

Analysis of the Effectiveness of Budgetary Control Techniques on Organizational Performance at Dara-Salaam Bank Headquarters in Hargeisa Somaliland

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Abstract

This study examined how budgetary control can impact on the performance of Dara-salaam Bank. The objectives were to find out how responsibility accounting influences organizational performance, to determine whether variance cost analysis affects organizational performance and to establish how zero based budgeting affects organizational performance. The study reviewed the theory of budgeting, budgeting control theory and accounting theory. Empirical literature was guided by the objectives. The study utilized descriptive and retrospective research designs. Both primary and secondary data were used. Primary data was collected by use of questioners, while secondary data was collected from published materials. The researcher carried out a census study of the 70 staff of Dara-salaam Bank in Hargeisa Somaliland. Ethical considerations of this study were ensured Confidentiality on the part of respondents and to set clear researchers purpose to all respondents. Data entered into excel was presented by the use of frequency tables. Data was analyzed by statistical packages for social scientists (SPSS) were presented in form of frequency Tables and charts. Findings on effectiveness of budgetary control techniques showed that responsibility accounting, Variance analysis and Zero Based Budgeting enhances Budget Control and improves efficiency and productively. Further it was established that Variance cost analysis alone may not affect performance of an organization but it will influence decision making which will in turn affect organizational performance. The study recommended that organizational staff needs to be trained on the existing budgetary control techniques to enhance business decision making and improve efficiency and productivity. The study recommends further research on budget planning and organizational Performance and also the relationship between budget implementation and organizational performance.

Key Words: Budgetary Control, Responsibility Accounting, Variance Analysis, Zero Based Budgeting

1. INTRODUCTION

Most organizations use budget control as the primary means of corporate internal controls, it provides a comprehensive management platform for efficient and effective allocation of resources. Budgetary controls enable the management team to make plans for the future through implementing those plans and monitoring activities to see whether they conform to the plan, effective implementation of budgetary control is an important guarantee for the effective implementation of budget in the organization (Carr and Joseph, 2000).

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

Organizations can use budgetary control in forecasting techniques in order to make plan and budget for the future (Epstein and McFarlan, 2011). Management department uses both department services to estimate the expenditures and revenue of business under the normal conditions of business (Suberu, 2010).

In budgetary control, 4 techniques are used namely: variance analysis, responsibility accounting, adjustment of funds and zero based budgeting. Variance analysis compares actual accounting figures to determine whether the variances are favourable or unfavourable. Responsibility accounting on the other hand creates cost center, profit center and investment center which are just like departments of any organization after which all employees work on the basis of their centers, each with specific targeted performance. For the adjustment of

funds technique, top management takes the decision to adjust fund from one project to other project. In the Zero based budgeting (ZBB) technique, every next year budget is made on nil bases. It can only be possible, if your estimated income will be equal to the estimated expenses.

Budgetary control involves the preparation of a budget, recording of actual achievements, ascertaining and investigating the differences between actual and budgeted performance and taking suitable remedial action so that budgeted performance may be achieved effectively (Controllers report, 2001). Budgetary control is the system of controlling costs through budgets. It involves comparison of actual performance with the budgeted with the view of ascertaining whether what was planned agrees with actual performance.

If deviations occur reasons for the difference are ascertained and recommendation of remedial action to match actual performance with plans is done (Coates, 2005). To achieve effectiveness in budget preparation the management team of the firm should ensure the budgets for the allocated projects are implemented with the stipulated time and costs to enhance efficiency (NGO's, 2013). The basic objectives of budgetary control are planning, coordination and control. It's difficult to discuss one without mentioning the other (Arora, 1995).

Most Privately owned organizations in Somaliland have shifted focus to budgetary control as a way of enhancing effectiveness in their services. Recognizing the role of budgetary control has gained attention which has led some organizations to establish departments for implementation. This has attributed budget monitoring and project implementation committees as an integral part of the administrations to most private organizations in Africa (NGO's, 2013).

Studies have been done in relation to budgetary control globally: Carolyn, et al. (2007) examined the association between effects of budgetary control on performance using a sample of large US cities Financial Bonds and found that effective level of budgetary control is significantly and positively related to bond rating. Epstein and McFarlan (2011) carried out a study in Denmark on measuring efficiency and effectiveness of a nonprofit's performance, it was found that budgetary control was one of the important tools in achieving efficiency of in nonprofit making organizations. The results of the study revealed that effective budgetary control improves performance of local authorities. Mwaura (2010) concluded that budgetary participation affects return on capital employed, return on assets to a great extent. Gacheru (2012) in her study of the effects of the budgeting process on budget variance found out that budget preparation, budgetary control and budget implementation significantly influence budget variance.

Most studies have concentrated on budgetary implementation and how it affects organizational performance in both the public and private sectors. Though these studies tried to address the correlation between budgetary implementation tools on organizational performance, they did not conclusively address how effective budgetary control techniques are, on organizational performance. This study sought to fill this gap by establishing the effectiveness of budgetary control techniques on organizational performance at Dara-Salaam bank headquarters in Hargeisa Somaliland.

The general objective of the study was to analyze the effectiveness of budgetary control techniques on organizational performance. The specific objectives were find out how effective implementation of responsibility accounting influences organizational performance, to determine whether effective implementation of variance analysis affects organizational performance and to find out how the effective implementation of zero based budgeting affects organizational performance.

2. LITERATURE REVIEW

2.1 Theoretical Framework

2.1.1 The Theory of Budgeting

Hirst (1987) explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control. Shields and Young (1993) define the theory of budgeting as a detector of variances between organizational objectives and performance. Budgets are considered to be the core element of an efficient control process and consequently vital part to the umbrella concept of an effective budgetary control.

2.1.2 Accounting Theory

Kaplan and Norton (1996) assert that the accounting theory is aimed towards provision of a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices and policy development. Otley and Pollanen (2000) exemplifies that the purpose in developing a theory of accounting is to establish Standard for judging the acceptability of accounting methods. Procedures that meet the Standard should be employed in practice of accounting. Theory has assisted in making predictions of the likely outcome of budget action in a given set of circumstance and effect of any change in circumstances.

Accounting theory has developed models in which Standard can be set. Management accounting theory also provides several yardsticks to be used for control. That is variance analysis. Since budget is an instrument of plan. It provides a framework of given feed back to the management on the implementation of budget. When implementing the accounting theory historical data is instrumental since this data serve as an input for making

forecast. The cost accounting theory developed by Wedgwood in the early 20th century which stresses on cost identification, allocation and revenue maximization has provide a basic insight and blue print in budget and control in organization. According to Hopwood (1976), the matching concept in accounting also plays a role as reference issue in budget analysis.

2.1.3 Budgetary Control Theory

According to this theory, a good budgetary control system must be able to address the efficiency and effectiveness of the organization's expenditure. A good budget is determined by the level of income of the organization (Robinson, 2009). Sawhill and Williamson (2001) argue that budgets can be used an indicator of the performance of the ruling government. It is a statement of whether they are competent in administering the organization and the national resources. It is therefore essential for the organization to understand its budgeting system and give priority to urgent matters that require attention to its control tools. In order to find out the relationship between the budgeting system and the organizational performance, it is important for the firm to determine the patterns of the expenditure of the organization and its performance (Phyrr, 1970).

2.2 EMPIRICAL REVIEW

2.2.1 Responsibility Accounting

Sawabe (2015) studied Value-driven responsibility accounting - dynamic tensions generated by competing values embedded in the management control system in the context a Japanese manufacturing company and a consulting arm offshoot of the company's planning office. Using Simons' levers of control (LOC) framework, the researcher adopted a case study method to investigate the way in which core values affect the design and use of a responsibility accounting system, which in turn shape the challenges which operational managers face, and how such managers fulfill their responsibilities by delivering financial results while at the same time being faithful to the organization's core values. The findings of the study suggested avenues for further research regarding the sources and nature of dynamic tensions generated and managed by the MCS.

Fowzia (2008) examined the use of responsibility accounting to measure the satisfaction levels of Service organizations in Bangladesh. The objectives of the study were to conceptualize the types of responsibility accounting system and responsibility accounting model, to assess the application level of different types of responsibility accounting system in various types of service organizations in Bangladesh, to examine whether the satisfaction level of the elements of responsibility accounting model regarding different types of service organizations in Bangladesh were same or not and to find out the influential elements on the overall satisfaction of responsibility accounting system in service organizations in Bangladesh. The findings indicate that satisfaction of overall responsibility accounting system is influenced by satisfaction of assignment of responsibility, performance measurement techniques and reward system.

Nawaiseh et al. (2014) carried out an empirical assessment of measuring the extent of implementing responsibility accounting rudiments in Jordanian Industrial Companies listed at Amman Stock Exchange. The objectives of the study were to identify the extent the Jordanian Industrial Companies fully implement responsibility accounting, to disclose the obstacles that may abstain of full implementation of responsibility accounting rudiments. The study recommended the necessity for public shareholding companies to give generally more interest to managerial accounting, specifically for responsibility accounting by recruiting professionals in accounting departments, particularly, CMAs.

Nyakuwanika et al. (2012) analyzed the effective responsibility accounting system strategies in the Zimbabwean Health Sector 2003-2011. The study set out to come up with strategies to ensure effective responsibility accounting system in the Ministry of Health and Child Welfare MOHCW in Mashonal and West Province of Zimbabwe. It was observed that departments were operating with mandated budgets and that planning and control were not integrated. In addition it was also observed that performance reports were being used to fix blame on management and that performance reports were not being distributed to sectional managers on a regular basis.

2.2.2 Zero based Budgeting

Rehman et al. (2011) studied the impact of zero-based budgeting (ZBB) on employee commitment. The study based upon data collected from two big cities of Pakistan. The objective of the research was to find out if there was any relation between zero-based budgeting and employee commitment. In this research, data was collected from public and private sector employees from Islamabad and Lahore region. The findings of the research were that zero based budgeting has moderate effect on employee commitment in an organization.

Meliano (2011) surveyed management perception on the usefulness of zero based budgeting: evidence from non-governmental organizations in Kenya. The objective was to establish the managerial perception on the usefulness of Zero Based Budgeting among nongovernmental organizations in Kenya. From the findings, the study concluded that zero based budgeting is very useful in Non-Governmental Organizations in Kenya given that it has flexibility, communicate corporate goals, cost minimization and knowledge sharing.

Ekanem (2014) surveyed Zero-based budgeting as a management tool for effective university budget implementation in university of calabar, nigeria the purpose of this study was to investigate the application of

zero-based budgeting (ZBB) as a management tool for effective university budget implementation in University of Calabar, Nigeria, Results revealed that the application of ZBB for university budget implementation was effective; some factors inhibited the application of ZBB while the application of ZBB was dependent on university senior staff for university budget implementation. The researcher concluded that zero-based budgeting was credible and rewarding to the university budget implementation in University of Calabar. The application of ZBB for university budget implementation was effective and also significant dependent on the university senior staff. The study recommended among others that university management should ensure timely release of funds an efficient management accounting system for improved budget implementation in the university (Ekanem, 2014).

2.2.3 Variance Analysis

Kabiru, Dandago and Adah (2013) conducted a study to determine the relevance of variance analysis in managerial cost control within the context of Nigeria. The study intended to review and analyze literature to find out what constitutes efficient standard in a manufacturing organization with a view to disclosing realistic variance for management cost control and based on the review and analysis to assess the extent to which costs variance analysis can adequately be useful in controlling costs to provide for improved profit. The study found out that the efficient or realistic standards are those standards that are set by the effort of operator/technical managers and top management of an organization so that they can lead to greater commitment towards meeting the targets set therein, the standard to be adopted should be the one that will assist management to attain its strategic goals with less cost through control of costs, reviewing of the variances should focus on the most concerned areas so that management can become aware of any changes in the organization, that management must create time to investigate cost variances that require investigation for control purposes in order to improve the efficiency of an organization and that variances should be disposed away as soon as possible to achieve the opportunities for corrections.

Aruomoaghe and Agbo (2013) investigated the application of a variance analysis as a tool for performance evaluation with a particular focus on the cost and benefit associated with its utilization as a performance evaluation tool. The objectives of the study were to ensure that the departmental managers don't deviate from the budgeted standards put in place in the organization as whole, to ensure that the objectives of the organization are achieved through the budgetary techniques. The researchers found out that it is reasonable for managers to exercise caution in the use of variance analysis so that the correct decisions will be made. Also, managers should exercise considerable care in their use of a standard cost system and it is particularly important that managers go out of their way to focus on the positive, rather than just on the negative, and to be aware of possible unintended consequences of the choices they make on their organizational objectives.

Salman (2008) carried out a study on variance analysis as a tool for management control. The study sought to examine variance and show how it is both as accounting information as well as a tool for management control system based on output using five brands of 7 feet mattresses for the years (2001-2005). Based on the findings the researcher concluded that variance analysis is a useful tool for management control system, with the use of F-distribution and T-test. The F-distribution showed that there was no significant difference between the variances of all the brands of mattresses studied.

Awen (2008) studied management control through variance analysis. The paper included the purpose of variance analysis which is mainly to provide pointers to the causes of off-standard performance so that management can improve operations, increase efficiency, utilize resources more effectively and reduce costs as well as report exceptional variances to management for action. The researcher concluded that variance analysis brings out the significance of variances in terms of their sources, causes and responsibility which helps management in evaluating individual performance by highlighting the difference and desired performance. The researcher findings were in line with those of Hansen et al. (2000) who concluded that it is difficult to assess the costs and benefits of variance analysis on a case-by-case basis, many firms adopt the general guideline of investigating variances only if they fall outside of an acceptable range.

3. RESEARCH METHODOLOGY

3.1 Research design

Ogula (2005) describes a research and design as a plan, structure and strategy of investigation to obtain answers to research questions and control variance. Additionally, Robson (2002) argues that Research strategies, research choices and time horizons can be thought of as focusing on the process of research design that is turning one's research questions into research project.

This study used descriptive and retrospective research designs. A descriptive study is one in which information is collected without changing the environment. Retrospective research design collects data from past records and does not follow data up as is the case study. Descriptive studies are usually the best methods for collecting information that will demonstrate relationships and describe the world as it exists (Mugenda and Mugenda, 2003). In the retrospective design of the study, the researcher will help in the review of previous financial statements of the company.

3.2 Target Population

According to Ogula (2005), a population refers to any group of institutions, people or objects that have common characteristics and meet the criteria needed the respondents to provide the information. The target population for this research was 70 staff of Dara-Salam Bank at Hargeisa in Somaliland who in tail 8 heads of departments, 1 Director, 1 Deputy Director and 60 working employees. These are the total number of staff working in Dara Salam Bank of Hargeisa in Somaliland.

3.3 Sampling frame

According to Kothari (2004), a sampling frame is a set of information used to identify a sample population for statistical treatment. Kothari (2004) also noted that the sampling frame must be representative of the population. Therefore; the sample frame of the study is the target Population of the study which is 70 employees including heads of the departments and all the staff. The sampling frame was picked from the Human Resource Manager of Dara Salam Bank of Hargeisa in Somaliland.

3.4 Sample and Sampling technique

Sampling is a procedure, process or technique of choosing a sub-group from a population to participate in the study (Ogula, 2005). According to Mugenda and Mugenda (1999), a sample is a smaller group or sub-group obtained from the accessible population.

This study conducted a census of the 70 which is the total number of staff in the Bank. Census method is useful because it ensures total representation of the members and this helps reduce bias issues due to heterogeneity of the populations which might be taken as though being homogenous (Kothari, 2004).

3.5 Data collection Instruments and Procedures

Data collection tools are the instruments which are used to collect the necessary information needed to serve or prove some facts (Mugenda and Mugenda, 2003). The researcher used both primary and secondary data sources. Primary data was collected through the use of semi-structured questionnaires. A questionnaire is a set of systematically structured questions used by a researcher to obtain needed information from respondents (Munn and Drever, 2004). The study used questionnaires because they are easy and cheaper to administer to respondents and are moreover convenient for collecting information within a short span of time (Mugenda and Mugenda, 2003). Secondary data was collected from Dara-salam Bank's website and financial statements. The questionnaires for primary data collection were presented to the 70 staff through the office of the Human Resource.

3.6 Pilot study

The study conducted a pilot study to 5% (4 respondents) of the respondents from the total census of 70. This is mainly to ascertain the validity and reliability of the instrument. According to Munn and Drever (2004) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity employed by this study is a measure of the degree to which collected data using a particular instrument represents a specific domain or content of a particular concept. Mugenda and Mugenda (2003) observe that the purpose of the pilot study is to assess the clarity of the instruments and the validity and reliability of each item in the instruments. Orodho (2004) posits that, piloting addresses several questions including, are the questions measuring what they are supposed to.

Do the respondents interpret all the questions the same way? And do the questions provoke a response? A pilot study was conducted.

The pilot test helped to confirm if the study was ready for a full-scale implementation. It served as a trial run for the study and helped to determine if any adjustments to the implementation plan and if any adaptations to the study were necessary. The pilot test would also reveal any unforeseen challenges which could arise during the implementation phase. This ensured that the study is well prepared and able to cope with the issues that came up during the full-scale implementation.

3.7 Reliability and Validity of Instruments

3.7.1 Reliability

According to Shanghverzy (2003), reliability refers to the consistency of measurement. The study used the Cronbach (Alpha – α) model to test the reliability of the data. Brown (2002) indicates that Cronbach's alpha reliability coefficient normally ranges between 0 (if no variance is consistent) and 1 (if all variance is consistent). The closer the coefficient is to 1.0 the greater the internal consistency of the items in the scale. An alpha (α) score of 0.70 or higher is considered satisfactory (Gliem and Gliem, 2003).

3.7.2 Validity

According to Berg and Gall (1989), validity is the degree by which the sample of the test items represents the content the test is designed to measure. This study adopted construct validity. Construct validity refers to how well you translated or transformed a concept, idea or behaviour (a construct) into a functioning and operating reality, the operationalization (Trochim, 2006). Abbott and Mkinney (2013) concurs and states that construct validity checks whether a measure of a concept relate strongly with another measure that it should strongly correlate with and negatively with it should not agree with. The researcher related her findings with those of

other researchers to determine whether the instruments are able to measure what they purported to measure and whether the data actually represents the phenomenon under study.

3.8 Ethical Considerations

Ethical aspects of this study were effectively addressed as proposed by Kimmel (2007) in the following manner: First, consents from participants were obtained before involving them in the study. Second, members of the sample group were not subjected to coercion in anyway. Third, privacy of the research participants was ensured, so that no personal data was collected from respondents. In addition, research participants were briefed about aims and objectives of the study before the primary data collection process. Lastly, work that does not belong to the author of this paper was acknowledged.

3.9 Data Analysis and Presentation

3.9.1 Data Analysis

Mugenda and Mugenda (2003) assert that data obtained from the field in raw form is difficult to interpret unless it is cleaned, coded and analyzed. Statistical Package for Social Sciences (SPSS) versions 21.0 software was used to analyze data by aid of percentages.

3.9.2 Data Presentation

Quantitative data was presented by use of frequency tables and charts. Qualitative data was presented descriptively as per the respondents’ information collected by the open ended part of the questioners.

4. FINDINGS AND DISCUSSION

4.1 Demographic Characteristics

4.1.1 Gender of Respondents

On the Gender of respondents, the researcher ascertained that a majority of respondents were male as shown in the figure 4.1. The findings show that 51% were Male whereas 14% were female. This implies that the research was not biased because both female and male responded. However, Statistics reveal a sign of gender in equality since all respondents were given equal chances to the sample and yet male respondents dominated the number.

4.1.2 Respondents par Department

The study sought and obtained details about the positions held by the respondents in the Institution for purposes of understanding their role in the variables of study, Details of the Respondents and their positions are shown in table 4.1. The analysis results in table 4.3 show that majority of respondents in this study are Finance Departments (32), followed by Marketing department (11), other departments including customer care, cash Management (14), and investment department (8). These represent 49%, 17%, 22 % and 12% respectively. From the above description, it can be revealed that the majority of the respondents in this study are those directly responsible for or directly involved the implementation and control of the budget expenditure. Therefore, their responses are deemed to reflect what actually takes place in the institution.

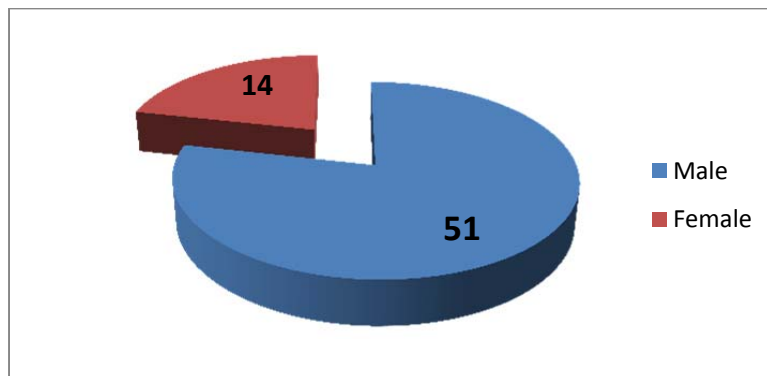


Figure 4.1: Gender of respondents

Table 4.1: Respondents par Department

	Frequency	Percent
Investment	8	12
Finance	32	49
Marketing	11	17
other	14	22
Total	65	100

4.1.3 Age of respondents

The study obtained details about the age groups of the respondents for purposes of understanding their age and possibly the experience they possess in their respective positions. Details of the findings are shown in table 4.2. As presented in the above table, the majority of the employees are under the age of 20-39 years with 60% followed by age 40-49years with 31% and only 9% falling under the age group of above 49 years. This indicates that most of the respondents were young, energetic people and therefore expected to be highly productive in the Bank.

Table 4.2: Age of respondents

	Frequency	Percent
20-39	39	60
40-49	20	31
above 49	6	9
Total	65	100

Table 4.3: Respondents' Work Experience

	Frequency	Percent
more than 10 years	13	20
between 4 and 9 years	10	15
less than 3 years	33	51
Total	56	86
Missing	9	13
	65	100.0

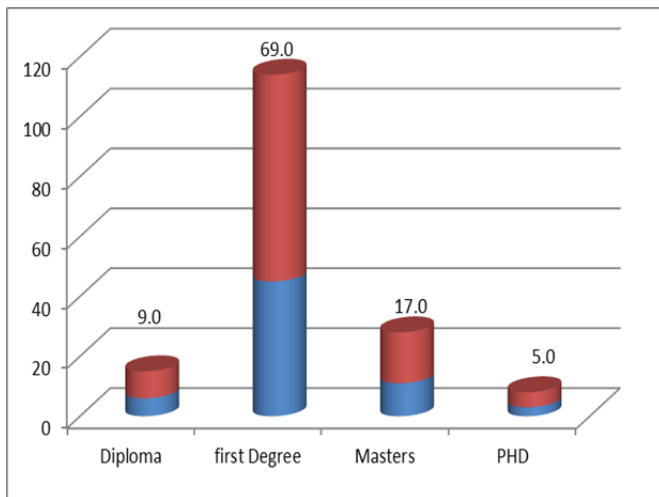


Figure 4.2: Level of Education

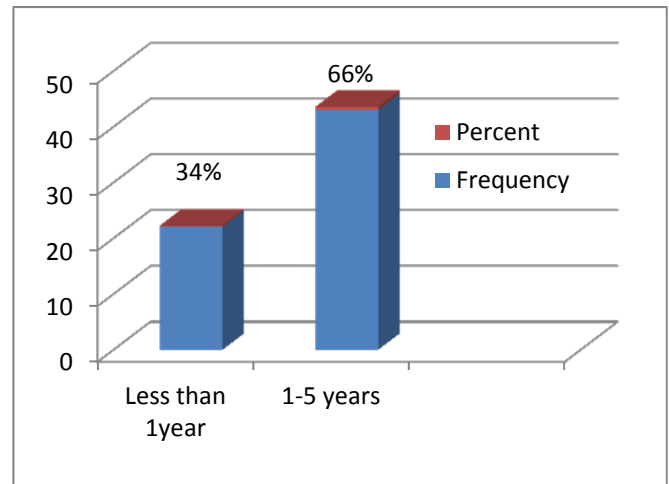


Figure 4.3 Organizations Budget frequency

4.1.4 Level of Education

In order to establish the most prevalent education level that would give the most desirable data, respondents were asked to show their education level and the findings are shown as in figure 4.2. The chart shows that, 69% are degree holders, 17% are Master holders 5% are PHD holders and the rest are Diploma holders 9%. This implies that the questionnaire was understood very well and the respondent's response was genuine. This means that the organizations performance is effective.

4.1.5 Respondents' work Experience

The findings on the working experience of respondents are shown in Table 4.3. The findings indicates that; staff those who have worked for less than 3 years are 51% and those who have worked for between 4 to 9 years are 15% above 10 years are 20%, where 13% did not respond. Since the bank was previously worked as remittance and its operations of Banking was started newly most of the employees worked less than 3 years.

4.2 Responsibility Accounting

4.2.1 Frequency of overall organization's budget

The researcher was interested in finding the time dimensions of the organizations budget and the findings were as shown in the figure 4.3. The study also sought to establish the frequency of the time dimensions of the organizational budget. According to the findings, the majority of respondents (66%) said that the time

dimensions of budgets is 1-5 years 34% said it is less than 1 year. This means that Organizations budget is written annually.

4.2.2 Frequency of Budget Review

The researcher was interested in finding how often Budget is reviewed and the findings were as shown in table 4.4. 50.8% of respondents believed that budget is reviewed monthly while 49.2% argue that budgets are reviewed on quarterly basis. This means that budgetary control system is very strong in the organization. This means that budgetary control system is strong in the organization.

4.2.3 Budgetary control Personnel

Findings on the persons who control budget were considered and results are evidenced the figure 4.4. The researcher was interesting finding out who controls budget, 50% of respondents argued that Finance Manager controls budget, 30% argue it is the top management, 18% had no information about it where 2%, did not give any information. This implies that budgets are controlled by the Finance offices.

Table 4.4 Frequency of Budget Review

	Frequency	Percent
Monthly	33	50.8
Quarterly	32	49.2
Total	65	100.0

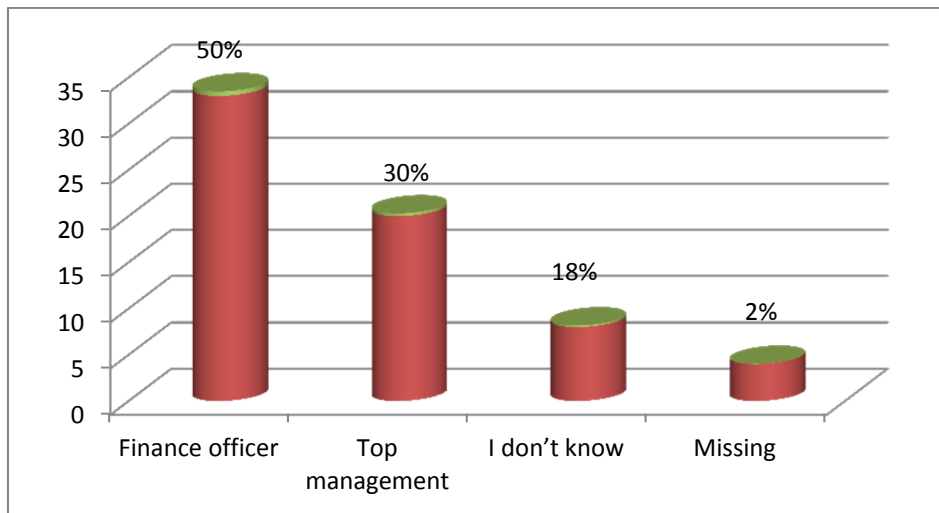


Figure 4.4: Budgetary control Personnel

4.2.4 Organizational structure and Performance

The study includes nine questions those the researcher was interested in to know more about organizations responsibility accounting system, these questions were tied by one or more questionnaire statement. The first three questions were designed to measure the extent of implementing responsibility accounting system in the target Organization. The fourth and the fifth questions pursue to identify how the financial performance is evaluated, and to what extent this evaluation is related to budgetary control techniques. The sixth and seventh questions were prepared to uncover the factors that may affect to adopt this system if any. As for the last two questions, the aim of them is to explore the ability and willingness of management at all levels for adoption of this type of controlling technique in future and the findings were as shown in table 4.5. The results showed that 55% strongly agreed, 6% agreed that the organizational Structure is well specified, 2% don't have any information, 15 % dis agreed and 17 % strongly agreed where 2% did not give any response. This means that there is a consensus about the existence of a strict organizational structure in the institution. In addition, 19% strongly agreed, 32 % agreed that responsibility centers are sub-divided according to the organizational structure, also 23% dis agreed and 17% strongly dis agreed where 9% did not response. This result can be interpreted on the basis of it's kind of commitment to the rules and procedures of the institution s regardless this adoption is a form of responsibility accounting system.

Also the table shows that there is Agreement between the employees that performance evaluation of each responsibility center is done according to its own budget 19% strongly agreed, 35% agreed, 29% dis agreed and 17 % strongly disagreed. More ever, 46% strongly agreed that Reports are prepared to evaluate each responsibility center's performance, 15% Agreed, 8% have no information , 8% did not respond and 15% strongly agreed. This means that financial performance is evaluated, and to what extent this evaluation is related to budgetary control techniques. Furthermore the sample strongly agrees that there is tendency and willingness by top managements to implement the responsibility accounting system but this result can be

interpreted diff errantly through top management courtesy by respondents. Lastly the table shows that 49% of the employees agreed that responsibility center managers have the ability to take decisions in their divisions and that may affect other responsibility centers in the organization but 34% responded that they have no that information.

Table 4.5: Organizational structure and Performance

Statement	Strongly Agree		Agree		Don't know		Disagree		Missing		Strongly Disagree		Total	%
Organizational structure is well specified	36	55%	6	9%	1	2%	10	15%	1	2%	11	17%	65	100%
responsibility centers are per organizational structure	12	19%	21	32%	-	-	15	23%	6	9%	11	17%	65	100%
Performance evaluation is done according to own budget	12	19%	23	35%	-	0%	19	29%	-	0%	11	17%	65	100%
Reports are prepared to evaluate each responsibility center's performance	30	46%	10	15%	5	8%	5	8%	5	8%	10	15%	65	100%
Delegation of responsibility is from top to lower management levels	-	0%	22	34%	11	17%	32	49%	-	0%	-	0%	65	100%
The lower management know benefits of responsibility accounting	-	0%	54	83%	11	17%	-	-	-	0%	-	0%	65	100%
The evaluation and compensation system is not correlated with organization performance	21	32%	11	17%	22	34%	11	17%	-	0%	-	0%	65	100%
Responsibility center managers have ability to take decisions	-	0%	32	49%	22	34%	-	-	-	0%	11	17%	65	100%
There is a coordination between the organization centers in the same management level	21	32%	22	34%	11	17%	11	17%	-	0%	-	0%	65	100%

4.2.5 Responsibility Accounting and Organizational Performance

Correlation was used to establish the relationship between variables. The Pearson's correlation coefficient test was employed to execute the result and the findings were shown table 4.6. Correlation results from table 4.9 above indicate that there was a strong positive relationship between Responsibility accounting and organizational performance (r = 0.949, p <0.01). This means that strong responsibility accounting system may result into improvement in the performance of the organization. This observation was made at the 0.99% confidence level.

Table 4.6 : Correlations of Responsibility accounting and organizational Performance

		Organizational performance	Responsibility accounting
Organizational performance	Pearson Correlation	1	.949**
	Sig. (2-tailed)		.000
	N	65	65
Responsibility accounting	Pearson Correlation	.949**	1
	Sig. (2-tailed)	.000	
	N	65	65

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

Table 4.7: Acceptable budget variance

	Frequency	Percent
+5 or -5%	54	83
+10 or 10%	11	17
Total	65	100

4.3 Variance Analysis

4.3.1 Acceptable budget variance

The study obtained details about the budget variance that accepted by the Bank and the results were shown in table 4.7. Findings show that there was a low variance of 5% as supported by mainly of respondents 83%. Only 17% of the respondents argued that the budget variance was 10% which significant. Budget variance of 10% might be difficult to plan for and there is there for need for banks to accept a minimum variance possible such as 5% as supported by the majority of respondents.

4.3.2 Corrective Actions

The researcher was interested in finding out whether corrective actions are taken in the case there is adverse negative or positive variance occurs in the Projects’ budget and the findings are evidenced the figure 4.5. 90% of the respondents said that corrective actions are taken in the case there is adverse negative or positive variance occurs in the Project budget, while 10% of the respondents said there are no corrective actions taken. This reveals that promising results that existing variances are usually taken care of and that they are not taken for granted since they might affect long run financial position of the bank.

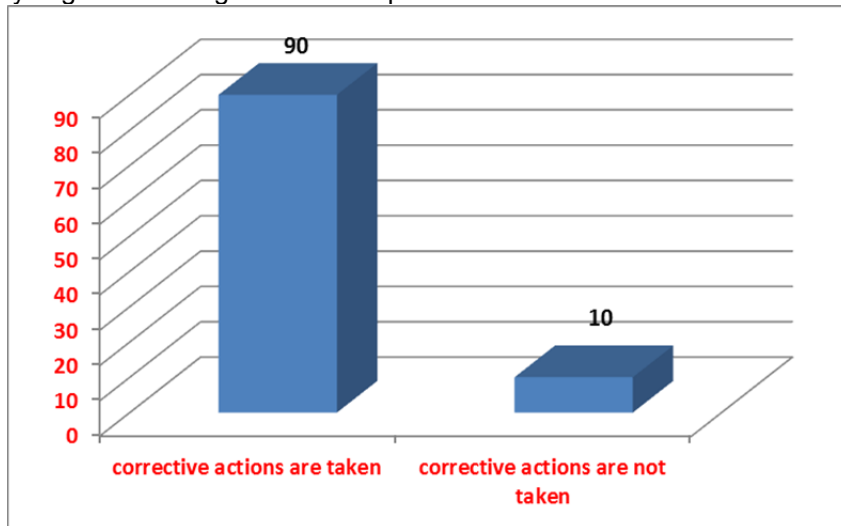


Figure 4.5: Corrective actions

4.3.3 Budget Authorization

The researcher was interested in finding out who Authorizes budget revision in the Bank and the findings can be evidenced in the figure 4.6. 95% of the respondents agreed that finance manager authorizes the budget revision while 5% disagreed. This proves that the banks financial management is well taken care of by the right department.

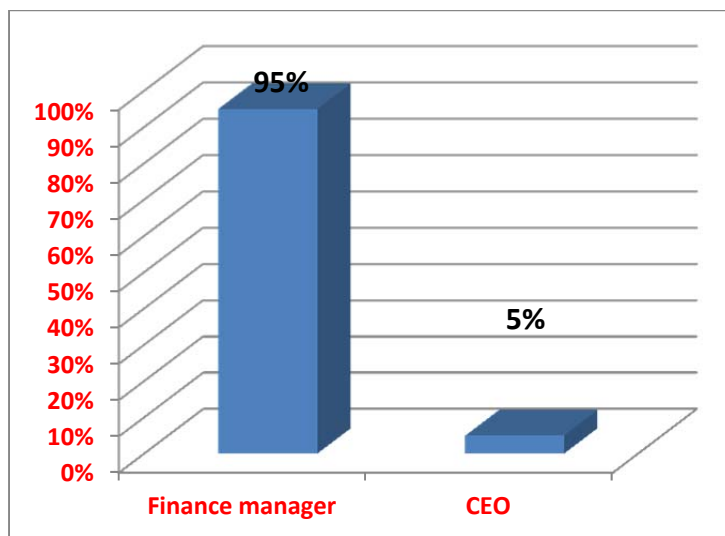


Figure 4.6: Budget Authorization

4.3.4 Usage of Zero -based budgets

Researcher was interested in the existence of zero based budgeting in the organization and the results were shown in figure 4.7. 80% of the respondents agreed that the organization uses zero based budgeting, and 20 % disagreed. This means that Organization uses Zero Based Budgeting.

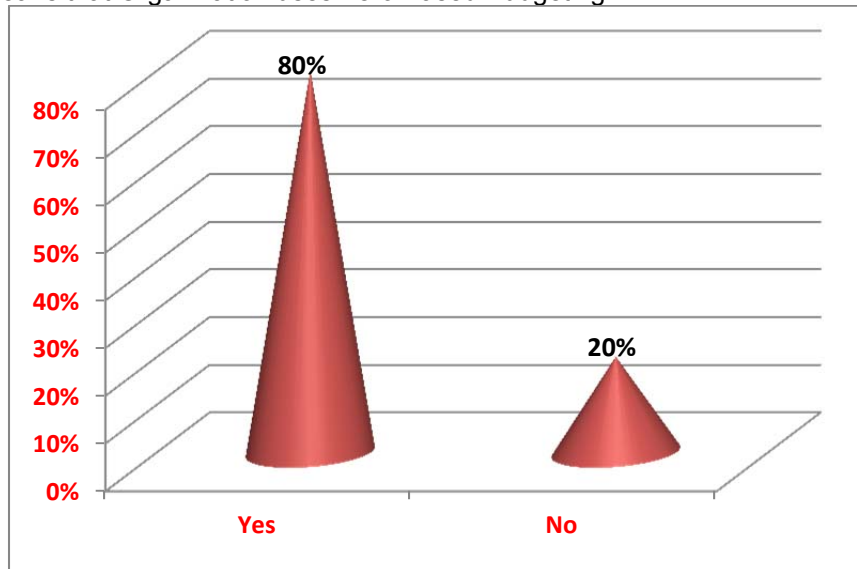


Figure 4.7: Usage of Zero based budgets

4.3.5 Effectiveness of the Zero Based budgeting process in the organizations

The study obtained details about how effective Zero based budgeting in the organization, the results were shown table 4.8. From the study, the respondents agreed that it has flexibility as shown by a mean score of 1.49, communicating corporate goals as shown by a mean score of 1.66, cost minimization as shown by a mean score of 2 and knowledge sharing as shown by a mean score of 2 They were also Agreed that it enhances continuous improvement as shown by a mean score of 1.66 and responsiveness as shown by a mean score of 1.66.

Table 4.8: Effectiveness of the Zero Based budgeting

	Flexibility	Responsiveness	Knowledge sharing	Continuous Improvement	Cost Minimization	Communicating Corporate goals
Valid	65	65	65	65	65	65
Missing	0	0	0	0	0	0
Mean	1.49	1.66	2.00	1.66	2.00	1.66
Median	1.00	1.00	2.00	1.00	2.00	1.00
Std. Deviation	.773	.756	.586	.756	.829	.756

4.3.6 Zero based budgeting and organizational Performance

Correlation was used to establish the relationship between variables. The Pearson’s correlation coefficient test was employed to execute the result and the findings were shown table 4.9. Correlation results from table 4.9 above indicate that there a weak negative relationship between zero based budgeting and organizational performance (r = 0.01, p <0.01) 0.99% confidence level.

Table 4. 9: Correlations of Zero based budgeting and organizational Performance

		Organizational performance	Zero-based budgeting
Organizational performance	Pearson Correlation	1	-.391**
	Sig. (2-tailed)		.001
	N	65	65
Zero-based budgeting	Pearson Correlation	-.391**	1
	Sig. (2-tailed)	.001	
	N	65	65

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

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

5.1.1 Responsibility Accounting

Responsibility accounting is one of the best tools of budgetary control which is used in large organization to reduce the difficulty of Budget management of the organization. This study was of particular relevance to Somaliland perspective, because it would help to assess the contemporary practice of responsibility accounting systems in different types of service organizations in Somaliland.

The study concluded that Dara-Salam Bank Hargeisa was adopting the formal fundamentals of responsibility accounting system in the evaluation of its performance. This conclusion is supported by the presence of definite organizational structures, where the centers (Cost and profit centers) were divided according to those structures. And it can also be considered as a kind of commitment to the rules of procedure for the institution, the Presence of systematic preparation for budgets to each responsibility center. And this strengthens the ability of the institution in controlling the operational and financial performance to its divisions.

The tendency towards decentralization (delegation of authority) in the institution was Strong, where there was significant influence to the management in the process of decision making and performance evaluation in centers and at the entire organization level.

5.1.2 Variance analysis

Based on the findings it could be concluded that variance analysis is a useful tool for budgetary control systems. The study observed that the variances allowed was very small and corrective actions are taken if negative or positive variance happens in the operation. The use of variance analysis for performance evaluation has its cost and benefits to the organization as a whole. It is therefore reasonable for managers to exercise caution in the use of variance analysis so that the correct decisions will be made. Also, managers should exercise considerable care in their use of a standard cost system and it is particularly important that managers go out of their way to focus on the positive, rather than just on the negative, and to be aware of possible unintended consequences of the choices they make on their organizational objectives. This review strongly agreed the importance of variance analysis for budget control in organizations.

The study revealed the concept of variance analysis, sources, objectives and significance of variance analysis. It observed that variance analysis has significant influence in evaluating individual performance in organizations assignment of responsibilities to individuals and assisting management to rely on the principle of management. Consequently, Variances must be based up scientifically established standards. If the standard of performance is not meaningful, variance can be a meaningful measure of performance. Objective criteria should be the yardstick for measuring inputs and outputs. This implies that costs should be classified and recorded in an unbiased and systematic manner. Variance analysis system should be designed to pinpoint the responsibility center.

5.1.3 Zero based Budgeting

From the findings, the study concluded that zero based budgeting is very useful in Banks given that it has flexibility, communicate corporate goals, cost minimization and knowledge sharing. From the study it is evident that budgets are prepared taking into account the changes in inflation, the fluctuations in foreign exchange rates, and on how much was spent in the previous period. The study revealed the bases of budgeting was the most important factor that affects the budgetary control system and effectiveness of Zero Based budgeting in banks followed by organizational structure and then frequency of budgeting.

This study has been able to establish that zero-based budgeting was credible and rewarding to the Banks budget implementation. The application of ZBB for the Banks budget implementation was effective and also significant dependent on the organizations' senior staff. Factor such as large amount of information, time consuming budget process and staff training among others inhibited ZBB for the organizations budget implementation.

ZBB involved building a budget from the ground up, while tackling these challenges. The delay in implementing Bank budget could raise uncertainty about the direction of the Bank's growth as well as seriousness of policymakers on how best to move the Bank forward. Release of fund, monitoring and control of revenue/expenditure, cash/debt management and in-year financial reporting are some of the implementation system of the management, and are interdependent with budget formation and budget reforms processes. Therefore, the administrators in each of the cost centers were to identify their mission and relationship to the overall goals of the Bank.

5.2 CONCLUSIONS

5.2.1 Responsibility Accounting

There was a consensus within the study sample on the presence of a definite organizational structure in their organization, and they also agreed that the organization were divided to responsibility centers in accordance with the organizational structure. In addition, There was a consensus about the using of periodical reports to evaluate the performance for each center also they agreed about the adoption of

performance evaluation that are based mainly on the effectiveness of these centers in achieving the goals that were set for them in their own budgets. More ever, the sample of the study confirmed that there is ability and willingness by top management to adopt responsibility accounting system.

Literatures as well as data from the study have proven a positive relationship between Organization's responsibility accounting system and performance, table 4.9 shows a strong relationship between responsibility accounting and organizational performance.

5.2.2 Variance analysis

The respondents strongly agreed that the institution uses variance analysis technique and the accepted project positive and negative variance is 5%. The management of the bank should not rely on solely on accounting target/numbers in evaluation of the performance because a successful completion of operation comprises several components that interact together.

Corrective actions are promised to be taken if negative or positive variance occurs, however the study evidenced that there is strong relationship between variance analysis and organizational performance. Variance analysis of budgetary control evaluates performance by means of variances between budgeted amount, planned amount or standard amount and the actual amount.

5.2.3 Zero Based Budgeting

The main purpose of the study was to establish budgetary control techniques and Organizational Performance. The study evidenced the usefulness of Zero Based Budgeting in budget control system of Dara-Salam Bank Hageisa. The research findings indicate that budgets are written annually and that the finance director/finance managers are responsible for controlling and authorizing the budget. The study also revealed that it has flexibility, communicate corporate goals, cost minimization and Knowledge sharing.

Zero-Based Budgeting is a budgetary control technique effort that strengths resource control and resource planning. From the study Zero-Based Budgeting forces managers to scrutinize all spending and requires justifying every expense item that should be kept since the variance allowance of the bank is 5%. This means that the organization should radically redesign their cost structures and boost competitiveness. However, this technique analyzes which activities should be performed at what levels and frequency and how the process is helpful for aligning resource allocations with strategic goals, although it can be time-consuming and difficult to quantify the returns on some expenditure.

5.3 RECOMMENDATION

5.3.1 Policy Recommendation

The study recommends that in order to enhance the effectiveness of Budgetary control techniques in the Organizations, the management should put in place measures to solve the budgetary control system problems such as enhancing better understanding of budgetary control techniques, their behavior and institutional dynamics among the staff, developing strong financial integration with performance management, quarterly revision of financial plan to redirect resources at frequent intervals, better engagement between organizational leaders, managers , finance staff with timing of the financial plan.

Moreover, Governments should set yearly objectives for each performance indicator of their budgetary control system so that Civil workers, the business owners and other employees should bear in mind the yearly objectives to be achieved, business owners and employees should work hard to achieve the yearly set objectives for each indicator.

5.3.2 Recommendations for further research

The study recommends further research on budget planning and organizational Performance and also the relationship between budget implementation and organizational performance.

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