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FUND OPTIMALITY AND PUBLIC SECTOR PERFORMANCE IN NIGERIA

ONUORAH Anastasia C

Banking and Finance
Faculty Of Management Sciences
Delta State University Abraka
Delta State, Nigeria
Email: anastasiaonuorah1@gmail.com

ABSTRACT: *The study explored the relationship between value for money audit and public sector accountability in Nigeria from 2011 to 2021. The study used dependent variable (Public Sector performance (PSP) measured with Return On Assets (ROA), Independent Variable Fund Optimality- measured with Operating Cost Efficiency (OCE), Resource Cost Efficiency (RCE) and Economic Efficiency (ECE) in relationship with PSP in Nigeria. Data for the study was sourced from KPM6 Annual Public Sector Rating Scale of 1 to 10 in Nigeria. The data used were secondary time series sourced. The study made use of diagnostic test which has the capability of testing the Heteroskadisity test, the functional test, normality test and serial correlation test. The study also ran a pretest (unit root test) for the orderliness of the series. Finally, regression analysis E-view version 9.0 was used to ascertain the magnitude and significance of the relationship. The findings affirmed that Operating Cost Efficiency (OCE) and Economy Efficiency (ECE) have negative relationship and not significant to the public sector performance while Resource Cost Efficiency (RCE) has positive relation and also significant to public sector performance in Nigeria. We thereby conclude that fund optimality has a significant impact on public sector in Nigeria, therefore we recommended a good accounting system that is functionable in Nigeria.*

Keywords: Fund, Optimality, Public Sector, Performance, Efficiency, Accounting System.

1.1 Introduction

Effective budgeting is required for the successful completion of a project and the provision of high-quality service to the general public, public sector, setting specified goals, reporting actual performance outcomes, and evaluating performance in terms of the predetermined goals are all part of budgeting. This requires the integrated financial activities involving the coordination processes and control of financial implications. Osiegbu, Nwakanma and Onuorah (2013). Performance auditing checks, monitors, and investigates the execution of every tier of government's budget to ensure that revenues are generated and expenditures are used to provide quality service to citizens in a fiscal year, as it is done in the United States, the United Kingdom, and other developed countries (Olaoye and Adedeji, 2019).

It provides information, observations, and suggestions to parliament on the performance of these activities in government spending, as well as ensuring an ethical and effective public service, good governance, and long-term development (Waring & Morgan, 2017). This auditing method has evolved over time and has been determined to be the most effective way of ensuring that managers of public resources are following best practices in resource usage and management. Fund audits has proven to be especially effective in the public sector, as accomplishments achieved by public sector companies are not measured in terms of profit (Nwamgbebu, Oketa, Agba and Nwambe, 2019).

Nwamgbebu, et al., 2019, agrees with the above position as he states that fund optimality accounting is a formal tool for evaluating government performance which helps to improve accountability and transparency and provides information on public sector performance. Despite the fact that this policy has been in place for many years, empirical evidence on Fund optimality in Nigeria are relatively few. Consequent on this, this paper investigated the effects of Fund optimality proxy by (operating cost efficiency, Resources Cost Efficiency and Economy Efficiency) proxy by Return on Assets in Nigeria.

2.1 Review of Related Literature

Fund optimality resources based through different means of financing constitutes a key challenges in the Nigeria Public Sector for managers. This posits two major theories on the optimal choice of debt and equity visa viz. The static trade-off theory and the capital structure irrelevance. Due to the economic downturn that Nigeria has been through since the 1980s, the concept has gained a lot of traction. As the necessity for optimal utilization of economic resources became urgent, the government's focus which switched from expenditure management to optimality as described by (Nwosu, 2016). The concept of fund optimality audit has not gained the necessary level of recognition in Nigeria, despite the fact that it falls under the purview of internal control, which is a management device for the organization's effective operation.

Fund optimization describes the principle of public funds that is put to the best possible use, and that those who conduct public business should be accountable in the management of resources entrusted to them (Office of the Auditor) (Nwamgbebu, et al, 2019).

Fund optimality demonstrates the relationship between cost and input resources. It also refers to the acquisition of inputs at the lowest possible cost while maintaining the needed quality and also entails employing the fewest resources possible to fulfill a set of objectives. In public sector physical, financial and human resources, information inputs are acquired at the appropriate cost and location. Fund optimality places more importance on solvency public sectors because when in solvency, it can collect its due revenue and pay for matured obligations. The credit worthiness, goodwill, growth, etc of the firm can be advantageous to the shareholders Decision making Accounting presents financial data as its main focus, but it does not make decisions on them.

2.1.2 Public Sector

Since the 1970s, the devolution of responsibility and performance among public sector managers has spawned the ideology of New Public Management (NPM). The NPM has catalyzed widespread public sector reforms in many countries by bringing the concepts of accountability and performance audit to the forefront of many democratic administrations (Daujotaite & Macerinskiene, 2018). Ex-post monitoring and performance measurement, rather than compliance with ex-ante rules and orders, are used to exercise control over public agencies under NPM (Mulgan, 2016). The importance of articulating clear objectives and implementing accurate and independently verifiable methods of measuring how far the objectives have been met is emphasized. It also made public officials more accountable for performance (Mulgan, 2016). Financial management is sometimes incorporated within the business organization. Financial managers have the responsibility for proposing, analyzing investment opportunities that calls for committing of corporate funds in stock, equipment, building, land, staff development expenditures, etc. he participates in many major financial decisions, which sometimes involves senior officers of the firm and sometimes the board of directors. .(Osiegbu, Nwakanma and Onuorah 2013)

Fund optimality, however, interprets the financial data for the purpose of making appropriate decision evaluated the accountant's statement. Accounting system design Accounting designs an appropriate accounting system, but finance sources fund from various financially surplus economic units to the financially deficit economic units,

2.2 Theoretical Framework
2.2.1 Public Interest Theory

According to Iyoha, Gberevbie, Iruonagbe, and Egharevba (2015) this research is based on the public interest theory proposed by Cost of Governance: It was argued that government is made up of individuals who want to serve the public by doing what is "right." In this setting, the government takes on the role of a tool that will or should increase society's well-being. This idea assumes that society does not anticipate any unintentional or unanticipated repercussions of government activities occurring during the fulfillment of obligations. The theory applies to this study since the public sector is required to provide for the welfare of members of the general public in all aspects and to avoid wasting public monies.

2.3 Empirical review

Keeping in touch with previous relevant researchers, the variables of this studies align to those of Nwamgbebu, Oketa, Agba, and Nwambe (2019), Balli 2016, Waring and Morgan 2017. The study looked at the impact of total quality management (TQM) on budgetary efficiency in Southwest Nigeria, as well as the relationship between fund optimality and performance of public sector in Nigeria.

Balli (2016) affirmed the impact of fund optimality and auditing on performance improvement and accountability in the Oromia National Regional State's audited public sectors. A descriptive research strategy was carried out using the survey approach. From 2011 to 2021, closed-ended questionnaires with Likert 5 scales were provided to several of the public sectors on which performance audits had been undertaken. The series was observed using descriptive statistics. The mean and standard deviation were utilized to analyze the data statistically. The majority of the audited public sectors have positive or favorable impressions of the performance audit, according to the report. They also have positive or favorable impressions of the auditors' performance audit suggestions, although the gains they achieved in executing the auditors' recommendations were minor or insignificant. The data also suggest that legislative activities from the perspective of the examined public sectors were little or non-existent, while media participation in performance audit reports from the perspective of the audited public sectors were medium or moderate.

3.0 Methodology
3.1 Introduction

The nature of data for this study was time series secondary data spanned from 2011-2021, to ensure secondary and time series data were sourced from publications of KPMG Annual Public Sector Rating (scale of 1-10) for Nigeria. The study variables are: - dependent variable which is public sector performance (PSP), while the independent variable is fund optimality proxy by (OCE), (RCE) and (ECE) in Nigeria.

3.1 Data and Variables explained

The time series data was subjected to a unit root test, because of the span of data of 2010-2021 (12years) not too large enough. Descriptive statistics and correlation analysis were used to assess the nature of the link between the independent variables to the dependent variable [Public Sector Performance (PSP)] variables. The computer statistical E-VIEW 9.0 was used to do multiple regression analysis through the Regression model. This allows for accurate analysis of data in relation to the study.

3.2 Model Specification

PSP = f(OCE, RCE, ECE)

$$PSP = \beta_0 + \beta_1 OCE + \beta_2 OCE + \beta_3 OCE + U_t$$

Where:
PSP = Public Sector Performance
OCE = Operating Cost Efficiency
RCE = Resource Cost Efficiency
ECE = Economy Efficiency
β_1- β_3 = Parameters/Coefficients
β_0 = Constant Term
U_t= Disturbance Term
β_1, β_2, β_3 > 0.\ a priori expectation

4.1 Discussions of Result
4.2 Data Analysis

Table 4.3: Multiple Regression Analysis

Dependent Variable: PSP
Method: Least Squares
Date: 06/12/22 Time: 07:20
Sample: 2011 2021
Included observations: 14

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.026127	3.056106	1.654413	0.1420
OCE	-0.420218	0.282216	-1.623950	0.1724
RCE	0.290029	0.210659	1.311300	0.0254
ECE	-0.076280	0.196277	-0.460530	0.6288

R-squared	0.319939	Mean dependent var	2.727273
Adjusted R-squared	0.028481	S.D. dependent var	1.009050
S.E. of regression	0.994577	Akaike info criterion	3.102288
Sum squared resid	6.924279	Schwarz criterion	3.246978
Log likelihood	-13.07259	Hannan-Quinn criter.	3.011082
F-statistic	1.097821	Durbin-Watson stat	2.274400
Prob(F-statistic)	0.411308		

Source: EVIEW, 9.0 Outputs, 2021.

The regression results in the table 4.3 above revealed that (OCE) is -0.43021 with a t-value of -1.6240 and an associated p-value (sig. value) is 0.1724. This suggests that (OCE) have a negative insignificant effect on (PSP) as the relationship is not significant given the fact that the p-value of 0.1724 is greater than 0.05 (5%) level significance. The (OCE) is -0.43021. This reviews that it has a negative trend with (PSP). One percent (1%) movement in (OCE) would lead to 43.02% decrease in (PSP) in Nigeria. This implies that OCE has not been properly practiced by the public sector in Nigeria, and this lead to wasteful of scare public resources.

The table above also revealed that (RCE) is 0.2900 with a t-value of 1.3113 and an associated p-value (sig. value) is 0.0254. This suggests that RCE has a positive significant effect on (PSP). This relationship is significant given the fact that the p-value of 0.0254 is less than 0.05 (5%) level significance. The coefficient of RCE is 0.2900, which imply that RCE has positive trend with (PSP). One percent (1%) movement in this would lead to 22.54% increase in (PSP) in Nigeria.

The multiple regression results in Table 4.3 above, the (OCE) is -0.0963 with a t-value of -0.4905 and an associated p-value (sig. value) is 0.6388. This suggests that (OCE) have a negative insignificant effect on (PSA). This relationship is insignificant given the fact that the p-value of 0.6388 is greater than 0.05 (5%) level significance. The (OCE) is -0.0963, which imply that (OCE) has a negative trend with (PSA). One percent (1%) movement in (OCE) would lead to 16.87% decrease in (PSA) in Nigeria.

5.1 Summary of Findings

Based on the analysis, the finding revealed that (OCE), (RCE), (ECE) have negative insignificant effect on (PSP) in Nigeria. Thus the study concluded that the measures of fund optimality such as the OCE, RCE and ECE in relation to (PSP). Good measures are to be adopted in Nigeria but should be obtained from right sources like the KPMG Annual Public Sector Rating (scale of 1-10) for Nigeria. As a result of the above, we recommend a proper accountability and validity of the data obtained through the system. International Public Sector Standard Part 1 and 2 are strongly recommended as well.

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