

# Budget and the Performance of Public Enterprises: A Study of Selected Public Enterprises in Nasarawa State Nigeria (2009-2013)

Dalhatu, Musa Yusha'u, Shuaibu Sidi Safiyanu, Haliru Musa Hussaini

**Abstract**—This study examined budget and performance of public enterprises in Nasarawa State, Nigeria in a period of 2009-2013. The study utilized secondary sources of data obtained from four selected parastatals' budget allocation and revenue generation for the period under review. The simple correlation coefficient was used to analyze the extent of the relationship between budget allocation and revenue generation of the parastatals. Findings revealed varying results. There was positive (0.21) and weak correlation between expenditure and revenue of Nasarawa Investment and Property Development Company (NIPDC). However, the study further revealed that there was strong and weak negative relationship in the revenue and expenditure of the following parastatals over the period under review. Viz: Nasarawa State Water Board, -0.27 (weak), Nasarawa State Broadcasting Service, -0.52 (Strong) and Nasarawa State College of Agriculture, -0.36 (weak). The study therefore, recommends that government should increase its investments in NIPDC to enhance efficiency and profitability. It also recommends that government should strengthen its fiscal responsibility, accountability and transparency in public parastatals.

**Keywords**—Allocation, Budget, Public Enterprises, Parastatals, Performance.

## I. INTRODUCTION

GOVERNMENT, all over the world, is expected to prepare budgets and financial statements for the purpose of providing stewardship and accountability to citizens. These reports (budgets and financial reports) are believed to be the most important financial documents produced by a government [1]. Budgeting mission is to touch the lives of people at the grassroots by incorporating what people need to better their lives. Education, health, power, roads, water and shelter are not exemptions. Budgeting involves understanding of how much money you earn and spend over a period of time. When you create a budget, you have a plan for spending and saving money through control. The budget is used as an instrument to tract the flow of resources. The control aspect of budget tries to monitor, ensure that every naira must be justified to fulfill the budget purpose.

The term 'budget' comes from the French word bougette meaning little bag [1]. In Britain, the word was used to

describe the leather bag in which the chancellor of the exchanger used to carry to the parliament the statement of government needs and sources [2]. After several thought of consensus, the budget became the document contained in the bags which represent plans of government expressed in money and submitted to legislature for approval [2].

Budgetary control as a proven management tool helps organization management and enhances improved performance of any economy in different ways. Its primary function is to serve as a guide in financial planning operations. It also establishes limit for departmental excesses. It helps administrative officials to make careful analysis of all existing operations, thereby justifying expanding, eliminating or restricting present practice. Budgeting and control entails a distinct pattern of decisions in an organization which is capable of determining its objectives, purposes or goals, and how these goals are achieved by establishing principal policies and plans. However, the inability to recognize the problem concerned and fixing a boundary off investigation creates an obstacle for the successful implementation of budgeting and control.

The government plays a leading role in shaping and development of any nation and giving there explicit important, it is necessary to provide a suitable frame work to enable the achievement of this noble-role. This is accomplished through the apparatus of public administration- a field which refers to the manner in which federal, state and local institutions with their procedural, legal, regulating, principal, human research and assets aspect are organized, institutionalized and managed with respect to regulation, revenue generation, speeding and procurement functions, and the provision of such services as defense, social service and economic infrastructure, [3].

The aim of this paper is to evaluate budget allocation and the performance of selected public enterprises in Nasarawa State. The selected public enterprises are: NIPDC, Nasarawa State Water Board, Nasarawa Broadcasting Service and Nasarawa State College of Agriculture, Lafia.

### A. Statement of the Problem

Most of the public enterprises in Nigeria have performed poorly due to the fact that they lack effective and efficient budgets and budgetary control system to adequately and judiciously allocate resources to meet organization goals and improve performance. Some government enterprises do not even know the correlation or link between budget and performance and this affects their performances negatively.

Dalhatu, M.Y is with the Department of Public Administration Nasarawa State Polytechnic P.M.B 109 Lafia Nigeria (Corresponding author: Dalhatu, M.Y., phone: +2348039205397; e-mail: musadalhat03@gmail.com).

Shuaibu S.S is with the Department of Social Sciences, Nasarawa State Polytechnic P.M.B 109 Lafia Nigeria (e-mail: shuaibu\_sidi@yahoo.com).

Haliru M.H. is with the Department of Business Administration and Management Nasarawa State Polytechnic P.M.B 109 Lafia, Nigeria.

Various enterprises fail to recognize the power of budgets and budgetary control over performance outcomes.

As good as our budget is, the performance of which can be measured in terms of accomplishment is nothing to write home about [4]. Budget accomplishment is far from reality and the disparity between the budget and accomplishment is so wide. Based on this consideration, this study sought to find out the extent of the relationship between budget allocation and revenue generation of some selected public enterprises in Nasarawa State Nigeria.

#### *B. Objective of the Study*

The main objective of this study is to investigate the degree of relationship between budget allocation or expenditure and revenue generation of four selected public enterprises in Nasarawa State Nigeria. This is with the view to recommend improvement measures for better performance of these enterprises.

#### *C. Research Hypotheses*

In order to achieve the above objectives, the following hypotheses were formulated.

- **Ho:** There is a relationship between budget allocation and revenue generation of public enterprises
- **Hi:** There is no relationship between budget allocation and revenue generation of public enterprises.

#### *D. Scope of the Study*

The scope of this research is about budgetary control and the performance of public enterprises in Nasarawa State Nigeria. Four selected enterprises, viz: NIPDC, Nasarawa Broadcasting Services (NBS), Nasarawa State Water Board and Nasarawa State College of Agriculture. And the time scope of the study is 2009-2013.

#### *E. Conceptual Analysis*

It is conventional in this type of work to analyze some key concepts to be used. Budget and public enterprise are the major key concepts in this work. Budget is defined by [5] as a detailed plan for acquiring and using financial and other resources over a specified time period. It represents a plan for the future expresses in formal quantitative terms. Budget has also been defined by [6] as an accounting device used to plan and control resources of operational departments of government and divisions.

Public enterprises or Government Corporations, authorities, parastatals, commissions and boards refers to an organization that is set up as a corporate body and as part of the government apparatus for an entrepreneurial purpose [7].

Public enterprises had been defined by [8] as organizations that are set up as a corporate body and as part of governmental apparatus for an entrepreneurial or entrepreneurial-like objective which government acts in the capacity of an entrepreneur or owner of the enterprise. In addition, [9] said that some essential social amenities and services provided by the public enterprises range from pipe-borne water, good roads, good communication system, good transportation system, electricity etc. Therefore, public enterprises are

corporations established for government businesses, owned, financed, controlled and run by the Federal, State and Local Government as the case may be, in the public interest.

## II. LITERATURE REVIEW

Several researchers have conducted studies on budget, budgetary control and performance of organizations. Reference [10] examined budgetary control and performance in public corporation in Osun State using Peason products moment correlation to determine the existence of relationship between expenditure and income of the corporations. The study documented that there is a negative correlation between expenditure and revenue generation of the selected public corporations in the state. They suggested that the level of accountability and transparency of the corporations must be given urgent attention so as to checkmate their excessiveness. However, [11] investigated Budget in Nigerian Public sector: Need for balanced scorecard perspective. ANOVA and pairwise correlation statistical tools were analyzed and the result shows that budgets performance differs significantly from state to state and recommends that Nigeria should adopt balanced scorecard budget perspective and close monitoring of budget execution should be enshrined in work ethics of our country. Furthermore, [12] analyzed the impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria using Cadbury Nigeria PLC as case study. A descriptive research design and chi-square techniques were employed in the analysis of data. It was revealed that budgeting is a useful tool that guides firms to evaluate whether their goals and objectives are actualized.

It is the opinions of [13] that the use of budget for control purpose is in evaluating performance. They argued that organizational plans are carried out by people, thus, control is exercised not over operations, revenue, cost, but over the persons responsible for those operations and the related revenue and expenses.

According to [14], one of the fundamental uses of budget is the control functions. To him, budget is a financial plan which is prepared based on the expectation of future activities and is used to control those activities. It is also in the opinion of [15] that for budget to be translated into concrete development and growth, there must be a real forecast of goals or targets at all the tiers of government. Reliable, accurate and timely presentation of budget will facilitate early government goals attainment.

Other functions of budget as propounded by [16] include; regulating corporate areas of expected revenue and actual expenditures, provides resources for execution of projects, acts as a means of check and balance in financial administration and gives rooms for proper auditing and accounting of public revenue.

Government uses budgets 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 [17].

### III. PRINCIPLES OF BUDGETING

There are certain fundamental principles that accompany the budgeting process. This is because of its importance in the overall development of a country. These principles aimed at making the entire process transparent and participatory. They include

- i. Comprehensiveness: Budget should be able to contain all financial estimates that government intends to work with. There is need to ensure that no other fund or extra budgetary expenditure is entertained.
- ii. Clarity: The document called budget should be very clear for the people to understand and be able to make input
- iii. Regularity: regularity should be maintained in the budget process. It means to present budget at a time suitable to tally with the beginning of every fiscal year and also to last for a specified period.
- iv. Publicity: Budget should be given to an open publicity. This reason is that it affects lives of the people and how their wealth is distributed and expended.
- v. Exclusiveness: Budgeting should be seen as an exclusive financial process and nothing else.
- vi. Accuracy: There is need to ensure that the revenue and expenditure in a budget is correctly estimated. In essence the estimate should be close enough to reality.
- vii. Adequacy: Budget estimate should represent the needs of the government and the citizens. Budget also should be able to identify altogether the aspiration and problem of the government and economy.

### IV. METHOD OF DATA COLLECTION

Content analysis was used with information generated precisely from budget and revenue profile of each of the four selected parastatals for the period of 2009 to 2013.

### V. METHOD OF DATA ANALYSIS

The method of analysis for the study is simple correlation analytical techniques, which is used to compute and establish a relationship between budget allocation and revenue generated by the four selected public enterprises in Nasarawa State of Nigeria, which is in line with the study of [9] and [3].

A Pearson Product Moment (PPM) Correlation Coefficient Formula was used to determine the coefficient of the relationship between expenditure and revenue generation of the corporations under study.

### VI. RESULTS AND DISCUSSIONS

The result of this study is therefore discussed based on the parastatals.

#### A. NIPDC

The relationship that exists between the expenditure and revenue generated by NIPDC as one of the state parastatals was determined using correlation coefficient. Based on data collected on budget expenditure and revenue generated for the period under study, it was discovered that coefficient of

correlation is 0.21. This result depicted the positive and weak correlation between expenditure and revenue generated by the company. The positivity of the correlation shows that there is justification between revenue generated and expenditure of the company. The implication of this result is that, as the budget allocation or expenditure is increasing, the revenue generated is also increasing, hence, there is a need for the government to increase its allocation to the company for more revenue generation.

#### B. Nasarawa State Water Board

The degree of relationship that exists between the budgetary allocation (i.e., expenditure) and revenue generated by the Nasarawa State Water Board was also analyzed using correlation coefficient. From the analysis of the result, it was revealed that the correlation coefficient is  $-0.27$ . This clearly shows that there is negative and weak correlation between the revenue generated and budget allocation of the state water Board. Thus, there was no justification between budget allocation and revenue generated.

#### C. Nasarawa Broadcasting Service

The extent of relationship that exists between budgetary allocation or expenditure and revenue generated by the Nasarawa Broadcasting Service was measured using simple correlation coefficient. The coefficient is  $-0.52$  indicating a negative and strong correlation between the budget allocation and revenue generated by the broadcasting service. The implication here is that, as the budget allocation was increasing the revenue generated was decreasing. Thus, the budgetary allocation and revenue generated were not justifiable.

#### D. Nasarawa State College of Agriculture Lafia

The relationship that exists between budgetary allocation and revenue generated by the Nasarawa State College of Agriculture, Lafia using correlation coefficient is  $-0.36$ . This implies the existence of negative and weak correlation or relationship between the budget allocation and the income generated by the Nasarawa State College of Agriculture, Lafia. There was also no justification between budget allocation and revenue generated.

### VII. CONCLUSION AND RECOMMENDATIONS

Budget is a document that aids management in planning, sourcing of funds and the execution of activities or projects. It facilitates service delivery to the people at the various levels of government. The paper traces the origin of budget from a French word called bougette, meaning little bag. This little bag contains what people need. The study investigated budgetary/expenditure control and the performance of public enterprises in Nasarawa State of Nigeria for the period between 2009 – 2013 using the budget allocation and revenue generated by each of the enterprises or corporation under study.

The result of the correlation coefficient revealed a positive and weak correlation between the expenditure and the revenue

generated by NIPDC. The positive value of the co-efficient indicates that an increase in budgetary allocation will tend to increase revenue generation by the company. Thus Nasarawa State government needs to invest more in the company in order to generate more revenue. It was discovered that there is existence of negative and strong correlation between budgetary allocation and revenue generated by Nasarawa Broadcasting Service. The implication here is that, revenue generated had not justified the budgetary allocation. Nasarawa State Water Board and College of Agriculture Lafia shows negative and weak Correlation as well. In summary therefore, the finding aptly agreed with hypothesis 1 (Ho) which says there is a relationship between budget allocation and revenue generation of public enterprises. However, the relationship may either be positive or negative, strong or weak as indicated in the varying correlation co-efficient of the four parastatals selected.

Though the outcome showed different results, the study recommends that much investment is needed into NIPDC in order to enhance efficiency and profitability.

Government should also strength it fiscal responsibility with a powerful agent to oversee the implementation and execution of government budget at all levels and all parastatals.

Accountability and transparency of the public enterprises must be given an urgent attention so as to checkmate their activities and excesses.

#### REFERENCES

- [1] Chan J (2001) The Implication of GASB Statement No 34 for Public Budgeting. *Public Budgeting and Finance*, 21(3), 79-87.
- [2] Omolehinwa, A. (2005) *Work out Management Accounting*, C10 International, Lagos Nigeria P 538
- [3] Edward, J (1994) *Accounting for Banking Student and Chartered Institute of Bankers* P453.
- [4] Kenneth. E.O. (2012) Fiscal Accountability Dilemma in Nigerian Public Sector: A Warning Model for Economic Retrogression. *Research Journal of finance and Accounting*. Vol. 3, No.6.
- [5] Olurankinse, F. (2012). Due Process and Budget Implementer: An Evaluation of Nigerian Public Sector Auditing. *Asian Journal of Finance and Accounting* Vol. 4, No. 2.
- [6] Norcen, E, Gacrison R. and Folk J. (2003) *Introduction to Managerial Accounting*. metraw –Hill Higher Education. Pp276 -280.
- [7] Reeve, J. and Warren, C. (2008): *Principles of Financial and Managerial Accounting* Mc Graw-Hill Higher Education New York, USA Pp 276-280.
- [8] Pringshak, M. (2015) *Rudiments of Public Enterprises Management in Nigeria*. Jos: Ok Quality printing & Publishing.
- [9] Laleye, M. (2002) "Public Enterprises" in Ladipo, A. (ed) *Public Administration in Africa: Main Issues and Selected Country Studies*. Ibadan: Spectrum Books Ltd.
- [10] Tolubi, J.O. (1997) *Government Text Book*. Ilorin: Victory Publication.
- [11] Olaoye, F.O. and Ogunmakin, A.A. (2014). Budgetary Control and Performance in Public corporation in Osun State *Journal of Humanities and Social Science*, Vol. 19, Issue of, PP 59-69.
- [12] Abdullahi, A. M & Angus O.U. (2012) Budget in Nigerian Public Sector: Need for Balanced Scorecard Perspective. *International Journal of Finance and Accounting*, 1 (2): 1 – 6.
- [13] Trimisiu, T. S. (2013) The Impact of Budgeting and Budgetary control on the performance. *Blue ocean Rescored Journal*, Vol.2 No12.
- [14] Abogun, S. & Fagbeni, T. (2012) The Efficacy of Budgeting as a Control Measure in Developing Economics: A Study from Nigeria. *Asian Social Science Journal*, Vol.8, Issue I, p176.
- [15] Edward, J (1994) *Accounting for Banking Student and Chartered Institute of Bankers* P453.
- [16] Secett, M (1993) *mastering spreadsheet budget and forecasts, a practical guide* www.guardiance.co.uk.
- [17] Mbieli, P (2006) *public poling Ometek publishers LTD Onishes, Nigeria* P110.
- [18] Abdullahi, A and Angus, o. (2012) budget in Nigeria Public Sector. Need for balance Scorecard Perspective *International Journal of Finance and Accounting*, 1(2), P1-6.