

Empirical Analysis of the Effect of Accountability on Budget Implementation in Ondo State Nigeria

Felix Olurankinse^{[a],*}; Sunday Rufus Oloruntoba^[b]

^[a]Ph.D., Senior Lecturer, Department of Accounting, Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria.

^[b]M.Sc., Assistant Lecturer, Department of Accounting, Adekunle Ajasin University, Akungba-Akoko, Ondo State, Nigeria.

*Corresponding author.

Received 28 December 2016; accepted 16 February 2017
Published online 26 March 2017

Abstract

The paper aimed at analyzing the effect of accountability on budget implementation in Nigeria using Ondo State Ministry of Finance as a case study. The paper adopts a survey design and secondary data which were obtained from statistical bulletin of Ministry of Finance. The time series data covers the period of eight (8) years from 2007-2014. The data was analyzed using ordinary least square (OLS) and Augmented Dickey Fuller (ADF) unit root test with the aid of E-view 7 Software Statistical package. The findings reveal that the coefficient of multiple determination is low in explaining the annual approved budget estimates, besides, the formulated model does not show a good fit of the total approved budget estimates due to some unforeseen occurrences that affects the measure of accountability during budget implementation. This was further justified by the *t*-test and *F*-test results. The paper recommended the use of accurate data which will be predicated on the performance of past budgets. Also, there is a need for strict observance of budget discipline by the executive to guide against extra-budgetary spending.

Key words: Accountability; Analysis; Budget; Implementation

Olurankinse, F., & Oloruntoba, S. R. (2017). Empirical Analysis of the Effect of Accountability on Budget Implementation in Ondo State Nigeria. *Canadian Social Science*, 13(3), 27-32. Available from: <http://www.cscanada.net/index.php/css/article/view/9340> DOI: <http://dx.doi.org/10.3968/9340>

INTRODUCTION

The essence of having governments in all the countries is to provide for the security and welfare of their citizenry. However, this objective is possible when the government ensures that various policies and projects aimed at fulfilling its economic and social obligations are fulfilled. The fulfilled obligations could be seen in the areas of education, food, security, housing, health care, job creation and the provision of social amenities. The success or failure of any government is always measured on the basis of the provision of these essential services. The pertinent question that we need to ask is to what extent has the government been able to fulfill these obligations, and with what instrument/mechanism? The answer to the later part of these questions finds expression in the budget as it is the only mechanism that set forth the expected route for achieving the financial and operational goals of the government.

Budgeting in Nigeria is problematic especially when it comes to implementation. Budget implementation problem occurs when the desired result on the target beneficiaries is not actualized. The problem with budget implementation is due to Nigeria's monoculture economy, deficit budgeting, delay in passage of the budget by the legislature and ineffective oversight by the legislative arm of government. It is worthy to note that there could be implementation gap as a result of many other factors which could arise from the budget implementers or the environment in which the budget policy has been made. Implementation gap arises from the budget itself when such budget emanates from the government rather than from the target groups.

By this, it means that the planning is top-down. The implication of this is that, the target beneficiaries are not allowed to contribute to the formulation of the policies that affect their lives. Ezenwafor (2011) opined that failure of the policy (budget) makers to take into consideration

the social, political, economic and administrative variables when analyzing formulation creates a huge implementation gap. Of the truth, corruption is the biggest problem that leads to implementation gap in Nigeria. Implementation problem comes in this regard when huge amount of money are earmarked for a project but the officers in charge of implementation steal such amount or a substantial part of the budgeted money.

In order to ensure transparency and fairness in budgetary preparation process, it is essential therefore, to introduce the principles of accountability and control so as to achieve the basic tenets of the process for budget preparation process. It is against this backdrop that this paper intends to look at budgetary process in Ondo State with strict application of the principles of accountability and control.

1. REVIEW OF LITERATURE

Budget in the public sector is a document or a collection of documents that refers to the financial condition of the government (Turns, 2006). A budget is prospective in the sense that it refers to expected future revenue and expenditure, in the Federal Government circle, budget is greatly limited in legal status. It is the official recommendation of the president to the legislature. In order to provide for a responsible government, budget is generated to a cycle. The cycle allows for the system to absorb and respond to new information and in doing so the government is held accountable for its action. It should be recognized that many factors curtail the extent to which the president can make major changes in the budget. In some states, preparation and authority is not always given to governors while some have responsibility for preparation and submission, some share budget making authority with other elected administrative officer, Civil servant, political appointees, legislative leader, or some combination of these officers. At the federal government level, preparations start from large agencies. The agencies begin by assessing their programmes and considering which programmes required revision and whether new programmes should be recommended. At the same time, estimates are made by the president's staff regarding anticipated economic trends in order to determine available revenue under existing tax legislation. The budget approval in the public sector (government) occurs at three stages namely ministerial approval, executive approval and Legislative approval. The preparation of budget phase commences five months before the beginning of the fiscal year. Guidelines are issued from the ministry of budget and planning in a form of circular. When the circular demanding the preparation of budget estimates is received by each ministries and department, a departmental committee of budget estimate is set up by each ministry and extra—ministerial department. The

committee is headed by the ministerial head of budget and personnel. It has its function as consideration and reconciliation of the budget proposals submitted by various departmental branches, division and units of the ministry.

1.1 Procedure for State Government Budget Preparation

The procedure for the preparation of the state budget is similar to the procedure enhanced by the constitution for the preparation of the federal government budget. The commencement of the budget requires any government department to make projection for its service incorporating the capital and recurrent estimates for the next financial year. The capital expenditure estimates are for expenditure on capital projects such as construction of roads, dams etc.. The recurrent expenditure estimates are meant for government operational services, personnel emolument, maintenance costs, repairs of machinery etc.. Next is the transfer of budgets of various departments to the ministry of finance for their perusal, where the department heads have to appear to defend the estimates. The defended estimates prepared by the departments, titled appropriation bill is sent to the state house of assembly. The appropriation bill is then published in the gazette for public comments and debate. The governor is then expected to go and formally present the budget speech to the house of assembly after the appropriation bill would have been introduced in the house. The budget proposal goes through the readings, committee stage and debate in the course of the normal process of legislative law making before it is passed into law i.e. become appropriation act. This is subsequently forwarded to the Governor for his assent after which it becomes an operational document called Budget.

1.2 Empirical Review

Various erudite scholars have examined the effect of dominant individuals on budget implementation in both developed and developing nations. Study by Oke (2013) revealed that budget implementation has significant impact on the performance of the economy; hence, it justifies the assertion of the Wagner theory/law who upholds the preparation of a good budget and its appropriate implementation.

The study carried out by Olurankinse et al. (2008) on “budgeting as a tool for control and performance evaluation in the public sector” discovered that there is lack of fiscal discipline and control, which resulted in greater spending on expenditure.

Kali (2010) looking at improved budget implementation as a key to Nigeria's recovery discovered that the Nigerian economy is stagnant and that there is also a collapse of public infrastructure. He recommended that the dwindling revenue encountered in Nigeria should be tackled in other to achieve better budget implementation.

Okunmuyide (2012) on his part analysed the key issues in 2013 budget. He discovered that 2013 budget is silent on the recovery of N2.6 trillion subsidy scam recovered. He recommended that such huge amount of money should have been used to reduce the budget deficit.

2. DATA AND METHODS

The paper makes use of survey design and secondary data which were obtained from the statistical bulletin of ministry of finance. The time series data covers the period of eight (8) years from 2007-2014. The data was analyzed using ordinary least square (OLS) and Augmented Dickey Fuller (ADF) unit root test with the aid of E view 7 statistical package.

The model used to explain the effect of accountability

on budget implementation in Ondo State is presented below:

$$TBE_t = f(t) \tag{1}$$

The functional form of the model could be presented explicitly as:

$$TBE_t = \beta_0 + \beta_1 t + \mu_0 \tag{2}$$

Where:

TBE = Total approved budget estimates in term of period (#'Million),

t = Period t in term of yearly budget estimates.

β_0 is the intercept of the regression line, β_1 is the slope of the regression line or behaviour parameters, each representing the unit change in the dependent variable due to a unit change in each regressor. μ is the stochastic random error term that represents other independent variable that affect the model but were not captured in the model.

3. RESULT AND FINDINGS

Table 1
Total Approved Budget Estimates for Eight Years Period

Year	2007	2008	2009	2010	2011	2012	2013	2014
Total approved Budget estimate (TBE) (#'Million)	64.369	119.793	84974.236	124371.513	85.310	89.690	152500.000	168000.000
Period in term of yearly budget estimate (t)	1	2	3	4	5	6	7	8

Source: Annual Financial Report of Ministry of Finance, Ondo Stat (AFR, 2014).

Dependent Variable: TBE.
 Method: Least Squares
 Date: 08/13/15 Time: 20:48
 Sample: 2007 2014
 Included observations: 8

Variable	Coefficient	Std. error-statistic	Prob.
T	1.86×10^{10}	9.87×10^{10}	0.1093
C	1.72×10^{10}	00.345261	0.7417
R -squared	0.370439	Mean dependent var	6.63×10^{10}
Adjusted R - squared	0.265512	S.D dependentvariable	7.47×10^{10}
S.E of regression	6.40×10^{10}	Akaike info criterion	52.81431
Sum squared resid	2.46×10^{22}	Schwarz criterion	52.83417
Log likelihood	209.2572	Hannan-Quinnriter	52.68036
F -statistic	3.530455	Durbin-Watsonstat	1.784455
Prob (F -statistic)	0.109314		

The summary of the Ordinary Least Square (OLS) regression result is stated below:

$$TBE = (-1.72 \times 10^{10}) + (1.86 \times 10^{10})T$$

$$S.E = (4.99 \times 10^{10}) (9.87 \times 10^9)$$

$$t_{cal} = (-0.345261) (1.878950)$$

$$P_{value} = (0.7417) (0.1093)$$

$$R^2 = 0.370439$$

$$Adj.R^2 = 0.265512$$

$$DW = 1.784455$$

$$F_{stat} = 3.530455$$

$$Prob (F_{stat}) = 0.109314$$

The value of standard error, t -statistics and p -value of significance are stated in the parenthesis respectively while other parameter estimates are stated below the results.

4. ANALYSIS OF RESULTS

4.1 The Determinant of Multiple Regression (R^2)

The determinant of multiple regression (R^2) stood at approximately 0.3704, which indicates that a change in the approved budget estimation in Ondo State is explained to the tune of 37.04% by the period t in term of yearly budget estimated while 62.96% variation remains unexplained. The adjusted R^2 of approximately 26.55% shows that R^2 indicates the true behaviour of the approved budget estimation in Ondo State according to change in

Table 2
Result of the Standard Error Test

Dependent variable	Explanatory variables	Absolute coefficient (\hat{a}_i)	Standard error ($s\hat{a}_i$)	Implication $\frac{1}{2} \hat{a}_i > s\hat{a}_i$	Decision
TBE	Constant	1.72×10^{10}	4.99×10^{10}	$8.6 \times 10^9 < 4.99 \times 10^{10}$	Not significant
	T	1.86×10^{10}	9.87×10^{10}	$9.3 \times 10^9 < 9.87 \times 10^{10}$	Not significant

Source: Researcher's computation (2015).

From the table above, it could be observed that our regression estimate is statistically not significantly different from zero on variation in total approved budget in Ondo State, at 5% level of significance, using a two-tail test.

The implication of the result is that inconsistency in the government can pollute the financial strength of the state which has a periodically yearly effect on budget estimates within the period considered.

4.4 Student's t -Test

The summary of the results of student's t -test of

Table 3
Result of the Student's t -Test

Dependent variable	Explanatory variable	Absolute t_{cal}	t_{tab} at 5% critical value	Implication (based on the absolute value)	Decision
TBE	Constant	0.345261	2.365	$0.34526 < 2.365$	Not significant
	T	1.878950	2.365	$1.878950 < 2.365$	Not significant

Source: Author computation from Eview 7.

4.5 Decision Rule for Implication

If $t_{cai} > t_{tab}$ or $-t_{cai} > -t_{tab}$, then the explanatory variable is significant; if otherwise, then the explanatory variable is not significant.

If $t_{cai} < t_{tab}$ or $t_{cai} < t_{tab}$, then the explanatory variable is not significant; if otherwise, then the explanatory variable is significant.

From Table 3, the yearly budget estimates are not statistically significant in explaining the variation in the total approved budget estimates at 5% level of significance. Thus, this has no significant influence in the performance of Ondo State.

yearly budget estimates. Hence, this model does not show a good fit in the desired direction.

4.2 Test of Significance of the Parameter Estimates

The standard error test and student's t -test were used to establish the significance of the parameter estimates.

4.3 Standard Error Test

To determine the significance of the parameter estimate, half of each coefficient is compared with its standard errors. The result of the standard error test is presented in Table 2

significance of the parameter estimates is presented below. Since the alternative hypothesis is expressed in the form of $b_i = 0$, we used a two-tail critical region. Each tail would correspond half the chosen level of significance; the area of each tail is 0.025 (25%). The degree of freedom: $N - K = 8 - 1 = 7$.

Where:

K = Number of parameter estimates,

N = number of observation.

To find out the statistical significance of the variables, we compare the t_{cal} of each variable with the t_{tab} as analysed below:

4.6 The F -Distribution Test Result

The result of " F " distribution test with V_1 and V_2 degree of freedom at 5% significant level for the model are shown in Table 3.

To estimate F_{tab} :

$$V_1 = K - 1 = 1 - 1 = 0,$$

$$V_2 = N - K = 8 - 1 = 7.$$

From the statistical tale, V_1/V_2 is 5.59.

Table 4
Result of " F " Distribution Test

F_{cal}	F_{tab}	Prob.	Implication	Decision
3.530455	5.59	0.109314	$3.530455 < 5.59$	H_0 is accepted

Source: Author computation from E-view 7.

From the above table, the F_{cal} (3.530455) is lesser than F_{tab} (5.59). This is a clear indication that the whole regression is not statistically significant due to the inconsistency in level of accountability on the yearly budget estimates in Ondo State. Hence, the null hypothesis is accepted and the alternative hypothesis is rejected which indicates that there is no significant effect on the measure of accountability and budget implementation in Ondo State based on the ordinary least square method within the period considered.

The Durbin-Watson value of approximately 1.7845

indicated the presence of autocorrelation of the first order among the residuals of the model. This implies that any shock arising from the economic purse of Ondo State as a result of approved budget estimates, does not disappear instantaneously but extends into the next periods.

The regression method we applied for the data analysis had revealed to us that the variables for the research study are not stationary and have a unit root problem. We therefore employ Augmented Dickey-Fuller Unit root test to test for the level of stationarity of the variable.

4.6 Unit Root Test

Table 5
Augmented Dickey-Fuller (ADF) Unit Root Test

Variable	ADF (1)	ADF (2)	ADF (3)
Total approved budget estimates	-1.234	-1.234	-1.234
Accountability	-1.234	-1.234	-1.234
Budget implementation	-1.234	-1.234	-1.234
...

Note. A variable is stationary when ADF values exceed the critical values.
 Source: Researcher's computation (2015).

Table 5 shows the Augmented Dickey-Fuller (ADF) unit root test of the total approved budget estimates under review. The absolute value of the Augmented Dickey-Fuller (ADF) unit test at first difference is greater than the critical values at 1%, 5%, and 10% significant level respectively. Therefore we reject the null hypothesis and conclude that total approved budget estimates annually in Ondo State doesn't have unit root problem and the variables are stationary at 1%, 5%, and 10% significant level respectively.

5. THEORETICAL IMPLICATION OF FINDINGS

Annual yearly budget estimates in Ondo State has no significant influence on the measure of accountability and total budget implementation in the state within the period considered. The result of the analysis revealed that during the period of budget implementation in Ondo State for the past eight years, an overall estimated budget of approximately #18.6billion was unable to be accounted for due to some unseen circumstances that can be traceable to lack of transparency and accountability within the period of study. This has a consequential effect on the people of the state by increasing the poverty level to an unacceptable stage of degree. This research work is in agreement with a similar study done by Oniore (2014). He investigated on budget

implementation and economic development in Delta State from 1991 to 2010. The major findings in the study revealed that budget indiscipline, lack of accountability, non-consideration of reasonable suggestions from interest groups while preparing the budget, inadequate monitoring instruments, political instability, non-usage of accurate data, inconsistent economic planning and policies are the major factors which are responsible for budget failure in the state.

CONCLUSION

The paper concluded that accountability and budget implementation in the state has no significant impact in influencing a better living of the people and structuring a reasonable economic growth in the state. This can be attributed to some unfavourable circumstances responsible for budget failures in the state in terms of implementation. This is an unpleasant situation that should be addressed with key interest due to its measure of strength. Legislative oversight activities have increased in recent times, but their effectiveness in promoting targeted budget outcomes has been negligible. Consequently, corruption and poor budget implementation still permeate the spheres of Ministry of Finance in the state. The implications of poor capital projects implementation include high rate of poverty, unemployment income inequality, infant and maternal

mortality and decay in infrastructure, inadequate supply of electricity, water, housing, health, transport and educational facilities. The paper therefore posited policy options for the state on how to effectively utilize oversight activities to accelerate budget performance in terms of accountability and implementation in the state.

REFERENCES

- Abba, A. A. (2008). Inventory participatory planning and budgeting for participatory local governance in Nigeria. *International Journal of Business and Social Science*, 7(2), 12-15.
- Afzal, J., & Abba, K. (2012). The role of parliament in the budget process. *South African Journal of Economics*, 66(4), 512-541.
- Akpa, A. (2009). *Strengthening budget tracking by the legislature as a response to global economic crisis: Adding value to good governance through oversight monitoring* (pp.1-12). Paper Members of the Benue State House of Assembly in Collaboration with AL-Cimage Consult Ltd. On Budgeting Process, Monitoring and Oversight Functions of the Legislature at Protea Hotels, Abuja, April 1-4.
- Ezeani, T. A. (2006). *The making of the federal government budgets*. A Paper Presented on a Workshop Organized for Budge. Office of the Federal Government, Ibadan.
- Ezenwafor, E. C. (2011). Impediment to budget implementation in developing countries: The Nigerian experience. *Multidisciplinary Journal of Research Development*, 17(4), 143-150.
- Kali, D. I. (2010). Public wealth and accountability in Islam: A case study of the Shari'ah Administration of Shekarau in Kano State. *Public Fund Digest*, 4(1), 210-222.
- Mergs, N., & Mergs, E. (2004). *What's behind the budget? Politics, rights and accountability in the budget process*. Centre for Aid and Public Expenditure Overseas Development Institute, London and Department of Sociology/Human Rights Centre University of Essex, June.
- Oke, M. O. (2013). The role of budget to the economic development of Nigeria, Nigerian Economics Students Association (NESA). *Economic Journal*, University of Maiduguri Press, 9(4), 12-15.
- Okunmuyide, G. F. (2012). Towards effective budgeting under a democratic system. *NCEMA Policy Analysis Series*, 5(1), 302-305.
- Olurankinse, F., Yabugbe, P. O., & Ibadin, L. A. (2008). Budgeting as a tool for control and performance evaluation in the public sector. *Journal of Research in National Development*, 6(2), 42-49.
- Oniore, J. O. (2014). Budget implementation and economic development in Delta State-Nigeria, 1991-2010. *International Journal of Academic Research in Business and Social Sciences*, 4(3), 333-344.