FUND ADEQUACY AND BUDGET PERFORMANCE IN NIGERIA

OLORUNTOBA Sunday Rufus

Department of Accounting
Faculty of Social and Management Sciences
Adekunle Ajasin University Akungba-Akoko, Ondo state, Nigeria

Email: oloruntobasundayrufus@gmail.com

ABSTRACT

This paper investigates the impact of fund adequacy on budget performance in Nigeria. The Ex-post-facto research design was employed with extensive reliance on secondary data sourced from the Central Bank of Nigeria statistical bulletin for 2000-2018. The Ordinary Least Square (OLS) method was employed in the estimation of the models. The empirical result revealed that statutory allocation (STALLOC) has a positive relationship with budget performance as proxied with capital expenditure in Nigeria at the 5% level. This implies that increase in total statutory allocation will result to increase in budget performance proxied with capital project in Nigeria. Also, positive relationship exists between internally generated revenue (INTREV) and budget performance proxy by capital expenditure in Nigeria and it is statistically significant at 5% level. This connotes that an increase in internally generated revenue will lead to an increase in capital project or budget performance in Nigeria. The paper recommends that stakeholders should be given participatory advantage in the determination of capital projects to be executed. This will enhance the impact of public budget on the welfare of the people and fast-track poverty reduction.

Keywords: fund adequacy, budget performance, capital expenditure, statutory allocation

JEL Classification: M41

1. Introduction

Governments across the globe are expected through their capital expenditure to bring effective development and good governance to it citizenry through different strategies. Government achieves this by providing social welfare services to ensure sustainable development (Momoh 2017). Evidently in the developing economies, an examination of the fiscal and physical evaluation of the performances of government via their budgets in terms of physical development, provision of infrastructural facilities and social welfare to the people left much to be desired (Olurankinse, 2012). It is observed that poor budgetary processes coupled with poor fund management are responsible for their inability to meet their expectations and consequently performing below standards (Olomola, 2012). From time, budgetary process in the developing countries has been defective and consequently the resources available to them are either misappropriated or mismanaged (Ogundiya, 2010). This is evidenced as majority of the ongoing projects across these countries have either been vaguely completed or jettison. Most often, those managing budgetary allocation always attributed their poor performances and inability to meet public expectations to underfunding (Momoh, 2017).

The mechanism of government intervention in any economy operates through public budget. Thus, budget is the most important economic tool of government which provides a comprehensive statement of the priorities of the nation. It is a tool of stabilizing the economy, distributing income, allocating scarce resources to address competing needs as well as the focal point for the reconciliation of competing visions of the public good (Olomola, 2012).Globally, efforts have been going onto reinforce and reform government budget as a potent tool to performance evaluation and financial control (Rivenbark & Peterson, 2008).

Over the years Nigerian government has been budgeting huge amount of fund in her yearly plans captioned under various names such as “Budget for Growth”, “Consolidation” and so on and have been assuming upward trends. For instance, between 2014 and 2019 the amounts that were budgeted are; N3.53, N4.45, N5.06, N6.06, N8.162 N8.92 in trillions respectively (National Bureau of Statistics, 2019). The figures are huge that if faithfully implemented and monitored would have triggered tremendous growth and development in the economy. It is depressing that the GDP of the country has been very low and negative at different times between 2014 and 2018. For instance, the GDP of the country were -11.57, -13.98, and -12.93 in January of 2015, 2016 and 2017 evidencing the recession that the country has “exited” in 2018. Inherent weaknesses in the Nigerian budget system militating against its implementation and financial control is the problem of over-dependence on oil revenues which is subject to price and demand vagaries in the world market world Bank Economic Report 2013 reveals that oil revenues accounts for 75% for the consolidated revenues available for distributions to the three tiers of government (Momoh, 2017). This is over time engendering the problem of lack of financial control in the budget practice and implementation of the nation (Ogbolu & Toriba, 2012). This study is provoked by the inherent weaknesses paramount to budget performance in government, some existing studies on government budget performance and implementation (Akpan, 2006); (Nurudeen & Usman, 2010); (Olomola, 2012); (Ogbolu & Toriba, 2012). Hence, to the best of the researchers' knowledge none of these studies conducted on fund adequacy and budget performance in Nigeria. To this end, this paper critically looked at the dynamic linkage between fund adequacy and budget performance in Nigeria. The specific objectives are to analyze; the relationship between statutory allocation and budget performance in Ondo State; determine relationship between internally generated revenue and budget performance in Ondo State; and establish the relationship between external loans and budget performance in Ondo State.

2. Literature Review

2.1 Concept of Budget Performance

Budget can be seen as a quantitative expression of a plan of action of the inflows and outflows of money to determine whether a financial plan will meet organization goal (Abogun & Fagbemi, 2012); (Horngren, Sundem, Stratton, Burgstahler, & Schatzberg, 2008).Thus, budget transcends ordinary qualitative statement, but also involves quantitative implications of a plan of action. These two definitions however, were devoid of and/or silent about the object of time to which a budget relates. A budget should always be stated over a period of time, because the concept of time period is very crucial in budgeting. This may be half yearly, yearly, quarterly, monthly, weekly, daily, or other time periods . A budget is also not just a quantitative expression of a plan of action but a quantitative economic plan. Thus, (Lucey, 2000) posits that a budget is a quantitative expression of a plan of action prepared in advance of the budget period. In a seemingly comprehensive term: A budget is a financial and/or quantitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective (ICAN, 2009).

Glamour and Lewis (2005) observe that budgeting exercise could be viewed as a form of forecasting or making projections regarding the future. The evaluation of performance would, thus, presupposes the availability of actual that can be compared with projections. Budget control is vital to the attainment of organizational target across the operations of the business. The future revenue and anticipated expenditure are usually reflected in the performance and position objectives of the organization. Therefore controls enable achievement of both short term and long term goals (Welsh & Gordon, 2000). Glamour and Lewis (2005) opine that budgeting exercise could be viewed as a form of forecasting or making projections regarding the near future.

Budget is applicable in the public sector the same way it is to the private sector. Government budget is prepared periodically for the approval of National or State Assembly before implementation. For the public sector, budget process include: Ministerial or Pre-treasury Board Phase; Executive Council Phase and The National or State House of Assembly i.e. Legislative phase; Presidential or Governor's Assent ((ICAN, 2009).

Budgeting and budgetary control are powerful tools of sound financial management, most especially in the Public Sector where there is great emphasis on economy, efficiency, effectiveness, probity and accountability ((ICAN, 2009). The evaluation of performance would, thus, presupposes the availability of actual that can be used as a basis of comparison with projections. Also, since we are primarily focusing on a programme of expenditure and projected revenue, our forecasts and projections as well as actual should entail some high degree of quantification, even though some qualitative policy objectives or targets cannot be entirely ruled out. For the purpose of this study, we would focus on the quantifiable aspect of the budget (Capital expenditure). In view of this, the political institution that organizes and empowers budgetary allocations is expected to touch individual life through adequate fund provision for qualitative capital projects implementations. Just as the functionalists argued that an influence on any of the component parts of the human organism transcends the whole, hence, amenities built by the government positively impact on every human activities (Ogundiya, 2010). Due observance of the recurrent expenditures (salaries and allowance) brings about multipliers effect in the economy which promote development after gradual economic growth. However, if development is to be sustained, adequate fund should be provided for servicing the infrastructural facilities in order to enhance sustainable development in the country.

The annual budget is a form of plan, which sets out a programme 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, 2001) is of the opinion that budget is a plan of dominant individuals in an organization expressed in monetary terms and subject to the constraints imposed by other participant and the environment indicating how the available resources may be utilized to achieve whatever the dominant individuals agree to be the organization priorities.

2.2 Challenges Facing Budget Performance in Nigeria

According to (Asimiyu & Saidi, A.M., 2015) opined that there are three notable challenges arising from preparation and enactment; implementation; and weak oversight. These challenges are now examined in turn. The Nigerian financial year is from January through December. It can be observed that budget preparation and passage suffer perennial delays for most of the years since 1999. There is no law about the time the President should lay his budget but a rule of thumb says at least 4months prior to the beginning of a new fiscal year in order to allow the legislature to have enough time to scrutinize the budget estimates prior to approval. Throughout the period under review the President did not observe that provisions as the earliest time the budget was presented to NASS was October in 2006, for other fiscal years the presentations were as late as November and in some cases December. This legislative framework gap might have played significant role in the perennial delays. The National Assembly also spent on the average four months and sixteen days to scrutinize the budget during 2000 and 2013 (Asimiyu & Saidi, 2015).

2.3 Causes of Poor Budget Performance

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.

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.

Budget is superimposed: Some expenditure items and revenue target are imposed by the state officers during draft estimate defense.

Extra- budgetary affairs: Government officials are in habit of incurring expenditure as the need arises without any recourse to budgetary provisions. Most of these expenditures are ordered from the above either by state or federal directive to sponsor some people for seminar or to purchase certain items.

Variances are just as frequently due to changing circumstances, poor forecasting or general uncertainties as due to management performance.

2.4 Budgeting Process in Government

The government budget is a law in itself. In a democratic system, its approval process entails its enactment into law by the legislature. It is thus a legal instrument that empowers governments to collect revenue and incur expenditure. Consequently, the legal framework for budgeting both at the federal and state levels is the constitution of the Federal Republic of Nigeria (CFRN) 1999, as amended (Okogu, 2011). The Finance (Control and Management) Act 1958 and the Fiscal Responsibility Act 2007 provide the guidelines and spell out the roles of the Federal Ministry of Finance (FMF) and the Budget Office (BOF) among other key actors, in the budgeting process. There are also the Medium Term Revenue and Expenditure Frameworks (MTRF and MTEF) which provide procedural as well as technical details for effective budgeting (Okogu, 2011).

2.5 The Budget Cycle

The budget process is carried out within the budget cycle which is a complete set of events occurring in the same sequence every year and culminating in the approved budget. There are five discernible phases of the budget cycle namely, review of previous budget, executive preparation and submission, legislative consideration and authorization, execution and budget audit/monitoring. The budget cycle begins with the review of the macro economic performance of the previous year's budget by the Budget Office.

2.5.1 Budget preparation: This commences with press briefing to highlight the proposed policy direction. This is followed by budget workshop/summit to discuss tentative revenue sources for the coming year. The call circular is then issued by the Ministry of Finance inviting ministries, departments and their agencies to submit proposals. The call circular contains guidelines for the preparation of these proposals. These proposals are then exhaustively discussed at a series of Budget Committee meetings. The committees consist of Deputy Director of Budget Division and one Deputy Director from each Department. These are administrative hearings which are held in order to reconcile each agency's request and any adjustments that may have been made by the ministry of finance (or budget) or budget office (Oshashami, 2003).

2.5.2 Budget Authorization: At this third stage of the budget cycle, the draft budget is presented to the National Assembly as an Appropriation Bill. Copies of the Bill are immediately distributed to members of the legislature. The Bill goes through the first and second Readings. The Bill is then referred to the Appropriation Committee of each House. There are various sub-committees which consider estimates for the relevant ministries, departments and parastatals which come under their charge (eg sub-committee on works, Housing etc). The Appropriation Committee of each House then collates the sub-committees' recommendations and drafts a budget paper which becomes the subject of discussion at the third reading (Akiyode-Afolabi & Ubani, 2005). During the third reading, debates are opened and amendments made. The Appropriation Bill is then sent to the President for assent after which it becomes an Appropriation Act.

2.5.3 Budget Audit/Monitoring: This stage of the budget cycle is the one that ensures that funds are used in accordance to the projection in the Appropriation Act. Budget auditing and monitoring focus on financial control by ensuring strict compliance in the disbursement of public expenditures. The duty of auditing is carried out by the Auditor-General with internal auditing mechanisms in the ministries. The Auditor General is expected to submit reports to the legislature. The budgetary process equally reveals that there are numerous players in government budgeting (Olurankinse, 2012). The changing demands on government and its programmes, the shifting interests that are brought to bear in policy decisions and the many different actors that are part of the budget process mean that budget decisions will always occur in a highly charged political environment.

2.5.4 Nature of Adequate Funding

When funding is mentioned, the first thing that comes to mind is the availability of money for meeting the need for a given project. It is a system of apportioning available capital belonging to an organization for meeting a need. Funding refers to a form of financial support that is given for the achievement of a project. According to the Online Business Dictionary (2013) funding is the provision of financial resources in order to meet a need, project or program. Money needed to run a project or programme in the school may be raised from within or outside the school. When funds are generated, they are usually disbursed based on the needs of the school. The process of making the acquired funds available to the units that require them either in the short or long run is referred to as funding. The availability of funds plays a significant role in determining the provision of quality education at all levels. The quantity of funds made available during budgeting will go a long way in improving on the quality of education provided (Olurankinse, 2012). The adequate fund is very important in the provision of school infrastructures. More funding will help the school management in providing more facilities such as classrooms, laboratories, libraries and instructional materials. Available facilities will also be provided based on modern development while obsolete facilities will be discarded. This means that the higher the level of funding, the more the infrastructures that will be provided for teaching and learning. The availability of funds is very crucial in the employment of quality teachers. Various studies have shown that the income level is a factor that is used to attract quality teachers. It is therefore necessary that funds should be provided to acquire this crucial human resource. This is because the presence of quality teachers will help in transmitting quality knowledge to the students. Most organizations in developed countries now pay workers based on performance (Podgursky & Springer, 2007). The payment of high wages and salaries is now used to attract quality teachers and this is based on the availability of funds.

2.6 Theoretical Review

2.6.1 Theory of Responsible Budgeting

(Aaron, 1964) explained that the aim of the theory is to establish the fact that budget in both the public and private sector is to be used in responsible manner, to achieve objectives that are based on the aspiration of the populace and in accordance with the resources available. It expects the preparers and the users or beneficiaries of budget to agree on what should be the beneficiaries' desires and how resources would flow to finance such needs from the society or corporate body. In essence, for budget to be an effective tool of financial control and performance evaluation in MDAs, the budget goal setters (that is, management) and the budget implementers (that is, operational staffers) should agree on realistic targets or government capacity to fund projects that are of direct benefit to the citizenry (Omopariola, 1991) did a survey of Federal government budget performance between 1985 and 1989 and discovered that there is a wide gap between budget estimates and actual performance. The research finds out revenue and expenditure variances lies between74.05% and 275.71%. This was attributed to poor skill of estimation, economic depression and lack of sound accountability structure. The same disparity was discovered for Lagos and Ogun States for the same period by (Omopariola, 1991). The findings of (Omolehinwa, 2001) are not anything different from the findings of (Omopariola, 1991) as far back as 1984 and 1991. (Omolehinwa, 2001) reported that there was a disparity of between

26% and 180.8% within 1970to 1994 in capital budget approved estimates and actual implementation. (Obadan, 2003) also examined the budget process and budgeting experience in Nigeria. Specific issues such as objectives and significance of government budget, the budget process, features of past budgeting experience including the issue of operation and maintenance expenditure, budgets in relation to fiscal disciplines and macroeconomic stability, and international experiences of fiscal frameworks for fiscal prudence were thoroughly examined. He pointed out the basic objectives of government budget as to relate expenditure decisions to specific policy objectives, and to existing and future resources; relate all major decisions to the state of the national economy; ensure efficiency and effectiveness in the implementation of public sector programs and facilitate legislative control over the various phases of the budgeting process.

2.7 Empirical Review

(Ifeanyichukwu, Ezeamama, Joy, & Mgbodile, 2016) conducted a study on Nigerian budget implementation and control reforms: tools for macroeconomic growth. The aim of the study was to examine the impact of budget implementation on resource management, level of productivity, efficiency and personnel overhead costs in Nigeria. Using ex-post factor descriptive research design, questionnaires distributed to a sample of 308 were analyzed using simple percentage. The study found out that poor project conceptualization design and planning practices by ministries, department and agencies accounted for low resource management. The study recommended participatory monitoring and assessment of government project by host community members.

(Ijaiya, Sanni, Oke, & Olanrewaju, 2017) examined the impact of fund adequacy on budget performance: a case study of Kwara state government of Nigeria. Governments across the globe are expected to bring effective development to their citizenry through provision of goods and services. However, it is observed that poor budgetary process coupled with poor fund management have hindered the provision of these good and services. Data from Kwara State Government annual statement from years 1999-2012 were used. The data were analyzed using both descriptive and inferential statistic. The result shows that both grants and value added tax have positive relationship with government capital expenditure while statutory allocation despite constituting the largest portion of government revenue is negatively related to capital expenditure. Overall, the study recommends among others that to ensure proper budget effectiveness, regular monitoring and evaluation of programmes and projects.

(Innocent & Christopher, 2017) did a study on budget evaluation and government performance: a study of Nigerian economy. The aim of the study was to evaluate Nigeria's federal budget and its performance. Data for the study were obtained from financial and economic reports of Nigeria. The data were analyzed both descriptively and empirically. The parameter for assessing budget credibility is the international threshold and prescribed limit for budget deficit/GDP, a minimum of 50% score performance rating for regression economic performance. The findings thereof ranks Nigeria's fiscal performance as sub-optimal but fairly satisfactory.

(Olatunji, Oladipupo, & Joshua, 2017) examined the impact of capital budget implementation on economic growth in Nigeria. The aim of the study was to assess the impact of the implementation of capital expenditure on administrative, economic services and socio-community services on the growth of Nigerian economy. The secondary data used for the study were obtained from Central Bank of Nigeria (CBN), Statistical Bulletin. Using Augmented Dicker-Fuller unit root test, co-integration test and Error Correlation Model (ECR) for analysis, it was found that capital expenditure implementation is germane in maintaining and sustaining economic growth in Nigeria. It was recommended that government should ensure adequate implementation of capital expenditure in the country.

(Ogbonna & Azubuike, 2018) did a study on the impact of public sector spending on economic growth in Nigeria (1981-2015). The aim of the study was to examine the impact of public expenditure on economic growth in Nigeria. Secondary data for the study were sourced from CBN Statistical Bulletin and analyzed using Ordinary Least Square (OLS) of multiple regressions. The result indicated that education expenditure has significant impact on GDP. Health expenditure showed an inverse relationship with GDP while community services have no impact on GDP. It was recommended that government of Nigeria should use tax revenue to improve social community service in Nigeria.

2.8 Summary of Review

From the reviewed literature it was discovered that Governments across the world are expected to bring effective development to their citizenry through provision of security for life and properties, infrastructural facilities and services among others. But poor budgetary process, poor planning, budget indiscipline, fraud, lack of budget monitoring, delay in passage of budget, involvement in extra- budgetary activities, wasteful spending, lack of professional knowledge are all responsible and coupled with poor fund management have hindered the provision of good services. This has certainly impacted on the performance of our government and consequently slows down economic growth and development. Hence the paper bridges the gap by examining the effect of fund adequacy on budget performance in Nigeria.

3. Data and Methods

The research designs adopted in this paper is the Ex-Post-facto method. The population of the study is the entire Nigeria economy is the focus of this paper. To constitute sample size out of the population of the study, the convenience sampling which is a purposive non-probability sampling method will be adopted in the selection of samples for this study. The concept of non-probabilistic procedure allows more information within the distribution and accords the research work more scientific feature, thereby concretizing the validity of the research findings for the period of 2000-2018.The data used in this study are sourced from the National Bureau of Statistics and Ministry of Finance annual reports in Ondo state. The data covered a period of nineteen years (2000 to 2018). The reason for the choice of this period is based on the fact that it is long enough to be able to have a more realistic evaluation of the hypothesized impact of fund adequacy on budget performance in Ondo state.

The paper performs ordinary least square (OLS) estimation technique. Hence the estimation technique of time series data that is employed in this study is the Ordinary Least Squares (OLS) method that easily estimates the behavioral relationships among time series variables. Budget is conceptualized as financial and/or quantitative statement prepared and approved prior to a defined period of time for the purpose of attaining a given objective. Capital expenditure (CAPEX) is conceptualized as the activities designed to increase, improve and maintain the welfare of people in the state, statutory allocation (SA), internal generated revenue (INTGR) is the money generated locally by the state, and External loans (EXLOANS).

Thus, the structural model to estimate the fund adequacy and budget performance in Nigeria is stated thus:

CAPEX = F (SA, INTGR, EXLOANS)……………………………………….(i)

Hence, the econometric form of the model is as follow:

$CAPEX = \beta_0 + \beta_1 SA + \beta_2 INTGR + \beta_3 EXLOANS + U$………………………….(ii)

Where:

Apriori, expectations are β_1, $\beta 2_{,}$ and $\beta 3 > 0$

Where

CAPEX	=	capital Expenditure
SA	=	Statutory Allocation

INTGR = Internal Generated Revenue
EXLOANS = External Loans
Ut = error term.
The a priori of the explanatory variables are $\beta_1, \beta_2, \beta_3 > 0$

3.1 Data Analysis and Discussion of findings

The use of ordinary least Square in estimating the impact of the explanatory variables on the dependent variable, budget performance is proxied with capital expenditure (CAPEXP). The analysis was started with some basic description of the variables of interest using the descriptive analysis. The variables of interest used in the model were statutory allocation (STALLOC), internally generated revenue (INTREV) and external loans (EXLOANS). The sample period for the analysis is between 2000 and 2018.

Table 1: Descriptive Statistics

	CAPEXP	EXLOANS	STALLOC	INTREV
Mean	425812.1	84454315	6.85E+08	1.75E+08
Median	309015.6	62496481	1389640.	696777.7
Maximum	1694826.	2.32E+08	3.47E+09	3.31E+09
Minimum	28340.90	22398373	160893.2	25994.20
Std. Dev.	432221.3	60176699	1.33E+09	7.60E+08
Skewness	1.804585	1.369661	1.431159	4.006932
Kurtosis	5.626558	3.786346	3.086249	17.05552
Jarque-Bera	15.77389	6.430096	6.491906	207.2422
Probability	0.000376	0.040153	0.038931	0.000000
Sum	8090429.	1.60E+09	1.30E+10	3.33E+09
Sum Sq. Dev.	3.36E+12	6.52E+16	3.18E+19	1.04E+19
Observations	19	19	19	19

Source: Authors Computation (2020)

The descriptive statistics of variables examined with emphasis on mean, maximum, minimum, standard deviation and the Jarque-Bera results. The results indicated that mean value of capital expenditure is 425812.1, external loan is 84454315, statutory allocation is 6.85E+08, and internally generated revenue is 1.75E + 08. The media value of capital expenditure is 309015.6, external loans 62496481, statutory allocation are1389640, and internally generated revenue is 696777.7. The maximum value of capital expenditure is 1694826, external loan is 2.32E+08, statutory allocation is 3.47E+09, and internally generated revenue is 3.31E + 09. The minimum value of capital expenditure is 28340.90, external loan is 22398373, statutory allocation is 160893.2, and internally generated revenue is 25994.20. The standard deviation value shows that capital expenditure is 432221.3, external loan is 60176699, statutory allocation is 1.33E+09, and internally generated revenue is 7.60E+08. In testing for the normality of distribution of the variables, the Jacque-Bera test has a null hypothesis of non-normality. The table above shows that the variables used are normally distributed that is the probability of all the variables (p-values) is less than the critical p-value of 5%.

3.2 Correlation Analysis

Correlation analysis was carried out with a view to describing the strength of relationship between dependent variables (CAPEXP) and independent variables (EXLOANS, STALLOC and INTREV).

Table 2: Pearson Correlation Matrix

Covariance Analysis: Ordinary
Included observations: 19

Correlation t-Statistic Probability Observations	CAPEXP	EXLOANS	ALLOC	INTREV
CAPEXP	1.000000 ----- ----- 19			
EXLOANS	-0.057740 -0.238467 0.8144 19	1.000000 ----- ----- 19		
STALLOC	0.843685 6.479793 0.0000 19	0.131390 0.546470 0.5918 19	1.000000 ----- ----- 19	
INTREV	0.711607 4.176096 0.0006 19	-0.149166 -0.621985 0.5422 19	0.508083 2.432205 0.0263 19	1.000000 ----- ----- 19

Source: Authors Computation (2020)

Budget performance proxy by capital expenditure has a strong positive relationship with statutory allocation (STALLOC) and internally generated revenue (INTREV). This positive relationship implies that an increase in statutory allocation and internally generated revenue in Ondo state will result to an increase in budget performance proxy by capital expenditure in Ondo state and decrease in statutory allocation and internally generated revenue in Ondo state will lead to a decrease in budget performance in Ondo state. Budget performance proxy by capital expenditure also has a strong negative relationship with external loans. This indicates a rise in external loans will lead to a decrease in budget performance proxy capital expenditure in the economy and reduction in external loans or debts will automatically result or lead to a increase in budget performance in the economy.

Table 3: Regression Analysis

Least Square Result Estimates
Dependent Variable: CAPEXP
Method: Least Squares
Included observations: 19

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXLOANS	0.001600	0.000663	2.413558	0.0281
STALLOC	0.000230	5.52E-05	4.158090	0.0007
INTREV	0.000249	9.54E-05	2.604695	0.0192

R-squared	0.677133	Mean dependent var	425812.1
Adjusted R-squared	0.636774	S.D. dependent var	432221.3
S.E. of regression	260492.0	Akaike info criterion	27.92247
Sum squared resid	1.09E+12	Schwarz criterion	28.07159
Log likelihood	-262.2635	Hannan-Quinn criter.	27.94771
Durbin-Watson stat	1.703162		

***Source:* Author's Computation (2020)**

Table 3 shows the ordinary least square estimates. The model is generally robust as shown by the F-statistic, which is statistically significant at the 5% level as reveal by the probability of f-statistic. The Durbin-Watson statistic of 1.70 suggests that the model does not suffer from first-order autocorrelation. The R-square reveals that about 95% of the systematic variation in the dependent variables is explained by the three independent variables: external loans (EXLOANS), statutory allocation (STALLO) and internally generated revenue (INTREV). The adjusted variations R-Bar Squared shows that about 64% of the variations are attributed to the explanatory variables. The value of the probability of f-statistic is less than 5%, meaning that the F-statistic is significant at the 5% level revealing that there is a significant linear relationship between the dependent variable (budget performance) and the three independent variables taking altogether.

The coefficient for external loans (EXLOANS) is found to have a negative and significant relationship with budget performance in Ondo state Nigeria at 5% level of significance because the t-test calculated of 2.4 is greater than the t-test statistics rule of thumb of 2. This implies that for every increase in insurance external loan, there is decrease in budget performance in Ondo State, Nigeria. The coefficient for statutory allocation (STALLOC) is found to have a positive relationship with budget performance in Ondo state and it is statistically significant at the 5% level because the t-test calculated is greater than the t-test statistics rule of thumb of 2. This implies that increase in total statutory allocation will result into increase in budget performance proxy by capital project in Ondo state. The coefficient for internally generated revenue (INTREV) is found to be positive with budget performance proxy by capital expenditure in Ondostate and it is statistically significant at 5% level because the t-test calculated is greater than the t-test statistics rule of thumb of 2. This means that in every increase in internally generated revenue will lead to an increase in capital project or budget performance in Ondo state.

5. Conclusion and Recommendations

The study empirically examined the effect of fund adequacy on budget performance in Nigeria. The result shows negative and significant relationship between external loans and budget performance in Ondo state Nigeria. Also, positive relationship between internally generated revenue and budget performance proxy by capital expenditure in Ondo state and it is statistically significant at 5% level because the t-test calculated is greater than the t-test statistics. This could be connected with the fact that most states usually divert their statutory allocation, internally generated revenue and other income for recurrent expenditure like payment of staff salaries, overhead commitment to mention just a few in the state. Most often, state government resort to the use of other sources of revenue including External loans and Grants to finance capital expenditure which in turn improves the welfare of the entire citizenry as well as enhance economic growth and/or development in the state. Another reason that can be ascribed for budget failure or non-performance can be traceable to the inefficiency on the part of those managing the state government funds. The following policy recommendations were suggested:

i. Budgeting in Nigeria should be based upon and truly reflect the changing views, needs and preferences of the Nigerian people.

ii. Nigerians should be allowed to have some say in the type of capital projects they want. This probably may enhance greater impact of public budget on the welfare of the people and fast-track reduced poverty.

iii. They should bea need of proper budget effectiveness, regular monitoring and evaluation of programmes and projects.

iv. It is necessary to develop an appropriate mechanism for monitoring the budget in order to enhance effectiveness in the level of budget achievement.

v. Nigerian government should rely more on internally generated revenue and statutory allocation than external loans or grants.

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