St. MARY UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THE USAGE OF MANAGEMENT ACCOUNTING PRACTICES IN COMMERCIAL BANK OF ETHIOPIA

BY: KIDIST AYELE (SGS/0103/2015A)

ADVISOR: ASMAMAWE GETIE (ASS. PROFESSOR, PHD CANDIDATE IN ACCOUNTING AND FINANCE)

JUNE, 2024 G.C.

ADDIS ABABA, ETHIOPIA

THE USAGE OF MANAGEMENT ACCOUNTING PRACTICES IN COMMERCIAL BANK OF ETHIOPIA

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY SCHOOL OF GRADUATE STUDIES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN ACCOUNTING AND FINANCE (MBA)

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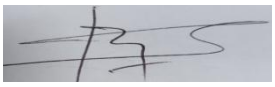
Mekonnen Mengistie (PhD)	

DECLARATION

I declare that this thesis is my original work, prepared under the guidance of Mr. Asmamawe Getie (Assistant Professor). I have acknowledged all the resources and works of other scholars I used in the research. Additionally, I declare that this paper has never been submitted to higher institutions to receive any degree.

Kidist Ayele Signature _____

St. Mary's University, Addis Ababa Date _____

ENDORSEMENT

This thesis proposal has been submitted to St. Mary's University College, School of Graduate Studies for examination with my approval as a university advisor.

Advisor _____

Signature _____

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ACRONYM AND ABBREVIATIONS

- MAP: Management Accounting Practices
- ABC: Activity-Based Costing
- CS: Cost System
- BS: Budgeting System
- PE: Performance Evaluation
- IDM: Information for Decision-Making
- SA: Strategic Analysis
- TQM: Total Quality Management
- JIT: Just In Time
- CIMA: Chartered Institute of Management Accountants
- IMA: Institute of Management Accountants
- IFA: International Federation of Accountants
- NBE: National Bank of Ethiopia
- CBE: Commercial Bank of Ethiopia
- SPSS: Statistical Package Social Science
- PMT: Performance Management Tools
- SME: Small Medium Enterprise
- CFO: Chief Finance Officer
- IFRS: International Financial Reporting Standards
- IAS: International Accounting Standards
- EVA: Economic Value Added

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ABSTRACT

The main objective of this study is to assess the usage of management accounting practices (MAPs) of Commercial Bank of Ethiopia. Despite growing research on banking sectors, there is a lack of studies on how management accounting practices impact Ethiopian banking institutions. A mixed research approach is conducted to answer the research questions. The study employed a descriptive design. The target population for the study is Commercial Bank of Ethiopia. A stratified random sampling method is used. Primary data was collected through a survey questionnaire and interviews. Data is analyzed using statistical software- SPSS. The study considered assessing MAPs, costing systems, budgeting, decision-making, performance evaluation, and strategic analysis. The research findings show that Commercial Bank of Ethiopia often uses management accounting practices in its daily operations. The researcher recommends that the bank management should follow policies that most management accounting techniques to increase efficiency and effectiveness. Also, there is an undisputable number of partakers who were impartial to statements regarding management accounting practices, the bank should provide system and technical support.

Keywords: Management accounting practices, Commercial Bank of Ethiopia

CHAPTER ONE

INTRODUCTION

1. 1 Background of the study

Today's Businesses are becoming more assertive and flexible to find competitive strategies that guarantee their long-term profitability in a competitive business environment. Technological advancements, changing customer demands, and business innovations are all responsible for this increased competition. As a result, companies might be forced to create business strategies and techniques meant to guide the company toward maximizing profits. Businesses can more successfully compete in the market environment, adapt to change, survive, and enhance the performance of both financial and non-financial information provided by MA practices (Mia, 2002). MAPs commonly associated with manufacturing organizations. This is due to its long history of explaining management functions, particularly in manufacturing. This may limit its application in the utility industry as a tool for improving overall performance (Njoki, J 2014).

Management accounting is recognized as a vital accounting tool that significantly helps firms integrate cost accounting data and financial and non-financial information. Management accounting gives managers access to financial information or data to effectively manage company resources and make decisions. These consist of the techniques and ideas required for efficient planning, decision-making (that is the best fit for the business), and controlling through performance analysis and interpretation (Gichaaga et al., 2014). As a result, the study investigates MAPs at CBE. It provides deeper insight into MA practice in Commercial Bank of Ethiopia, for potential improvement of existing operations, growing profitability, and ensuring long-term growth in the sector by systematically examining these dimensions.

The adoption of Management Accounting (MA) practices globally has increased over the past few decades due to its numerous advantages. This adoption has resulted in several benefits for organizations, including reduced costs, increased revenues, improved financial positions, and expanded business activities. Therefore, MA substantially contributes to boosting the economic activities of organizations and, by extension, the economy in which they operate (Horngren, et al., 2013). Atkinson, Kaplan, Matsumura, and Young (2012) defined management accounting, characterizing it as the provision of relevant information to managers and employees within an

organization. This includes financial data such as the cost of producing a product, service delivery expenses, and the costs of conducting an activity or business process, as well as non-financial metrics related to customer satisfaction, process quality, innovation, and employee motivation. This information is utilized for decision-making, resource allocation, and monitoring, assessing, and recognizing performance. This also has generated a need for a deeper comprehension of Management Accounting (MA) practices concerning the broader economy, offering a resolution to the financial obstacles encountered within the utility sector, particularly within the banking industry (Gichaaga et al., 2014). According to Thompson, Strickland, and Gamble (2009), most common MA practices include activity-based costing, variance analysis, total quality management, budgeting, strategic analysis, advice for decision-making, and the balanced scorecard, among many others (Legaspi, 2014).

Ethiopia's banking sector is dominated by Commercial banks, that perform traditional banking duties, such as accepting deposits from the general public, protecting them, and granting loans. However, Ethiopia has a small financial sector that is heavily controlled by the government. The banking industry in Ethiopia's quickly shifting operations environment, today has advanced in terms of the number of commercial banks, advancing technology systems, their contribution to the economy, their total assets and capital, the expansion of their branch networks, and their outreach to remote areas (Tesfaye, 2014). Although Commercial banks of Ethiopia have advanced their market share and stay competitive in the marketplace, must have efficient and effective management information use and develop management strategies to deal with growing managerial challenges and competition. There is a lot of competition in the business and corporate world in both developed and developing countries in the current dynamic business environment. In developing countries like Ethiopia, recently the government invited foreign investment in the country to advance economic growth, especially in the banking sector. The domestic banking industry must compete with the massive open market available to foreign investors. This type of competition will provide an opportunity for sectors to anticipate what the international market will become shortly and prepare accordingly (Yohaness, 2018). Most businesses and organizations in Ethiopia rely heavily on banks for financing. Banks must make judgments for numerous purposes.

Recently there has been significant growth in the accounting profession in Ethiopia because of the introduction of IFRS and IAS as accounting and auditing standards. Ultimately, the majority of businesses have faced the issue of maintaining higher performance while cutting expenses. Due to general economic circumstances in Ethiopia, investors are searching for businesses that may generate wealth for them; as a result, businesses with poor performance do not draw in investors.

The main purpose of this study is to assess and highlight the management accounting practices in Commercial Bank of Ethiopia. The study aims to contribute to achieving the banking sector's development strategy and enhance its sales growth as well, the study also encourages other researchers who are interested in the subject matter and serves as a base for other researchers.

1.2 Statement of the Problem

This research aims to understand the role of management accounting practices in Commercial Bank of Ethiopia. MAP is vital in today's competitive business environment and companies seek to gain a competitive advantage over their competitors, by developing management sale tactics and strategies that would maximize their profit (Thompson, 2009). It is evident that the banking industry was most impacted by global financial problems. In their daily work management accountants in businesses employ management accounting approaches, which are important at every stage of the management function, from planning to making the best decision. In developing countries like Ethiopia, recently the government invited foreign investment into the country to advance economic growth, especially in the banking sector. Hence, the domestic banking industry must compete with the massive open market available to foreign investors. This type of competition will provide an opportunity for sectors to anticipate what the international market will become shortly and prepare, accordingly (Yohannes, 2018). Some studies have been conducted on assessing the usage of MAPs in banking sector in both developed and developing countries. Nevertheless, there are few research gaps.

One area that warrants further research is that there is a considerable limitation in the methodologies used to analyze the implementation of MAPs. Most research has used typical quantitative methods like surveys and financial data analysis. For instance, developing countries (Maziriri, 2017) used in the study quantitative approach, suggested that in future studies, a mixed

method approach could be used so that in-depth views from managers can also be captured. (Jackline, 2020), and (Njoki, 2014) also conducted their studies mainly quantitative approach. This study used descriptive and inferential statistical analytic tools, including multiple regression, to determine R-square. On the other hand, in developed countries, Adler et al. (2000) and (Abdel-Kader M. L., 2008), conducted using quantitative data, which were analyzed using descriptive statistics and inferential statistics employed. However, the subtle and complicated nature of management accounting in banking may necessitate a mix of approaches to capture both quantitative and qualitative insights.

Researchers generally agree that the intensive application of MAPs in manufacturing is driven by the industry's need for detailed cost management, performance tracking, and strategic decision support. These practices are essential due to the complex nature of manufacturing operations. In contrast, the extent to which MAPs are utilized in the banking sector is less documented. However, nowadays many researchers and managers believe that MAPs more appropriately used in banking sectors. Thompson et al. (2009) state that management accounting offers strategic benefits across various sectors, including manufacturing and utilities. (Krisnadewi & Erawati, 2018), stated in their study that the need for focused MAPs in service industry. Management accounting techniques can significantly enhance management strategies, sales growth, and employee competencies. It aids in goal setting, planning, customer service, decision-making, performance measurement, management control, profit maximization, and trade cycle security. These benefits are crucial for the financial success of the banking industry. Despite these advantages, there is limited research on applying MAPs in the banking sector. This gap highlights the need for further exploration to understand how banks can leverage management accounting practices for improved financial performance and operational efficiency.

The existing literature in developing countries assessing management accounting practices has mainly focused on manufacturing companies (Mwangi 2014), and (Gichaaga, 2014). (Jackline, 2020) and (Njoki, 2014) absorbed the effect of MAPs on commercial banks in Kenya and concluded that firms in the sector not only adopted management accounting techniques but also considered them significant contributors to their financial performance. Local studies on MAPs have focused on the manufacturing sector. (Yohaness, 2018), (Mintesnot, 2013), and (Tewodros, 2009), focused primarily on financial accounting, financial management, information technology

adoption, and credit accessibility for manufacturing companies. In contrast, limited attention has been given to management accounting and its practices, especially concerning banking sectors. Only one relevant study by Samuel (2013) was identified, which examined "MIS Availability and Utilization as Factors Influencing Managers' Decisions" across eight government and private banks in Ethiopia. No same research title and this specific focus aims to fill the gap in research management accounting practices at CBE. It gives a deep understanding of the area by assessing the usage of MA practices in Ethiopia Commercial Bank in Addis Ababa area. For further studies that have not been covered in this study, additional MA practices such as balanced scorecards, strategic planning, reengineering, and TQM influence management accounting techniques in Ethiopian commercial banks.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study is to assess the usage of management accounting practice of Ethiopia Commercial Bank.

1.3.2 Specific Objective

- To examine costing system in Commercial Bank of Ethiopia.
- To assess the practices of budgeting system in Commercial Bank of Ethiopia.
- To assess performance evaluation in Commercial Bank of Ethiopia.
- To investigate the practices of information for decision-making in Commercial Bank of Ethiopia.
- To assess strategic analysis in Commercial Bank of Ethiopia.

1.4 Research Questions

- How is costing practices in Commercial Bank of Ethiopia?
- How is budgeting practices performed at Commercial Bank of Ethiopia?
- How is performance evaluation practice at Commercial Bank of Ethiopia?
- How is information for decision-making in Commercial Bank of Ethiopia?
- How is strategic analysis in Commercial Bank of Ethiopia?

1. 5 Scope of the study

The scope of this study is delimited in several ways. Firstly, based on location this study focused on assessing usage of management accounting practice in Commercial Bank of Ethiopia. Secondly, the analysis uses primary sources of data obtained from Commercial Bank of Ethiopia which is located in Addis Ababa due to time and resource constraints. The study mainly focused on MAPs, costing systems, budgeting systems, performance evaluation, information for decision-making, and strategic analysis. The paper followed the structure outlined below to achieve its aim. The introduction offers an overview of the study and methodology. Finally, the chosen theories are presented by introducing management accounting tools and challenges concepts. Survey data from this study will be provided and compared to existing concepts. This enables for forming of conclusions, which will be presented in the last section.

1.6 Limitations of the Study

The primary limitations of this study were constrained to time and budget restrictions. Additionally, there are problems in conducting questionnaires with professionals such as managers due to their busy schedules. some were reluctant to give information and others were unwilling to provide the information that was needed. Further research into the subject, while addressing the study's limitations, may provide a better understanding of the subject under study.

1.7 Significance of Study

The study aims to draw attention to the importance of managerial accounting techniques for a company's financial stability, performance enhancement, and ability to outperform competitors in terms of profit maximization and cost control. The study findings provide more resources and empirical evidence useful for firm decision-making. The study findings help the banking sector and managers to benefit from it since it gives them the instruments, they need to solve problems of finances and boost profits. This study's findings assist investors and stakeholders in examining cost control procedures, project evaluations, and future business strategies, before investing. It offers solutions enhancing long-term profitability, improving cost management, sustaining financial stability, and business performance as well as aids in understanding how management accounting practices. The study provides policymakers with information on how to improve the usage of MAPs in banking sectors. The study's findings could benefit academics in searching for

additional information regarding management accounting practices across numerous other industries. Lastly, it helps to gain knowledge in the area that lays the groundwork for future researchers on Ethiopia's bank industry adoption of management accounting practices by academic scholars.

1.8 Organization of the Study

This study is structured into five chapters, Chapter one introduces the thesis background and its subjects. Chapter two contains the definition, development, history, and conceptual framework and a detailed discussion of empirical studies on MA. The third chapter discusses the research methodology adopted for this study. Chapter four discusses the data analysis and interpretation of the research output, and finally, chapter five summarizes findings, conclusions, recommendations, and further research suggestions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter explores theoretical literature review and empirical evidence MAPs in Commercial Bank of Ethiopia Lastly, this chapter presents a conceptual framework, and a summary of the literature.

2.2 Theoretical Literature Review

2.2.1 Definition of Management Accounting

According to Scapens (1991), There isn't a universally accepted definition of management accounting. There are other definitions available, however, some are too broad to offer a useful framework, and others only highlight a certain study strategy. The present analysis will examine the development of management accounting through the lens of three prominent accounting associations: the International Federation of Accountants (IFC), the Chartered Institute of Management Accounting (CIMA), and the Institute of Management Accountants (IMA) (Ameer & Athambawa, 2020).

In 1981, the Institute of Management Accountants (IMA) defined management accounting as the process of identifying, measuring, accumulating, analyzing, preparing, interpreting, and communicating financial information used by management to plan, evaluate, and control an organization and ensure appropriate use of and accountability for its resources. However, the definition (IMA, 2008, p. 1) was a profession that involves partnering in management decision-making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy (Yohaness, 2018). Managerial accounting provides financial information to managers, allowing them to make informed decisions and maintain effective control over corporate resources. These include the techniques and concepts required for effective business management involves planning, decision-making, and performance evaluation and interpretation. According to Drury (2015), management accounting is concerned with the provision of

information to people within the organization to help them make better decisions and improve the efficiency and effectiveness of existing operations (Maziriri, 2017).

According to Hilton and Platt (2011), Management accounting is the process of identifying, measuring, analyzing, interpreting, and communicating information to achieve an organization's objectives also known as managerial accounting. He also stated that management accountant professionals are central strategic associates in the domestic and international management teams of establishments. The greater the firm, the greater the need for information by management (Hilton & Platt, 2011). The Chartered Institute of Management Accounting (CIMA) defines management accounting as an integral part of management concerned with identifying, presenting, and interpreting information used for formulating strategy, planning and controlling activities, decision-making, optimizing the use of resources, disclosure to shareholders and others external to the entity, disclosure to employees, safeguarding assets. Management accounting differs from financial accounting in that its sole purpose is to provide valuable performance guidance to managers. It is distinguished by specific methods that must be understood to effectively devise a managerial accounting strategy (Njoki, J 2014).

2.2.2 History and Development of Management Accounting

Management accounting was originally known as cost accounting. The previous term for practitioners was cost or works accountant. Accounting historians agree that cost accounting originated during the Industrial Revolution (Edwards, 2013). According to Bhimani et al. (2017), cost accounting was first used in mechanized cotton textile mills in England and the US around 1800. He stated that cost accounting, often referred to as "direct costing," provides essential financial information for managerial decision-making and control. According to Boyns and Edwards (2013), cost accounting arose after the 18th century with the emergence of factories during the Industrial Revolution. They also stated that cost accounting originated during the Industrial Revolution when accountants added it to the double-entry method to account for the greater use of fixed capital. This is widely challenged by the notion that textile mills and manufacturing firms developed internal cost accounting procedures solely due to changes in their cost structure. They noted that cost accounting methods and theories can be traced back to the 14th century. During this period, commerce flourished in Italy, England, and Germany, with various industrial enterprises engaged in manufacturing activities, such as the production of

woolen cloth, books, and other goods. At that time, cost accounting was primarily concerned with documenting and analyzing manufacturing expenses, serving as a specialized aspect of general accounting (Maziriri, 2017).

In 1954, Abs et al. identified early instances of cost accounting in the wool carding industry in Italy through "job order" costs. According to Parker (1969), Francesco di Marco Datini, a trader from Prato, kept double-entry records as early as 1390, providing evidence of cost accounting, accrual accounting, and depreciation practices. Boyns and Edwards (2013) noted that the development of cost accounting in the UK began during the reign of Henry VII (1485-1509). During this time, many small woolen manufacturers resisted the restrictive practices of city guilds by establishing industrial towns in rural areas to sell their products independently. This competition, both with guilds and among themselves, made cost accounting vital for their success. In the 16th century, the accounting records of Plantin, a Flemish printer and publisher, included elements that resemble today's job-order cost structure (Kamilah, 2017).

Garner (1947) noted that cost accounting evolved significantly throughout the 19th and mid-20th centuries in response to increased industrialization and corporate expansion. By the 20th century, cost accounting had developed into what is now known as management accounting. Johnson and Kaplan (1987) assert that nearly all modern management accounting practices (MAPs) were established by 1925. According to Bhimani et al. (2017), the terms "management" or "managerial" accounting began to gain popularity in the early 1960s. Horngren (1975) highlighted the critical distinction between cost accounting and management accounting. The expansion of the service sector, including financial institutions, and the growth of government and quasi-government organizations in the mid-to-late 20th century, further propelled the evolution of management accounting (Bhimani et al., 2017). As businesses diversified, traditional cost accounting concepts and methods required updating to better serve varied manufacturing processes. Consequently, the term "cost accounting" became less representative of the accounting functions within organizations, leading to the widespread adoption of the terms "management" or "managerial" accounting (Yohaness, 2018).

According to Bhimani et al. (2017), the primary objective of management accounting is to provide support to managers rather than to report to owners. Vatter's "Managerial Accounting,"

published in 1950, was the first textbook dedicated to management accounting. In 1965, the Institute of Cost and Works Accountants renamed its journal from Cost Accounting to Management Accounting and subsequently changed its name. The Institute of Cost and Management Accounting was formed in 1972 (Burns et al., 2013). The Chartered Institute of Management Accountants (CIMA) was granted a royal charter in 1986. In the United States, the National Association of Cost Accountants rebranded as the National Association of Accountants in 1958. This organization adopted the name Institute of Management Accountants (IMA) in 1991 (Kamilah, 2017).

Management accounting has undergone revisions to adapt to changing corporate and economic environments. This discipline has changes in competitive markets and economic conditions have led to evolving requirements. According to Allot et al. (2000), management accounting serves to meet the needs and preferences of managers. Management accounting has taken a business-centered approach, embracing techniques and concepts from different disciplines to meet management needs (Allot, 2000).

2.2.3 Management Accounting Practices

Management accounting practices (MAPs) play important parts as a managerial tool for adding value to the overall operational functions towards enhancing the performance of an organization. MAPs also act as the key information system for efficient information processing, helping the organization to cope with current continuous change and to improve performance (Reid and Smith, 2000, Nandan, 2010; Lucas et al., 2013). Over time MAPs have shifted to broader areas to capture the trend in today's management systems and changes in business strategies and technology (Kamilah, 2017).

Most common MA practices, according to Thompson, Strickland, and Gamble (2009), include activity-based costing, variance analysis, total quality management, budgeting, strategic analysis, advice for decision-making, and the balanced scorecard, among many others. Businesses can more successfully compete in the market environment, adapt to change, survive, and enhance the performance of both financial and non-financial information provided by MA practices (Mia, 2002). To provide essential business information at the operational and organizational levels, current management accounting practices have integrated both financial and non-financial

techniques. The introduction of complex MA practices like activity-based costing (ABC), advice for decision-makers, budgeting, performance evaluation, and strategic management accounting practice are the outcomes of today's organizations' increasing adoption of three contemporary management practices: supply chain management, lean manufacturing, just-in-time (JIT), and total quality management (Abdel-Kader & Luther, 2006).

According to Yeboah-Mantey (2017), management accounting practices may be capable of enhancing market performance in a less competitive environment, intense competition may also motivate businesses to appreciate and leverage the benefits of such practices. According to Dawuda and Azeko (2015), poor record-keeping and lack of financial documents can lead to resource mismanagement and bad cash management, negatively impacting SMEs' growth and resulting in the collapse of several of them. According to Haryani (2012), businesses prioritize profit maximization, thus accounting systems must record and report all relevant accounting information for consistent assessment. Improper accounting methods can lead to insufficient financial statements, making it crucial for SMEs to provide comprehensive financial information to make informed economic decisions (Yeboah-Mantey, 2017).

Ward (2012) looked at management accounting as a crucial tool in guiding, controlling, and planning organizations to achieve their objectives and goals (Ward, 2012). Financial institutions can advance employee and management capability, help with goal-setting, and improve customer service, by implementing management accounting (MA) practices (Jackline, 2020). According to Maduekwe (2015), SMEs in South Africa are perceived to be failing partly due to a lack of or unsuccessful use of management accounting practices such as budgets, performance management tools (PMTs), and pricing tools (Maziriri, 2017). Ahmad (2012) claimed that one of the reasons for business failure is poor management ability which includes accounting problem-solving. According to Lin and Yu (2002), management accounting is not well-applied in less developed countries, and research on this topic is limited. He suggests that this could be attributed to the underdeveloped state of economic and business administration in less developed countries (Uyar, 2020). This implies that management accounting practices have the potential to offer strategies for operational efficiency and cost-effectiveness, finally leading to a significant influence on gains and expansion of the firms.

2.2.4 Commercial Banks in Ethiopia

Commercial banks play a critical role in the growth of a country's economy. According to Tesfaye (2014), commercial banks constitute a significant portion of the banking sector, serving as the primary source of funding for businesses and various projects nationwide. As financial intermediaries, banks play a crucial role in directing the financial system, significantly impacting the success of economic development.

Ethiopia's formal financial system dates back to the establishment of the Bank of Abyssinia a century ago. The Bank of Abyssinia was established in 1905 as a result of an agreement between the Ethiopian government and the British-owned National Bank of Egypt. Large financial institutions in the financial sector help a country's financial resources to be used properly. According to Uyen (2011), the commercial banking sector is rapidly expanding and experiencing a large inflow of capital. Banks are part of an ever-changing industry that requires them to develop more specialized financial services to meet their client's changing needs better. For decades, Ethiopia's banking environment, like that of other African countries and the rest of the developing world, has undergone regulatory and financial reforms. These reforms have resulted in many structural changes in the country's banking sector, as well as encouraging private banks to enter and expand their operations in the industry (Tesfaye, 2014).

According to the National Banks of Ethiopia (2023), the financial industry structure consists of 31 banks, 18 insurance companies, and 45 microfinance institutions in both rural and urban areas of Ethiopia. Ethiopian banks must improve their tactics and strategies to deal with increasing competition and managerial tasks. By doing so, the banks will be able to increase their market share and protect their position in the industry. MA can supply explanations to the banks as far as management issues and competition are concerned, MA advances viewpoints for both manufacturing and utility organizations (Thompson, 2009). Good management accounting practices can improve commercial banks' bottom lines by a large margin, which in turn advances the stability and efficiency of the financial system as a whole. According to Ongore and Kusa (2013), Commercial banks collect and distribute financial resources, promoting economic development. In doing so, they must perform well and maintain their competitive advantage in the industry. Good financial performance benefits shareholders and promotes economic growth (Bula et al., 2023).

2.2.5 Challenges in Implementing Management Accounting Techniques

Nian and Nair (2017) conducted a case study in Malaysia to identify challenges in implementing management accounting techniques, including a lack of support from top management and qualified accounting staff. According to Sunarni (2013), many organizations struggle to apply management accounting practices due to a lack of knowledge and changes in the business environment. Nian and Nair (2017) contended that the primary obstacle to implementing management accounting techniques in decision-making is not the lack of support from top management. Instead, they argue that the real issue lies in the lack of qualifications and experience among accounting staff. According to Nian and Nair (2017), unqualified and inexperienced accounting personnel are prone to using inappropriate management accounting techniques, leading to errors and poor decisions. This undermines the objectives of management accounting techniques, potentially resulting in poor decision-making in the future. Sunarni (2013) also endorsed the idea that the responsibility for implementing management accounting techniques does not rest with top management. Instead, she highlighted that the real issue is the lack of communication between the accounting department and other departments (Nian & Nair, 2017).

2.3 Empirical Study

This section investigates the research on specific management accounting practices, which will be used as independent variables in this study.

2.3.1 Costing Systems

Anand et al. (2014) studied cost management practices in India. Their study determined to investigate the development of cost control practices such as overhead cost accounting, budget control applications, and standard costing in Indian companies. The survey questionnaire of 53 CFOs of Indian companies. also explored managers' motivations for implementing and using traditional costing systems and standard costing as a management tool between firms using activity-based cost management (ABCM). They suggested in their analysis that the companies use or practice an ABC system for better budgeting and benchmarking perspective and inconsistency affect them, and unlikely to happen for companies that use TCS (Jackline, 2020).

Liaqat (2006) conducted an empirical study of 530 member companies of the National Association of Financial Directors and Cost Controllers to determine the application of contemporary management accounting techniques in Indian industry. The sample was made up of 63 firms that responded, for a response rate of about 12%. The sample was divided into two groups: ABCM user firms and non-ABCM user firms. Used a five-point Likert scale. The study sought evidence of how broadly traditional and modern management accounting practices were adopted by Indian industry. According to the findings, the motivation for using management accounting in Indian companies was improved overall profitability and cost reduction. The researcher discovered a correlation (Liaqat, 2006).

Adler et al. (2000) surveyed management accountants in New Zealand manufacturing businesses to identify the management accounting techniques they used. Unlike many studies that focus on specific techniques like ABC or target costing, Adler et al. included a wide range of techniques in their questionnaire. Respondents ranked these techniques on a five-point scale from "most used" to "least used." Using judgment sampling, the survey achieved a 19% response rate, with 165 completed questionnaires. The findings revealed that traditional techniques, such as full costing, direct costing, and standard costing, were more commonly used than advanced techniques like strategic management accounting. For instance, Australian firms were found to adopt ABC and cost-of-quality techniques, with larger firms more likely to use modern accounting methods (Adler et al., 2000).

Salawu et al. (2012) conducted a survey on the adoption of Activity-Based Costing (ABC) among manufacturing companies in Nigeria. The study found that the main reason for adopting ABC was the inadequacy of traditional cost systems in providing relevant cost information, which hindered global competitiveness. Sixty percent of respondents had adopted ABC due to increased product ranges, competition, and overhead costs, with more than half of the sample familiar with ABC. However, 40% had not adopted ABC, primarily due to the high cost and complexity of implementation, which particularly affected small-scale manufacturers. Larger firms, with their diverse product or service offerings, were more likely to benefit from ABC. The study recommends that companies consider adopting ABC despite its high implementation costs, as its long-term benefits such as identifying inefficiencies and better resource allocation

outweigh the costs. Additionally, senior management support is crucial for the successful implementation of ABC (Salawu et al. 2012).

2.3.2 Budgeting

Budgeting was used for planning, cost control, and the organization's overall long-term growth, as established by Abdel-Kader and Luther (2006). They discovered that an astounding 84% of people use budgeting for cost control and planning by 73%. All told, 90% of participants said that creating a budget was crucial. The main empirical question for the study, which was carried out by Qi (2010), was whether the budgeting process has a significant and positive impact on the performance of Chinese SMEs. The study examined the effect of the budgeting process on performance in SMEs in China. There was a benefit to the performance of the company from the formal budgeting process. First, the research showed that increased sales revenue is a direct result of more formalized budgeting planning. Second, the characteristics of budget goals have a significant impact on the budgetary performance of Chinese SMEs; thus, employees are more motivated to meet budget standards when the goals are challenging but attainable, and clear goals result in higher goal achievement. Thirdly, the study found that a firm's profit growth is generally higher when budgetary control is more formalized (Walihenya, 2019).

2.3.3 Performance Evaluation

According to Ittner & Larcker (1998), Manufacturing organizations face ongoing challenges in today's business environment, chief among them performance evaluation. They criticized systems even more for concentrating only on financial elements, such as optimizing returns and earnings from capital projects. Additionally, they contend that external reporting standards have led to manipulation in the financial accounting information preparation process. The expense of raising capital and labor turnover is not taken into consideration by these conventions. The Economic Valued Added (EVA) mechanism was developed by organizations in response to these deficiencies in performance evaluation. Ittner and Laccker (1998) define the "Economic value added" mechanism as examining the real value added to the business and its cost of capital. According to Abdel-Kader and Luther (2006), This approach helps to compare current results with those from previous times to see if there has been an improvement or regression. In their research to increase organizational performance, benchmarking was introduced as a tool for

improvement. The majority of respondents 78% consider financial measures to be important, according to the study, which used both financial and non-financial measures of performance evaluation. Non-financial assessments associated with 87% of the customers were deemed to be highly influential. Ahmad (2012), investigated how Malaysian small and middle enterprises (SMEs) in the manufacturing sector used MA practices. Two categories, such as business and operational level, were used in the study to measure the performance of the organization. According to that study, perceptions of operation performance that is noticeably better than the business's overall performance.

2.3.4 Strategic Analysis

According to Abdel-Kader and Luther (2006), only 43% of study participants utilized the long-range forecasting strategic management technique frequently or very frequently. Additionally, strategic management was tested by Alamri (2019). Alamri studied the linkage between strategic MA facets and the organizational performance of listed Saudi firms. The research used the regression analysis method to test the relationship and used 435 accountant professionals from the listed firms to conduct an interview. The research revealed the findings from the study that strategic management affects organizational performance, and they suggested that firms should use it to improve their financial and non-financial performance (Jackline, 2020).

2.3.5 Information Decision-Making

Abdel-Kader and Luther (2006) surveyed management accounting practices (MAP) in the UK food and beverage industry to better understand the complexity of MAP and the factors that impact MAP implementation in this industry. This study's questionnaire was distributed to 650 industry executives as part of the study. A total of 245 completed questionnaires were received and analyzed. Respondents were asked to rate their frequency of use of the 38 Management Accounting Practices (MAPs) on a Likert scale ranging from 1(never) and 5(very often). There are also concerns about management's decision-making based on managerial accounting information. Ahmad (2012), separated the decision-support system into short- and long-term components and found that the decision-support system improves an organization's performance. Ilhomovich (2009), stated that the role of management practice in decision-making is determined by the business development for the banking industry.

Tewodros (2009) investigates how management accounting information is applied for management control and decision-making in the context of a few chosen manufacturing firms in Addis Ababa. The study's objectives are to determine the kinds of decisions managers frequently make, pinpoint areas that require management error, and evaluate the extent to which managers make use of managerial accounting information for monitoring and decision-making. The study's conclusions demonstrate that managers who use management accounting information are effective in their decision-making and control (Tewodros, 2009). Mintesnot (2013) studied how management accounting improves decision-making at Metals and Engineering Corporation (METEC). This study aims to assess the impact of management accounting information on decision-making. The study found that management accounting information is rarely used for decision-making, and management's focus on it falls short of what is needed (Mintesnot, 2013).

Samuel (2013) conducted a study titled "Management Information Systems Availability and Utilization as Factors Influencing Managers in Decision-Making: a Case of Commercial Banks in Ethiopia." This research aimed to assess the extent to which MIS availability impacts management decision-making in both government and private commercial banks in Ethiopia. Samuel investigated the availability of MIS for managers and examined how the utilization of these systems influences decision-making processes within commercial banks in Ethiopia (Samuel, 2013).

2.4 Conceptual Framework

The following conceptual framework for the study is developed based on reviews of the theoretical and empirical literature. The study's conceptual framework shows the management accounting practices which are incorporated in this study. Identifying the implementations of management accounting practices; costing systems, budgeting systems, performance evaluation, information for decision-making, and strategic analysis of commercial banks in Ethiopia.

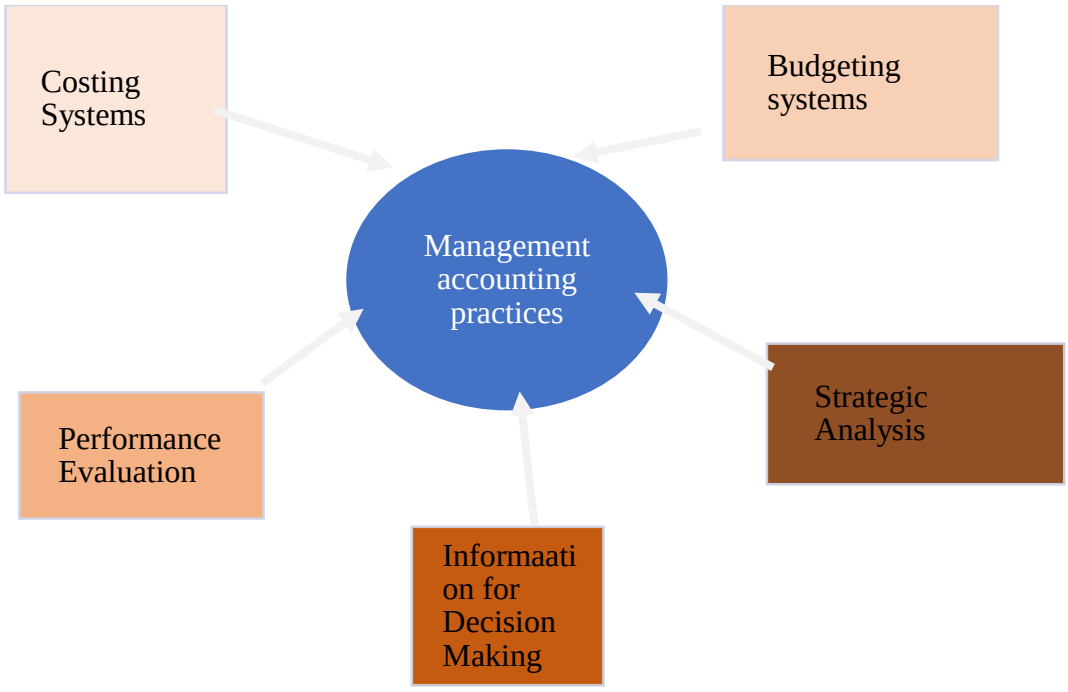

Figure 2.1. Illustration of the Conceptual Framework of the Study

Source: The researcher's construct based on reviewed literature.

2.5 Summary of the Literature Review

This chapter presented a review of the literature. The chapter has reviewed the definition of management accounting. The chapter has also reviewed the findings of various scholars in relation to management accounting. As mentioned above empirical literature review, several scholars have studied management accounting practices adoption, and most of the researchers agree that firms' performance is directly affected by MA practices. Very little research has been done on management accounting practice in Ethiopia compared to other developing countries, especially from a financial and banking industry perspective.

Internationally, there are many studies have been conducted on the MA practice and firm performance both in developing and developed countries. Gichaaga (2014) studies the effect of MA practice on firm performance in manufacturing firms in Kenya. He observed that manufacturing firms in Kenya mostly relied on information for decision-making practices. He

also concluded that application of MAPs had improved the return on equity (ROE) of manufacturing firms. Alamri (2019) studied the linkage between strategic MA facets and the organizational performance of listed Saudi firms. He indicated that the usage of MAP has a direct positive impact on the firm's performance

Previously local research looked at impact management accounting practice areas such as cost systems, decision-making, budgeting, performance evaluation, and strategic systems on financial performance focused on manufacturing firms but not on the banking industry. (Yohaness, 2018) studies the effect of management accounting practice on performance of Ethiopian cement companies. This literature review shows that noticeably less research attention has been given to the use of MA techniques and tools by banking sectors. Therefore, there is a need to study the MA practice in the banking industry, and that, this industry offers more for the country's economic growth significantly, especially in Ethiopia.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter presents the methodology used in this study including research design, sampling design, the study population, data collection, and data analysis.

3.2 Research Design

Research design is a logical work plan that highlights the flow of the work until the completion of the project. The purpose of this study is to critically analyze and report the management accounting practices in commercial Bank of Ethiopia, it intends to investigate the current level and nature of management accounting practice as it is. A descriptive research design is suited to establish the assessment of management accounting practices in Commercial Bank of Ethiopia. The survey design is used in this cross-sectional study because the study's goal was to gather information from the bank at a specific moment in time.

3.3 Research Approach.

The research approach is the procedure for the research about the methods of data collection, analysis, and interpretation. Research approach as the ways of addressing the research objective. The research approach can be qualitative, quantitative, or mixed depending on the nature of the research. The quantitative approach is the way that is applied to collecting factual data and analyzing it to see how these factual data are related and how the findings are related to previous findings and theories. Qualitative approach is the way to gain the people, perception or understanding of the research question based on their subjective understanding of the matter. The one that tries to mix both the quantitative and the qualitative approach is the mixed approach (Creswell, 2012). This study employed a hybrid strategy that combined both qualitative and quantitative methods. Through the distribution of closed-ended questionnaires to respondents, the quantitative technique has been used to perform an extensive analysis of measurable and empirical data related to the subject topic. The qualitative design has been implemented through key informant interviews and narrative analysis.

3.4 Population of the Study and Sample Size

The National Bank of Ethiopia (NBE) controls the banking division in Ethiopia. NBE, in Ethiopia there are 31 licensed commercial banks in 2023. The researcher selects Commercial Bank of Ethiopia for the study. CBE is chosen because of its large market share, total assets, product capacity, and data availability. CBE is the most influential bank in the country. The researcher believes that the selected bank represents the total population. CBE employees who work in Addis Ababa area: North Addis Ababa District, South Addis Ababa District, West Addis Ababa District, East Addis Ababa District, and Head Office. Therefore, based on the CBE database 2023, CBE has 3517 employees working in Head office Addis Ababa. So, the target population for the study consisted of 1095 employees, the participants mostly from the operational and finance departments. The study used a stratified random sampling method to draw the sample size from Commercial Bank of Ethiopia since the population in different departments is considered heterogeneous.

The sample size determination formula by Yamane (1967) was used to establish the sample size for this investigation. The magnitude of the sample determination is used in situations where the population is known to be finite. Acknowledged that in the case of a large target population, a sampling technique with a 5% error rate would yield an estimated true population value and a 95% confidence level would yield a true population value.

$$\boldsymbol{n = \frac{N}{1 + N(e^2)}}$$

Where: n= sample size

N = Population size

e = Margin error

Applying the formula, the sample size will be calculated as:

n = N / (1+ N(e^2))

n = 1095/ (1+ 1095(.05^2))

n = 292

Table 3.4 Proportion of Sample Allocation

Departments	Total population	Sample size
Operational	661	176
Finance	434	116
Total	1095	292

Source: Sample size calculated based on CBE's database as of 2024

3.5 Data Collection

This study uses primary data collection methods. The primary data is collected through the use of a questionnaire and key informant interviews. The data collection methods included both quantitative and qualitative approaches. A structured questionnaire is used. The survey questionnaires were distributed to target respondents. The questionnaire designed in this study included two sections. The first section included the demographic information. The second section was devoted to questions on the practices of management accounting practices at Commercial Bank of Ethiopia. The variable is measured using 5-point Likert scale categories. Secondary data was obtained from documents and published annual reports from bank websites to provide valuable advice on the implementation of MAPs.

3.6 Data Analysis

Descriptive statistics, which includes frequencies, mean and standard deviation was useful in identifying tendencies at a glimpse. Since the study is typically a descriptive type research, it addresses the objectives of the study by assessing the management accounting practice and providing the elaborative description of the Bank. Visual displays of data have been presented in percentages, tables, and figures. Moreover, most of the data was summarized and presented, with the help of the Statistical Program for Social Sciences, version 26, (SPSS, 2024). Data gathered through qualitative methods are analyzed by using the narration method.

3.7 Ethical Consideration

The data will be collected without using coercion or unethical behavior, only from the willing respondent’s sample. The study's findings solely will be used for academic purposes, and participant responses will be kept private and analyzed collectively by the researcher without any modifications. Additionally, the researcher appropriately cited any works used as a basis and showed respect for the work of earlier investigations or studies.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. Descriptive statistics were used in this study. The data collected using the quantitative method is tabulated and analyzed using descriptive analysis statistical tools. The findings are also presented using tables. In addition, the survey results are discussed in line with empirical literature related to the study.

4.2 Reliability Test

Reliability is employed to determine consistency in measuring items. A reliability test was conducted to ensure the scale employed in the study is internally consistent. The criterion variable is measured using SPSS's reliability technique (version 26). Based on data analysis, Cronbach's alpha for this study is shown below.

Table 4.2. Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.748	30

Source: Research findings from SPSS,2024

4.3 Respondent Rate

As it was indicated in methodology part total survey was distributed to 292 employees of Commercial Bank of Ethiopia. Based on the rules and principles of good research, to reduce the possible errors in the data administration, after the data was collected the researcher strive to assess and clean the data to be suitable for analysis and to have accurate information. From a total of 292 questionnaires, only 261 questionnaires were completely filled, returned and used for analysis in this study that a response rate of 89.4 percent. In making conclusions, Mugenda and

Mugenda (2008) indicated the representativeness of the response rate to undergo the data analysis part; a response rate of 50% is satisfactory; 60% is good, and 70% and above is excellent. Based on the assertion of those scholars the response rate of this study was 89.4% which considered being excellent.

Table. 4.3. Respondent rate

Sample size	292
Returned and completed questionnaire	261
Respondent rate	89.4%

Source: Research findings from SPSS,2024

4.4 Descriptive Statistics

The research results are analyzed using SPSS version 26. The next sections offer descriptive metrics of the responses of finance, operational, and management accounting users to chosen questions. The participants must rate the extent to which they used MAPs being studied; costing, budgeting, performance evaluation, Information for decision making, and strategic analysis. The ranking was as follows; 1 for never; 2 for rarely; 3 for sometimes; 4 for often and 5 for always.

4.4.1 Demographic Information of the Respondents

The study participants on survey have different personal information; besides these differences, they answered different responses about MAPs. The following discussion shows these differences. The demographic profile of respondents, regarding their gender, age, work experience, and positions of respondents who participated in this study presented below.

Table 4.4.1 Demographic profile of respondents

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
	Female	100	38.3	38.3	38.3
	Male	161	61.7	61.7	100.0
Age	18-35	136	52.1	52.1	52.1
	35-55	94	36.0	36.0	88.1
	>56	31	11.9	11.9	100.0
Work Experience	1-5	67	25.7	25.7	25.7
	6-10	140	53.6	53.6	79.3
	>11	54	20.7	20.7	100.0
Position	Operation Manager	62	23.8	23.8	23.8
	Management Accountant	72	27.6	27.6	51.3
	Financial Officer	45	17.2	17.2	68.6
	Others	82	31.4	31.4	100.0
	Total	261	100.0	100.0	

Source: Research findings from SPSS,2024

Table 4.4.1 The result shows that high male respondents (61.7%) compared to female respondents (38.3%), which shows that male employees are more than female. The majority of respondents (52.1%) fall within the 18-35 age range, followed by 35-55-year-olds (36.0%), and those above 56 years old (11.9%). This shows that male workers are more than female workers. This indicates that the majority of the CBE workers are middle and young workers. 56 years old shows the lowest number of respondents. The majority of respondents (53.6%) have 6-10 years of experience, followed by those with 1-5 years of experience (25.7%), and finally, respondents with more than 11 years of experience (20.7%), this means that most of the respondents are

under the range of 6-10 years of experienced and the lowest respondents are 11 years of experienced respondents. This breakdown shows that the respondents are diverse in their positions, with the largest groups being Management Accountants and Operation Managers.

4.4.2 Management Accounting Practices

The respondents were asked to rate the MAPs of Costing, Budgeting, Performance Evaluation, Information for Decision Making, and Strategic Analysis management accounting practices in CBE. The ranking ranged from 1 (never), 2 (rarely), 3(sometimes), 4(often), and 5 (always). Descriptive statistics for each independent variable are shown below. The researcher extracted the arithmetic mean and standard deviation of the sample described.

4.4.2.1 Costing MAPs in CBE

The drive of a costing system is to keep track of a company's expenses. The system consists of a number of forms, procedures, controls, and reports that are intended to compile and provide management with information regarding expenses, revenues, and profitability. The participants were asked to rate their agreement, using a five-point Likert scale, with 1 denoting never and 5 denoting always, was used to rank the replies. A mean greater than 3 is thought to indicate test variable satisfaction. To show the variance or "dispersion" from the "average" (mean), standard deviation was utilized. A high standard deviation suggests that the data is dispersed throughout a wide range of values, whereas a low standard deviation suggests that the data points typically lie fairly close to the mean.

Table 4.4.2.1 Costing system in CBE

Costing system	N	Minimum	Maximum	Mean	Std. Deviation
Activity cost-based system	261	2	5	3.42	.649
Cost Benefit Analysis	261	1	5	3.47	1.115
Attribute / Product Costing	261	1	4	2.90	.934
Quality Costing	261	1	5	2.79	.900

CS	261	1.75	4.25	3.1466	.50700

Source: Research findings from SPSS,2024

Table 4.4.2.1 participants were asked to what extent activity cost-based system, cost-benefit analysis, product costing, and quality costing were used in the bank and the respondent's answers as shown, ACBM mean value of 3.42 (SD=0.649), which suggests that a mean score of 3.42 on average participants judged the use of the activity cost-based approach positively, although not extremely so. The standard deviation of 0.649 indicates that the participants were very consistent, with some variability. Similarly, the participants were asked about cost-benefit analysis and the result shows that cost-benefit analysis mean value of 3.47(SD=1.115), suggests that participants had a somewhat positive impression of cost-benefit analysis. However, the standard deviation of 1.115 is extremely large, indicating significant variety in the partakers and maybe inconsistent viewpoints with this method. In the same way attribute/product costing was asked and the result shows that PC mean value of 2.90(SD=0.934), indicating that more neutral to a little favorable perspective on attribute/product costing usage. The moderate variety in the responses, indicated by the standard deviation of 0.934, suggests that respondents' perceptions or applications of this costing approach vary. Likewise, quality costing was asked, and a quality cost mean value of 2.79(SD=0.900), An impartial to slightly positive evaluation of quality costs is indicated by the mean of 2.79. The moderate diversity indicated by the standard deviation of 0.900 is indicative of respondents' varying experiences or perspectives regarding this costing strategy.

The descriptive statistics show that Activity-based costing (ABC), 97.7%, is used in CBE, and cost-benefit analysis 79.3% is used in CBE. 67% of CBE often use attribute or product costing, and quality costing is often practiced in CBE 96.9%. The overall mean of 3.1466 (SD=0.32256). we can understand from the result that an overall mean of 3.1466, suggests a mostly neutral to slightly positive perception of the various management accounting practices as a whole. The low SD of 0.50700 indicates that responses across the different practices are relatively consistent, with few extreme variations.

A study conducted by Elhamma and Zhang (2013), aligns with this study, in which they concluded that implementing a costing method like activity-based costing leads to improved enterprise performance. Similar results are also revealed by (Cooper, R. & Kaplan, R. S., 1991),

who discovered a positive correlation between the adoption of Activity-Based Costing (ABC) and the success of the firm, the research revealed that 75% of the sampled firms experienced a financial benefit as a result of implementing ABC. They suggested that ABC's implementation can bring firms tangible financial gains. Likewise, the above findings were supported by (Ahmad, 2014; Abdel-Kader & Luther, 2008; Chenhall & Langfield-Smith-1998).

4.4.2.2 Budging MAPs in CBE

Budgeting is a complex process that involves the entire organization, including the executive director, financial staff, and finance committee. Organizations create explicit plans for saving and spending money, known as budgets, which are vital for determining spending and saving priorities. A budget enables organizations to achieve specified goals by establishing a method for saving and spending money efficiently. The respondents were asked to indicate the extent to which they agreed with statements concerning the usage of budgeting system practices in CBE. The partakers were placed on a five-point Likert scale ranging from 1 (never) to 5 (always). A mean of above 3 is regarded to measure satisfaction on the test variables. Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values.

Table 4.4.2.2 Budging System in CBE

Budgeting system	N	Minimum	Maximum	Mean	Std. Deviation
Budgeting for planning purposes	261	1	5	3.18	.962
Budgeting for controlling costs	261	1	5	2.74	.800
Budgeting for long-term (strategic) plans	261	1	4	2.90	.934
Flexible budgeting	261	1	5	2.69	.826
BS	261	2.00	4.25	2.8793	.49205

Source: Research findings from SPSS,2024

The participants were required to rate the level to what extent they used budgeting system in the bank. Table 4.4.2.2 demonstrates the participant's responses as follows. Budgeting for planning mean score of 3.18(SD=0.962), indicates a mean result of 3.18 suggests that respondents had a relatively positive view of budgeting for planning usage in the bank. The standard deviation of 0.962 indicates some variation in responses, implying varied views on its efficiency. Similarly, budgeting for controlling costs was asked participants and the results show a mean value of 2.74(SD=0.800), indicating that respondents have a neutral to partially positive attitude toward budgeting for controlling cost. The standard deviation of 0.800 suggests moderate variability, implying that some respondents believe it is more effective than others. Likewise, budgeting for long-term plans were asked partakers and the mean value of 2.90(SD= 0.934), indicates moderately positive assessment of budgeting for long-term strategic objectives. The standard deviation is 0.934, indicating that the responses vary significantly. Also, flexible budgeting is displayed by mean value of 2.69(SD=0.826), suggesting a slightly favorable opinion from respondents on flexible budgeting usage. The moderate variance highlighted by the standard deviation of 0.826 reveals that there were various views regarding its use in the bank according to respondents.

The result shows that 90% often use budgeting for planning purposes, 99.2% often use budgeting for controlling costs, 67% often use budgeting for long-term (strategic) plans, and 99.2% flexible budgeting often use in CBE. The overall mean of 2.8793 (SD = 0.49205). This shows that an overall mean score of 2.8793 implies slightly negative perception of the budgeting system among the respondents. The low standard deviation (0.49205) suggests that this perception is fairly uniform, with most respondents sharing similar views about the budgeting system's effectiveness.

One participant in the key informant interview said, "We have a variety of challenges when we use management accounting budgeting. Among these difficulties are issues related to gathering, documenting, and presenting financial data from multiple departments or divisions. Information on direct materials, and production overhead are needed for cost allocation methods. Several service departments require this information".

These findings align with Qi's (2010) study on the impact of budgeting on performance in small and medium-sized Chinese enterprises, the findings suggest that formal budgeting positively

affects corporate performance. This result is supported by Liaqat (2006) carried out an empirical study to find out the application of contemporary management accounting techniques in Indian industry. He revealed that improvement in overall profitability and cost reduction were the motivating factors for using management accounting in Indian companies.

4.4.2.3 Performance Evaluation MAPs in CBE

The respondents were asked to indicate the extent to which they agreed with statements concerning the usage of performance evaluation practices in CBE. The responses were placed on a five-point Likert scale ranging from 1 (never) to 5 (always). A mean of above 3 is regarded to measure satisfaction on the test variables. Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values.

Table 4.4.2.3 Performance Evaluation in CBE

Performance evaluation	N	Minimum	Maximum	Mean	Std. Deviation
Financial estimates	261	1	5	3.30	1.079
Non-financial estimate(s) related to customers	261	1	5	2.86	.792
Benchmarks	261	1	5	3.11	.885
Economic value added or residual income	261	1	5	2.76	1.002
PE	261	2.00	4.50	3.0086	.53769

Source: Research findings from SPSS,2024

The result in table 4.4.2.3 shows that participants' responses regarding financial estimation practices clearly defined mean value of 3.30 (SD=1.079). means that a fairly favorable opinion of financial estimations in performance evaluation is indicated by the mean value of 3.30. The significant variance in replies, as indicated by the large standard deviation of 1.079, demonstrates varying perspectives regarding how well it is used in bank operations. In the same way, the respondents were asked about the use of non-financial estimates related to customers. Their responses show mean value of 2.86(SD=0.792), indicating a slightly positive opinion on non-financial estimates related to customers. The standard deviation of 0.792 shows reasonable variance, suggesting differing perceptions of its utility. Similarly, benchmark mean of value3.11(SD=0.885), suggests a moderately positive perception of using benchmarks in performance evaluation. The standard deviation of 0.885 indicates moderate variability, implying some variety in opinions. Likewise, the mean of 2.76(SD=1.002), indicates slightly positive view of economic value added or residual income as a performance evaluation metric. The standard deviation of 1.002 shows high variability, suggesting diverse views among respondents.

The result shows that 87% often use financial estimates, 98.5% often use non-financial estimate(s) related to customers, 94.6% often use benchmarks, and 98.5% economic value added or residual income often use in CBE. The overall mean of 3.0086 (SD = 0.53769). This indicates that an overall mean score of 3.0086, reflects a neutral view of the performance evaluation system, suggesting that employees consider it to be average or satisfactory. The standard deviation (0.53769), indicates a reasonable consistency in responses, with some variation indicating different opinions among employees.

According to (Ittner & Larcker, 2003), Studies have shown that firms employing robust performance evaluation systems achieve better financial results by identifying areas for improvement and optimizing resource allocation. A similar study conducted by Abdel-Kader & Luther (2006), studied the use of MAPs in the British food and drinks industry and reported that budgeting for planning, controlling cost, performance evaluation based on financial measures, and product profitability analysis showed positive impacts on the firm.

4.4.2.4 Information for Advice Decision Making MAPs in CBE

The respondents were asked to indicate the extent to which they agreed with statements concerning the usage of information for decision-making practices in CBE. The responses were

placed on a five-point Likert scale ranging from 1 (never) to 5 (always). A mean of above 3 is regarded to measure satisfaction on the test variables. Standard deviation was used to indicate the variation or "dispersion" from the "average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values.

Table 4.4.2.4 Information for Decision-Making in CBE.

Information for decision-making	N	Minimum	Maximum	Mean	Std. Deviation
Product benefits analysis	261	1	5	2.94	.752
Customer benefits analysis	261	2	4	2.68	.681
Break-even analysis	261	1	5	3.14	.972
Performing sensitivity analysis	261	1	5	2.82	.893
IDM	261	1.75	4.50	2.8946	.60797

Source: Research findings from SPSS,2024

The participants were required to rate the use of information for decision-making measures in the bank. Table 4.4.2.4 demonstrates the participant's responses. Product benefits analysis mean value of 2.94(0.752), indicates a positive view of product benefits analysis among respondents. The standard deviation of 0.752 shows moderate variability in responses, suggesting different views on its use. Customer benefits analysis mean value of 2.68(SD= 0.681), this means that a positive response from partakers on customer benefits analysis, with a standard deviation of 0.681, suggests a moderate performance in customer benefits analysis. Break-even analysis mean value is 3.14 with a standard deviation of 0.972, this suggests positive opinions from the participants. This indicates good performance in break-even analysis in CBE. Performing

sensitivity analysis mean value is 2.82 with a standard deviation of 0.893, suggesting a moderate performance in sensitivity analysis.

The result shows that 95.4% often use product benefits analysis, 87.7% often customer benefits analysis, 90.8% often use break-even analysis, and 95% perform sensitivity analysis often use in CBE. The overall mean of 2.8946 (SD = 0.60797). This indicates that an overall mean score of 2.8946, shows a neutral to slightly negative perception of the subject being evaluated. The standard deviation (0.60797), suggests that there is some consistency in responses, but there is also a range of different opinions among the respondents.

According to (Ittner & Larcker, 2001) and (Mia, 2002), they discovered a positive mean on management accounting practices. Tewodros (2009), study supports this study result, which found that there is limited usage of management accounting information in manufacturing enterprises in the city of Addis Ababa and that managers who use management accounting information are more effective in their decision-making and control.

During the key informant interview session, a participant who worked for 12 years stated that "we have facing different challenges to use information for accurate decision making. For instance, the type and quality of skills available in an organization affect the implementation of management accounting innovation and information flows, specifically, we have a shortage of staffs who accurately share information. Moreover, the Lack of involvement of internal accounting staff in the information-sharing process of accounting issues has also contributed to the challenges".

Another participant from middle-level managers said that "Commercial Bank of Ethiopia is striving to use the information for decision making. However, some challenges are affecting this practice including lack of competent personnel, especially from finance and IT departments, for data inputting, data integration and technical assistance".

4.4.2.5 Strategic Analysis MAPs in CBE

The respondents were asked to indicate the extent to which they agreed with statements concerning the usage of SA in CBE. The responses were placed on a five-point Likert scale ranging from 1 (never) to 5 (always). A mean of above 3 is regarded to measure satisfaction on the test variables. Standard deviation was used to indicate the variation or "dispersion" from the

"average" (mean). A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data is spread out over a large range of values.

Table 4.4.2.5. Strategic analysis in CBE

Strategic analysis	N	Minimum	Maximum	Mean	Std. Deviation
Long-term forecasting	261	1	5	2.60	1.323
Shareholder value Analysis	261	1	5	2.45	.824
Industry analysis	261	1	5	2.73	.793
Value chain analysis	261	1	5	2.89	.856
SA	261	1.50	4.50	2.6657	.65050

Source: Research findings from SPSS,2024

Table findings show that a long-term forecasting mean value of 2.60 (SD=1.323), suggests that views on long-term forecasting vary significantly among respondents. The scores range from 1 to 5, indicating a wide range of perceptions regarding its effectiveness. Shareholder value analysis mean value of 2.45 and a standard deviation of 0.824, shareholder value analysis has slightly lower changeability in responses compared to long-term forecasting. This suggests a more consistent view among respondents, though the overall effectiveness is perceived to be moderate. Industry analysis mean value of 2.73 and a standard deviation of 0.793 indicates that industry analysis is viewed slightly more favorably than long-term forecasting and shareholder value analysis, with relatively less variability in responses. Value chain analysis has the highest mean

score at 2.89 and a standard deviation of 0.856, suggesting it is considered the most effective among the strategic analysis components listed, with moderate variance in responses.

The result shows that 86.6% often use long-term forecasting, 98.5% often shareholder value analysis 99.2% often use industry analysis, and 95.8% value chain analysis often use in CBE. The overall mean of 2.6657 (SD= 0.65050). This means that an overall mean score of 2.6657, shows a generally neutral to slightly negative observation of the subject evaluated. The standard deviation (0.65050), suggests that there is some consistency in responses, there is also a range of opposing opinions, indicating varied experiences or satisfaction levels among the respondents.

According to Visedsun and Terdpaopong (2021), they concluded that a firm's strategies and goals has a significant effect on both financial and non-financial performance of large companies in Thailand. Empirical evidence indicates a positive mean between strategic analysis and performance, as firms that conduct comprehensive strategic assessments tend to achieve sustainable profitability and market success.

During the key informant interview, one middle-level manager stated that “the main challenges on the strategic aspects of management accounting includes, management inertia, a lack of experience and expertise necessary to apply or use the techniques, issues with information flow between accounting and non-accounting departments (customer service, marketing, and procurement), fear of failure, resistance to a new system, and inadequate communication”. Another participant stated that “Resistance to change has been widely observed challenge in the bank to management accounting practice”

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents a summary, conclusion, and recommendations of the key findings on assessing the usage of management accounting practices of Commercial Bank of Ethiopia.

5.2 Summary of Study

The main aim of this study is to know the implementation of management accounting practices of CBE. Literature review shows that MAPs have significant value in the firm's operations. MAPs used in this study: costing system, budgeting system, performance evaluation, information for decision-making, and strategic analysis. The gap identified in the literature from previous studies was that there weren't many studies conducted MAPs in banking institutions, as well as the presence of research that employs unsuitable approaches and methodologies. Therefore, the researcher intends to fill these gaps by assessing five specific objectives to understand implementation of MAPs at CBE.

The study design used in this research was descriptive and cross-section design. The study target population comprised 1096 CBE employees, middle and low management staff. The stratified random sampling represented the population and offered an unbiased selection, which was important in concluding the study results. Primary data collection is conducted through a questionnaire and interviews. Secondary data is obtained from documents and annual reports from the bank website. The researcher employed descriptive statistics to analyze data using SPSS version 26.

The findings reflect respondents' perceptions of different aspects of management accounting practices within the bank, with scores on a scale from 1 to 5. Descriptive statistics revealed that the overall mean value of costing system is 3.1466, budgeting system is 2.8793, performance evaluation is 3.0086, information for decision-making is 2.8946, and strategic analysis is 2.6657. Finally, an interview was conducted with two top management and two middle management and used narrative analysis.

5.3. Conclusion

The study assesses management accounting practice of Commercial Bank of Ethiopia based on the following conclusions. From the findings, the study concluded that CBE uses all of MAPs (costing system, budgeting system, performance evaluation, information for decision-making, and strategic analysis). The findings also indicate that costing systems has high implementation compared to other variables, followed by performance evaluation, budgeting systems, information for decision-making, and strategic analysis. The findings indicate that most respondents agreed that CBE utilizes management accounting practices for the bank's strategic and tactical decisions. This indicates that management accounting practices is a crucial tool in the decision-making process for managers as well as for overall operations in the bank. The study concluded that the bank heavily relies on management accounting practices for strategic, cost reduction, and tactical decisions.

The banking industry's profitability largely depends on the quality of services and financial products provided to the customers. Management accounting practices is a key element for achieving organizational objectives. For financial institutions like Commercial Bank of Ethiopia, effective use of management accounting practices is vital to meeting their goals. MAPs: Costing system, budgeting system, performance evaluation, strategic analysis, and information for decision-making, significantly influences overall CBE operations. In the context of CBE, this practice enhances the quality of decision-making for managers and maximizes profitability of the bank. This study adds to the body of knowledge in management accounting by offering contemporary insights into literature and research approaches. This work can serve as a reference for future academics studying comparable topics.

5.4 Recommendation

This study investigates management accounting practices of Commercial Bank of Ethiopia. Based on the primary findings, the following recommendations are made:

Cost systems (CS): The high value indicates that partakers think the costing system is highly efficient and used. Because the costing system is highly valued, the bank should prioritize its upkeep and enhancement. Regularly upgrading costing systems to reflect current best practices, as well as giving cost management training, can help to maintain their efficacy. The bank should

continue to use the costing approach to identify insufficient products and operations, allowing greater resources to be allocated toward effective aims. Costing must also include clearly defined goals and objectives established by the company for the benefit of the business. This could entail developing a more comprehensive costing system and continuously reviewing cost drivers.

Budgeting systems (BS): The findings show that budgeting systems score is moderately low. The bank should concentrate on improving its budgeting procedures. Good budgeting systems are essential for a firm growth. A significant portion of the agenda should be devoted to budget planning. The bank should guarantee that regular evaluations of budget performance are conducted and deploy more robust budgeting software to further strengthen the system. Improving the training of accountants and finance officers and communication regarding budgeting systems can help increase effectiveness and compliance within the bank.

Performance evaluation (PE): The average value is what the outcome shows to be performance evaluation. The bank ought to think about putting in place additional frameworks for performance management. It is crucial to have a strong performance evaluation system that promotes performance increases. The bank should keep improving its performance measurements and feedback system in light of the favorable opinion of performance evaluation. Effectiveness can be maintained by regularly updating the evaluation criteria in response to changing company requirements and employee input.

Information for decision-making (IDM): The findings indicate that low score from partakers. The finding emphasizes the key role that information plays at every stage of firm the decision-making process. Especially for managers, it is essential to equip them with accurate and relevant information at CBE. The bank should adopt advanced data analytics tools and ensure timely and accurate reporting. Providing managers with training on how to interpret and use information effectively can lead to better-informed decisions.

Strategic analysis (SA): Out of all the objectives assessed in this study, SA has the lowest score. This indicates that the bank should focus on improving its strategic analysis processes. This can include advanced training for managers in strategic planning, incorporating comprehensive market research, and utilizing modern analytical tools. Regular reviews of strategic plans should be conducted to ensure alignment with organizational goals. The bank can formulate strategies to

invest in market expansion and innovation, thus staying ahead of competitors and addressing potential threats effectively.

The findings show that there is a positive usage of management accounting practices in CBE, suggesting that the bank implementing these practices leads to achieving better financial results. By embracing advanced management accounting practices, can enhance their financial performance and gain a competitive edge in today's dynamic marketplace. Policymakers could provide more advanced training in these techniques for the people involved or future graduates in Ethiopia(accountants).

According to the participants in the interviews, applying management accounting techniques in the banking sector involves several challenges. These include financial product complexity, data integration obstacles, lack of experts, technology limitations, and strategic alignment challenges. This study reveals that management understands the value of each management accounting technique in managing the company, but the company has been unable to use it fully due to a lack of knowledge of the technique among its human resources. Despite these challenges, efficient management accounting methods can considerably improve bank decision-making, performance, and resource allocation. Overcoming these obstacles will require coordinated efforts to integrate advanced management accounting concepts into present systems, invest in technology and training, and align these practices with the institution's strategic goals. By addressing these issues, the bank can enhance its management accounting practices, resulting in improved financial management, more effective decision-making, and a stronger strategic position.

5.5 Suggestion for Further Study

The study relied on primary data, which has limitations in accuracy and reliability due to influences like the attitude of respondents. Consequently, the researcher recommends conducting a similar investigation using purely secondary data such as financial statements of the bank. And also, more study is needed to determine the effects that are likely to motivate a firm to use a management accounting practice. This research focuses solely on one bank (Commercial Bank of Ethiopia) and could not include the whole banking industry. The study recommends similar research on another banking sector locally.

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APPENDICES I

QUESTIONNAIRE FOR RESEARCH PURPOSES
ST. MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF ACCOUNTING AND FINANCE

Dear respondents,

I'm a graduate student at St. Mary University in the Department of Accounting and Finance. Currently, I'm conducting research entitled *"The usage of Management Accounting Practices: In the case of Commercial Bank of Ethiopia"* as a partial requirement for the award of a Master of Arts Degree in Accounting and Finance. The purpose of this questionnaire is to gather data for the proposed study. Therefore, you are kindly requested to assist in completing the study by providing the necessary information. I confirm that the information you share will stay confidential and only be used for academic purposes. Your honest response is vital for the study's success.

Thank you in advance for your kind cooperation.

Best Regards,

Kidist Ayele

PART I: General Information

1. Gender (Kindly tick appropriately where required)

I. Female [] II. Male []

2. Age

I. 18 -35 [] II. 36 - 55 [] III. 56 & Above []

3. Work Experience

I. 1 to 5 years [] II. 5 to 10 Years [] III. More Than 10 Years []

4. What position do you hold?

I. Operations Manager []

II. Management Accountants []

III. Financial Operations Officer []

IV. Other []

PART II. How frequently does your bank use management accounting practices?
(Tick appropriately in the boxes where required)

A. How frequently do you depend on the cost system practice?

Costing system	1 Never	2 Rarely	3 Sometimes	4 Often	5 Always
Activity cost-based system					
Cost Benefit Analysis					
Attribute / Product Costing					
Quality Costing					

B. How frequently do you depend on the budgeting practice?

Budgeting Systems	Never	Rarely	Sometimes	Often	Always
Budgeting for planning purposes					
Budgeting for controlling costs					
Budgeting for long-term (strategic) plans					
Flexible budgeting					

C. How frequently do you depend on the performance evaluations practice?

Performance Evaluation	Never	Rarely	Sometimes	Often	Always
Financial estimates					
Non-financial estimate(s) related to customers					
Benchmarks					
Economic value added or residual income					

D. How frequently do you depend on the information for decision-making practice?

Information for decision-making	Never	Rarely	Sometimes	Often	Always
Product benefits analysis					
Customer benefits analysis					
Break-even analysis					
Performing sensitivity analysis					

E. How frequently do you depend on the strategic analysis practice?

Strategic Analysis	Never	Rarely	Sometimes	Often	Always
Long-term forecasting					
Shareholder value Analysis					
Industry analysis					
Value chain analysis					

THANK YOU SO MUCH!!

APPENDICES II

Leading questions for key informant interview

1. How do you evaluate the overall management accounting practices of Commercial Bank of Ethiopia?
2. What challenges are hindering the practice of using information in decision-making?
3. Do you believe that the budgeting system is effective? What challenges do you have experienced before?
4. What do the CBE practices of strategic analysis of MAP is looks like? what are the difficulties of effective strategic analysis?