POOR BUDGETARY PERFORMANCE: CAUSES AND IMPLICATIONS FOR DEVELOPMENT.

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Abstract: *Today there has been a considerable increase in the variety and range of services that state governments in the country are expected to provide in their area. Government at the state level undoubtedly is expected to provide all the necessary social and infrastructural facilities needed by her citizenries at affordable or no cost. But contrary to this, are recorded infrastructural decays, diversion of funds, projects abandonment, wasteful spending, and low standard of living and so on. For a government to thrive and discharge its responsibilities there is the need for proper planning. Planning in the context of public sector begins with budgeting. It is observed that the issue of budgeting has not been taken seriously in Ondo state However, despite the fact that the government prepared budget annually, the government sees it as an annual event and administrative routine exercise and never show recourse to it. The issue in this paper therefore is to look into the causes and implications of poor performance of budget in ondo state. The research was a case study and data were sourced from government workers using a questionnaire. A total of 150 questionnaires were distributed and 119 retrieved. Data obtain were analysed using descriptive and empirical analyses. The descriptive analysis employs the use of tables, percentages and charts to describe the characteristics of the responses in the questionnaires. The empirical analysis employs the use of multiple regressions of the ordinary least square and covariance and correlation analyses. The results of the analyses show that factors such as poor planning, fraudulent manipulation, lack of adequate professional knowledge, delay in passage of budget, late release of fund are all responsible for poor budget performance in the state. The implication is that it discourages investors due to poor condition of the state infrastructures, it reduces the standard of living of the people of the state, and it slows down economic development through wasteful spending, extra budgetary spending and debt accumulation.*

Keywords: Budget performance, Extra budgetary spending, Governance, wasteful spending

INTRODUCTION

For several years now, there has been reported cases of budget unaccomplishment, budget disparity, budget indiscipline, poor or non performance of budget and poor budgetary implementation. Olorunfemi (2000) in his study observed that since independence in 1960, no annual budget has gone through without question. He accused the government of disregard for budget, late passage of budget, late release of capital vote, and selective implementation of budget. The issue of poor performance of budget in Ondo state is noticeable virtually in all the 18 local governments. This is evident in our infrastructural decay and the slow pace of

development specifically interms of capital project, physical infrastructure, political instability, projects abandonment, deployable roads, high rate of un employments, insecurity, to mention but a few. Budget is a vital instrument in governance just as blood is vital to life. Any government that wants to succeed must plan and planning in government begins with budgeting. Budgeting is not an end in itself but it is a means to an end. Planning in the context of government administration involves the determination of the future overall goals or objectives, preparing policy statement and monitoring of result. Budgeting in the public sector has become an annual ritual which is characterized with repetitiveness. Most states government in Nigeria sees budgeting as a mere administrative routine exercise and paper work. Their inability to priotise budgeting accounted for delay in its preparation, approval and retroactive implementation. Today, there is lack of performance oriented budgeting, which constraints target setting as well as proper performance evaluation. Besides, there is a poor data and accounting culture, which allows for system leakages, fraud, misappropriation and corruption in public life.

LITERATURE REVIEW

The practice of budgeting in government as it is now understood originated in the central government of Great Britain. It later develops gradually as a result of parliament's struggler to obtain control over the finance of the crown. It was first understood in 1920s as a tool to manage costs and cash flows in large industrial organizations (Johnson, 1986). Budget and budgeting are concepts traceable to the bible days, precisely the days of Joseph in Egypt. It was reported that nothing was given out of the treasure without a written order. History has it that Joseph budgeted and stored grains which lasted the Egyptians throughout the seven years of famine (Genesis 41:34-36). The annual budget is a form of plan, which sets out a programmes of projected government expenditure geared towards achieving some policy targets (Obadan, 2003). Such targets would be within the confines of some available policy instruments and assumptions regarding projected revenue. Such policy target and instrument need not be limited in duration to conventional period of one fiscal year normally covered by annual budget. However, whether such policy and instrument are carried over from previous year or not or are capable of extending to subsequent years, it is often assumed that the particular period or year in focus represents the budget year (Glamour, 2005).

Today budget is ascribed a broader meaning and has been defined by various authors in different ways. Balmori (2004) described the budget of any government as the technical instrument by which commitment are translated into monetary terms. The budget is a key instrument for macroeconomic management in most economy and its efficacy determine the success of governments in meeting solid goals. Omolehinwa (2003) is of the opinion that budget is a plan of dominant individuals in an organisation expressed in monetary terms and subject to the constraints imposed by other participant and the environment indicating how the available resources may be utilised to achieve whatever the dominant individuals agree to be the organisation priorities. Houlton (1982) says that budgeting control is the establishment of budget relating the responsibility of executives to the requirements of a policy and the continuous comparing actual with budgeted result either to secure by individual action the objectives of that policy or provide a basis for its revision.

CAUSES OF POOR BUDGET PERFORMANCE

1. Non participatory system of budgeting. The process of budgeting in the state does not involve the public for whom the budget is prepared. For budget to be total and comprehensive, there is the need to involve all stake holders since their opinion also matters and due consideration should be given to them.
2. Lack of budget review. Once the budget is passed, it is kept on shelf as historical documents. It is neither consulted nor reviewed after preparation.
3. Budget is superimposed. Some expenditure items and revenue target are imposed by the state officers during draft estimate defence.
4. Extra- budgetary affairs. Government officials are in habit of incurring expenditure as the need arises without any recourse to budgetary provisions. Most of this expenditure is ordered from the above either by state or federal directive to sponsor some people for seminar or to purchase certain items.
5. Variances are just as frequently due to changing circumstances, poor forecasting or general uncertainties as due to management performance.
6. Budgets are developed round existing organisational structures and departments, which may be in appropriate for current conditions and may not reflect the underlying economic realities.
7. There is a major problem of setting the levels of attainment to be included in budget.
8. The inherent lags and delays in a system may make the budgets and resulting variances of little value as a guide to current operations.

METHODOLOGY

This study aims at investigating the causes of poor budget performance and its implications for economic development in Ondo State. The research was a case study, survey design while the analysis follows the empirical causal design. Data were sourced from government workers in the State using a questionnaire. The design of the questionnaire follows the limited information dependent variable technique. That is the qualitative responses of respondents were quantified using the dichotomous variable method *(Yes = 1; No = 0)*; and the polychotomous variable method – the Likert rating. That is

Strongly Agree= 5, Agree =4, Undecided 1, Disagree = 2, Strongly Disagree =3

There are two sections in the questionnaire. Section A is the distribution of respondents by general characteristics. Section B is further subdivided into three sub-sections namely, responses on budget preparation, responses on causes of poor budget performance and responses on implications of poor budget performance.

119 questionnaires were retrieved from the field survey. The analysis is divided into both descriptive and empirical analysis. The descriptive analysis employs the use of tables, percentages and charts to describe the characteristics of the responses in the questionnaire. The empirical analyses are divided into two following the objective of this study. The first analysis aims at analyzing the causal relationship between poor performance of budget and series of

identified causes. The multiple regression of the Ordinary Least Square was used for this analysis. The second analysis aims at investigating the implications of poor performance of budget based on the responses of respondents. Covariance and Correlation analyses were used for this analysis.

DATA ANALYSIS AND RESULTS

SECTION A: ANALYSIS OF THE DISTRIBUTION OF RESPONDENTS

Table 1: DISTRBUTION OF RESPONDENTS BY SEX

	SEX	
	MALE	FEMALE
FREQ.	79	40
%	66.4	33.6

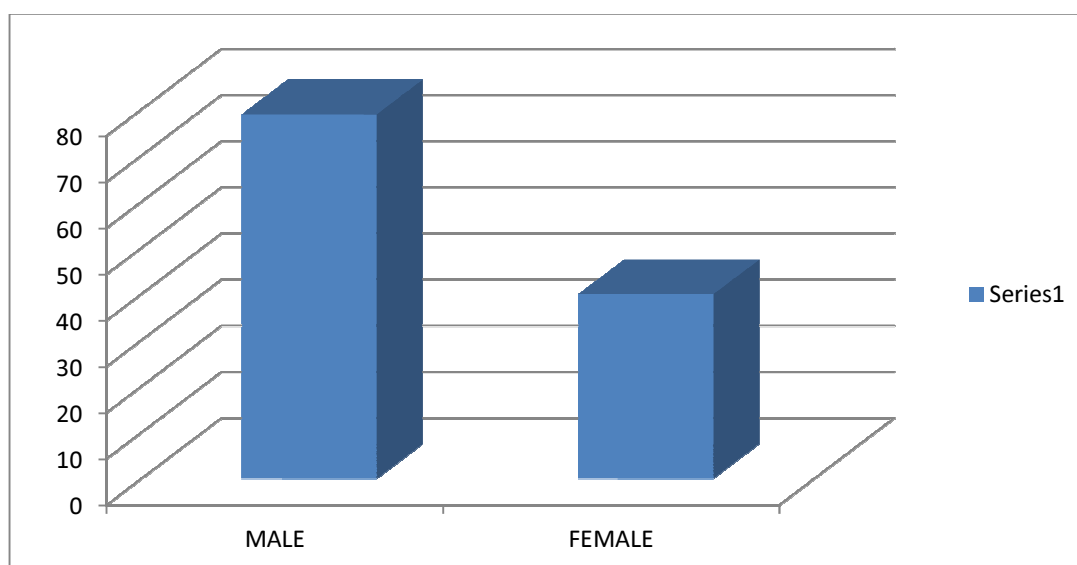Source: Questionnaire administered 2013

**Figure 1: Column Bar Chart Showing Sex Distribution of Respondents**

A look at Table 1 and Figure 1 shows that the majority of the respondents are male (66.4%) while 33.6% are females.

Table 2: DISTRBUTION OF RESPONDENT BY AGE

AGE				
	20 - 30 YRS	31 - 50 YRS	ABOVE 50	Total
FRQUENCY	15	75	29	119
%	12.6	63.0	24.4	100

Source: Questionnaire administered 2013

Table 2 and Figure 2 show that the majority of the respondents (63%) belong to average ages of 31 to 50 years, 24.4% of the respondents are above 50 years of age while 12.6% of them belong to the age of 20 to 30 years.
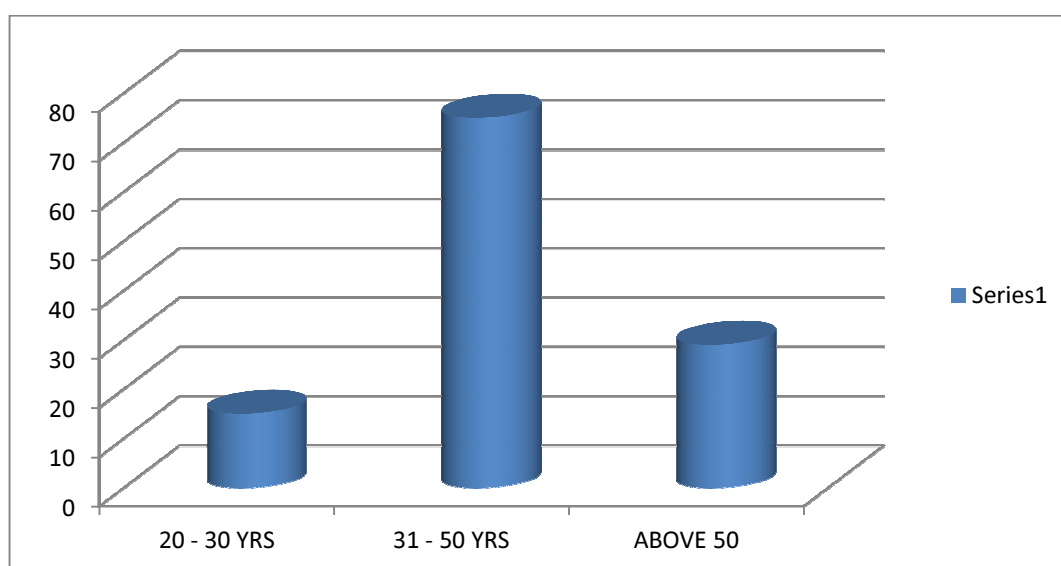
Figure 2: Bar Chart Showing Age Distribution of Respondents

Table 3: DISTRIBUTION OF RESPONDENTS BY EDUCATIONAL QUALIFICATION

EDUCATIONAL QUALIFICATION					
	WASCE/SSCE	OND/NCE	BSC/HND	MSC/MBA/PHD	Total
FREQUENCY	11	38	65	5	119
%	9.2	31.9	54.6	4.2	

Source: Questionnaire administered 2013

Table 3 and Figure 3 show the distribution of respondents by educational qualification. 54.6% of the respondents hold a BSc/HND certificate, 31.9% hold the OND/NCE certificate, 9.2% are secondary school leavers, while 4.2% hold higher certificates.
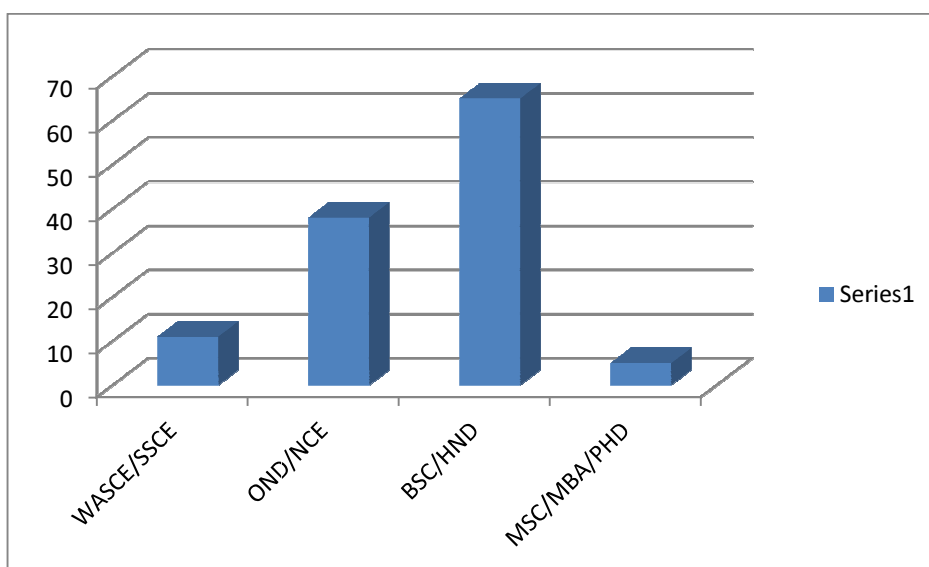
Figure 3: Bar Chart Showing Educational Qualification of Respondents

Table 4: DISTRIBUTION OF RESPONDENTS BY AFFILIATION

	MINISTRY	PARASTATAL	CORPORATION	AGENCY	
FREQUENCY	73	22	10	14	119
%	61.3	18.5	8.4	11.8	

Source: Questionnaire administered 2013

In Table 4 and Figure 4 it is clear that the majority (61.3%) of the respondents are Ministry workers. 18.5% work in various parastatals, 11.8% of the respondents belong to government corporations, while the minority (8.4%) belong to different Agencies.
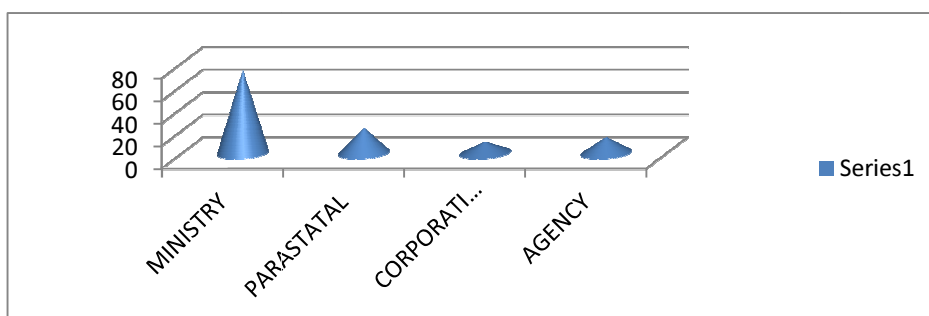

**Figure 4: Bar Chart Showing Affiliations of Respondents**

Table 5: DISTRIBUTION OF RESPONDENTS BY LENGTH OF SERVICE

LENGTH OF SERVICE					
	1 - 5 Yrs	6 - 10 Yrs	11 - 15 Yrs	Above 15 Yrs	Total
FREQUENCY	23	25	30	41	119
%	19.3	21.0	25.2	34.5	

Source: Questionnaire administered 2013

From Table 5 and Figure 5 we can the majority (34.5%) of the respondents have being in their establishments for more than 15 years. 25.2% have been working for 11 to 15 years while the minority of the respondents (19.3%) have not spent more than 5years in their various establishments.

All the analyses of the respondents point attention to the fact that the sample for this study is unbiased and normally distributed.
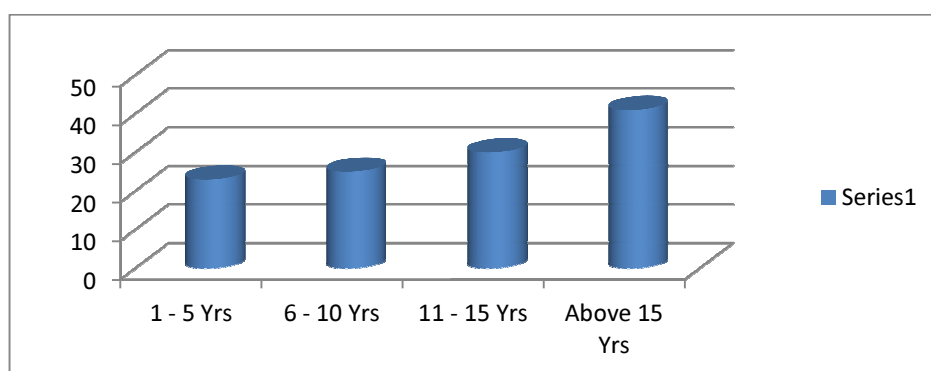
Figure 5: Bar Chart Showing the Length of Service of Respondents

SECTION B: DESCRIPTIVE ANALYSIS OF RESPONSES

Table 6: BUDGET PREPARATION (Questions 7 to 16)

ITEM	NEED FOR	PREPARE	AID TO	INADEPLAN	INADEDATA	INCREMENTAL	POORBDUDGET	SLODEVE
SCORE	578	540	549	382	363	400	403	425
%	97.14	90.76	92.27	64.20	61.01	67.23	67.73	71.43

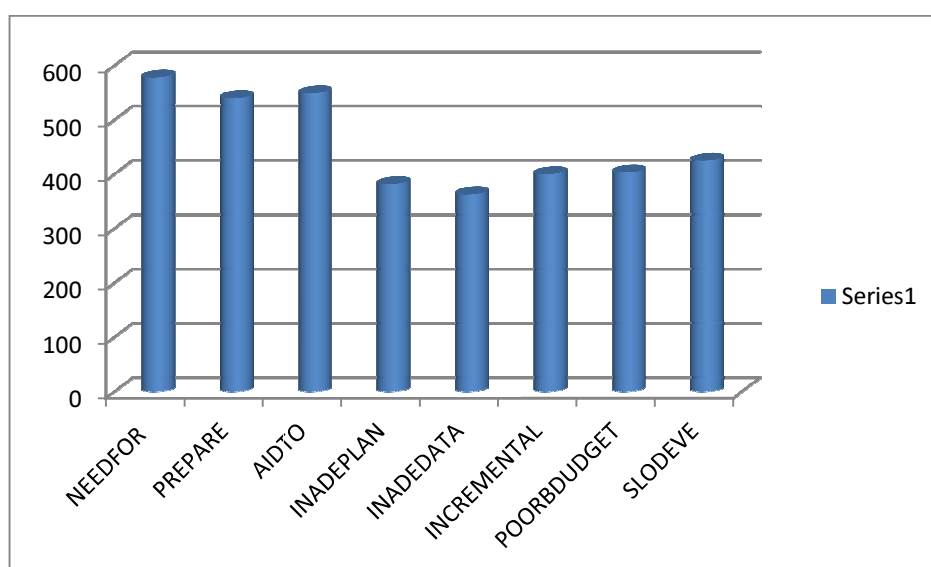Source : Researcher's computation 2013

Figure 6:

NEEDFOR = There is need for budget preparation

PREPARE = My ministry prepares budget

AIDTO = Budget is an aid to planning

INADEPLAN = Budget preparations in Ondo State is characterized by inadequate planning

INADEDATA=Budget preparation in Ondo State is characterized by inadequate data

INCREMENTAL = Ondo State is using incremental system of budgeting

POORBUDGET = There is poor budget performance in Ondo State

SLODEVE=Poor budget performance has given rise to slow pace of development.

Table 7: CAUSES OF POOR BUDGET PERFORMANCE

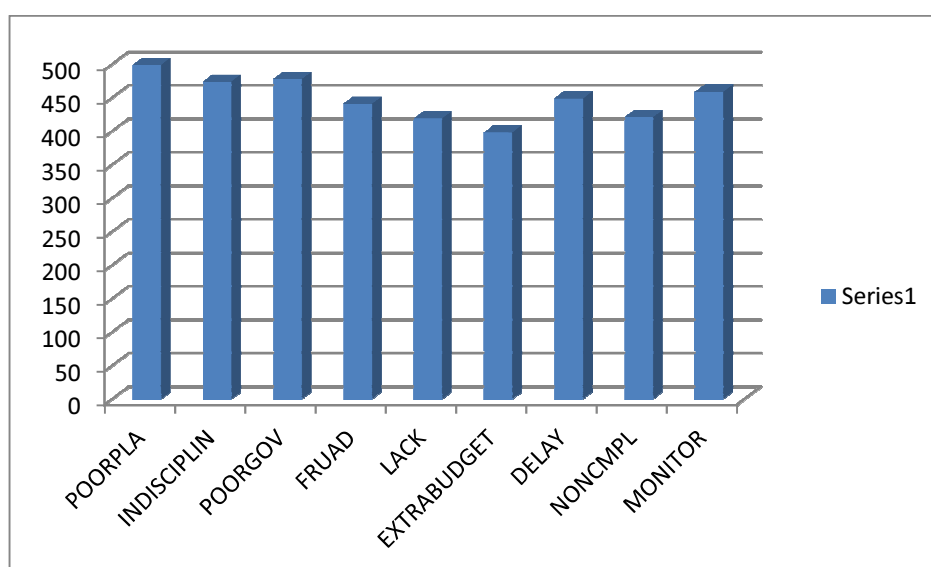| ITEM	POOR PLA	INDISCIPLIN	POOR GOV	FRUAD	LACK	EXTRABUDGET	DELAY	NONCMPL	MONITOR
SCORE	499	474	478	441	419	398	449	421	459
%	83.87	79.66	80.34	74.12	70.42	66.89	75.46	70.76	77.14

Source : Researcher's computation 2013

Figure 7:

POOPLA = Poor planning

INDISCIPLIN = Government indiscipline

POORGOV = Poor governance

FRAUD = Fraudulent manipulations with other financial irregularities by government

LACK = Lack of adequate professional knowledge among budget officers

EXTRABUDGET = Extra- budgetary affairs by the government

DELAY = Delay in passage of budget and late release of fund

NONCOMPL = Non compliance with financial regulations

MONITOR = Lack of proper monitoring and evaluation

Table 8: IMPLICATIONS OF POOR BUDGET PERFORMANCE

ITEM	ECOD EV	INFRAS TR	DEB TS	STAN LIV	UNEM PL	WASTE FUL	EXTRAVAG ANT	INVEST ORS
SCO RE	452	448	395	424	447	410	452	457
%	75.97	75.29	66.39	71.26	75.13	68.91	75.97	76.81

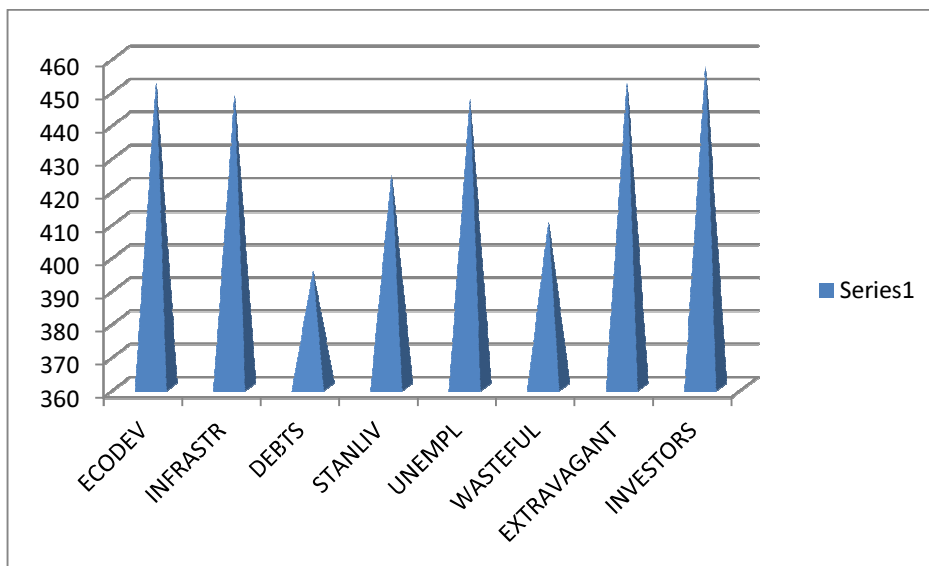Source : Researcher's computation 2013

Figure 8:

ECODEV = Slow down economic development

INFRASTR = Infrastructural decay

DEBTS = Debt accumulation

STANLIV = Reduced standard of living

UNEMPL = Increased level of unemployment

WASTEFUL = Wasteful spending

EXTRAVAGANT = Misappropriation and extravagant spending

INVESTORS = Discourages investors

EMPIRICAL ANALYSIS OF RESPONSES

A. CUASES OF POOR PERFORMANCE OF BUDGET

The empirical analysis here is to investigate the causes of poor performance of budget in the Study. The dependent variable is poor budget (POORBUDGET). Data for this variable was generated as the mean value of all responses under budget planning section of the questionnaire. The independent variables for the analysis are the factors identified in the questionnaire as contributing to poor performance of budget. These are described in Table 7 above. The study uses the method of Multiple Regression to analyze the relationship. The relationship between business poor performance of budget and the set of independent variables is expressed in the following model

$$POORBUDGET = \beta_0 + \beta_1 POOPLAN + \beta_2 INDISCPLIN + \beta_3 POOGOV + \beta_4 FRUAD + \beta_5 LACK + ...$$
$$.... + \beta_6 EXTRABUDGET + \beta_7 DELAY + \beta_8 NONCOMPL + \beta_8 MONITOR + \varepsilon..........(1)$$

The result of the analysis is presented in Table 9.

Table 9: Regression Results of Causes of Poor Performance of Budget

Dependent Variable: POORBUDGET				
Method: Least Squares				
Date: 04/19/13 Time: 23:41				
Sample: 1 119				
Included observations: 119				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
POORPLAN	0.094986	0.0454	2.092202	**0.0387
INDISCPLIN	-0.06232	0.041206	-1.512397	0.1333
POOGOV	-0.020077	0.044281	-0.453401	0.6512
FRAUD	0.082734	0.038576	2.144707	**0.0342
LACK	0.073732	0.039805	1.852332	***0.0667
EXTRABUDGET	0.043244	0.036807	1.174911	0.2426
DELAY	0.075749	0.042759	1.771538	***0.0793
NONCOMPL	0.011002	0.033697	0.326491	0.7447
MONITOR	0.003285	0.043897	0.074842	0.9405
C	2.708463	0.328727	8.239251	*0.0000
R-squared = 0.22458		*F-statistic = 3.507674*		
Adjusted R-squared = 0.160555		*Prob(F-statistic) = 0.00076*		

*Significant at 1%;   **Significant at 5%; ***Significant at 10%*

Source : Researcher's computation 2013

The result in Table 9 shows that all the factors are positively related to poor budget performance except INDISCPLIN and POOGOV .These two variables are also not significant even at 10% level. The coefficient of POORPLAN and FRAUD are significant at

5% , while the coefficients of LACK and DELAY are significant at 10%. The following inferences can be drawn from the results as regard the significant variables:

i.   A unit increase in poor planning of budget will worsen the performance of budget by about 9%.
ii.   Fraudulent manipulations with other financial irregularities by government increases poor budget performance by about 8%.
iii.   Lacks of adequate professional knowledge among budget officers worsen poor budget performance by about 7%.
iv.   *Delay in passage of budget and late release of fund increases poor budget performance by 7.5%.*

On the overall the R^2 (0.2245), that shows that the goodness of fit of the model is poor. This implies that about 22.5% of the problem of poor budget performance in the study area are jointly explained by the combined problems of poor planning, fraudulent manipulations, lack of adequate professional knowledge and delay in the passage of budget..

B. IMPLICATIONS OF POOR PERFORMANCE OF BUDGET ON DEVELOPMENT

The analysis here is to investigate the implications of poor performance of budget on development in the state. Opinions of respondents are described in Table 8. Two measures of relationship are used under this analysis, namely pair-wise correlation coefficient and covariance. The correlation coefficient is statistical measure which determines the magnitude of linear relationship between two variables, while covariance measures the co – variation between two variables. That is the degree at which two variables vary together. The results are presented in Table 10.

Table 10: Covariance and Correlation Analyses of Implications of Poor Performance of Budget

Covariance Analysis: Ordinary				
Sample: 1 119				
Included observations: 118				
Balanced sample (listwise missing value deletion)				
H0: Cov,(POORBUDGET:β) = 0				
H02: Cor.(POORBUDGET:β) = 0				
IMPLICATION	**COVARIANCE**	**CORRELATION**	**t-Statistic**	**Probability**
ECODEV	0.171533	0.295884	3.33615	*0.0011

			3	
INFRSTR	0.042787	0.073933	0.798473	0.4262
DEBTS	0.121514	0.172211	1.8829	*0.0622
STANLIV	0.174573	0.291756	3.28524	*0.0013
UNEMPL	0.130279	0.232798	2.578151	**0.0112
WASTFUL	0.129645	0.192912	2.117506	**0.0364
EXTRAVAGANT	0.168804	0.298928	3.373824	*0.001
INVESTOR	0.199513	0.369057	4.276778	*0.0000
*Significant at 1%; **Significant at 5%; ***Significant at 10%				

Source: Researcher's computation 2013

The results in Table 10 show that both the covariance and correlation coefficients are significant for all the variables except INFRSTR. This is shown by the probability of t – statistics in Table 10. From the covariance and correlation coefficients the implications of poor performance of budget for development in Ondo State can ranked as follows:

i.   Discourages investors due to poor condition of the state infrastructure.
ii.   Reduced standard of living of the people in the state.
iii.   Slow down economic development in the State
iv.   Gives room for misappropriation and extravagant spending
v.   Increased level of unemployment
vi.   Wasteful spending
vii.   Debt accumulation

CONCLUSION AND RECOMMENDATIONS

The study has empirically analyzed the causes of poor budget performance and its implications in ondo state Nigeria. The result of the analysis shows that there is poor budgetary performance. The causes as shown by the result of the data analysis reveals that factors such as poor planning, budget indiscipline, fraud, lack of budget monitoring, delay in passage of budget, involvement in extra- budgetary activities, wasteful spending and lack of professional knowledge are all responsible. This has undoubtedly impacted on the performance of our government and consequently slows down economic development. However the following are recommended for an effective budgetary performance:

a. There is need for participatory budgeting where all the stake holders and budget beneficiaries are allowed to participate and make their own input
b. While it is true that budgeting exercise involves taking into consideration the submission of various departments and units in government, budgeting process

should not be reduced to mere aggregating such submission into a whole, rather, there is need for harmonization of policies and projections to avoid duplication and ensure internal consistency.

c. For effective budget implementation, there is need for consistency in government policies over a given period of time as policy inconsistency adversely affects budget performance.

d. To ensure proper budget effectiveness, regular monitoring and evaluation of programmes and projects is critical. It is necessary to develop an appropriate mechanism for monitoring the budget in order to enhance effectiveness in the level of budget achievement.

e. There is need for a strong and reliable data base. This is required at every stage of planning be it short or long term.

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