Review of Public Administration and Management Vol. 5, No. 10, December 2016

Public Administration & Management

Website: www.arabianjbmr.com/RPAM_index.php
Publisher: *Department of Public Administration Nnamdi Azikiwe University, Awka, Nigeria and Zainab Arabian Research Society for Multidisciplinary Issues Dubai, UAE*

EFFECTIVE BUDGET IMPLEMENTATION AND ITSIMPLICATIONS ON NATIONAL DEVELOPMENT

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Abstract

The paper examined the issue of effective budget implementation and its implications on national development within the context of Nigeria. The objective of paper among other things is to establish whether budget, which determines the growth, general development, socio-political stability and success, truly defines the character of the country on one hand, and whether political players and actors seemingly conduct less research annually to determine genuine immediate needs of the Nigerian citizenry and to establish the recurring decimals and failures the country experiences as ,The paper contends that effective budget implementation, strict compliance and discipline can lead to National development. It argues that, Nigeria with a population of over 160 million people and world sixth largest oil producer and supplier, endowed with rich economic potentials, still live in abject and devastating poverty and dysfunctional bureaucracy which undermines government efforts in transforming the socio-economic situation of the country. The paper further contends that the economic woes that led to several abandon projects across the country were avoidable circumstances caused by lack of strong commitment towards effective budget implementation and thus inhibits and undermines national development. Material for the paper was drawn primarily from secondary sources and presented using content analysis. It is recommended that for the Government to overcome the present challenges, the need to employ strong commitment to drive the entire process can guarantee the promotion of national development towards the improvement of quality leadership etc.

Keywords: Budget, Budgeting, Leadership, Control, Discipline

Introduction

Budgets at all levels, Federal, States and Local governments are prepared and passed into law showing plan of intended revenue and expenditure made in advance of governments' fiscal year. It is a routine work being reviewed every year, showing the expression of the government financial role in the growth process of the economy. In the Nigerian context of public sector governance, budget preparations and annual estimates is a standard practice backed by legal provision such as the constitution and financial regulation of the various states. Lucy (2002) and Adams {2009) posit that in public and private sectors, budget is an instrument which translates the overall aims

and objectives of the state showing detailed line of action, determining the sources and uses of funds in order to allow performance evaluation of the people entrusted with State resources.
As a significant tool of economic management and political governance, budget constitutes the framework for provision of goods and services which serves as a vehicle for mobilization, allocation and management of resources. The priority programmes of the budget therefore, particularly by federal, States and local governments which affects the economy mostly include; sustainable development, strengthening national planning and statistics, reforming the agricultural sector, tourism and creative industries, development and public financial management and to ensure effective and efficient budgetary management among others(Daily Trust 2015). Political leaders therefore must be held accountable to the citizenry on allocation, custody and use of the state resources through budget which are expected to be carried out in accordance with established rules, policies and practices contained in the government financial regulations.

Over the years In Nigeria, the implementation of this budget has been a major issue of concern due largely to poor implementation and thus impeded on the achievement of most spelt out development goals and objectives which usually manifest in many abandoned development projects. The paper therefore seeks to establish whether budget, which determines the growth, general development, and socio-political stability success, truly defines the character of the country on one hand, and whether political players and actors seemingly conduct less research annually to determine genuine immediate needs of the Nigerian citizenry and to establish the recurring decimals and failures the country experiences as the basis of the paper.

Conceptual Framework

Today, budget ascribes a broader meaning and defines by various authors in different ways depending on scholars' field of endeavors'..Bedian (1990)defines budget as a plan that deal with the future allocation and utilization of resources to different enterprises activities over a given time period. To Balmori (2003) the budget of any government is the technical instrument by which commitment are translated into monetary terms. A comprehensive description of budget is given by kwaneshie (2013) who sees the budget as a key instrument for macroeconomic management in most economics and its efficiency determines the success of government in meting societal goal. He sees the budget as a tool for the implementation of social, political and economic policies and priorities, which affect the lives of the population and depend heavily on information analysis and projections. A successful budget therefore, must be a product of a process that is based on sound and quality information, rigorous impact analysis and effective feedback mechanism to internalized lessons of past budget. The budget is an integral output of a dynamic process in which the connections between the various sectors are critical for its ultimate impact and should be looked at in a holistic manner. From the above definition and explanation; it is clear that budget serves several some purposes.

It is important to note that as soon as budget is approved by the appropriate authority, it becomes a legal instrument through which government can incurred expenditure and collect revenue. Simply refers to the process of preparing a budget. It refers to the procedures and mechanism by which the budget is prepared, implemented and monitored (The sun newspaper October 2015.). Budgeting is very crucial for the economic development of any nation. Good budgeting can lead to economic growth and development. But to prepare a good budget requires responsible leadership, special staff assistance, and broad accurate and reliable information, complete plan of financial calendar and effective monitoring and control over the execution of the budget plan. The budget process traces the budget in one year from conception through preparation, approval and execution. Scholars have divided the budgeting process into four main stages; Budget review, Budget formulation, Budget implementation, Budget monitoring and control. Normally the period covered is one year which makes it a short term plan. Generally all large organizations both public and private sectors prepare annual budgets. The process is a means of translating the overall objectives of the organization into detailed feasible plans of actions. This is usually prepared for a stated period of time usually not exceeding one year. .

As a standard of measurement for the purpose of controlling ongoing economic activities, government obtains its revenue from taxes and other sources which are used for current operations. Government budget usually shows authorized appropriations and estimated revenue. Drury (2004) agrees that budgeting is a design of a desired future and effective ways of bringing about effective control. It is a systematic and formalized process for purposely directing and controlling future operations towards desired objective for period not extending beyond one year.

Osisioma (2000) defines budgeting as a formal expression of managerial plan in quantitative and financial terms, encompassing different phases of business aimed at helping management towards the attainment of organization objectives, in their own contribution. Godwin (2001) sees budget as a systematic and formalized approach for accomplishing the planning, coordinating and control of responsibilities of management. It is a process of preparing in advance of the period to which it relates a summary of statement of plans expressed in quantitative terms, which if utilized with sophistication and good judgment would enhance the attainment of an organization's objectives. He went further to define a budget as a comprehensive and co-coordinating plan, expressed in financial terms for the operations and resources of an enterprises for some specific period in the future. Adeniyi (2008) agrees that budget is a plan quantified in monetary terms prepared and approved prior to a define period of time usually showing planned income to be generated and or expenditure to be incurred during that period and the capital to be employed to attain a given objective.

Zero-Based Budgeting (ZBB): Zero based budgeting is a cost benefit approach to budgeting which ensures value for money activities involving the use of decision packages. It is a budget for public sector organization in which all expenditures must be justified afresh each year and not just amounts in excess of the previous year

Historical evolution of Budget Practice

The French word for "budget" is baguette meaning a small bag: but it was first use in England to describe the white leather bag that held the seal of the medieval court of the exchequer. Therefore, the minister's bag containing his proposals for financing government expenditure become his budget (Edward 1945)

The word budget means the moneybag or the public purse, which serves as an acceptable revenue and expenditure of the state (Adams 1998). In Britain, the term was use to describe the leather bag in which the Chancellor of the Exchequer carried to parliament the statement of the government's need and resource. The roots of the budget system are link to the emergence of parliamentary control over the crown in Britain. Earlier, the king used to impose taxes for the prosecution of war and not for any other thing. Following the revolution of 1688 and the bill of right, no man shall be compelled to make any gift, loan, benevolence, or tax without common consent by the act of parliament (Burkhead 1956). In order to enforce this, the parliament reserves the right to authorize all expenditures made by the crown. This extension of parliamentary control over government finance also came to embrace the supervision of the king's personal outlays. The civil list was established to separate the expenditure of the crown from the expenditure of the state and as a result, the annual specified grant control of the successive parliaments gave the complete financial control of the crown to the parliament.

Therefore, the practice of budgeting, as it is now understand, emanated from the central government of Great Britain. It later developed gradually as a result of parliament's struggle to obtain control over the finance of the crown in 1217, it was declare in magna charter that "No cottage or aid shall be imposed in the kingdom unless by the common council of realm. After the revolution of 1688, parliament now approves the right to authorized expenditure by the crown as well as taxation apart from items in the sovereign's civil list, which was gradually reduce until it covered only the personal expenditure of royal family (Bendlebury 1998). Parliaments now began to fix government total expenditure and appropriate the amount to be spent for parliamentary purpose (California department of finance 1998).

InNigeria the practice of development planning efforts date back to the end of the Second World War, when in 1945 the colonial office requested the local administration to submit a 10-year development plan to act as guide in the allocation of colonial development and welfare funds (Lambo, 1989). This resulted in the 10-year plan of development and welfare for Nigeria in 1946. It was supposed to cover the period 1946-1956. This ten-year plan was essentially an *ad hoc* list of selected projects without a common conceptual framework (Taiwo, 1995). In 1950, however, it was realize that it was not feasible to chart development over a period as long as ten years in a country that was undergoing rapid structural changes. A decision was taken to break the interval into two five-year periods. A new plan for 1951-1956 was then formulate.

The next major effort to plan in Nigeria was in 1953 when the World Bank was invite to send an economic mission to Nigeria. The 1955-1960 economic programmed followed largely the commendation of the Bank's report. These pre-independence plans were actually prepare by colonial government officials and hence they (the plans) failed to satisfy the important requirement of good planning namely, the involvement of the people whose welfare the plan was supposed to cater for (Eyitayo, 1989). These early attempts at national development planning were not very successful. One of the reasons was that attempts at centralized planning gave way to regional uncoordinated planning when the country became a federation (Ayoade, 1983; Eyitayo, 1989 and Taiwo, 1995). Other possible reasons that may be adduced for the pre-independence plans not being very successful include the absence of properly defined objectives relevant to the country's needs and inadequate administrative machinery to provide a high-level capacity for plan implementation. In the same vein, O'Connell (1971) offered similar reasons why pre-independence developments failed to achieve their targets too.

Meanwhile, post-independence development plans have been yielding efforts at expediting the processes of economic growth in the country. There were at least four notable ones. The first national development plan was that of 1962-1968. The second, 1970-1974, the third 1975-1980 and the fourth national development plan was the 1981-1985. Each of these plans embodied the goals, strategies and formula in the form of public investment programmed and socio-economic policies that will assist in accelerating the country's development process within a comprehensive framework. Analysis of each of the plans reveals that the 1962-68 plans was launches in June 1962 with the main objective of bringing about a rapid increase in the standard of living of Nigerians. The plan document envisaged a total investment programmed of £2,366m for both the public and private sectors of the economy to bring about the desired objectives. The 1970-74 plan documents aimed at the increase in productivity with respect to agriculture, manufacturing industries, and the exploitation of petroleum. Total public sector investment was £3.349m. The third national development plan which was formally launched on March 29, 1975, projected an aggregate investment expenditure in the economy to be within the sphere of 45.000m in order that the objectives of establishing Nigeria firmly as a united strong, and self-reliant nation full of opportunities for all citizens and a free and democratic society can be attained (Omitusa, 1985).

Types of Government Budget

Generating and spendingmoney represent government most important power, but all governments need a plan or a budget for revenue generation and spending money on public programs. Government budget appear in several different form, like operating capital and propose departmental budget. The federal, state and local government divides its budget into discretionary and non-discretionary spending each type of budget has a specific function.

Revenue and expenditure: All budgets require projection of revenues and Expenditure. The bulk government revenue at all level comes from the federation account and other internally generated revenue while expenses fund numerous public projects. Any shortfall in revenue, result in a deficit for the fiscal year, while excess revenues create surpluses. Many states have laws mandating that the legislature pass a balance budget.

Capital budget – capital budget differs from operating budget in that they fund long-term construction and renovation projects. Construction and renovation project cost a lot of money and after represent a financial burden to local government. In order to avoid budget deficit, many state and local government department, ministries and agencies maintain a separate capital budget to fund long-term project like new building and needed renovations.

Proposed budget – In this type of budget the president, governor or chairperson is assist by the office of management and budget (OMB) create a federal, state and local government budget proposal and submits it to congress. The president, state governors and local government chairpersons are supported by their respective budget offices create their own proposal. At the local level, local govt chairman or appointed officials may have their responsibility to create proposals.

Personnel budget. Personnel budget or salary and wages budget, are cost estimation related to labor. They forecast the cost of recruitment, hiring, training assignment, salaries, overhead cost, additional benefit and discharge calculating personnel budget includes estimating the number of staff, staffing ratios and overhead

Why Budgeting

One of the primary objectives of budget is to measure the profit earning of an organization. However, in the case of government which is non-profit making. Budgets are used: To plan, control and estimate the amount to be received and spent during a specified period, guide the present and future and help in equitable distribution of limited resources among competing critical sectors of the economy. As a means of evaluating performance, it helps to inform managers about the result and operation of their responsibility domains and measurement for the purpose of controlling on-going economic development.

Budget Control

The Control of an organizations operation through establishment of standards and targets regarding income and expenditure helps inmonitoring and adjustment of performance against set standards. It is a system of management control in which actual income and spending are compared with the planned establishment of budget relating to the responsibility of top executive;andcompares the actual with budgetedresults. Budgetary Control is viewed by the Chartered institute of Management Accountants (CIMA) (2007) as the establishment of mechanism authorizing responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action the objective of a policy and provide basis for its revision. Hoftsede (1998) sees budgetary controls as planning translated into monetary terms.

At the beginning was a plan and at the end a control device for measurement. In the view of Slim (1994) budgetary Controls aims at providing a formal basis for monitoring the progress of the organization as a whole and of its component parts towards the achievement of the objectives specified in the budget. It is a predetermine plans or standards of output and estimated in which incomes are compared with actual results and necessary corrective action taken. Otley (1990) mentions that budgetary control is the main integrative control method for most business enterprises and the organization business plan can be represented financially by the budget. The budget can thus be used as a monitor and control method for the complex issues of the business plan. Lucey (Ibid) argues that no system of planning can be successful without having an effective and efficient system of control. Budgeting is closely connected with control. The exercise of control in the organization with the help of the budget is known as budgetary control.

Ashford (1989) posits that budgeting can be applied to virtually every situation. It does not matter whether we work in the public or privates sector of the economy. We may work for a profit making business or a non -profit making business. A company may be engaged in trading, manufacturing, or providing a service. In all of these situations, budgeting and budgetary control are of utmost importance. Adu (2008) notes that budgetary controls can be achieved in Ministries, department and agencies (MDAs) through many ways which includes the following: Budget committee, Project committee and Investment committee. Budgetary controls are also achieved through enforcement of internal controls in the form of: Internal audits; internal checks within functions and activities. Administrative controls in terms of ensuring effective personnel policies, operational rules, regulation, procedures and methods; Segregation of duties into initiation, approval, authorizations, execution and recording of transactions;Chart of accounts which indicate cost items, cost centers, cost levels and expenditure boundaries; Maintenance of proper books of accounts which are books of prime entry, cash book, journals and ledgers;Issuing accounting instructions in respect of purchase, stock and receipts, periodic stock-taking and impress retirement and reimbursements;issues of accounting manuals and adoption of accounting policies in respect of assets disposals and depreciation are imperatives.

Conclusion

In concluding this paper, it is my candid view that effective budget implementation can beachieved if government shows strong commitment towards building a strong and sustained national development. To address this ugly trend therefore, the governments yearly approach to mere incremental system should be carefully studied, employ the right and qualified persons to man the processin order not to underscores the commitments of government in transforming the socio-economic fortune of the country as reflected in the majority of the populace still living in penury and abject poverty without appreciable impact on the socio-economic lives and development of the Country.

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