

**INFLUENCE OF BUDGET AND BUDGETARY CONTROL ON PLANNING AND DECISION
MAKING IN SELECTED OSUN STATE GOVERNMENT MINISTRIES**

ADEBAYO ADEREMI OLALERE

**Department of Accounting
Osun State University, Osogbo
aderemi.adebayo@uniosun.edu.ng**

&

ADENLE OLUWATIMILEYIN ESTHER

**Department of Accounting
Osun State University, Osogbo
oluwatimileyin.adenle@uniosun.edu.ng**

&

OJELEYE AYODELE DAVID

**Department of Accounting
Osun State University, Osogbo
ayodele.ojeleye@pgc.uniosun.edu.ng**

Abstract

This study examines the influence of budget and budgetary control on planning and decision making in selected Osun state government ministries in Nigeria. Questionnaire method was utilized to gather the data used for the study and the outcome of the research was analyzed using frequency, Standard deviation, mean, percentages, and multiple regression analysis. The questionnaire was administered on 100 respondents out of the total of 120 circulated. The data collected were analysed using simple regression analysis and all hypotheses tested at 0.05 level of significance. The result showed that there is a functional significant relationship between the service provided by the ministries and level of satisfaction derived by the populace with $R=0.842$ and $p\text{-value} = .000$, which lies below the α (alpha) values of 0.05. It also showed that there is a significant relationship between adequate funding of ministries and the achievement of ministries targeted goal with $R= 0.495$ and $p\text{-value} = .000$, which obviously lies below the α (alpha) values of 0.05. The study concluded that the populace is satisfied with the services provided by each ministries and the expectation of the populace is that the ministries will do better in meeting their needs better if they were well funded.

Keywords: Budget, Budgetary Control, Decision Making, Planning

Introduction

Budget and budgetary control has tremendous influence on the decision and the planning of ministries. All ministries prepare budget and also ensure that they are capable of meeting their budgeted goal, despite the fact that various ministries in the state are working very hard to meet their budgeted set goal, there are some crucial problems facing each ministries most especially in the area of finance, the ministries are not well funded and this has resulted into the inability of the ministries to perform their function effectively. Meigs and Meigs, (2004) characterized financial plan as an exhaustive budgetary arrangement, which set forth the necessary direction that will help in accomplishing operational and financial desires of an organization. Nigeria's Financial Regulations (2000), states that before government agencies and

government ministries can incur an obligation to make expenditures, they must ensure they obtain spending approval from the ministry of finance via the usage of warrants. The warrants will authorize officers controlling votes to acquire expenditures in compliance with the approved estimates. If the Appropriation Act has not come into operation toward the beginning of the year, a provisional general warrant may be issued to guarantee the continuity of government services. The length of time taken to endorse investment is decided in utilitarian cash stream estimate for the period when the installments are expected.

However, the government use budget as a guiding tool for planning and control of its resources, be it financial or otherwise. The use of budget involves knowing how much money you earn and spend over a period, particularly one year. When a budget of an establishment, department or ministry is created, it means creating a plan for spending and saving money (Abdullahi and Augus, 2012). According to Olurankinse, Yabugbe and Ibadir (2008) budgeting in the early stage of its evolution was primarily concerned with serving the purpose of legislative accountability.

Statement of problem

Siyabolola and Trimisiu (2013) stated in their study that decision as to how to distribute limited financial and non-financial resources in an effective and efficient manner is an important challenges facing all organisations including government and state ministries. Also in government ministries and agencies, lack of effective budget analysis and feedback about budgetary problems can result to the government ministries and agencies inability to meet their targeted goals.

In addition, the use of appropriate budgeting techniques by state government ministries can help to reduce budgeting problem. Omopariola (1984) examines the budgeting system procedures and practices and the attempt to modernise them at the federal government level during the second republic (1979-1983). He stated that traditional budgets cannot convey much information to anyone interested in knowing what the government proposes to do, how much, when and at what cost. In other words, traditional budgets do not interrelate financial outlays with physical targets. No budgeting technique can actually solve government budget problems but a perfectly working planning programming and budgeting system (PPBS) has the potential for improving the effectiveness of how available funds are utilized (Omopariola 1984). This study traces the extent by which the populace is satisfied with the services rendered by the state government ministries and the extent to which the ministries were able to achieve their budgeted goals by utilizing effectively the funds available to them.

Objectives of the study

This study intends to evaluate how planning and decision of the state ministries in Osun State are being influenced by the preparation of budget and budgetary control.

The study specifically examines:

- i. The relationship between the service provided by the ministries and level of satisfaction derived by the general populace.
- ii. The relationship between adequate funding of ministries and achievement of ministries budgeted goal.

Research hypotheses

The following hypotheses are formulated for the study

H₀: Service provided by the ministries has no relationship with the level of satisfaction derived by the populace.

H₀: Adequate funding of ministries has no relationship with the achievement of ministries budgeted goal.

Significance of the Study

The implications of this study is that it will serve as a reference material to researchers and student who might be interested in conducting further research into similar or related areas of study and the

recommendations based on the findings, would help ministries to know how they can use budget and budgetary control to make effective and efficient planning and decision making.

Literature review

Conceptual review

Budget and budgetary control are part of the administrative control system of government ministries. This process encourages the head of ministries to plan, provide necessary information for advanced development, choice making, growth and co-ordination among various government ministries divisions. The quest for the use of budget in government ministries is to evaluate the performance of those ministries' services in terms of their outputs or services over a period of time. Justification and progress tracking of every amount spent on each of the budgeted items in the budget of those selected ministries would indicate value for money. Government spending monitoring and government control of developmental projects could fluctuate from ministry to ministry depending on the cost of leadership method used by the manager of the ministry under study.

Nigeria is a nation blessed with wide extend of assets such as: human assets, capital assets, fabric resources and other resources. In any case nevertheless, despite her gigantic resources, Nigeria is still believed to be an underdeveloped nation or developing nation. Omopariola (1984) states that the Nigeria government authorities like other governments authorities throughout the world, is increasingly assuming new functions and conducting a diversity of activities designed to react to rising social and economic needs. For example, major steps are being taken to improve the educational opportunities in the country, to promote the idea of equal development, to provide medical facilities, and generally to alleviate poverty. It was argued that these programmes were very expensive and that the government has to try to meet these ever-increasing needs with fluctuating scarce resources. The significant apparatus government services, organization or agencies and firms utilized for controlling and arranging exercises in budget.

According to Lucey (2005) planning is an inescapable part of all rational human activities. Planning in government ministries deals with what the ministries should do in other to meet their budgeted goal and to be able to perform their functions. Batty (1982) states that budgetary control is a framework which utilize budget as a means of coordinating and controlling all aspects of production and also all aspects that deal with selling of commodities. Therefore, budgeting and budgetary control aids government ministries in planning and decision making.

Decision making in government ministries is the thought process of selecting a logical choice from available option. The State ministries use budget and budgetary control in making diverse decisions and plans. The use of budget will help the ministries in making important decisions so that they will be able to meet their targeted expenditure and revenue plan. Budget and budgetary control underline the ability of government to achieve its goals for guaranteeing stable price level, high degree of employment, orderliness, and good balance of payment surplus. Budgets are also used throughout private and public organisations to set objectives and to control and align managers' behavior. As indicated by Olurankinse (2012), budget preparation and execution usually includes the process of recognizing the needs of the public and the assertion of the quality of products that will be required to meet those needs.

Theoretical review

Different theories have been developed on government budgeting. The bottom-up theory and the top down theory are used for the purpose of this research work.

Bottom-up theory is a normative theory of budgeting propounded, according to Trucker (1985), by the early studies of Pyhrr in the early 1970s. It involves the collection of all needs or request of the different units of an organisation presented in form of estimates of funds required for their proposed activities which are summed up by the central authority to obtain the total budget for the coming fiscal year. In other words, the approach adopted in bottom-up budget best explain by zero-based budgeting method that starts

with basis of zero and calculate cost of running each programme from the scratch. While using the approach, each programmes must be extensively reviewed to justify its inclusions in the budget.

Top down theory emerged in 1990s as a response to fiscal crisis encountered in budgeting formulation. Under this theory the central authority or top management echelon places ceiling on the resources to be made available to the units. However, efforts are made to meet the need of units so as to obtain a better performance from their operation, some of the benefits of this theory are ease of development, challenging the accounting officer of each units to formulate efficient budget by setting optimum priorities, providing early guidance to the budget planner thereby reducing or eliminating the need to cut budget.

Empirical review

Marcormick and Hardcastle (2011) carried out a study on budgetary control and organisational performance in government parastatals in Europe. A sample of 40 government parastatals were used for establishing the relationship between budgetary control and organisational performance, secondary data was used and a period of ten years was reviewed. A regression model was used for data analysis and the results of data analysis revealed a positive relationship between budgetary control and organisational performance of government parastatals.

A study by Serem (2013) examined the budgetary control in Non-Governmental Organisations and its effects on their performance. The research target population consisted of 7,127 Non-Governmental Organisations as provided in the Non-Governmental Organisation Board of Kenya. 30 NGO' s were selected using convenience judgmental sampling technique for this study, both local and international organisations with headquarters in Nairobi and its environs. The study findings established a weak positive effect of budgetary control on performance of NGO' s in Kenya and suggested the need of sensitizing employees on budgetary controls so as to improve its consequent effect of performance.

Empirical study conducted by Olurankinse, Yabugbe and Ibadir (2008) states that budget as a control tool for evaluating performance in the State Ministries was found to be poor and ineffective. 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. Malgwi and Unegbu. (2012) in a similar view, find out that budget success cannot be achieved without adequate provision of financial resources. Report of budget process should inform stakeholders the direction a ministry is going.

Methodology

The study adopted survey research design method. A structured questionnaire was designed for a randomly selected sample of one hundred and twenty (120) respondents which is 40% of the total population of the 3 Osun State ministries used for the purpose of this study. The total of one hundred responses received from respondents were analysed using simple statistical tools such as graph, frequencies and percentages. The hypotheses of the study were tested using regression analysis with the aid of statistical package for social sciences (SPSS). Planning and decision making are the dependent variables which serves as the primary or main focus of this study while, budget and budgetary control are the independent variables which affect the dependent variables (decision and planning), other independent variables that will affect the dependent variables (decision and planning) are; service provided by ministries and adequate funding of ministries. The independent variables are also the main factors playing active role in this study.

Table 1: Estimated population of the three Osun State ministries staffs selected for the purpose of this study.

S/N	MINISTRIES	NUMBER OF STAFFS
1	Ministry of Finance, Budget and Economic planning	150
2	Ministry of Education, Science and technology	100
3	Ministry of information	50
	Total	300

Source: Author' s Conceptualization

Results and Discussions

Objective 1: Analysis of the relationship between the service provided by the ministries and level of satisfaction derived by the general populace.

Table 2: Populace satisfaction and Ministry functions

	Frequency	Percent	Cum. Percent
Strongly agree	37	37	37
Agree	43	43	80
Undecided	7.5	7.5	87.5
Disagreed	6	6	93.5
Strongly disagreed	6.5	6.5	100
Total	100	100	

Source: Author' s Conceptualization

The result from the table above shows that the populace is satisfied with the services provided by each ministry. It reveals that 37 (37%) of the respondents strongly agreed that they are satisfied with the services rendered by each government ministry, 43 (43%) of the respondents concurred, 7.5 (7.5%) of the respondents were uncertain, 6.5 (6.5%) of the respondents emphatically disagreed to the question and 6 (6%) of the respondents disagreed. Therefore, majority of the populace were satisfied with the service provided by each ministry.

Objective 2: Analysis of the relationship between adequate funding of ministries and the achievement of ministries budgeted goal

Table 3: Adequate funding of ministries and achievement of ministries budgeted goals

	Frequency	Percent	Cum. Percent
Strongly agree	29.5	29.5	29.5
Agree	31.5	31.5	61
Undecided	11	11	72
Disagreed	9	9	81
Strongly disagreed	19	19	100
Total	100	100	

Source: Author' s Conceptualization

The results from the table 2 above shows that there is a significant relationship between adequate funding of ministries and the achievement of ministries budgeted goal. It reveals that 29.5 (29.5%) of the respondent strongly concur, 31.5 (31.5%) of the respondents agreed, 11(11%) of the respondents were undecided, 19 (19%) strongly disagreed while 9 (9%) of the respondents disagreed. Therefore, this implies that there is a significant relationship between adequate funding of government ministries and the achievement of their budgeted goals.

Hypotheses Testing

Hypotheses testing provide relevant data for validating or rejecting the null hypothesis

Testing of hypothesis

Hypothesis one

H₀: There is no significant relationship between the service provided by the ministries and the level of satisfaction derived by the populace.

Table 4: Model Summary of the relationship between the Service Provided by the Ministry and Level of Satisfaction Derived by the Populace

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1.	0.842 ^a	0.708	0.705	0.571

Table 5: ANOVA^a Summary of Regression Analysis of the relationship between the adequate funding of ministries and the achievement of ministries budgeted goal

Model	Sum of Squares	D f	Mean Square	F	p-value
1 Regression	48.177	1	48.177	31.733	.000 ^b
Residual	148.783	98	1.518		
Total	196.960	99			

The calculated R equals 0.842 and the p-value equals .000, which, obviously lies below α (alpha) values i.e. 0.05. Therefore, it reveals that there is functional relationship between the independent variable (service provided by the ministries) and dependent variable (level of satisfaction derived by the populace). The results of the regression confirm 95% confidence that there is a significant relationship between the service provided by the ministries and the level of satisfaction derived by the populace. Since the alpha value is greater than the P-value, we reject the null hypothesis. Olurankinse et al., (2008) also attest to this that budget is a control tool for evaluating performance in the State Ministries. If the state ministries are able to use effectively and efficiently the financial resources available to them they will be able to satisfy the needs of the populace. Lucey (2005) in support of the above, opined that the use of budgetary control will help in efficient use of resources to achieve a previously determined objective.

Hypothesis Two

H₀: There is no significant relationship between the adequate funding of ministries and the achievement of ministries budgeted goal.

Table 6: Model Summary of the relationship between the adequate funding of ministries and the achievement of ministries budgeted goal

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1.	0.495 ^a	0.245	0.237	1.232

Table 7: ANOVA^a
Summary of Regression Analysis of the relationship between the adequate funding of ministries and the achievement of ministries budgeted goal

	Model	Sum of Squares	D f	Mean Square	F	p-value
1	Regression	48.177	1	48.177	31.733	.000 ^b
	Residual	148.783	98	1.518		
	Total	196.960	99			

The calculated R equals 0.495^a reveals that there is a functional relationship between the independent variable (adequate funding of ministries) and dependent variable (achievement of ministries targeted goal). The p-value equals .000, which, obviously lies below α (alpha) values i.e. 0.05 So, it means dependent variable has a high statistically significant relationship with independent variable. we therefore reject the null hypothesis and accept the alternate hypothesis which states that there is a significant relationship between the adequate funding of ministries and the achievement of ministries budgeted goals. Malgwi and Unegbu (2012) subscribed that there is a significant relationship between adequate funding of ministries and achievement of ministries goals by concluding that budget success cannot be achieved without adequate provision of financial resources.

Discussion of Findings

As seen on result from the findings, it shows that there is a connection between the service provided by the ministries and the satisfaction derived by the populace from the services. It shows that 37 (37%) of the questionnaire respondents strongly concurred that they are satisfied with the service provided by each ministry, 43 (43%) of the respondents agreed, 7.5 (7.5%) of the respondents were unsure while 6.5 (6.5%) strongly disagreed and 6 (6%) of the respondents disagreed. Therefore, majority of the populace were satisfied with the service provided by each ministry. Oladipo and Akinbobola (2011) argued in support of the result above that the use of budget by government enables the government to have a noteworthy influence on the nation’ s economic activities. Government Finance Officers Association (1998) also attest to this by saying; the aim of budgeting is to assist decision makers to make informed choices for the provision of services and capital assets and also to promote stakeholder’ s involvement in the decision-making process. Omopariola (1984) supported this by stating that the Nigeria government like other governments throughout the world, is increasingly assuming new functions and conducting a wider variety of activities designed to respond to emerging social and economic needs.

Furthermore, the findings also revealed that there is a relationship between adequate funding of ministries and the achievement of ministries budgeted goals. It reveals that 29.5 (29.5%) of the respondent strongly concur, 31.5 (31.5%) of the respondents agreed, 11(11%) of the respondents were undecided, 19 (19%) strongly disagreed while 9 (9%) of the respondents disagreed. Therefore, this implies that there is a significant relationship between adequate funding of government ministries and the achievement of their budgeted goals. Which also implies that the level of effectiveness and efficiency of the ministry depend on the adequate funding of the ministry.

Conclusion and Recommendations

From this study, it has been revealed that the state government ministries prepare yearly, medium-term and long-term plans through rigorous procedures which indicate that it attaches much significance to planning and budgeting. Also based on the responses obtained from respondents, records and confirmations made available during the time of conducting this research this study concludes that state government ministries experiences budget deficits because its budgeted revenues are less than its budgeted expenditure, in some cases this is attributable to poor budgetary controls. This study also confirmed that despite the ministries not being well funded the populace are satisfied with the services provided by each ministries and the

expectation of the populace is that the ministries will do better in meeting their needs if they were well funded.

This study recommends that enough funds should be allocated to each ministry to enable them to meet their budgeted goals for the year. Also the government should employ more efficient budgetary control measures in other to ensure that they provide services that will satisfy the needs of the populace.

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