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COST OF GRASSROOTS DEVELOPMENT IN ENUGU STATE AND FISCAL DISCIPLINE

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ABSTRACT

The study examined the fiscal discipline and the cost of grassroots development in Enugu State. Specifically, they determined the extent to which financial discipline affected affordable health care service delivery in Nigeria; to find out how financial discipline in affected rural road maintenance services in Nigeria and ascertain the implications of financial discipline on improved educational service delivery in Nigeria. To achieve these objectives, three research questions were raised. The study found that financial discipline has not significantly improved educational service delivery in Nigeria, Fiscal discipline has negatively impacted rural road maintenance services in Nigeria and financial discipline has not significantly improved educational service delivery in Nigeria. The study concluded that policy uncertainty, corruption and fiscal deficits have a significant negative relationship with financial development and economic growth both in the short and long run. Higher levels of uncertainty, corruption and fiscal deficits will lead to reduced levels of financial development and economic growth. The study shows that fiscal policy crowds out financial development. Thus, it is recommended that the government should maintain a healthy debt to GDP ratio which is one of the indicators of the debt repayment capacity of the borrowing nation.

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1. INTRODUCTION

Finance is the bedrock of any successful organization, including the area council system in Nigeria (Ani, 2022). The level at which the services are rendered are not only inextricably linked with financial resources available to it, but the ability of managers of such funds to exhibit a sense of probity, prudence, transparency, and accountability in management of the financial resources entrusted in its care. One of the distinguishing features of any public financial management system is the role of fiscal control institutions (such as Treasury Office, the Parliament and the audit) in public spending (Lienert, 2005). The duties of every fiscal control institution are enshrined in the Constitution to facilitate the discharge of financial accountability. Financial accountability is concerned with adherence to applicable laws and regulations, consistency with appropriate accounting principles and traditions, accuracy and fairness of reports; and complete legitimacy of expenditure. It has been proven that absolute control over finance by one arm offers for its abuse, and this is why power over finance is divided, the division being formally recognized constitutionally in virtually all countries. Grassroots development is a process whereby the government of a country through its third tier, which is the local government, ensures that the standard of living of the people in a particular locality and their economic status are improved through various means including the extension of credit facilities to encourage the establishment of small and medium enterprises. In a democratic dispensation, the local government system is conceived as embodying the desire and effort to bring development to the grassroots. Apart from the hope of participation for all citizens in how they are governed, grassroots development aspirations convey the expectation that the people, no matter their social or geographical distance from the hub of power matter. In effect, grassroots development implies efforts aimed at improving the quality of life of people in all nooks and crannies of a given society. There is no doubt that the lofty aim of development here entails both the acquisition and utilization of financial resources in prudent and goal-oriented manners. Be that as it may, this lecture does not just stress the judicious management of available external revenue at the grassroots, it also emphasizes the effective exploitation of internal sources of revenue. It is believed that judicious management of both external funds and internally generated revenue will enhance development at the grassroots.

Fiscal discipline refers to a state of an ideal balance between revenues and expenditures of the government. It calls for a necessary check on the expenditures because of the limited revenues of the government. Lack of fiscal discipline often causes excess expenditure. Fiscal policy implementation and its ability to effectively tinker with selected macroeconomic variables aimed at engendering sustainable economic growth is currently in the front burner of scholastic debate. This is in light of the worsening economic state of the country as manifested in some economic variables which includes but is not limited to; debt crisis, unprecedently high levels of inflation, high unemployment, foreign exchange rate etc. The boom and bust phenomenon of oil prices and revenue upon which fiscal policy has been benchmarked in post-independent era, has been identified as the key problem (Ololade, 2019). The entrenchment of fiscal discipline is a prerequisite for the attainment of targeted macroeconomic objectives such as; economic growth, price stabilization, reduction of unemployment, favorable balance of payment etc. Absence of fiscal discipline by all arms of government (local, state and federal) has been identified as one of the challenges that have militated against the effectiveness of fiscal policy implementation in Nigeria. According to Bredino et al (2022), factors such as over-dependence on oil revenue, fiscal indiscipline, bureaucratic corruption, and poor governance reduces the potency of fiscal policy in addressing key economic challenges and bringing about sustainable economic growth in Nigeria.

The Federal system of government that characterizes the Nigerian state makes it susceptible to fiscal indiscipline. As a decentralized system, funds are allocated to the local, state, and federal tiers of government. As will be seen preceding section of this paper, fiscal indiscipline stems more from the departments, ministries, and agencies of government. The activities of the aforementioned departments and ministries are fraught with a high level of profligacy that tends to undermine any attempt of policy formulators to achieve targeted macroeconomic objectives, and ultimately jeopardize sustainable economic growth. Arinaitwe, Ogwel and Mwosi (2020) opine that in government, financial accounting entails the recording, communicating, summarizing, analyzing and interpreting financial statements in aggregate and in detail (Onuarah and Appah, 2012). It is required that government accounts meet internal management requirements while providing the public with a window into government operations. Achua (2009) explains that government financial reports would have been prepared with the objective of providing full disclosure on a timely basis of all material facts relating to the government's financial position and operations. However, many public sector organizations seem to undermine this practice.

Ejalonibu (2019) observes that Nigerian society is filled with stories of wrong practices such as stories of ghost workers on the payroll of Ministries, Extra-ministerial Departments and Parastatals, frauds, embezzlements and setting ablaze of offices housing sensitive documents and corruption are found everywhere in the country (Okwoli, 2004). According to Bello (2001), huge amount of Naira is lost through one financial malpractice or the other in Nigeria, which to say the least, drains the nation’s meager resources through fraudulent means with far-reaching and attendant consequences on the development or even socio-economic or political programmes of the nation. Billions of Naira is lost in the public sector every year through fraudulent means. This represents only the amount that is ferreted out and made public. Indeed, much more substantial or huge sums are lost in undetected frauds or those that are for one reason or the hushed up. Appah and Appiah (2010) argues that cases of fraud is prevalent in the Nigerian public sector that every segment of the public service, could seem to be involved in one way or the other in some of these nasty acts. The bane of public sector financial mismanagement in Nigeria since the oil boom years a period under which there existed structurally weak control mechanism, which create a variety of loopholes that have tended to facilitate and sustain, corrupt practices. This is coupled with the fact that there is a near total absence of the notion and ethics of accountability in the conduct of public affairs in the country (Bello, 2001).

Owing hugely to widespread public demands for transparency in governance and the global outcry against corruption, accountability is now of serious concern in many countries including Nigeria. One of the critical issues dominating public sector management in Nigeria, as Addison (1996) rightly observed, is lack of accountability and transparency. Lack of accountability in the public sector creates opportunities for corruption with its attendant negative consequences. For instance, through corruption the commonwealth of Nigerians is being diverted by a few, leaving the nation at a loss. Due to the poor culture of accountability, corruption has become a way of life in Nigeria; to the extent that it is trite to say that officials are not only corrupt, but corruption is official. The scandalous revelations of large-scale corruption and mismanagement of public funds by government officials contained in the audit report recently released by the office of the Auditor General of the Federation on the Accounts of the Federation of Nigeria for the year ended 31st December 2009 lends credence to this assertion. The utility of the local government as an agent of development cannot be overemphasised. Local government councils are created to extend the contour of governance and development to areas considered too remote to the state and federal government's influence. Statutory means for harnessing human and material resources have been put in place to facilitate sustainable grassroots development. The achievement of this fundamental goal is dependent on the amount of resources at the disposal of the local government and the prudency with which it is used. Ethical codes for promoting fiscal discipline are put in place but this has not prevented undue financial infractions on local government finances by the significant parties. The introduction of the State-Joint Local Government account has weakened the structure of fiscal discipline and the financial strength of the local government to promote sustainable grass root development. This justifies the need to examine the fiscal discipline and the cost of grassroots development in Enugu State.

1.1 Statement of the Problem

The development of every society in the world lies in the ability of governance and fiscal discipline. An emphasis on accountability by citizens is one aspect of the growing emphasis on eliminating corruption and promoting transparency in government. However, the issue of accountability in Nigeria is a fundamental problem because of the high level of corruption in all levels of government in the country. A high level of financial abuse was hindering tax collection, making and enforcement of Law difficult and discouraging foreign investment. The widespread fraud in the public sector has made traditional auditing and investigation inefficient and ineffective in detecting fraud. The increasing wave of financial indiscipline and lack of accountability is causing a lot of havoc in the Nigerian public sector. This is because fraud has penetrated every aspect of Nigeria's public sector.

The problem associated with public sector governance can be understood within the historical realities that surround Nigerian society. The nation-building process throws up many challenges to Nigerians and the government. The first challenge was how to evolve a system of governance acceptable to all ethnic nationalities without leaving any ethnic group disparaged. Accommodation was sought for in federalism and the creation of states and local government councils wherein the sharing of national wealth is guided by the political rationality of intergovernmental fiscal relations. The ultimate goal is to promote even development and good governance. The second challenge arises from the efficient use of allocated resources by leaders at the three tiers of government to improve the well-being of Nigerians. The extent to which the second challenge has been addressed by the Nigerian government is a function of leadership commitment to national integration and nation-building. The third challenge arises from the nature of military governance and its arbitrariness in governance relations with little regard for transparency and accountability. Many of the problems facing the Nigerian nation today were made worse during periods of military misrule. Except for the Buhari/Idiagbon, Murtala/Obasanjo and Gowon military regimes, military administrations contributed immensely to increasing the rate of poverty, unemployment, inequality, bureaucratic ineptitude, poor budget implementation, corruption and fiscal indiscipline. These problems made structural adjustment reforms inevitable.

Most developing nations of the world are said to be where they are today as a result of bad governance and mismanagement of state resources which has led to huge financial outflow from their economies. The situation is rather pathetic as these resources are moved to the developed nations of the world thereby creating job opportunities and raising their living standards there, but resulting in job drain, poverty and underdevelopment in the source country. For instance, in Nigeria, bad governance and fiscal indiscipline have led to the underdevelopment of the country which has abundant human and natural resources. Nigeria is severally referred to as the poorest oil-rich nation. The incidence of bad governance and fiscal indiscipline has amounted to huge debt and embezzlement of public funds in Nigeria during and after military rule.

1.2 Objectives of the Study

The general objective of the study is to examine the fiscal discipline and the cost of grassroots development in Nigeria. The specific objectives of the study were to:

i. Determine the extent to which financial discipline affected affordable health care service delivery in Nigeria;
ii. To find out how which financial discipline in affected rural road maintenance services in Nigeria;
iii. Ascertain the implications of financial discipline on improved educational service delivery in Nigeria.

1.3 Research Questions

The following research questions were raised:

i. To what extent does the financial discipline affect affordable health care service delivery in Nigeria?
ii. How does financial discipline affect the rural road maintenance services in Nigeria?
iii. What is the implication of the financial discipline on improved educational service delivery in Nigeria?

2. FISCAL DISCIPLINE

The concept of fiscal discipline is used by scholars and professional bodies to convey a definitive culture of efficient resource management and economic governance. It is an ethical requirement in public and private administration upon which democracy and sustainable development can be promoted. It bestows a multi-cultural and multisector ethics on public officials, the electorates, tax payers and corporate individuals. Musgrave (1959), Musgrave and Musgrave (1989, p.101) relates fiscal discipline to the efficient financing of current operations (*sic of individuals, government and corporate organisations).* It addresses the attempts by government and organisations to match its expenditures with available resources and thereby promote efficiency in resource management and public administration. Mikesell's (1999, 44-45) thesis on fiscal discipline emphasized incurring public expenditure within the limits of available resources and the efficient implementation of the budgets within the limit of the statutory power allocated to MDAs. All government Ministries, Departments and Agencies (MDAs) are statutorily required to implement the budget within the limits specified by parliament. Parliamentary approval of public expenditure creates an economic relationship between fiscal discipline and parliamentary discipline. Parliamentary discipline paved the way for the timely passage of the appropriation bill (Axelrod 1988, p.146).

Transparency in the budget approval process in the Parliament is a prerequisite to efficient implementation of the budget and good governance. In the same manner, legislative indiscipline distorts the budget process especially if members of the members of parliament ask for gratification from heads of MDAs to approve the budgetary allocation to MDAs. It paved the way for indiscipline in the budget implementation process, illegal virement and fictitious contracting to accomplish budget tasks without tangible and or intangible results. The relationship between legislative indiscipline and executive indifference is a catalyst for corruption in the public sector. Fiscal discipline is a multitasking activity that can only be sustained by multi-stakeholders role commitment and as Schick (2000) argued a multi-year budgeting framework. It is difficult to maintain an annual structural balance between current revenue and current expenditures without resorting to multi-year financial planning (Hou 2002).

2.1 Fiscal Management and Grassroots Development

Fiscal Management and Grassroots Development therefore imply judicious combination and utilization of financial resources (external and internal) available to a nation, state or local government to attain set goals by designated authorities with the managerial tools of planning, organizing, directing and controlling, for the benefit and development of the people. It is the process of ensuring that money is available at the right time, at the least cost, and that it is most effectively utilised in the public interest.

In light of these definitions, effective and efficient fiscal management for grassroots development means the art of working with people for the attainment of goals as enshrined in the Constitution of the Federal Republic of Nigeria, the financial memoranda/ Instructions, Acts and regulations guiding both generation and utilisation of financial resources. Thus, the basic tools for achieving this are the human beings, the designated fiscal authorities and all the ancillary workers needed to carry out fiscal responsibilities. Their guide is the regulations provided by the Constitution of the Federal Republic of Nigeria, the Model Financial Memoranda and various Acts and financial guidelines. Their schedule, among others, is to ensure effective and judicious utilisation of public resources. They must carry out their constitutional responsibilities by blocking any loopholes which could be exploited to fritter away or misappropriate available resources. It is the position of this discourse that if the procedures and processes of effective fiscal management are thoroughly understood, with needed innovations to be made, along with factors underlying their effective application, the existing trend of abuses and ineffectiveness will be reversed in favour of careful implementation and prudent fiscal management, thereby resulting in optimised programme/project delivery and accountability. The end result will be improved standard of living for Nigerians and enhanced development at the grassroots.

Ani (2022) Financial Accountability in the Administration of Area Council Revenues in Nigeria. This study used qualitative data collection methods, such as a review of the literature from various publications, extraction of statistical information from area councils, and in-depth interviews. The purpose of the key informant interview is to gain an in-depth understanding of their general view of AMAC, specifically regarding issues of financial accountability and sources of area council revenue. The responses elicited from the in-depth interviews were analysed and revealed a strong relationship between the problematic issues of accountability and financial indiscipline in area council administration, which rendered the government unable to provide the much-expected goods and services that are meant to touch the lives of the grassroots. Eneji, Bitrus, Haruna, Yilkes and Gajere (2022) conducted a study to investigate the impact of governance on fiscal discipline and illicit financial flows in Nigeria. The study employed time series data for the period of twenty-nine years (1990-2018). Preestimation tests were conducted to examine the stationarity of the time-series data. Thereafter, the Autoregressive Distributed Lag Model (ARDL) was adopted based on the order of integration of the variables adopted. This study employs the ARDL as a dynamic causal model for its analysis. It has a finite number of lags in the explanatory variables. The adoption of the lag form of the model lies in the fact that variables, such as corruption, foreign debt, foreign direct investment and budget deficits have lagged impacts, we do not only intend to analyze their current effects but also their distributed or accumulated impact in the previous periods. The coefficients of the ARDL model show that there exists a positive relationship between governance, fiscal discipline and illicit financial flows in Nigeria.

Arinaitwe, Eton, Agaba, Turyehebwa, Ogwel and Mwosi (2021) worked on A cross-sectional research design, which used both quantitative and qualitative approaches to collect and analyze data, was adopted. Both simple random and purposive sampling techniques were used to select 117 respondents from 174 subjects. Questionnaires and personal interviews were used to collect data from respondents. Frequencies and percentages were used to analyze quantitative data, while direct quotes from interviews conducted among key informants formed the basis for qualitative analysis. Quantitative analysis was aided by software for document analysis (SPSS V 20.0). The study found that service delivery was the most commonly used financial accountability mechanism, followed by financial reporting, expenditure control and budgeting. The paper, therefore, concluded that service delivery is the most used mechanism of financial accountability, though the district's local budget seemed unclear on reflecting the priorities of the local people. Orkoh, Blaauw and Claassen (2018) examined the effect of corruption control and political stability on illicit financial outflows in Sub-Saharan Africa. The study employed the use of balanced panel data for the period 2005 to 2014. The regression estimates reveal that a unit increase in political stability and corruption control reduce illicit financial outflow due to mis-invoicing in merchandise trade by an average of US$ 20.5 million and US$ 44.3 million respectively. The results also show that high trade rating, financial sector rating and exchange rates reduce illicit financial outflows while an increase in foreign direct investment and inflation increase illicit financial outflows.

Amah and Okezie (2017) assessed the impact of illicit financial flow on economic growth and development in Nigeria for the period 1980 to 2015. The study employed the use of unit root and co-integration tests. The result showed a long-run relationship existed among the variables. The results further indicated that illicit financial flows had a significant impact both on economic growth and development. The study concluded that the government of Nigeria and indeed other African countries must lobby developed nations to adopt control so that individuals who move funds out of Nigeria into tax havens and secrecy jurisdictions can be exposed. Kanu, Obi and Akuwudike (2021) investigated the seeming mismatch between resource generation, resource allocation and expenditure management in Nigeria. While an ex-post facto research design was adopted in the investigation; descriptive statistics as well as a least square regression analysis were carried out on a time-series data to ascertain relationships. Real Gross Domestic Product taken as a proxy for economic growth is the dependent variable while capital and recurrent expenditures are the independent variables. The outcome of the study indicates that the nation's financing option is skewed towards payment of salaries and personnel emoluments (Recurrent Expenditures) as against the provision of basic infrastructures (Capital Expenditures) that are growth-oriented. The trend of disbursements is not appropriately harnessed to create a favourable impact on economic growth. In the short run, the disaggregated components of capital expenditure (CAPEX) indicate that expenses incurred in the administration sector and external debt service transfers attracted more than their fair share of public expenditure to the detriment of economic and social community welfare services. The disaggregated component of recurrent expenditures (RECEX) indicates that expense on the economic service sector and the lagged value of RGDP taken as an explanatory variable were found to have a positive significant relationship with economic growth in the long run.

2.2 Theoretical framework

This study is anchored on the Structural functionalist theory as postulated by Gabriel Almond, James Coleman and Bingham Powell. Structural functionalist theory is a form of systemic analysis which looks at political systems as coherent wholes that influence and are in turn influenced by their environments. The interactions which characterize political systems (as particular kinds of social systems) take place between, not individuals, but the roles individuals adopt: these are the basic unit of structural functionalist theory. The structural functionalist theory revolves around certain concepts, the most important of them being the concept of functions and structures. Almond (1960) states that all systems perform two basic sets of functions. The input and output functions. For him, the political system is made up of a set of roles, structures and subsystems whose interaction is affected to a great extent by the psychological attributes and properties of the actors involved. Structural functionalists like Gabriel Almond and Bingham Powell posited that for a proper understanding of the structures (institutions) in society, there is a need to place them in a meaningful and dynamic historical context. Situated within the present study, the above postulations have relevant applicability in understanding and analyzing state-local relationships. The benefit of the structural functionalist theory to the study is that it can measure changes in power relations between levels of government and the distribution of power among the levels of government necessarily makes for good governance at the grassroots. The structural functionalist theory has been criticized on the ground that it is culture-bound since the functions attributed to the political system are very closely related or modelled on Western political systems. It has also been criticized partly because of its emphasis on system maintenance which it is said to be status quo-oriented and therefore conservative. Despite the criticisms, the theory has been found useful in analyzing the relationship between tiers/levels of government in a political system. This is based on the fact that the theory sets out to interpret the political system as a structure with interrelated parts with each structure performing a role function. The failure of one structure leads to dysfunction or disorderliness in the system.

3. FINDINGS

i. Financial discipline has not significantly improved educational service delivery in Enugu State, Nigeria. This implies that financial discipline in my area has not lived up to expectations in the area of providing basic healthcare services.
ii. Financial discipline has negatively impacted rural road maintenance services in Enugu State, Nigeria. This implies that rural roads are more accessible with the road maintenance of the Local Government authority
iii. financial discipline has not significantly improved educational service delivery in Enugu State, Nigeria. This suggests that fiscal discipline helps reduce all local government efforts towards providing educational services in my area.

4. CONCLUSION

This study has shown that policy uncertainty, corruption and fiscal deficits have a significant negative relationship with financial development and economic growth both in the short and long run. Higher levels of uncertainty, corruption and fiscal deficits will lead to reduced levels of financial development and economic growth. The study shows that fiscal policy crowds out financial development. Also, debts have a significant negative relationship with financial development and economic growth in the long run, meaning that non-sustainable fiscal policy has damaging effects on financial development and economic growth in the long run. However, budget reforms have a significant positive relationship with financial development and economic growth in the long run. Also, financial development has a significant positive relationship with economic growth in the short- and the long-run, meaning that increased levels of financial development lead to economic growth in the short- and the long-run.

5. RECOMMENDATIONS

Thus, it is recommended that the government should maintain a healthy debt-to-GDP ratio which is one of the indicators of the debt repayment capacity of the borrowing nation. The government should ameliorate its budget deficits by cutting down some items in its recurrent expenditure. Necessary reforms should be undertaken by the government to promote fiscal discipline.

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