

Greener Journal of Banking and Finance

Submission Date: 03/08/014

Accepted: 29/10/014

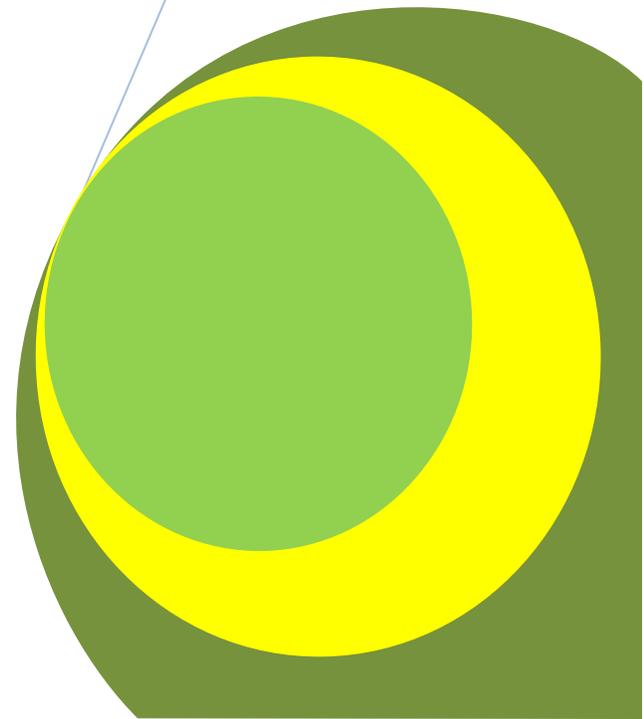
Published: 30/10/014

Subject Area of Article: Management Accounting

Budget Monitoring and Control in Selected Federal Ministries in Nigeria

By

Dr. Abdullahi Audu Malgwi



Research Article

Budget Monitoring and Control in Selected Federal Ministries in Nigeria

Dr. Abdullahi Audu Malgwi

Department of Accountancy, University of Maiduguri, Borno State-Nigeria.

Email: Malgwi94@gmail.com, Mobile: 08162195358

ABSTRACT

This paper assesses the instrument budget in monitoring and control of some selected federal ministries' activities in the Nigerian public sectors. Budget delays and approvals could lead management of some organizations not being able to achieve their desired targets. This paper uses primary and secondary sources of data through questionnaire administered to classified respondents and documents of those Ministries. Statgraphic18 is used in the data analysis to obtain the coefficients in measuring the inefficiency or efficiency of the instrument budget. The results show that budget monitoring is effective with a mean response of 25, while budget control is neither effective nor ineffective with a mean response of 21. It also finds that there is no significant relationship between budget monitoring and budget control. The study recommends that identification of sources of revenues is critical for budget monitoring and control in Nigerian federal Ministries.

Keywords: Budget monitoring, Budget control, Federal ministries, Nigeria.

INTRODUCTION

Budget has been traced to its origin from Latin French word called Bougettee (Latin) meaning little bag. The little bag contains documents of what people want. Historically, budget document was tested by Pyhur (1976) and found that it was successful in achieving the goal of the state government. The quest for budget usage in government is to assess the performance of those ministries activities in terms of output or services over a period. Investigation showed that some organizations do achieved their budget plans. Justification and progress monitoring of every naira spent on each of the budget items in the budgets of those selected ministries would indicate value for money. Budget monitoring and control of developmental projects could differ from ministry to ministry depending on the cost leadership style adopted by the manager of that ministry under study.

In the past, Nigeria planned to provide housing and health for all by the year 2000 without achieving its target goal. Does it mean that the budget was not monitored or controlled? One would be tempted to ask whether it had monitored its budget proposal closely or not. It is quiet disturbing with expectation as to when Nigeria would achieve its target plans. When a country's budget spending is more than expected available resources, it could throw such a country into trouble. What could be the resultant effects of such deficits? However, budget monitoring is a continuous activity geared toward achieving a goal.

Budget has been used as a road map of what an organization intended to achieve over a defined period. Budgeted items make an organization to monitor budget performance by ensuring what is planned conforms to target goal. Budget control becomes inevitable so that resources are not wasted in the process of budget execution. It is quite disturbing that some organizations operated over sometime without following the budget. The desired services planned could be jeopardized and may not communicate to stakeholders and beneficiaries. Some organizations do not follow budget documents execution but create room for vehement for critical services.

Nigeria is selected in this study because it is regarded as the giant of Africa endowed with rich natural and human resources. It can be reckoned that every eye of the world super powers is on Nigeria because of her viable economy. There is a prima face to investigate the instrument budget in monitoring and control of some selected Federal ministries whether the instrument is effective or not. The questions to ask are that are the Ministries in this study well-funded? Are their services appreciated by the general populace? Are the expenditures of these ministries properly supervised? Are the sources of revenues exhausted? Were these ministries able to achieve their target plans? One would like to know how efficient is the budget document in achieving the target goal of the selected ministries?

In this paper, two statement of hypothesis has been constructed to test the following hypothesis:

HO1: There is no relationship between budget monitoring and control in federal ministries in Nigeria.

HO2: Budget monitoring is ineffective in federal ministries in Nigeria.

Theoretical framework and related literature

Burkhead's (1956) theoretical position on budget shows that it is a map work of activities link with financial resources. Omolehinwa (2001) and Perrin (1958) lend support to this explanation. Empirical study conducted by Olurankinse et al (2008), find that budget as a control for evaluating performance in federal ministries was found to be poor and ineffective. Olawale et al (2012) conduct study on performance budgeting, its planning, implementation and monitoring process the case for Nigeria's science, Technology and Innovation with inconclusive result but only recommendations. Malgwi and Unegbu (2012) in a similar vein, find that budget success cannot be achieved without adequate provision of financial resources. Reports of budget progress should inform stakeholders the direction a ministry is going. Any surplus funds should be returned to treasury at the end of the year as per financial memoranda Act revised. Perrin (1958) conducted a study in British industry and found that every activity that involves spending money in an organization needs budgeting, planning and control in order to get results. Olatunji (2013) observes that budget is a vital tool for planning and control of natural resources in forest development. In a similar vein, budget in ministries serves as an indicator of performance of services.

Budget documents should be used to direct the affairs of an organization via cost reduction methods namely budgetary control and standard costing. Checking every budget spending versus activity traced to it is essential instrument of control that will achieve the desired target of that organization in question. Benson et al (2012) declare that budget implementation, management, monitoring and control are tailored towards achieving the organizational goals. In likewise postulate, Kola (2014) lends support to Benson et al. (2012) that government budgeted revenues and expenditures for various items required careful tracking and control in order to meet budget targets and make the citizenry well-off.

Akin (2009) advocates that the quest for value for money in government activities has brought about monitoring and evaluation to the development management which provides stakeholders with a better means of learning from the past experiences, particularly as it relates to improving service delivery as well as planning and allocation of resources. Akin (2009) is unable to measure success or failure of monitoring of government activities in the process of providing service delivery. Mestry and Naidoo (2009) study monitoring and control in South Africa township and found that level of learning plays a significant role in monitoring and control, but was not able to point out whether monitoring and control is effective or not. When monitoring is effective, it implies that available resources were able to meet budgeted expenditure items.

METHODOLOGY

The study employed primary and secondary sources of data through distribution of questionnaires to respondents and conducting of face to face interview with classified group of respondents. Structured questionnaires namely were asked to obtain the information used in the analysis: Is your ministry well-funded to meet your budget plan? Are the services of your ministry appreciated by the populace? Is expenditure execution in your ministry well supervised? Is your ministry able to achieve her target plans? These questions were targeted at political office holders in their various ministries. Documents of these ministries were also studied to establish reliability and validity of some information obtained through the questionnaires. Face to face questions were asked to validate the structured questionnaires. The scored data were extracted and analyzed to test the acceptability or rejection of the statement of hypothesis. The sample size and sampling framework is shown below:

| Item | Works | Health | Finance | Budget |
|---------------|-------|--------|---------|--------|
| Population | 40 | 40 | 40 | 40 |
| Sample size | 29 | 29 | 24 | 36 |
| Response rate | 72% | 72% | 60% | 90% |

Source: Field work, 2014

A total of 160 questionnaires were sent out to Ministry of works, health, finance and budgets. 80 sets on budget monitoring and 80 other sets on budget control, but only 48 questionnaires on budget monitoring and 70 on budget control were received for the analysis. The collection time of completed questionnaires showed that only 48 and 70

validly completed and returned for the analysis in this study. It could be that fear of being intimidated had caused others not to respond or other reasons best known to them. This showed a response rate of 73.8%. Mean and bench mark of 24 was considered for the criteria for acceptance or rejection of the statement of hypothesis. Modified Likers-scale values of responses ranging from effective (5), ineffective (4) and neutral (3) were used in the analysis of the data obtained from the respondents.

RESULTS AND FINDINGS

In this study, the values of effective =5, ineffective =4, and neutral =3. The variables β_1 , β_2 , and β_3 were used to measure the responses of the respondents

Table 1: Budget monitoring in selected federal ministries in Nigeria

| Ministry | Respondents | Effective (β_1) | Ineffective (β_2) | Neutral (β_3) |
|----------|-------------|-------------------------|---------------------------|-----------------------|
| Works | 11 | 6(30) | 3(12) | 2(6) |
| Health | 10 | 3(15) | 7(28) | 2(6) |
| Finance | 11 | 8(40) | 2(8) | 1(3) |
| Budget | 16 | 3(15) | 9(36) | 4(12) |
| Mean | | 25 | 21 | 6.75 |

Source: Field work, 2014

The mean budget monitoring in federal ministries implies: Effective= $\beta_1w + \beta_1h + \beta_1f + \beta_1b = 25$; ineffective = $\beta_2w + \beta_2h + \beta_2f + \beta_2b = 21$ and neutral = $\beta_3w + \beta_3h + \beta_3f + \beta_3b = 6.75$.

To run the multiple sample comparison of the budget monitoring, ANOVA table of the budget monitoring is presented below:

| Source | Sum of squares | Degree of freedom | Mean square | F-ratio |
|---------|----------------|-------------------|-------------|---------|
| Between | 736.167 | 2 | 368.083 | 3.26 |
| Within | 1016.75 | 9 | 112.972 | |
| Total | 1752.92 | 11 | | |

P-value=0.0862

Table 1 show that Finance has the highest value score of 40 followed by Works with 30 value scores. This implies that these ministries observed closed budget monitoring. On average, the mean score of 25 was recorded for the four selected ministries. This indicated that those ministries have effective budget monitoring in Nigeria with a mean of 25 and standard deviation of 12.24.

Table 2: Budget control in selected ministries in Nigeria

| Ministry | Respondents | Effective (β_1) | Ineffective (β_2) | Neutral (β_3) |
|----------|-------------|-------------------------|---------------------------|-----------------------|
| Works | 18 | 1(5) | 8(32) | 4(12) |
| Health | 19 | 3(15) | 4(16) | 9(27) |
| Finance | 13 | 1(5) | 0(0) | 10(30) |
| Budget | 20 | 4(20) | 2(8) | 8(24) |
| Mean | | 11.25 | 14 | 23.25 |

Source: Field work, 2014

The mean budget control in the selected ministries implies: effective = $\beta_1w + \beta_1h + \beta_1f + \beta_1b = 11.25$, ineffective = $\beta_2w + \beta_2h + \beta_2f + \beta_2b = 14$ and neutral = $\beta_3w + \beta_3f + \beta_3b = 23.25$. From the individual ministries, it shows that ministry of budget adopted effective budget control measure to ensure that plans conform to actual plans. On the average assessment, respondents declined comments on the effectiveness or ineffectiveness of budget control in the selected ministries. This implies that budget control is a mere kleshire, meaning as no plan has been made. In a

situation where budget plans did not agree to actual plan or results, the budget instrument would be regarded as an ineffective tool of measurement of an organization's performance.

The ANOVA table of budget control is presented below:

| Source | Sum squares | Degree of freedom | Mean square | F-ratio | P-value |
|---------|-------------|-------------------|-------------|---------|---------|
| Between | 316.167 | 2 | 158.083 | 1.55 | 0.263 |
| Within | 915.5 | 9 | 101.722 | | |
| Total | 1231.67 | 11 | | | |

Source: Field Work, 2014

P-value of the F-test is greater than 0.5, there is not a statistically significant difference between the mean of the 3 variables at 95% confidence interval. This confirms that budget monitoring is effective and budget control is neither effective nor inefficient.

The ineffective budget control lends support to what Michael (2014) said that the president signed Nigeria's budget secretly when the minister of finance was not around. Moreover, when the revenue source of a budget was not enough but had to be borrowed, budget control cannot be effective. Onuorah and Appah (2012) subscribed to the idea that Nigeria need to justify every Naira spent on capital and current expenditures. Lack of justification implies that budget control is not effective.

CONCLUSION

The study on budget monitoring and control in selected federal ministries shows that budget monitoring was effective with a mean response of 25 which was confirmed by F-ratio of 3.26 with p-value of 0.0862, while budget control was neither effective nor ineffective with a mean response of 21. This preempts the respondent's opinions that not much has been achieved of budget plans. Budget monitoring and control should serve as barometer showing direction of organizational success or failure. It signals to management whether success or failure is about to be recorded. It keeps track of capital and project developments in organizations. Kola (2014) supports the view that in the process of implementing the plans of government, serious processes and follow ups through physical supervision are necessary for the success of such organizations.

Test of hypothesis

H_{01} and H_{02} are rejected. There is relationship between budget monitoring and control. In the analysis, it shows that budget monitoring is effective.

RECOMMENDATION

The study recommends that budget supervision and monitoring should be included in the budget politics of such organizations. Identification of the sources of revenues is critical issues for budget monitoring and control in Nigeria. In order to record balance budget or surplus budget, the sources of revenues should be clearly figured out so as to reduce error of budget estimation.

REFERENCES

- Akin A, (2009), Budget monitoring performance Evaluation and Reporting, www.adbi.org/conf-seminar-papers/2005/12/13/1589.
- Benson M, Ryan K and Liberty P, (2012): Budget Implementation, Monitoring and Control
- Burkhead J, (1956), Government Budgeting, John Willey & Sons Inc New York.
- Kola G, (2014), Budget monitoring and Tracking, Center for constitutional Governance, Illupeju, Lagos
- Malgwi AA and Unegbu AU, (2012), Public Sector Budgeting: Need for Balance scorecard perspective, Scientific & Academic publishing, International Journal of Finance and Accounting, Vol. 1, No. 3, 2012,

- Mestry R and Naidoo G, (2009), Budget monitoring and Control in South Africa Township: Democratic governance at Risk, Educational Management Administration & Leadership, 37: 107-125.
- Ogwu M, (2014), Jonathan Secretly signed 2014 budget, Federal Government to Borrow N600billion to implement 2014 budget, Weekly Trust, Sunday, May, 2014
- Perrin JR, (1958), Budgeting, Planning and control in British Industry, PhD Thesis, University of London
- Olawale OR, Ibikunle OO, Francis FO and Caleb AM, (2012). Performance budgeting, its planning, implementation and monitoring process: The case for Nigeria's Science, Technology and Innovation Budget.
- Olurankinse F, Yabugbe PO and Ibadir LA, (2008). Budget as a tool for control and performance evaluation in the Public sector. Sources?
- Onuorah A and Appah E, (2012). Accountability and Public Sector Financial Management in Nigeria, Arabian Journal of Business and Management Review, Vol 1, No.6, January, 2012
- Omolehinwa E, (2001). Government Budgeting in Nigeria, Pumarck series, Lagos, Nigeria.

Cite this Article: Malgwi AA, 2014. Budget Monitoring and Control in Selected Federal Ministries in Nigeria. Greener Journal of Banking and Finance. 1(1):010-014.