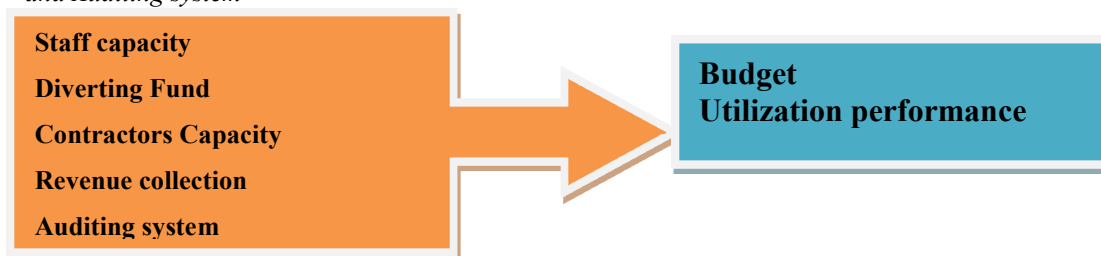
According to Zikmund and Griffin (2009) research design is a master plan that specifies the methods and procedures for collecting and analyzing the desirable information. Based on the nature and objective of the study the researcher adopted both quantitative and qualitative research design. The researcher uses primarily data and already available facts to analyze and make a critical evaluation of the data. The main objective of study is to examine budget preparation and utilization challenges and prospects in Kaffa zone selected finance bureau. This is accomplished by adopting mixed (descriptive and explanatory) research design that allows the researcher to examine the cause and effect relationships between dependent and independent variables.

3.2 Source of data and Method of data collection
The researcher has used both primary and secondary data to obtain relevant information. The questionnaires consisted, both self -administered closed and open ended questions. A five point Likert scale ranging from strongly agrees to strongly disagree were used in measuring the extent of the responses provided.

3.3 Target Population and sampling technique
This study`s target populations are 10 Weredas (districts), one city administration and one head of zone office. Budget users are homogeneous in nature, so from those target population purposively six Weredas, the city administration and zonal office head were selected. Simple random sampling was used to select six Wereda. These selected Weredas are Decha, Gimbo, Chena, Bita and, Adiyo and Telo. Addition Weredas, Zone head office and Bonga town administration was included for study. In these bureaus, there are 94 employees whose work is directly relates to budget related issues.

3.4 Data Analysis and Presentation
Descriptive statistics used to assess budget preparation practice and included mean, standard deviation, frequency and percentage as method of analysis. In the inferential part, ANOVA and multiple linear regressions were used. ANOVA was used to analyze five year financial reports to examine budget utilization difference among the six wordas. Whereas the multiple linear regression was used to examine the relationship b/n budget utilization and its determinant factors. In this case SPSS version 20.0 was used in regression analysis and computation of coefficients also Microsoft Excel applied to present figures and tables.

3.5 Model specification
The study adopted linear regression model to test the relationship between budget utilization as dependent variable and five independent variables, According to Kothari (2004), when study includes two or more independent variables, multiple linear regressions is appropriate. To determine the relationship between the variables, multiple linear regression model is formulated which is discussed below.
The multiple linear regression formula is applied that is;
$Yi = \beta_0 + \beta_i (Sci, IRi, Cci, Dvi, Adi) + e_i$
This formula indicates Y as the dependent variable –budget utilization practice and (Sci, IRi, Cci, Dvi, Adi)

includes the independent variables (determinant factors) of this study. The empirical model is thus:

$Y = \beta_0 + \beta_1 Sci, t + \beta_2 IRi, t + \beta_3 Cci, t + \beta_4 Dvi, t + \beta_5 Adti, t + \pounds i,$

Where,

Y = Budget utilization is the dependent variable which was evaluated using the questionnaire by measuring the level of factors that affect budget utilization performance. Independent variables are

Sc_i = staff capacity, IR_i = Inland Revenue collection, Cc_i = contractors capacity

Dv_i = Diverting fund, Adt_i = Auditing, E = is the error term, B_0 = Constant

B 1, 2, 3, = 6 are linear regression coefficients to be estimated; i Bui, t= time t

4. Result and Discussion

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. Data reliability was tested by Alpha Cronbach's and the multiple linear regression model diagnostic tested multicollinearity among the explanatory variables. The responses were placed on a five Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). To present the responses results in simple way Likert scale merged that, strong disagree & disagree in to disagree(2) , strongly Agree and Agree in to Agree (4) and Neutral as it is.

4.1.1 Data reliability

As per Kimani (2014) in the internal consistency measurement scale is assessed by Cronbach's Alpha. If Cronbach's Alpha value is grate than 0.5 is accepted as an internally consistence scale so that analysis can be possible.

Table 4.1: Summary of measurement reliability statistics (Cronbach's Alpha)

Cronbach's Alpha	N of Items
0.792	6

Sources: research data

Table 4.1, Result shows that the alpha value of all variable is above 0.5, the study instruments yielded fairly reliable data for this research, thus measuring the relationship between independent variables and dependent variable was reliable and valid

Table 4.1: Budget Preparation by Kaffa zone

Question	Mean	St.d	Measurement (%) 2	3	4
1. Finance offices circulate call letter for sectors to collect financial data	3.92	0.28	0	8.3	90.5
2.Budget preparation considers strategic policy of Kaffa zone	4	0.00	0	0	100
3.Budget prepared based on the financial calendar	4	0.00	0	0	100
4. Finance office summarizes all sectors' request, consolidate and present it for woreda/zone leaders.	4	0.00	0	0	98.8
5. Consolidated budget present for approval to peoples representative	3.81	0.548	7.1	4.8	88.1
6. Requests are, made based on approved plans and programs.	0	0	17.9	0	82.1
7.Your sector approve budget for each program	3.88	0.45	4.8	2.4	92.9
8.Your office revises its plan frequently in relation to budget	3.86	0.469	4.8	4.8	90.5
Over all Mean and Standard deviation	*4.24*	*0.484*			

Source : 2016

As indicated in table 4.1 above, Question number 1, 90.5% of respondents said that they agree financial officers distribute call latter for budget users to collect information on financial activities for planning purpose while 8.3% remained neutral. This is also consistent with the result from interview conducted with heads of finance offices. Therefore, we can conclude that with regard to budget preparation practice in the zone, financial officers distribute call latter for budget users to collect information on financial activities for planning purpose.

In response to question number 2, all of the respondents (100%) revealed that during budget preparation, strategic plane of zone is under consideration. Hence, an analysis shows that budget preparation is good because it is consistent with strategic plane of Kaffa Zone. With regard to question number 3, all respondent (100%) agreed that budget preparation is performed on budget calendar. In response to question number 4, 98.8% of respondent agreed that collected financial activities are summarized and presented to management body while 1.2% of respondents missed. Therefore, we can say that the budget preparation practice is good in terms of providing summarized and presented budget to management body.

As indicated question number 5, 88.1% of respondents agreed that all essential information was collected and summarized, leaders revise the summarized requests and present for peoples of representative for approval,

whereas 7.1% disagree and 4.8% remains neutral. Therefore, based on majority response, the researcher decides that leaders revise the summarized requests and present for peoples of representative. This contributes to good budget preparation. As indicated question number 6, 82.1% agreed that budget request are approved as per the plans and programs available at different level while 17.9% respondents disagree. Based on the majority response, the finding shows that budget request is approved as per the plans and programs available. For question number 7, among the respondents 92.9% agreed that budget is approved for each program 2.4% neutral and 4.8% respondents disagree. Therefore, in Kaffa financial officers follows program budgeting principle during budget preparation.

In response for Question number 8, 90.5% of them agree that the approved budget plan was revised frequently in relation to budget while 4.8% disagreed, and 4.8% are neutral.

To sum up, the overall budget preparation practice is good with the mean score of 4.24 and standard deviation of 0.484. The mean score and standard deviation shows that the overall practice of budget preparation ranges between 3.76 and 4.72*(i.e. below and above a mean of 4.24 & 0.484 standard deviation).*which indicate that the average response by respondents is concentrated around agree (4). Therefore, the researcher summarized that budget preparation practice is good and successful in Kaffa zone.

4.3 Budget Utilization

Greener (2008) stated budget authorizes a goal, a standard of performance to be established with successive comparison of actual results with the created standard. It requires those concerned to be forward looking rather than looking back (budgets have therefore been identified as playing a number of roles which include making goals explicit, coding learning, assisting control, and contracting with external parties.

4.3.1 Public Expenditure of Ethiopia

According to Swainson (2014) report shows that, Ethiopian public expenditure policy focuses on investing on growth attractive pro poor sectors/poverty reduction sectors/.

Table 4.2: Actual Public Expenditure distribution of Ethiopia, (% capital vs recurrent)

Budget Type	2010	2011	2012	2013	2014	Mean
Recurrent expenditures	61	55	64	62	63	61
Capital Expenditures	39	39	36	38	38	39

Source: MOEFD(2014)

During 2010/11-2014/15, out of the total government expenditure, 61 percent is spent on recurrent expenses, while the remaining 39 percent of the total expenditure is spent on capital expenditures. This spending pattern is consistent with the stated fiscal policy of the government. Which indicating that even though the economy operated under tight fiscal policy, the capacity and commitment of the government to invest on national development programs has been sustained remarkably.

4.3.3 Public Expenditure distribution of sample budget holders

Figure 4.2: Actual Public Expenditure distribution of sample budget holders

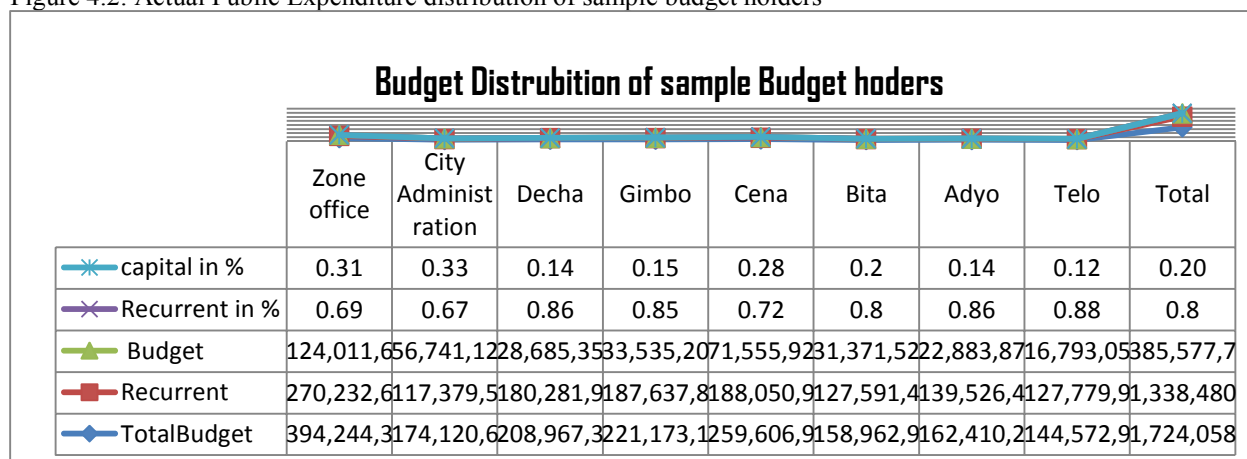| Budget Distrubition of sample Budget hoders	Zone office	City Administration	Decha	Gimbo	Cena	Bita	Adyo	Telo	Total
capital in %	0.31	0.33	0.14	0.15	0.28	0.2	0.14	0.12	0.20
Recurrent in %	0.69	0.67	0.86	0.85	0.72	0.8	0.86	0.88	0.8
Budget	124,011,6	56,741,12	28,685,35	33,535,20	71,555,92	31,371,52	22,883,87	16,793,05	385,577,7
Recurrent	270,232,6	117,379,5	180,281,9	187,637,8	188,050,9	127,591,4	139,526,4	127,779,9	1,338,480
TotalBudget	394,244,3	174,120,6	208,967,3	221,173,1	259,606,9	158,962,9	162,410,2	144,572,9	1,724,058

Figure 4.2, shows that, during 5 budget year, only 20% portion of budget was distributed to capital on the other hand 80% of approved budget was to recurrent expenditure. As per thus evidence that budget spending on selected sample budget holders are violate physical policy of country.

Table 4.3: Comparison of Adjusted budget with actual spent of Kaffa zone

Year	Organization	Adjusted Budget	Actual Expenditure	Over / Under
2003	Kaffa Zone	273,688,763.24	261,117,746.29	12,571,016.95
2004	<<	336,080,938.30	312,264,626.18	23,816,312.12
2005	<<	425,985,845.94	389,976,723.88	36,009,122.06
2006	<<	523,109,354.39	478,971,881.58	44,137,472.81
2007	<<	727,800,435.44	708,849,297.40	18,951,138.04
	Sum	2,286,665,337.31	2,151,180,275.33	135,485,061.98

Source: Kaffa zone finance office 2003-2007 report from IBX

As shown on table 4.3 above, the whole adjusted budget is set for both capital and recurrent budget expenditures of Kaffa zone. According to the data obtained from Kaffa zone finance office last five year, 2,286,665,337.31 Birr was available for use but 2,151,180,275.33 were actually used and 135,485,061.98 or 6% was returned back to treasury. Above reports shows that such under-utilization arises from low capacity to utilize approved budget.

4.3.5 The utilization of Budget practice (primary data)
Primary data was collected from responsible employees to indicate the extent to which they agree with statements concerning Budget utilization practice in Kaffa zone. The results are as shown in table 4.5 below
Table 4.5: Budget utilization in Kaffa zone,

Questions	Measurements (%)				
	Mean	Std.	2	3	4
1.Each sector will take allocated budget on time	2.11	.411	92.9	3.6	3.6
2.Your office utilizes the approved budget Based on its plan	2.02	.153	97.6	2.4	0
3. Regular Follow up on its balance budget	2.19	.526	86.9	7.1	6
4. Haven't a trend of asking budget adjustment after approval	2.02	.153	97.6	2.4	0
5.Payment is made based on full documents and evidences	2.24	.665	86.9	0	11.9
6. Submitting timely, explanatory, and complete budget report	2.02	.513	97.6	0	2.4
7.Budget request at all times submitted within its plan	2.11	.44	94	1.2	4.8
8. keeps essential budget documents according to rules & regulation	2.02	.153	97.6	2.4	0
Cumulative mean and Standard deviation	*1.83*	*.348*			

Source servey:2016

In response to question number 1, 92.8% of respondent disagreed that their office have a trend of taking allocated budget on of time schedule while 3.6% respondents are disagree and 3.6% them are neutral. Therefore, based on majority response, the researcher can say that the approved budget is transferred out of time schedule for budget holder that shows that weak budget utilization trend.

As indicated in the above table question number 2, 97.6% of respondents disagreed that budget was consumed for approved plan while 2.4% remained neutral. This also supported with the result from interview conducted with heads of finance offices. Therefore, the researcher summarized that with regard to budget utilization practice in the zone, budget used out of its approved program. As indicated question number 3, 86.9% disagree that in a practice of regularly following up their balance of budget, whereas 6% agree and 7.1% remains neutral. Therefore, based on majority response, the researcher infers that there is not practice of regularly following up on its balance of budget. This contributes to poor budget utilization performance. In response to question number 4, 97.6% of respondent are disagreed that budget holders are not submitting repeatedly a request for adjustment of budget after it is approved while 2.4% of respondents are neutral. Therefore, the researcher says that they have a trend of regularly submitting budget adjustment request, which have its own impact on budget utilization. As indicated question number 5, 86.9% disagreed that Payment made with full documents and evidences while 11.9% respondents agree. Based on the majority response, finding sum up; there was a payment without full documents and evidences.

For question number 6, among the respondents 97.6% disagreed and 2.4% respondents neutral to presenting timely, explanatory, and complete budget implementation reports. So Kaffa zone there is a practice of abusing to present timely, explanatory, and complete budget implementation report.

For question number 7, among the respondents 94% disagreed that there is a trend of all submitting budget request on its plan, 4.8% respondents agree and 1.2% are neutral. Therefore, in Kaffa zone there is a trend of submitting budget request out of plan. In response for question number 8, 97.6 % of them agree that the there is a trend of keeping complete budgetary and implementation records out of country's financial regulations, while

2.4% are neutral. Therefore, the researcher can decode that in Kaffa Zone finance there is a trend of keeping complete budgetary and implementation records out of country's financial regulations.

To sum up, the overall budget utilization practice is with the mean score of 1.83 and Standard deviation of 0.348. The mean score and standard deviation shows that the overall practice of budget utilization ranges between 1.48 and 2.18 *(i.e. below and above mean 1.83 by 0.348 standard deviation)*, which indicate that the average response by respondents is concentrated around disagree (2). Therefore, the researcher summarize that the budget utilization practice is unsuccessful in Kaffa zone.

4.5 Multiple linear Regression assumption tests

Diagnostic test is made to make sure that the multiple linear regression model assumption violated or not. In this study an attempt is made to test Multicollinearity the result of which are presented and discussed as follow.

4.5.1 Multicollinearity Test

According to Guajarati (2004), Kennedy (2008) multicollinearity problem exists when the correlation coefficient among the variables are greater than 0.70.

Table 4.6: Correlation

Variables	SC5	IR5	CC5	DV5	AD5
SC5	1				
IR5	0.261	1			
CC5	0.384	0.314	1		
DV5	0.268	0.327	0.533	1	
AD5	0.259	0.386	0.435	0.438	1

Table 4.6 above shows the correlation coefficient among explanatory variables in this study. The highest correlation coefficient for this study explanatory variable is 0.533 that is between DV5 and CC5, which is less than 0.7. Therefore, there is no evidence for presence of multicollinearity problem in this study model.

4.6 Linear regression model
Table 4.8: Model Summary

Model	R	R- Square	Adjusted R square	Std. Error of the Estimate
1	.685	.470	.435	.261

Analysis of table 4.8 above shows that the coefficient of determinant or the percentage variation in the dependent variable being explained by the change in the independent variable adjusted "R" square value is equal to 0.435 that is, 43.5% of the total variation in budget utilization is explained predictors variables such as staff capacity, inland revenue collection, contractors capacity (External factors), diverting fund form planned activity to unplanned activities and auditing system. The R square and adjusted R square column shows small variation b/n the two values (.470 and .435 respectively) justifying that the independent variables have strong ability to predict the variation in budget utilization performance. The positive value of R square shows moderate positive correlation between the predictors and dependent variable.

Table 4.10: Summary of coefficient

Model	Un-standardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	.424	.191		2.221	.029
SC5	.082	.071	**.106**	**1.157**	**.251**
IR5	.046	.093	**.045**	**.488**	**.627**
CC5	.224	.089	**.268**	**2.534**	**.013**
Dv5	.182	.090	**.208**	**2.022**	**.047**
DAT5	.248	.084	**.291**	**2.943**	**.004**

From models finally presented as
Y= .424 + 0.106Sc + 0.045IR+0.268CC5+0.208DV5+0.291AD5 the coefficients table the researcher gets the following result:
- Beta = 0.106, t= 1.157, p= 0.251(insignificant) staff capacity
- Beta = 0.045, t= 0.488, p= 0.627 (insignificant) in-land revenue collection
- Beta= 0.268, t= 2.534, p= 0.013 (significant) contractors capacity
- Beta= 0.208, t= 2.022, p= 0.047 (significant) diverting fund
- Beta= 0.291, t= 2.943, p= 0.004 (significant) auditing system

The constant beta value under the un-standardized coefficients shows the value of the dependent variable if the value of all predictors is zero. One unit change in Staff capacity results 0.106 unit increases the performance

of Budget utilization. One unit change in Inland Revenue collection capacity results increase 0.045 unit increases in Budget utilization efficiency, A one unit change in contractors` capacity in 0.268 unit changes in Budget utilization performance One unit change in diverting Fund from planed activity to unplanned Activity in 0.208 unit increase in Budget Utilization performance,

One Unit change in Auditing System leads to 0.291 Unit change in budget utilization performance. As a finding shows that; current level of budget utilization in Kaffa zone more affected by factors such as contractor's capacity, diverting fund and weak auditing systems.

5. Conclusion and recommendation

5.1 Conclusion

The study examines challenges and prospects in budget preparation and utilization in Kaffa zone finance bureau, by analyzing five sampled Weredas, zone office, and city administration of 5 year (2010/11-2014/15) financial statements and primary Data. The study employed mixed (descriptive and explanatory) research design. From the finding the following conclusion was drown;

Finding from questionnaire shows that; financial officers distribute call latter for budget users to collect financial and physical information for planning purpose, during budget preparation they consider the strategic plane of Kaffa zone. Budget was prepared based on budget calendar, budget request of all sectors collected and consolidate, finally for approval purpose presented for people's representative, In general budget preparation procedure in Kaffa zone seems like good performance.

Budget allocation of Ethiopia for capital (39%) with (61%) of recurrent, but in Kaffa zone budget allocation for capital budget 26% for capital and 74% for recurrent, and also sample selected budget holders allocate for capital 20% and for recurrent 80%. Thus evidence indicts that budget spending on Kaffa zone, also in selected sample budget allocated more for recurrent budget than capital budget.

Kaffa zone finance office last five year financial statement shows that (2,286,665,337.31), was available for use but only, (2,151,180,275.33) was actually used that means, (135,485,061.98) or 6% was returned back to treasury. Budget utilization performance from secondary data computed by between budget holders, which shows that there is statically significant difference between selected sample budget holders at the P<.0.000 (smaller than 0.05), and level in budget utilization for selecting sample woredas $F_{(7, 32)} = 5.897$, $P < .000$.

Budget approved for each program while approved budget is not transferred on actual time for budget holders and budget holders not spend budget for approved plan. There is a trend of regularly submitting budget adjustment request after budget approved also thus idea supported by secondary data, which shows up 96% of Budget diverted from planed program to unplanned program. In general, the overall budget utilization practice is unsuccessful in kaffa zone.

Budget utilization significantly affected by contractor's capacity, diverting fund from planed program to unplanned program, auditing system, while staff capacity and Inland Revenue collection have insignificant effect on budget utilization in Kaffa Zone. Based on open-ended question rather than above mentioned factors; the budget utilization affected by i.e. Inflation, lack of coordination between other budget holders with finance sections, poor procurement management and dalliance of disbursement.

5.2 Recommendation

The researcher recommended that budget allocation proportion and also budget utilization performances needs more focused to capital (investment Budget) rather than recurrent budget. The researcher recommendation related to revenue collection is that, inattention of zone administrators to increase Inland Revenue collection performance, by broadening the tax base and creating taxpayers awareness as well as society awareness as whole to avoid tax corruption is fundamental function. Capacity of contractors is concluded as one factor, so to solve problems related to contractor's efficiency the strong rules and regulation designed to govern contractors and also public bodies' awareness on delays of capital projects was best solution. Diverting budget from planed activities to unplanned activities and continues budget adjustment request is in general infective application of plan, to avoid this weakness budget preparation stage considering as essential function of whole zone government rather that left to only planning department. For whole budget utilization performance, strong supervision and control by the budget holder leaders and Build Strong auditing system by employing required number of employee and also supporting their effort is greatly advisable; because auditing job has great contribution for effective budget performance by protecting corruption and to go with rules and regulation. Finally transparency on budget practice to society and re-structuring planning and construction and design department are the most critical mechanisms to overcome challenges in budget utilization as a solution.

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