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Effect of Dominant Individual on Budget Implementation in Nigeria: A Content Analysis Perspective

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Abstract

This paper examines the effect of dominant individuals on budget implementations in Nigeria. The methodology used in the study is content analysis method. The literature and empirical review reveal that the activities of dominant individuals ranges from manipulation of budget items before and after approval of annual estimate: embezzlement and fraudulent activities: lack of proper budgeting processes are responsible for the failure of budget in Nigeria. The recommendations therefore include the need for budget reform in Nigeria. Budget should be based on thorough evaluation of revenue and needs and the issue of probity, transparency and accountability should be properly addressed in the budget process. The implication of findings includes high level of youth unemployment, poverty and corruption as well as causing under development of Nigeria economy.

Key words: Dominant Individuals, Budget performance:

Introduction

A budget is a financial/and or quantitative statement prepared and approved prior to the defined period of time for achieving a given objective (Nwaorgu, 2003). Budget is prepared by organized private sector as well as public sectors for the purpose of control. Organized private sector use budget to measure profit while public sector use budget to achieve the following: to estimate amount to be received and spent, as a guide for the future and to distribute limited resources. In other words, Oke (2013) states that a budget is an instrument stipulating policies and programme+63 aimed at realizing the development objectives of a government. Budget is a plan of dominant individuals in an organization expressed in monetary terms and subject to the constraints imposed by other participants and the environment indicting how the available resources may be utilized to achieve whatever the dominant individual agreed to be the organization's proprieties (Omolehinwa, 2003).

The dominant individuals are those who influenced the preparation and implementation of budget in both profit and nonprofit making organizations. They include: chief accounting officers, accounting officers, director generals of governmental units, managing directors of companies. Directors and heads of department, legislators etc. that is, the dominant individuals, consider and influence items to be budgeted for to achieve their selfish interest and personal aggrandizement. The items budgeted for are usually monitored and realized during budget implementation. This attitude of the dominant individuals results in siphoning of public fund meant for the development of the country. On the aspect of organized private sectors, the attitude of dominant individuals results in embezzling of money meant for the shareholders.

Objective of the study

The main objective of this study is to examine the effect of dominant individuals on budget implementations in Nigeria. This implies an investigation of the dominant individuals' actions and their consequences on Nigerian economy.

Literature and 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 recommended the following:

i. that the proportion of debt finance in the national budget should be kept as low as possible as well as make appropriate and judicious use of such.

ii. Apart from paper documentations, government should ensure effective implementation of budget by translating the budgeted amount into tangible assets such as good roads, infrastructures, electricity supply among other so that the ordinary citizen on the road can feel the impact of good governance.

iii. Nations should endeavor to include more capital expenditure in it budgetary plan in other to speed record a yearly increase in the value of growth process that is brought about the future effect of capital investment.

iv. Finally, the government should also try to put in place effective machinery that will ensure that the strict adherence to due process and total implementation of annual budget provision and avoid diversion of public funds to personal uses.

The study carried out by Olurankinse et al (2005) 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. The study, therefore, recommended the following:

i. Since budget provides an overall vision of state policy, it should include all items and sectors of expenditure foreseen for the period and all sources of revenues, including taxes, duties, grants and gifts.

ii. Drawing up a budget should be based on through evaluation of revenue and needs.

iii. A bottom-up budgeting process should be put in place where all relevant officers will partake. Such measure will ensure that resulting budgets are objective and realistic.

iv. A budget which emerges as a consequence of all the reforms recommend above will be an effective tool.

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 budget deficit. Herath (2004) worked on the relationship between public expenditure and economic growth in Sri Lanka from 1959 to 2003. The study found that government expenditure has a positive effect on growth. Still on the impact of public expenditure on economic growth in developing countries, Bingxin et al. (2009) used a dynamic generalized method of moment (GMM) model and a panel data set for 44 developing countries between 1980 and 2004 for his study. It was revealed that the various types of government spending have different impact on economic growth. Zheng et al. (2010) analysing the relationship between the size of Chinese government as measure of its annual spending and the growth rate of the economy from 1952-2007 discovered that there is no strong evidence in support of the validity of Wagner's law for Chinese economy.

Another study was done by Afzal and Abba (2012) on economic growth and the size of the government expenditure from 1960-2007. The study investigated the application of Wagner's hypothesis to Pakistan. The finding indicated that Wagner's hypothesis does not hold for aggregate public spending and income for three periods (1961-2007, 1973-1990 and 1991-2007). However, Verma and Arora (2010) study on the validity of Wagner's law in India over the period from 1951 to 2008 revealed that there is no existence of any relationship between economic growth and the size of government expenditure.

Alam et al. (2010) in his study on the long-run relationship between social expenditure and economic growth in Asian developing countries including Sri Lanka discovered that expenditure in infrastructure, education, and health played important role in promoting economic growth in all the selected Asian countries. Komain and Brehmasrene (2007) opined that that there exists a significant positive effect of public expenditure on economic growth, but for Barro (1991), there is a positive but weak relation between public expenditure and economic growth.

Methodology

The methodology used in this paper is content analysis method. It made use of extant literature on the subject matter for inferences.

Effect of Dominant Individuals on Budget Implementation

Dominant individuals are top officials in government, governmental agencies, legislators and business organizations. They influence and impose constraints on items to be considered in the budget. Other participants in budget preparation are over-shadowed by these dominant individuals. This attitude made it possible for the individuals to determine what they will realize during implementation of annual estimate or budget. On this process, money or amount ear-marked for certain projects or purposes end up in individual pocket thereby affecting the provisions of basic amenities. Oke (2013) stated that during the phase of budget implementation, there are many possibilities for interventions and manipulations in view of the fact that officials have a great amount of discretionary power to decide which spending ministry or agency will be granted spending authorization.

In addition, Oke (2013) stated that in spite of the specific nature of appropriation laws, the commitment phase of the expenditure process is a fertile ground for corrupt activities. In Kail (2010) views over the years, poor budget implementation by the executive arm of government at the local, state and federal levels has sabotaged key public infrastructure such as transport, power, and communication among others. In the history of Nigerian budgeting process, the amount budgeted for recurrent and capital expenditure is not fully implemented thereby resulting to developmental gaps. This complements the views of Okunmuyide (2012) that state that after the budget's presentation, different sectors and departments resume the annual ritual of quarrelling about the percentage of allocations to them to the exclusion of other interest groups. In the process, everything is forgotten about the entity called Nigeria and the reasons for the budget.

To buttress the handling of budget in Nigeria by the dominant individuals, the subsidy scan of N2.6 trillion recovered in 2010 was not considered in 2011 annual estimate which was in deficit (Okunmuyide, 2012). Again, the issue of 11,886 abandoned constituency projects, valued at N7.78 trillion, was budget items of various years in favour of legislators but the outstanding amount could have been recovered from them. In view of these abandoned projects and their implicit non-constitutionality, one wonders when government will stop including them in the annual estimate (Okunmuyide, 2012).

It has been noted over the years that the huge amount of money budgeted for in the annual estimate has no impact on the development of the Nation. The structure of the budget has not helped matters either. For instance, in 2013 budget, the capital component of 31.3 percent cannot be a serious attempt to move the nation to stage 2 economies like Botswana, Libya, Egypt, Algeria etc. The activities of dominant individuals in the budgeting process have not augured well with the development of Nigeria. These have caused high level youth unemployment and poverty which consequently led to increase in crime rate in the country. Also, the poor budget implementation by the executive arm of government at the local, state and federal levels has sabotaged key public infrastructure such as transport, power and communication among others (Kail, 2010). Okunmuyide (2012) and Kail (2010) noted that no state or federal administration in Nigeria has been able to achieve up to a mere 45% annual budget implementation level in the last twelve years. Government has been attributing the low performances of annual budget to dwindling revenue generation.

Conclusion and Recommendations

This paper had dwelled on the effect of dominant individuals on budget implementations in Nigeria. The activities of dominant individuals in budget preparation and implementations have led to poor budget performance vis-a-vis undeveloped economy of Nigeria. There activities include manipulation of budget items before and after the approval of budget, embezzlement and fraudulent activities. The attitude of these individuals and lack of proper budgeting processes are responsible for the failure of budgets. This has permitted corruption, unemployment and poverty to grow in Nigeria, thereby affecting the growth of Nigeria economy.

The study therefore recommended the following:

- There is need for budget reform in Nigeria.
- Budget should be based on through evaluation of revenue and needs.
- The issue of probity, transparency and accountability should be properly addressed in the budget process.

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