

Assessment of the Relationship between Budget and Budgetary Control and Performance in Local Government in Osun State, Nigeria

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Abstract: *This study focused on the assessment of the relationship between budget and budgetary control and performance in local government with study of Osun State, Nigeria. The specific objective is to examine the relationship between budget and budgetary control and performance in Local Government in Osun State. This study adopted a survey research design. The sampling techniques employed for this study are stratified and simple random sampling methods. Primary data was employed for this study. The primary data was obtained through properly structured questionnaire. The data collected was analyzed using descriptive and inferential statistical techniques. In descriptive statistics, simple frequency and percentages were used to answer the research questions while the inferential statistics was used to test the hypothesis generated for the study. The study found significant relationship between Implementation of Budget and Budgetary Control system and effective performance in the Local Government in Osun State. The study concluded that the Local Governments in Osun- State, South-West, Nigeria should adopt and fully implement budget for successful control, transparency and accountability of public funds so as to avoid mismanagement and misappropriation of fund. The study recommended that government should put in place proper mechanism for compliance with budget at Local Government; there should not be operation of below the line accounts at Local Government for the purpose of achieving the set target by the government.*

Keywords: Budget, Budgetary control, Local government, performance, Osun State

1. INTRODUCTION

Budgeting is a key policy instrument for public and private organizational management (Lambe *et al.* 2015). A budget has been defined as a plan of action expressed in monetary terms for a future period (Lucey, 2008). It deals with resource servicing and allocation to attain the objectives of an organization. Successful budgeting requires absolute support and enthusiasm by top management (Hingorani & Ramanathan, 2007). When such a budget is passed or adopted, and the implementation phase starts, budgetary control sets in to start comparing the planned activities and results with the actual activities and results. In this way, any differences considered significant are investigated and remedial action put in place.

Budgetary control is a technique applied to the control of total expenditure on materials, wages and overhead by comparing actual performance with planned performance. This technique is also believed to be another valuable aid in cost control and coordination (Mkrue, 2013). Nigeria started the practice of government budget through National Planning Commission. However, at the beginning, it was not structured in such a way as to permit efficient financial administration, but through time period continuous modification of the budget system was made before it attained its present status (Miju & Girma, 2014).

Despite the interest in budgeting over the years, budgetary control has not seemingly picked up the same steam. This is regrettable given that budgetary control is widely recognized as a key instrument for resource allocation to specific recurrent and development activities (Adongo and Jagongo, 2013). An organization may have a well drafted budget and still fails to attain its objectives. This could be as a result of several challenges; but in general it suggests an ineffective budgetary control. Poor management as well has been identified by some schools of thought to be the cause of local governments performing below expectation (Ojo, 2009).

According to Coker and Adams (2012), finance and prudent management constitute the bedrock of effective functioning of local governments. Ojo (2009) asserts that apart of capital, local governments also need knowledgeable and skilled personnel to manage their usually scarce financial resources. Such personnel are inevitable in carrying out effective budgetary control as a pivotal tool of sound financial management.

Local councils in are supposed to be autonomous, and are expected to increasingly execute the recurrent and capital projects of the councils much more successfully. Nigeria faces the challenge of running a sound government accounting system that guarantees

accountability and transparency. Many local councils are unable to fully or significantly execute their projects effectively, hence unable to attain all their objectives. They fail to satisfy their citizenry at the grassroots despite the fact that they may draft and adopt impressive budgets. Against this backdrop, the current study attempts an assessment of the relationship between Budget And Budgetary Control and performance of Local Government in Osun State, Nigeria.

1.1 Problem Statement

Budgeting as a tool for effective operation of the local government especially in relation to the financial management, many organization and the local governments do not actively follow their budgets. As many local government officers may not frequently refer to their formulated budgets when carrying out their various tasks leading to the poor operation due to ineffective or poor financial management. Both in the local government and the lower local government units much as the local government Act grants the district council the rights and obligations to formulate, prepare, approve and implement their budgets. Provided their budgets are balanced, effective budgeting control is still poor since what is approved as revenue and expenditure estimates within a financial year in the local government and lower local government units are not normally realized or even received late hence efficient implementation in relation to the financial management is still very poor.

Generally, several evidences have been carried out, the majority of the available empirical evidence was on the assessment of budget monitoring and practice, budgetary control and its challenges, the effect of budgetary control of organizational and financial performance of public, private and not for profit organizations. However, to the best of the researcher's knowledge, it appears that no researches have been conducted on the assessment of the relationship between budget and budgetary control on performance in local government in Osun State, Nigeria.

1.2 Research Objective

The objective of this study is to investigate the relationship between budget and budgetary control and performance in Local Government in Osun State

1.3 Research Question

What is the relationship between performance and budgetary control in Osun State Local Government?

1.4 Research Hypothesis

H₀1: Implementation of Budget and Budgetary Control system have not contributed to efficient and effective performance in the Local Government in Osun State

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Budget

Budget is defined as a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for a given future period. It is also a formal statement of the financial resources set aside for carrying out specific activities in a given period of time so as to help and coordinate the activities of organization (Omolehinwa and Naiyeju, 2015).

Lucey (2003) said that a budget is defined as a quantitative expression of a plan of action prepared for the organization as a whole for departments and functions such as sales and production or for financial resources items such as cash, capital expenditure, man power purchase, and others.

2.1.2 Budgeting

Olurankinse (2012) defines budgeting as the process whereby the plans of an institutions are translated into an itemized, authorized and systematic plan of operation, expressed in Naira and kobo for a given period. Budgeting at both management level and operation level looks at the future and lays down what has to be achieved in the future of an Organization and it serves as Control checks whether the plans are being realized and put into effect corrective measures, where deviation or short fall is occurring.

2.1.3 Budgetary Control

This is the process by which financial control is exercised by managers preparing budgets for revenues and expenditure for each function of the organization in advance of an accounting period. It involves the continuous comparison of actual performance against the budget to ensure the plan is achieved or to provide a basis for its revision (Collis and Hussey, 2007).

Budgetary control is defined by the Institute of Cost and Management Accountants (ICIMA) as the establishment of budgets relating the 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 that policy, or to provide a basis for its revision.

2.2 Theoretical Review

2.2.1 Musgrave and Rostow Theory of Public Expenditure

Theory of public expenditure was propounded by Musgrave in (1969) and popularized by Rostow (1973), this theory postulated the development model of government expenditure growth which emphasis that government must increase budget for the provision of infrastructural facilities to increase people standard of living. According to Musgrave (1969), public sector investment as a proportion of total investment of an economy is noted to be high due to the fact that, public capital formation is a great necessity at this stage. Public sector investment includes basic social infrastructure overheads like education, potable water, law and order, good roads and highways and good health systems. Governments after achieving the developmental stage seek assistance from private sectors in the economy.

2.2.2 Walker's Progressive Theory

This theory was propounded by walker in (1930) Theory was concerned with the standard of living in cities and the ability to pay for it. A city's standard of living included both the number and quality of government services provided. Walker's progressive budget theory centred on the premise that the means to decide how to allocate between options was through the "utilitarian ideal" or indifference point in economic theory as applied to government budgets. The indifference point was a measure of current expenditures as an expression of balance between citizen demand and government service provision. A theory of expenditures based on economic ideas was preferable to reliance on abstract pleas to the claims of justice that were noneconomic and external to the government. In other words, despite some limitations, allocation based on economics provided facts to replace judgmental arguments.

2.2.3 Theory of Responsible Budgeting

Aaron, (1989) explained that the aim of the theory is to establish the fact that budget in both the public and private sector is to be used in responsible manner, to achieve objectives that are based on the aspiration of the populace and in accordance with the resources available. It expects the preparers and the users or beneficiaries of budget to agree on what should be the beneficiaries' desires and how resources would flow to finance such needs from the society or corporate body. In essence, for budget to be an effective tool of financial control and performance evaluation in MDAs, the budget goal setters (that is, management) and the budget implementers (that is, operational staffers) should agree on realistic targets or government capacity to fund projects that are of direct benefit to the citizenry

2.3 Empirical Review

Edvine (2018) conducted a study to examine the role of budgetary control in enhancing financial management in Local Government Authorities at Kinondoni Municipal Council (KMC). The study employed a case study using a sample of 50 respondents who were purposively selected in which questionnaire and interview were the data collection instruments and data were analyzed by using MS Excel computer program. The study found that information sharing, budget participation; organizational commitment, role ambiguity and job performance as the characteristic features of budgeting, budgeting and Planning and Analyzing & Feedback are not being effectively practiced at KMC and that there was little impact of budgetary control principles on financial management at KMC.

Ifra Kerosi, and Ondabu, (2018) studied the effectiveness of budgetary control techniques on organizational performance at Dara salaam Bank to analyze the effectiveness of budgetary control techniques on organizational performance using descriptive and retrospective research. The study had proven that there was a positive relationship between Organization's responsibility accounting system and performance.

In their study, Nickson and Mears (2012) examined the relationship between budgetary control and performance of state ministries in Boston Massachusetts, a sample of five ministries were examined to test the relationship between budgetary control and performance of state ministries, secondary data was used and a review of 10 years was used, a regression model was used for data analysis and a statistical positive relationship was found between budgetary control and performance of state ministries. The results of the regression analysis concluded that proper budgetary control measures led to performance of state ministries.

Nicoleta (2017) conducted a study on public Budgeting on Republic of Moldova as a case study by reviewing both theoretical and practical analysis done by World Bank with the objectives of illustrating if public Budget is efficient or not and impact of applications of practice. The study found that the general trend concerning the Budget method and procedures is directed to the achievement of results, performance indicators and performance information.

Carolyn and Tammy (2017) conducted a study on title „an examination of the effects of Budgeting control on performance: evidence from cities „and the result of their study shows that effective budgetary control has a positive effect on organizational performance.

3.METHODOLOGY

3.1 Research Design

The descriptive survey research design was adopted for the study because it affords the researcher the opportunity to collect data without manipulation of any variable of interests. Also, the Survey design afford the respondents the opportunity for equal chance of participation in the study.

3.2 Study Area

Osun State in Western Nigeria was created in 27th August, 1991 from Oyo State. It is bounded by the States of Kwara on the northeast, Ekiti and Ondo on the east, Ogun on the South, and Oyo on the west and northwest. The Yoruba Hills run through the Northern part of Osun State. The State has a covering of tropical rain forest, and the Osun has the most popular river (Osun Osogbo River). Osun State has both human and natural resources like granite, kaolin, limestone and even Gold. Also the industrial set up of Osun State include: Textile Industry, food processing plant, Nigeria Machine tools, Osogbo Steel rolling, Ilesa Brewery and notable hotels. The taxable people in Osun State are majorly the Civil Servants, hoteliers, Petrol stations, Bankers, Farmers and Market Women (Traders), also, the private schools and higher Institutions of learning within the State. The research work was carried out at thirty-one (31) Local Government in Osun State including Ife East Area office.

3.3 Population of the Study

The Population of the study consists of the total number of object to be studied and to which the conclusion or generation of results will be applicable. In this study, the population consists of all Staff in the Account, Administrative, Budget, Water and Environmental Sanitation, Agriculture, Primary Healthcare, Works, Social and Town Planning Departments that involves in the budget preparation in the Local Government Council in Osun State. The Universe population for the study is 592 employees (Staff Audit Report, 2019).

3.4 Sampling Size and Sampling Techniques

Multistage sampling technique was adopted for the study. A simple random sampling technique was used to select the respondents. This was done with the intention of giving every employee in the Local Government in Osun States in the South West, Nigeria equal opportunity to be selected for participation in the study. Besides, the stratified sampling method was used in selecting the respondents to reflect the strata of the Local Government Council in Osun State, the gender distribution (male and female) and to ensure that the sample is a true and authentic representative of the Universe population.

The sampling techniques employed for this study are stratified and simple random sampling methods. In this study, out of the population of 780 (Table 1), sample of 264 was selected using stratified random sampling technique since the population was not homogeneous and could be subdivided into groups or strata to obtain a representative sample (Table 2). Stratified random sampling involves dividing the population into homogeneous subgroups and then taking a simple random sample in each subgroup making it possible to make reliable estimates for each stratum as well as for the population as a whole (Cooper and Schindler, 2003).

For this purpose, the departments in Local Government in Osun State selected were stratified into nine to represent the section involved in budget of Local Government under study after which questionnaires were administered using simple random sampling to each of the strata according to their percentages indicated in Table 2 below. Sample sizes of respondents were selected from the Universe population as determined through the use of formula of Taro Yamani (1967).

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

Where n = Sample size

N = Total Population

e = Level of significance (95%)

Therefore,

$$n = 780 / 1 + 780(0.05)^2$$

$$= 780 / 1 + 780(0.0025)$$

$$= 780 / 1 + 1.95$$

$$= 780 / 2.95$$

$$= 264.406$$

Approximately **264** respondents will be given questionnaire instruments,

Table 1: Estimated Total Population of the Departments involved in budget of Local Government in Osun State

S/N	Departments	Population
1	Account	105
2	Budget	115
3	Administrative	40
4	Water Environmental and Sanitation	120
5	Agriculture	90
6	Medical	125
7	Works	85
8	Social	30
9	Town planning	70
Total		780

Source: Field data, 2020

Table 2: Staff Population and Sample Size of the Departments involved in budget of Local Government in Osun State

S/N	Department	Total Population	Percentage	Number of Respondents
1	Account	105	13.46	36
2	Budget	115	14.74	39
3	Administrative	40	5.13	14
4	Water Environment and Sanitation	120	15.38	41
5	Agriculture	90	11.54	30
6	Medical	125	16.03	42
7	Works	85	10.90	28
8	Social	30	3.85	10

9	Town Planning	70	8.97	24
TOTAL		780	100	264

Source: Field data, 2020

The proportionate sampling method was adopted in selecting respondents based on the proportion of the Local Government population in selected public sector across Osun States in South-West Nigeria. Two hundred and sixty-four (264) respondents selected for the study indicate 45% of the target population from Local Government in Osun-States in South West Nigeria.

3.5 Method of Data Collection

The primary data was used with the instrument of questionnaire which was administered to the selected staff of thirty-one (31) Local Government in the study area. The questionnaire covered the exact objectives of the study and work on simple clear and understandable languages which are capable of only one interpretation.

3.6 Research Instruments

Primary data was used in this study and questionnaire was used as research instrument. This was designed to obtain vital information in line with the stated objectives, research questions and hypotheses of the work. The questionnaires were distributed to two hundred and six four (264) respondents in nine (9) departments across local government in Osun State (Table 2). The completed (filled) questionnaires were retrieved back after some days they were giving to the respondents.

3.7 Validity and reliability of research Instrument

The constructed questionnaire was submitted to the experts for critical, analytical and logical appraisal and assessment of contents and statements in the instruments and this then made the instrument valid for the study. To ensure proper reliability of the instrument, the questions were not ambiguous to respondents in order to avoid the impression of different interpretation or constructed in a way that give different meaning that could generate inaccurate and inconsistent responses when instrument is repeatedly objectivity with no leading question as to answer desired.

3.8 Administration of Instrument

Questionnaires were given to participants, making use of the drop and pick technique. The questionnaires were filled at appropriate time by respondents; appointments were made with the participants in the departments, preceded by a follow to see if respondents experienced any challenges in answering the questionnaires.

3.9 Method of Data Analysis

The data collected was analyzed using descriptive and inferential statistical methods. In descriptive statistics, simple frequency counts and percentages were used to answer the research questions while the inferential statistics was used to test the hypothesis generated for the study.

4. RESULT AND DISCUSSION

4.1 Socio Demographics of Respondents

Table 3: Socio Demographics of the Respondents

S/N	CLASSIFICATION	ITEMS	FREQUENCY	PERCENTAGE (%)	TOTAL
1	Gender	Male	184	70	100
		Female	80	30	
2	Age	20-30	52	19.70	100
		31-40	132	50	
		41 and above	80	30.30	

3	Religion	Christianity	153	57.95	100
		Islam	111	42.05	
		Other specify	-	-	
4	Marital Status	Single	158	59.85	100
		Married	106	40.15	
5	Educational Qualifications	WASC/G.C.E/HND/B.Sc	224	84.85	100
		M.Sc/Ph.D	40	15.15	
6	Rank/Position	Director	34	12.88	
		Deputy Director	132	50	
		Assistant Director	66	25	
		Others specify	32	12.12	

Source: Field data, 2020

Table 3 shows the demographic characteristics of the respondents. From the table (Table 4.1), 184 (70%) of the respondents are male, while 80 (30%) of the respondents are female. The age of the respondents showed that 52 (19.70%) lies between the age range of 20-30 years while 132 (50%) lies within the age 31-40years and 80 (30.30%) are 41 years and above. Also, 153 (57.95%) of the respondents are Christians while 111(42.05%) of the respondent are Muslims. The marital status of the respondents showed that 158(59.85%) are single while 106(40.15%) of the respondents are married. It is shown in the table that 224 (84.85%) possess WASC/GCE /BSC/HND and 40(15.15%) has M.Sc/Ph.D. The table also revealed the Rank/Position of the respondents, 34(12.88%) of the respondents are Director, 132(50%) of respondents are deputy director, 66(25%) of the respondents are Assistant Directors while 32(12.12%) of the respondents belongs to other.

4.2: Operation of Budget and Budgetary Control Scale

Research Question: What is the relationship between performance and budgetary control in Local Government in Osun State?

Table 4: Control scale for budget and budget control

S/N	Statement	Strongly Agree	Agree	Strongly Disagree	Disagree
1	Budget enhances economic development of Local Government in Osun State	193 (73%)	71 (26%)	-	-
2	Budget meetings conducted by the Head of department in local government	78 (30%)	82 (31%)	94 (36%)	10 (4%)
3	Budget are useful for assessing the performance in local government	80 (30%)	76 (28.8%)	100 (37.9%)	8 (3%)
4	Budgetary control has led to effective procurement, thus surplus revenue	102 (38.6%)	107 (40.5%)	5 (1.9%)	50 (18.9%)

5	Management performance do not increase through accurate budget prediction	22 (8.33%)	15 (5.68%)	69 (26.14%)	158 (59.85%)
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Source: Field data, 2020

From above Table 4, 193(73%) of the respondents strongly agree that budget enhances economic development of local government in Osun State while 71(26%) agree.

From the result obtained from the respondents (Table 4), it is seen that 78(30%) of the respondents strongly agree that budget meeting are conducted by the head of various departments in local government, 82(31%) agree, 94(36%) strongly disagree and 10(4%) disagree.

Above Table (4) shows whether budget is useful for assessing the performance in the local government. From the result, it can be seen that 80(30%) of the respondents strongly agree, 76(28.8%) agree, 100(37.9%) strongly disagree and 8(3%) disagree that budget are useful for assessing the performance in local government.

Response whether budgetary control has led to effective procurement, thus surplus revenue was shown in Table 4. 102(38.6%) strongly agree, while 102(40.5%) agree, showing that majority believe that budgetary control is of importance in ensuring surplus revenue. Also, 5(1.9%) strongly disagree and 50(18.9%) disagree.

Submission of respondents one whether management performance does not increase through accurate budget prediction was shown in above table (Table 4). From the result, majority of the response disagree to these statement in which 158(59.85%) disagree, 69 (26.14%) strongly disagree, 15(5.68%) agree and 22 (8.33%) strongly agree. This result shows that the respondents actually believe in the ability of budget prediction to increase management performance.

4.3 Test of Hypothesis

4.3.1 Hypothesis

Implementation of budget and Budgetary Control system have not contributed to efficient and effective performance in the Local Government in Osun State

Table 5: Pearson Product Moment Correlation

Variables	N	Mean	SD	Calculated r-value	Critical r-value	Probability Value	Decision
Budget Implementation Systems (Independent Variable)	264	23.9	8.7	0.657 ^a	0.178 ^b	0.031	HO Rejected
Performance (Dependent Variable)	264	38.4	16.9				

Table 5 reveals that the calculated r-value of the Pearson product moment correlation is 0.657^a which shows it is greater than what is observed for the tabulated 0.178^b and great than at 0.05 level of significant. Therefore, there is significant relationship between Implementation of budget and Budgetary Control system and effective performance in the Local Government in Osun State

5. CONCLUSION

Many researchers said budget and budgetary control serve as tools of controlling financials in the public sector while other look at it as a means of regulation and control expenditure of Government and forecasting the inflow and outflow of cash or fund in the public sector economy. Budget and Budgetary control encourages bureaucracy because it is a single line operation that possess through various authorization before cash is released to the Local Government. However, Results of the inferential statistics also

show that budget and budgetary control has blocked leakages of revenue collection; promote transparency in administration of public funds; Increase in revenue generation, reduce financial misappropriation and ensure good service delivery in the Local Governments. The study posted that Local Governments should as a matter of urgency strictly adhere to budget in its daily expenditures to avoid misappropriation of fund and enhance value for money. It would increase the level of transparency, accountability and cash management in governance.

This indicates that there may be challenges in a short-run but the benefits at a long-run will definitely out-weight the challenges. It is the conclusion in this study that Local Governments in Osun- State, South-West, Nigeria should adopt and fully implement budget for successful control, transparency and accountability of public funds so as to avoid mismanagement and misappropriation of fund.

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