

## Optimizing Budget Formulation and Sectoral Allocation in Nigeria's Public Service: Challenges and Strategic Solutions

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**Abstract:** The study looked at the budget preparation, sectoral allocation, and fund disbursement processes, as well as their impact on the performance of Nigerian public organizations. The study used a survey research approach in which questionnaires were distributed to the administrative, executive, and budget directors at all levels of government in Nigeria. A random sample of 250 respondents was selected. The "Budget Performance Questionnaire (BPQ)" was utilized to collect data. The acquired data was then presented and analysed using mean and standard deviation to answer the study objectives. The research hypotheses were tested at a significance level of 0.05 using chi-square and single-component analysis of variance (ANOVA). The results revealed that budgetary allocation and disbursement of funds have a significant relationship with the performance of public sector organizations in Nigeria. Amongst the findings of the study is a poor implementation of the budget. Therefore, the researcher recommended that the government at all levels step up budget officers' training and retraining to enhance their technical know-how in budget formulation and implementation. The Executive arm of government should ensure timely disbursement of funds to Ministries, Departments, and Agencies (MDAS) of government. The government should also empower and strengthen the offices of Auditor Generals at all levels of government to ensure judicious utilization of the disbursed funds.

**Keywords:** *Budget, Formulation, Sectoral, Allocation and Performance.*

### 1. Introduction

The essence of budget will be understood when we look at the purpose it serves. Budgeting began when the man noticed that the resources available to him were insufficient to meet all his needs, (Hillary, 2014). Consequently, the need to choose which needs to meet and those to leave

out, based on available resources. Put differently, according to Chikeleze 2002 as cited by Hillary, (2014), the need for efficient resource allocation to competing budgeting was created in response to alternative needs and the need for smart financial management. In public administration, the term budget refers to a financial document presented annually to the legislature by the executive that contains a complete statement of the government's revenue and expenditure for the previous fiscal year as well as an estimate of the same for the following fiscal year (Onyewigwe 2008).

A budget is an aggregate policy instrument for organizing and articulating government aims and objectives, which are frequently defined in terms of programs and projects and are typically supported by a financial plan. It describes and ranks objectives or goals that compete for limited financial resources (Ogbu 2012).

It is important to recognize that a budget is a collection of suggestions for revenue that are anticipated to come from various sources and expenditures that are likely to be fulfilled on various goods. Most budgets include assessing the economy's performance over the previous fiscal year. Significant financial and economic policy developments are also included.

Nigeria's 1999 Constitution, as amended, outlines the roles and obligations of the executive and legislative branches in the budgeting process, promoting separation of powers and checks and balances between the two branches of government (Kiragu, 2002; Onyebuchi, 2006). The National Assembly, under Sections 80 and 81 of the 1999 Constitution, oversees the executive branch of government, ensuring effective and judicious use of public resources.

The budget formulation process involves determining resources and their uses to achieve government goals, regulating decision-making from development to legislative approval, execution, and review. The budgeting cycle is a throughout-the-year procedure that includes executive creation (establishing budgetary policies, parameters, and allocation priorities), legislative approval by Parliament, implementation by Government Ministries, Departments, and Agencies (MDAs), and even Civil Society Organizations (CSOs), and evaluation and auditing, which includes the role of the Auditor-General (Emeka and Nwokedi, 2016). As a result, the planned study would concentrate on the budget formulation, sectoral allocation, and performance of Nigeria's public service.

## **2. Statement of the Problem**

Budget and its procedures in the country remain challenging in both preparation and implementation, necessitating proper supervision aimed at enhancing effective resource utilization during the budget implementation stage (Olurankinse, 2012). Nigerian government at all levels has formulated budget estimates for each fiscal year. A budget estimate was presented to the assemblies and councils. These budgets were presented by the executive to the legislative houses where they were scrutinized, forwarded to, and approved by the executive arms at the state and federal levels. Resources were generated but problems recurrently arise when it comes to sectoral disbursement.

In Nigeria, budgetary allocations to key sectors of the economy like agriculture, health, education, industry, communication etc. have been insufficient and sometimes erratic. This huge policy lapses according to World Bank 2010 (Osifo, 2016) has contributed to the failure of development programmes in Nigeria more than any other factor. Notwithstanding the numerous advantages of the budget as outlined by various experts, effective planning, especially inadequate budget execution, has been one of the key difficulties that has afflicted Nigeria after independence.

Also in Nigeria, as wonderful as our budget is, its performance in terms of accomplishment is nothing to write home about, (Obara, 2013). Apparently, this problem arises as a result of environmental disasters, violent extremism as well as epidemic outbreaks in Nigeria and the world, which has negatively affected external sources of government revenue, (Ibe & Pibowei, 2020). This research is therefore interested in identifying the budget implementation constraints and to explore the implication of inadequate or non-releases of allocated sectoral financial resources as captured in the approved budget.

## **3. Objective(s) of the Research**

The objective of the research is to:

1. To study sectoral allocations in the budget process in Nigeria.
2. To Identify factors inhibiting effective budget performance in public sector organisations.

### **3.1 Research Questions**

- (I) Does sectoral allocation have impact on the performance of public sector organizations?

- (II) In what ways does timely disbursement of funds have impact on the performance of public sector organizations?

### Hypotheses

1. There is a significant relationship between sectoral allocation, disbursement of funds, and performance of public sector organizations.
2. There is no significant relationship between sectoral allocation, disbursement of funds, and performance of public sector organizations.

### 3. Literature Review

The Chartered Institute of Management Accountants defines a budget as "a monetary and/or statistical comprehension, a defined period, of an approach to be pursued for that period to achieve a given goal" (Olufidepe, 2003). In his opinion, budgeting encompasses both planning and control functions. This is the decision for a future time of what is to be done, what will be accomplished, how it will be done, and how much it will cost. It demands that the government's general goals be broken down into precise work plans for each project and unit of organization. A budget, as defined by Okeke in 1988 and quoted by Hillary (2014), is an assessment of a nation's anticipated revenue and expenditures. He went on to say that the budget is a critical tool for planning and controlling a country's, society's, or business's finances. He emphasized that budgets are more than just a collection of impersonal financial statements; they reflect the underlying policies adopted by a company or government. It depicts the government's financial goals, policy objectives, cost consequences, opinions, goals, strategies, and programs in all areas for the budget period, whether by positive action or inaction. Hence, Dimock and Dimock 1969 cited in Hillary (2014) defined a budget as "*A financial plan summarizing the financial experience of the past, stating a current plan and projecting it over a specified period in the future*". It suggests that a budget is an accounting document prepared in advance of the start of a fiscal year that details the expected resources and proposed expenditures of a certain organization for the next fiscal year. Achim (2009) defines a budget as a planning document for government activities, typically prospective and futuristic, indicating expected revenue and expenditure. However in Nigeria, the fiscal year begins on January 1 and concludes on the last day of December.

According to Osifo & Uwubanmwan, (2016), budgetary allocations to central sectors of the economy such as education, health, agriculture, and industry through their positive effect can

enhance equity and reduce poverty significantly to minimal levels. It is a known fact in the literature of government expenditure that the productivity of budgetary allocation depends on the ability of a given sector to enhance output, create employment, reduce poverty, and consequently accelerate economic development.

A budget is a strategic plan for an organization, coordinating policy, legislation, and intent, predicting future revenues and expenditures, and varies depending on the organization's nature. Similarly, the more complex the revenue and expenditure situation of the organization, the more likely it will be that mid-course adjustments are needed during the lifespan of the budget. In government, these adjustments translate into supplementary budgets or estimates that regularly go before legislators, (Dunn, 2010).

#### **4.1 Conceptual Reflections**

The budget concept in Great Britain originated in the central government and developed over time due to parliament's struggle for control over crown finances. In 1217, the Magna Charta declared no aid unless by the common council. After 1688, parliament approved crown-authorized expenditure and taxation, (Obara, 2013).

In Nigeria, budget practice can be traced to the country's colonial experience. During the colonial era, the budget was prepared and executed by the colonial administrators with little or no input from the indigenous people. However, public budgeting commenced in 1922, and gradually, Nigerians began to be involved in the legislative and administrative systems (Ogunyemi 2012). Consequently, in the 1950s, Nigerians participated in the debate on the administration of taxation and how the taxes were to be appropriated. This development laid the foundation for public budgeting in Nigeria. As Nwekeaku (2014) rightly observed, even after independence, Nigeria continued to retain the content, structure and approach of the British colonial system of budgeting. However, due to the frequent incursion of the military in politics from 1966 to 1979; and between 1984 and 1999, legislative experience with the budget process was limited.

The idea behind sectoral allocation and resultant performance is that how much is spend on department X is tied to how well department x is performing. Performance budgeting (Marc & Shewester, 2011) requires the establishment of performance levels and the collection of information that tells whether those performance levels have been met. The most common types

of performance indicators are output and outcome. Output indicators report units produced or the quantity of services provided by a department, an agency or a programme. Outcome indicators reflect how well a government entity is meeting its goals and Objectives. These Indicators are designed to answer questions that deals with the quality and impact of Government service delivery.

#### **4.2 Theoretical Framework**

The theoretical framework for this study uses the incremental theory propounded by Lindblom (1959). The suitability of the theory over others for this research work is clearly stated by David, Dempster, and Wildavsky, (1987), when they opined that the theory is widely recognized as a dominant budget strategy. Agencies can choose incremental funding for programs, recommending equal or similar increases across different programs, for example is employing incrementalism.

Wildavsky (1964) saw incrementalism as the outcome of politics and concentrated his focus on budget policy making. There are winners and losers in politics; therefore, there are conflicts. Incremental policy changes are the necessary tools for negotiation because they are more politically feasible. With incremental policy making, one does not start over and decide whether expenditures should exist. Instead, small changes to previous spending decisions are the norm. Since budget incrementalism represents small changes from the budgetary base, budgets are usually driven by historical data.

Inherent in incremental budgeting is the avoidance of a comprehensive examination of budget requests. Sharkansky, (1969) states, “To inquire into the justifications of an agency’s expenditure base would reopen an infinite number of complex issues and settlements that had been negotiated in the past”. Therefore, incrementalism is not just a method of negotiation but also a method of avoidance. Sharkansky argues that controversies may still exist around the budget policy makers; however, incrementalism allows budget outcomes to separate themselves from the controversy.

One incremental strategy is the “previous year’s increment” approach, where agencies ask for about the same percentage increase in across-the-board program funding that was appropriated in previous years. A second incremental approach is “the inflation” strategy. Here, agency officials use the inflation index to determine incremental funding requests. Yet a third incremental approach is the “best guess” strategy. Agency officials use their knowledge of their

programs and of budget actors to form a best guess about a reasonable increment to request in the agency budget that is forwarded to the central budget office and to the legislature.

Since incremental budget strategies eschew intense scrutiny of any particular budget categories and assume the budget base is protected, they are linked to broad public support for agency outcomes. Agencies that can be reasonably assured that the public is positively (if mildly) inclined toward their programs are the most likely to use incremental strategies. Therefore, Incremental budget strategies are most likely to be used when the budget environment is favorable.

## **5. Methodology**

The target population of the study comprises chief executives of government agencies, Directors of budget, budget officers and others with relevant knowledge of budgeting in the public sector. The sampling technique employed is stratified random sampling. This method ensures representation from different levels of stakeholders in budgeting process.

To achieve the objectives of this study, a survey questionnaire was used as the instrument for gathering data. Out of the 200 copies of the questionnaire personally administered to respondents online, 124 representing 62% percent were completed and returned. The questionnaire comprised three sections. In section one, the respondents were requested to provide demographic information such as age, sex, and occupation. The second section is a ten-item index of challenges of the budget on the performance of public organizations. The third section deals with the expected solutions to challenges to budget performance of public organizations. The respondents were sufficiently oriented on the concepts of budget, budget formulation, sectoral allocation, and performance and were assured of confidentiality.

The study adopted an interval scale of measurement with a sample size of 200 respondents. The data collected was from the secondary and primary sources. The study adopted univariate analysis, which were ranged, minimum, maximum, mean, standard deviation, variance, skewness and Kurtosis. Bivariate analysis used were linear regression, ANOVA, F-test statistics, and T-test statistics. The pre-estimation technique was a test of normality, and a test of linearity, while the post-estimation techniques were a test of autocorrelation, a test of significance, a test of multi-clarity, and a test of co-integration.

The two hypotheses stated were tested using a t-test at 5% level of significance. If the null hypothesis is rejected, it implies that the variable is a significant moderator of budget

performance. On the other hand, the acceptance of the null hypothesis indicates that the variable is not a significant moderator of budget performance. Answers to the research questions from the respondents and the result of test of hypotheses are presented in tables one to three.

The reliability test of the study can be assessed in a number of different ways. We can split our questionnaire to see if the first half of the question come up with the same result as the second.(split-half reliability). Cronbach alpha is the most popular method of examining reliability. The calculation of the Crouchback alpha is based on the number of items (i.e the number of questions are measuring a true score, a high correlation between the different items will indicate they are measuring the same thing as there will be only one small value for the error. Cronbach alpha ranges from 0 for a completely unreliable test to 1 for a completely reliable test. Some statisticians suggest 0.7 whereas others recommend 0.8 but 0.75 is a sensible compromise value to take as the benchmark.

## **6. Results**

The demographic data on age, marital status, educational qualification, and work experience of the respondents shows that the majority of the respondents were male consisting of 104 respondents which represents 84%. While female respondents were 20 representing 16%. On the age of the respondents, three groups were assessed, the result indicated that there were 34 respondents between the ages of 18-40 years which represent 27%. 70 respondents belong to the 41-60 years age bracket representing 57%, hence the majority. Lastly, 20 respondents were above the age of 60 years, which represents 16% of the respondents.

Result obtained on educational qualification of the respondents' shows that 20 respondents hold National Diploma (ND) and National Certificate in Education (NCE) which represent 16%. While 80 respondents qualified for Higher National Diploma (HND) and Bachelor of Science (B.sc) degrees which represent 65% and 24 had Masters and Doctorate (PhD) degrees, which represent 19%. 24 respondents and others, representing 19%. This shows that those with a Higher National Diploma (HND) and Bachelor of Science (B.sc) degree were the majority among the respondents. In terms of the employment status of the respondents, result shows that 10 respondents were Chief Executives, which represent 8% of the respondents. 14 respondents were permanent secretaries which represent 11% of the employment status of the respondents. 36 respondents were Directors of budget which represent 29% of the respondents. 34



respondents were General Managers which represents 27% of the respondents. While 30 respondents which represent 24% of the respondents were others. The result presented shows that the employment status of majority of the respondents were the Directors of budget. Specifically, for this study, data from the questionnaire administered were presented and analyzed using the objectives of the research as a guide and it is restated thus:

1. To study the impact of budget sectoral allocation on performance of Nigeria's public service.

Table 1: Sectoral Allocation: Budget 2020/21 & 2019/20

Sectoral Allocation	Approved Budget 2020/21	% Share	Approved Budget 2019/20	% Share
Works and Transport	5,846.00	12.85%	6,404.60	15.82%
Security	4,504.68	9.90%	3,620.80	8.94%
Education	3,624.06	7.97%	3,397.60	8.39%
Health	2,772.91	6.10%	2,589.50	6.40%
Agriculture	1,324.80	2.91%	1,053.60	2.60%
Energy and Mineral Development	2,602.60	5.72%	3,007.20	7.43%
Interest Payment	4,086.50	8.98%	3,145.20	7.77%
Water and Environment	1,681.70	3.70%	1,092.80	2.70%
Local Government	1,752.40	3.85%	1,260.30	3.11%
Justice/Law and Order	2,025.90	4.45%	1,732.60	4.28%
Public Administration	1,321.70	2.91%	979.10	2.42%
Legislature	667.80	1.47%	687.80	1.70%
Public Sector Management	675.18	1.48%	887.80	2.19%

Science, Technology and Innovation	264.50	0.58%	186.00	0.46%
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Source: Wadada M. (2020)

The above table depicts budget sectoral allocations for the year ended 2020/19 and 2020/21 fiscal year of some federal ministries, departments and agencies. As can be seen, there is percentage increases and decreases in the allocation of some ministries, departments and agencies (MDAs) which invariably is impacting either positively or negatively on their performance. For example percentage decrease in allocation to health sector in 2020/21 budget (6.10%) as against 2019/20 (6.40%) budgetary allocations would significantly affect the performance of the ministry in healthcare service delivery.

In analyzing the objective, relevant questions in the questionnaire were used. This was done to elicit rich and comprehensive data for the research. Therefore questions 1 and 2 were used.

**Question 1:** Does budget sectoral allocation have impact on the performance of public sector organizations?

The aim of this question was to find out if there is a significant relationship between budget sectoral allocation, disbursement and performance of public sector organizations.

Table 2: Adequate budgetary allocation enhances the performance of public sector organizations

Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	45	36	36	36

Agree	43	35	35	71
Strongly Disagree	16	13	13	84
Disagree	10	8	8	92
Undecided	10	8	8	100
Total	124	100	100	

**Source: field survey 2024**

For majority of the respondents, budgetary sectoral allocations has in practical term translates to efficient performance of public sector organizations. 71% (Table 2) of the respondents strongly agreed and agreed respectively that adequate budget sectoral allocation enhances performance of public sector organizations. However, despite this minority view of the respondents (39%) strongly disagreed and disagreed respectively that budget sectoral allocation enhances the performance of public sector organizations. This goes to show that budget performance is attained only in theory but in practice and reality, there is a gap between sectoral allocations and the performance of public sector organizations in Nigeria. Budget performance is efficient when projects are executed timely and services are delivered to satisfy the needs of the targeted beneficiaries in terms of transforming their living standards.

**Question 2:** Does timely disbursement of funds have impact on the performance of public sector organizations?

This question was intended to ascertain in what ways the timely disbursement of funds allocated to sectors in the budget impacted the performance of public sector organizations. The question was also posed to determine if, after timely disbursement of funds, the problem of responsiveness of the public sector organizations to the expectations, yearnings, and aspirations of the citizenry could be resolved.

Table 3: Timely disbursement of funds has an impact on the performance of public sector organizations in Nigeria

Variable	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	53	43	43	43

Agree	36	29	29	72
Strongly Disagree	15	12	12	84
Disagree	10	8	8	92
Undecided	10	8	8	100.0
Total	124	100.0	100.0	

Source: Field survey, 2024.

From the data presented above, it shows that timely disbursement of allocated funds enhances efficient performance of public sector organizations.

### Test of Hypothesis

1. There is no significant impact between Budgetary allocations and disbursement of funds on the Performance of public sector organizations
2. There is no significant relationship between sectoral allocation, disbursement of funds, and performance of public sector organizations.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.435	.272		8.942	.000
	Budgetary allocation and disbursement of funds (BADF)	.245	.089	.241	2.746	.007

3. Source: Field survey, 2024.

Result in Table 4, suggested that Budgetary allocation, disbursement of fund has significant relationship with the Performance of public sector organizations ( $\beta = .241, p < .001$ ). This means that if budgetary allocation and disbursement of funds go up by one percent, performance will go up by 24.1% at a probability of .001. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. This means there is an impact of budgetary allocation and disbursement of funds on the Performance of public sector organizations.

## **7. Discussion**

The discussion of the major findings of this research work was organized according to the research questions. Out of the two hypotheses postulated and tested, the result in Table One suggested that budgetary allocation of funds has a significant relationship with the performance of public sector organizations. This finding is consistent with Nashon O. (2019) argument that "two key factors influence the budgeting allocation process for government spending: the level of local revenues collected and the availability of external resources to bridge the gap occasioned by a shortfall in revenues." When revenues fall short of the planned level, the budget will be impacted, requiring spending to be lowered and some projects and programmes to be postponed entirely."

Poor budget implementation is a significant challenge in the budget process, leading to infrastructure collapse and the incapacity of the executive branch to execute projects. In Nigeria since 1999, there hasn't been a year with 75% capital budget execution, exacerbated by late capital fund releases. Adeniyi (2008) suggests that sustained budget success can lead to economic growth, while poor budget management can result in poverty and unemployment.

## **8. Conclusion**

Based on the findings of the study, it is concluded that there is a significant relationship between budget sectoral allocation and timely disbursement of funds on the performance of public sector organizations in Nigeria.

## **9. Recommendations**

The study therefore made the following recommendations.

- i. Government at all levels should upscale the budget sectoral allocation of adequate resources to enhance the performance of public sector organizations.

- ii. The Executive arm of government should ensure the timely disbursement of allocated funds to Ministries, Departments, and Agencies (MDAS).
- iii. The government should empower and strengthen the offices of Auditor Generals at all levels of government to ensure judicious utilization of the allocated funds.
- iv. Workshops and seminars on budget formulation and implementation should be organized regularly for members of the National and State Assemblies, budget officers, and chief executives aimed at enhancing the performance of public sector organizations in Nigeria.

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