

Evaluation of Budget Implementation in Ondo State, Nigeria

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ABSTRACT

Annually, each state prepares its budget which is defended before the relevant authorities and approval is put in place while implementation follows. Available statistics suggests that the annual budget has not been able to improve the lives of citizens over the years, occasioned by complaints that budgets have become annual rituals without visible implementation. This study evaluated budget implementation in Ondo State, Nigeria from 2005 to 2014 using secondary data obtained from the State Board of Internal Revenue and Ministry of Finance respectively. Also, it examined the relationship between approved budget and budget implementation. Collated data were analyzed using percentages, mean, standard deviation and Pearson correlation analysis. Six public sectors namely administrative, regional, economic, social services, law and justice and debt repayment were identified and assessed for the study. In aggregate, 68% of the total approved budget was implemented during the ten year period. Furthermore, the results showed that there is a positive and strong significant relationship between approved budget and budget implementation given the correlation coefficient of $r= 0.908$ ($P < 0.05$). Specifically, budget implementation of 125% in 2005 was the highest level while 55% in 2013 was the lowest level from 2005 to 2014. Others are 86% (2006), 96% (2007), 95% (2008), 62%, (2009), 71% (2010), 57% (2011), 56% (2012), 55% (2013) and 57% (2014) indicating irregular implementation of approved budget in the state. Likewise the sector that has the highest implementation was Law and Justice being 97% and Administrative sector had the least implementation at 57%. Based on the findings of the study, it was concluded that budget implementation in Ondo State had been going down since 2010. It is recommended that all sectors especially those directly affecting the citizenry need to be focused and implement well.

Keywords: Budget, Evaluation, Implementation, Sector

INTRODUCTION

Governments are saddled with the responsibilities and obligations of providing infrastructural facilities, security, defense and education among others. For these services to be provided, each government needs to generate enough revenue from different sources such that the more the revenue, the better is the economic development and well being of the society (Oluwatayo, 2008). Currently in Nigeria, there is a great decline in the revenue derivable from oil due to the sudden drop in crude oil price at the international market; Nigeria being a mono – product dependent nation that relies heavily on crude oil (World Bank, 2013). The implication of this is that government now finds it difficult to perform its financial obligations to the society, thus developing new strategies to survive. Such strategies which involve planning and controlling, ensure the preparation of a realistic budget which would be suitable for implementation (Folorunso, 2009).

Budget preparation and implementation have direct relationship with the level of economic growth and development of any state/country because it is through these that the aspirations and yearnings of the citizens can be met. Besides, resource mobilization and fiscal control are embedded in the budget such that the process of identifying public needs and determining the right quality and quantity of goods and services that are needed to satisfy the citizens are quantified. Therefore, the vital role of budget in national development cannot be over-emphasized but budget implementation determines its success.

However, there appears to be incessant complaints of budget preparation and approval as annual exercise without noticeable implementation that positively impacts the generality of the governed, especially in Ondo State, Nigeria. According to Iwarere (2005), budget as an action plan is quantified in monetary terms detailing the revenue to be generated and expenditure to be incurred over a particular period of time, usually a year. Consequently, budgets are prepared, approved and implemented but these processes seem to be fraught with challenges including perhaps political consideration. Thus, the level of budget implementation might be high or otherwise. Nowadays, citizens of Ondo State seem to assume that the level of budget implementation in the state is low. This study therefore evaluates budget implementation in Ondo State for the period of ten years; from 2005 to 2014 with a view of determining the yearly performance and extent of budget performance in each of the government six sectors.

The budget serves as composite framework of implementing government policies and objectives. The yearly budgets are approved for the good of the citizenry with the aim of improving their well being. More often than not, the budget appears robust, good and detailed at the time of presentation with the hope that at the end of the year, it will transform lives positively. However, events of recent years have shown that the reverse appears to be the case. The Ondo State government engages in budgeting because of the scarcity of resources which leads to claims and demand outweighing the resources to satisfy them. Dandago (2006) asserted that budgeting by government is borne out of the economic fact of life and that no matter how wealthy a government is; the wealth is scarce relative to the competing needs, necessitating a need for planning i. It becomes relevant to empirically study budget implementation in Ondo State, Nigeria. To this end, the objective of this research is to assess the relationship between approved budget and budget implementation as well as examine the level of budget implementation between 2005 and 2014.

LITERATURE REVIEW

The Concept of Budget

The concept of budget has been in existence for years. Budget is a financial plan expressed in quantitative and usually monetary terms, which describes approved expenditures and the means of financing them (Omolehinwa, 2003). It also serves as a legal document that empowers governments to incur expenditure as well as execute their objectives. Oniore (2014), defined budget as an annual document which contains the entire programmes of government in a given fiscal year; usually January to December. In the same vein, budget was expressed to be the bag or the public purse which serves as a receptacle for the revenue and expenditure of the state (Adams, 1998). Budget has become a tool of necessity in every personal life, homes, society, private, organization, and government. Some of the budgetary system in Nigeria includes; traditional budgeting, performance budgeting, zero-based budgeting, priority-based budgeting and priority-based budgeting (Abdullahi, 2008). In a nutshell, a budget can be seen as a detailed description of government revenue and expenditure.

Theoretical Review

Bottom up Theory

Tucker (1985) propounded this theory which has relationship with the present day budget in which ministries, parastatals and government

agencies are expected to prepare their budget estimate for the coming year, which are then submitted to the Ministry of Economic Planning, Finance and Budget to be integrated for the preparation of overall budget. It then goes to the State House of Assembly for consideration and approval. The process of budget preparation in the state is in line with this theory.

Incrementalism theory is an approach that begins with the use of the previous year's budget figures as the base for the next budget. Factors such as inflation, growths, changing conditions and other information gathered from forecast of the upcoming year are taken into account. The paper work for preparing the coming year's budget is simplified. However inefficiency and inadequacy of the previous years are built into the budget for the coming year.

Empirical Review

All levels of government need to provide some basic services which are so enormous due to increase in number of people they service both in rural and in urban areas. Since human wants are unlimited, but the means to satisfy them are limited, to utilize government scarce resources to the full process in Ondo State and even in Nigeria remains problematic. Evaluation of budget implementation becomes necessary in order to achieve effective resource utilization at the budget implementation stage in the state government sectors. It is equally important to measure budget performance, in case if any of the sectors were able to meet budget performance within the period under consideration. Budget implementation is the actual functioning, performance and execution of a specific revenue and expenditure estimation. Budget implementation appears to have been very low in most less developed countries including Nigeria.

Evaluation of budget implementation refers to the final stage of the budget cycle when there is an assessment of whether public resources have been used appropriately and effectively and the percentage of approved budget that was implemented.

For any government to stand there must be room for evaluation of budget implemented at the end of every budget year because it assists the government to know the extent to which its objectives have been achieved (Dandago & Hamid, 2006). According to Asiodu (2000), effective execution of budget can be achieved when there are competent and dedicated experts who should collect, analyze and apply data adequately during budget preparation, strong communication network in the entire budgetary cycle, regard for law and order, laid-down rules and regulations on budget

process, honesty of purpose and less suspicion of each other's view points and action. Also, the arms of government that have the power of the purse, should not take advantage of such powers to unduly delay the authorization of the proposed capital budget and operational budget (expenditure) by the government.

Research has shown that there are practical problems with budget implementation. Ola, (2001) identified lack of proper planning for the year budget, inadequate data collection, inadequate participation of relevant stake holders in budget preparation and poor knowledge on planning and budgeting plus unstable price level and unemployment as factors affecting budgetary effectiveness. From the foregoing, budget preparation, approval and implementation are not supposed to hinder the achievement of set objectives by the government but the reverse appears to be the case with yearly budget not translating to growth and development of both the people and governmental sectors.

METHODOLOGY

The research design was the survey. The study was carried out in Ondo State and covered 170 MDA's, government ministries, departments, agencies and parastatals. These were grouped into six sectors as listed in the Ondo State approved budget for the period under review and the sectors form the sample of the study. The study used secondary data because the estimation of the study required the use of Ondo State approved budget that were obtained from the Ministry of Economic Planning and Budget, Accountant General's Office and Office of the Auditor General.

The data collected were analyzed with the use of both descriptive and inferential statistics. The descriptive statistics include simple percentage, mean and standard deviation while Pearson correlation was the inferential statistics used for the test of relationship.

RESULTS AND DISCUSSION

The results of the analysis showed that a sum of N1, 065 billion (Naira) was approved from 2005 to 2014 in Ondo State, out of which N721.06 billion was implemented representing 68% implementation. In the Administrative sector, out of the approved N198.32 billion, N116.43 billion (59%) was implemented. Out of the Regional sector's approved N81.05 billion only N55.35 billion (68%) was implemented. Economic sector recorded a total sum of N375.01 billion while N257.68 billion (69%) was budget implemented for the periods in question. Again, Social Service sector

had a sum of N358.65 and N246.04 billion (69%) was implemented from 2005 to 2014. In Law and Justice Sector, a total sum of N26.26 billion (97%) out of N26.50 billion was implemented. The total budget approved and implemented in Debt Repayment/services sector were N109.03 and N97.61 billion (90%). The highest budget implemented in the sectors was Law and Justice Sector with 97% respectively and the least was the Administrative sector (59%).

From the findings, the high implementation level in Law and Justice Sector could perhaps denote rising cost of governance. The general budget implementation in the state has not been high. The finding is consistent with the finding of Oniore (2014) that Delta State budgets have not been fully implemented since the creation of the state. This is in line Chukwuma (2013) who reported continual and adverse budget performance in the Nigerian public sector. It also supports the finding of Olomola (2009) that implementation of budget in Nigeria is more opaque than transparent whereas budget implementation is essential for high service delivery.

Table 1a: Distribution of Approved Budget and Implemented Budget in Ondo State from 2005 – 2014.

YEAR	BUDGET APPROVED (₦ BILLION)	BUDGET IMPLEMENTED (₦ BILLION)	DIFFERENCE	% DIFFERENCE
2005	33.87	42.28	8.41	-24.84
2006	56.61	48.85	7.75	13.70
2007	64.43	62.08	2.35	3.65
2008	83.94	79.39	4.56	5.43
2009	84.58	52.03	32.55	38.48
2010	122.31	86.46	35.85	29.31
2011	143.36	82.07	61.29	42.75
2012	156.39	87.60	68.80	43.99
2013	151.69	83.90	67.79	44.69
2014	168.19	96.41	71.78	42.68
TOTAL	1,065.37	721.06	344.31	68%(Average implementation)

Source: Ondo State Ministry of Finance

Evaluation of Budget Implementation in Ondo State, Nigeria

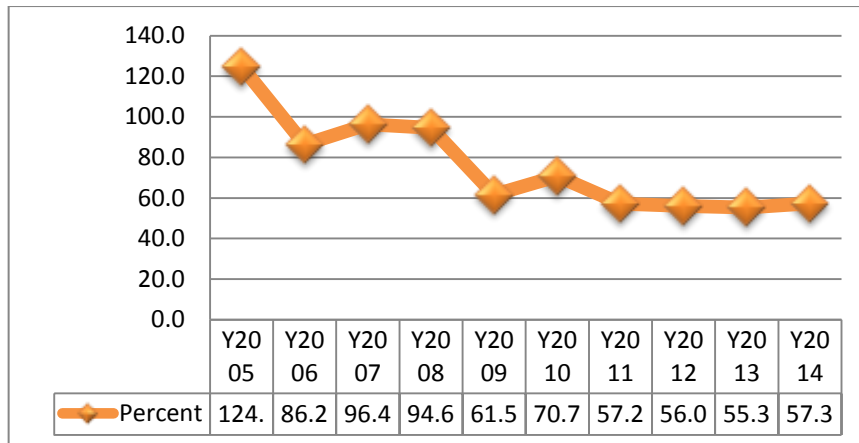


Figure 1: Trend of Percentage Implementation of Budget between 2005 and 2014

Table 1b: Breakdown of Annual Fiscal Budgets and Actual and Expenditure of the sectors between 2005 – 2014

Year	ADMINISTRATIVE SECTOR			REGIONAL SECTOR			ECONOMIC SECTOR			SOCIAL SERVICES SECTOR			LAW AND JUSTICE			DEBT REPAYMENT SERVICES SECTOR			Over all
	N	N	%	N	N	%	N	N	%	N	N	%	N	N	%	N	N	%	%
2005	5.59	4.33	77	3.91	5.18	133	13.44	8.73	139	5.56	7.75	140	641	589	92	4.74	5.70	120	125
2006	8.43	8.09	96	96	1,19	124	26.72	22.90	86	19.69	15.88	81	801	792	99	-	-	0	86
2007	15.22	14.82	97	53	2.06	387	15.28	15.59	102	18.56	16.02	86	756	678	90	14.07	12.91	92	96
2008	14.34	19.95	139	2.33	14.12	607	34.54	27.07	78	31.70	17.42	55	1.03	820	80	-	-	0	95
2009	21.36	8.56	40	12.11	3.06	25	24.44	23.12	95	25.61	16.34	64	1.05	952	91	-	-	0	62
2010	22.59	12.64	56	13.40	9.36	70	36.03	27.90	77	47.42	33.92	72	2.86	2.64	92	-	-	0	71
2011	28.52	10.15	36	8.67	8.98	104	53.84	30.38	56	43.49	30.77	71	3.20	1.78	56	5.65	-	0	57
2012	26.83	14.33	53	13.38	5.05	38	56.50	35.00	62	56.43	30.82	55	3.26	2.39	73	-	-	0	56
2013	26,255	8,83	34	12.35	3.49	28	51.36	24.26	47	51.71	34.07	66	10.02	13.24	132	-	-	0	55
2014	29,769	15.20	51	13.42	2.83	21	62.86	32.72	52	58.50	43.05	74	3.67	2.61	72	-	-	0	57
T Total	198.93	116.89	59	81.05	55.35	68	375.01	257.68	69	358.65	246.04	69	27.26	26.50	97	24.46	18.60	76	68

Relationship between Approved Budget and Budget Implementation

Pearson correlation analysis was used to examine the relationship between total approved budget and total budget implemented; it also examined the identified sectors. The results showed that there is a positive and strong significant relationship between total approved budget and total budget implemented from 2005 to 2014 in the State, given the correlation coefficient of 0.908 ($P < 0.05$). It was also observed across the sectors that Economic, Social Service, Law and Justice, and Debt Repayment/services had strong, positive and significant relationship in their total budget approved and total budget implemented by coefficient values of 0.88, 0.96, 0.97 and 0.86 respectively which are all significant at 1% level of probability. Regional sector was not significant but showed weak and negative relationship between the total budget approved and total budget implemented given the correlation coefficient of -0.007 ($P > 0.05$). In Administrative sector, a weak positive relationship was observed between total budget approved and budget implemented and it was not significantly related given the correlation coefficient of 0.300 ($P > 0.05$).

The finding of the study compares with the finding of Oke (2012) that budget is usually good in content but without appreciable result.

Table 2: Results of Correlation between Approved Budget and Budget Implemented

Variable	r-value	Sig.	Decision
Total Budget	0.908	0.000	Significant
Administrative Sector	0.300	0.400	Not Significant
Regional Sector	-0.007	0.986	Not Significant
Economic Sector	0.883	0.001	Significant
Social Service Sector	0.955	0.000	Significant
Law and Justice Sector	0.971	0.000	Significant
Debt Repayment/Service Sector	0.856	0.002	Significant

CONCLUSION

Considering the findings of this study, it was concluded that approved budget is significantly related to implemented budget from 2005 to 2014 in Ondo State, Nigeria. It was evident from the findings that budget implementation was highest in 2005 and lowest in 2013 although implementation was generally irregular during the time frame of the study. Finally, Law and Justice as well as Debt Repayment were highly implemented while Social Service which would impact the citizenry was moderately implemented.

RECOMMENDATION

Based on the findings, it is recommended that the State Government should implement the approved budget for all sectors especially those directly affecting the generality of the people.

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