# Budget Implementation and Economic Development in Yobe State Nigeria 2010-2021

Adeyemi, John Adeola

[1]Department of Accountancy
Federal Polytechnic, Damaturu
Correspondence e-mail: *adeyemijohn8088@yahoo.com*

## Abstract

*The study investigated budget implementation and economic development in Yobe state from 2010 to 2021. The study was guided by three research objectives, translated into three research questions. The study is descriptive in nature. The data was collected and analyzed using simple percentage, graphs, and pie charts. Also Time Series Analysis (TSA) was employed for assessment of moving averages and regression used to examine the significance of the effect of budget on actual expenditures. Primary and Secondary data were used for the study. The major findings of the study revealed that Yobe state recurrent budget were less in values than capital budget. Thus it influenced their actual expenditures and that budget and actual expenditures are related. The work discovered that as the budget increases, the actual expenditures increase and vice versa. The TSA showed that Budget changes increasingly and decreases after six years, showing fair deviations and that the changes in budget are not steadily predicted. These are caused by the factors which have been responsible for budgets failures in the state, which include budget unruliness, lack of accountability, non-consideration of reasonable suggestions from interest groups while preparing the budget, none monitoring of budget, non-usage of accurate data, inconsistent economic planning and policies. The study found that the effect of budget on actual expenditures is statistically significant (F = 23.36 DF = 11, p = 0.00068). Since p<0.05, the effect of budget on actual expenditures is significant. The values of budget changes actual expenditures at 70% coefficient of determination. In conclusion the State budgets have been fairly implemented for the past ten years. However, the study reveals that the budgets have made low contribution to the socio-economic and political development of Yobe State compared to its resource potential. In order to arrest the   situation, the following recommendations were made; strict observance of budget discipline, creation of enabling operational environment, putting in place of adequate monitoring machinery, positive consideration of reasonable suggestions from interest groups, introduction of corrective measures at the appropriate time and the use of accurate data in the cause of preparing the state future budget(s).*

*Keywords:* **Budget, Implementation, Economic Development, Recurrent, Capital, Expenditures**

## I.    Introduction

In Olomola (2019), the role of budget in an economy cannot be over emphasized. A budget is an important economic instrument of national resource mobilization, allocation and economic management. It is an important economic instrument for facilitating and realizing the vision of government in a given fiscal year. A budget has to be well designed, effectively and efficiently implemented, adequately monitored and its performance well evaluated. Olomola is of the opinion that the budget process has always been fraught with monumental abuses. The most visible bottlenecks are associated with budget implementation. Frequently the compliant is about non-release, partial release and delay in releasing approved funds for

budgeted expenditure. It has been well observed that a quarter to which funds are related may end before the related funds are made available. Clearly, this has negative implications for institutional planning and management as well as the overall impact of the budget on development and welfare of the people. It is about five decades since Nigeria has been involved in annual budgeting as an independent state.

A look at the performance of Yobe State's previous and current budgetary estimates shows that they have not helped the state achieve or maintain a better economic climate. The country's successive budgets have been in most cases recording deficits. Even when they were expected to be balanced or surplus budget, they end up disappointing their operators and economic observers by recording deficits. This contributes immensely in worsening the socio-economic problems in Nigeria. Such problems include high inflation, poverty, unemployment, income inequality, adverse balance of payments and low standard of living.

 It should be noted that at times deficit financing is deliberately undertaken by any government, so as to stimulate economic activities in the country which it controls, establish more industries to absorb those who are unemployed, provide more social amenities to the people and in fact, improve the general well-being of the populace. However, in Nigeria and Yobe State in particular, instead of the afore-stated being the case, the reverse occurs. Actually, it causes more harm than good to Nigerians. The main objective of this study is to examine the impact of budget implementation on economic development in Yobe State over the period 2010-2021.

**Objective of the Study**

The specific objectives of the study are to examine budgets implementation in Yobe State; investigate the impact of budgets implementation on the economy of Yobe State; and identify the problems of budget implementation in Yobe State.

**Research Questions**

Has the Yobe State Government budgets been fully implemented over the period of study?
What is the impact of budgets implementation in Yobe State?
What are the problems associated with budgets implementation in Yobe State?

**The Scope of the Study**

The study covers the whole public sector in Nigeria, the case of Yobe state. Activities covered include economic, social, environment and administration. This study covers the Yobe State Government financial plan (the budget) as well as its actual performance. The study will suggest where necessary better strategy for budget performance.

## II. Literature Review

The annual budget is a document that contains the entire programmes of the government in a given fiscal year. It shows the expectations and intentions of the government in a particular fiscal year. Most importantly, it contains the expected revenue and expenditure of government within a given financial year

Olomola (2019). The budget is perhaps the most important instrument in any modern state apart from the constitution. The focus on the budget has assumed greater prominence in recent years with increasing democratization, civil society participation and the desire to respond to development challenge of poverty. In Nigeria, the return to civilian rule after many years of military rule has put issues of budget in the public domain. The budget is an important instrument of governance in any modern state. It has the potential of aiding planning and contributing to development.

However, it is surrounded by a lot of myths and illusions, which essentially excludes citizens from participation and promote secrecy, corruption and underdevelopment. The need to interrogate the reality of budgeting in Nigeria with a view to transforming it in a way that will become participatory, transparent and accountable which in turn lead to poverty eradication and sustainable development as observed by Adesopo (2011). The budgeting process has gone beyond an annual ritual; it is today known to be very strategic in nature and all-encompassing as it is through it the government scarce resources are allocated to programmes and services for governmental operations. This makes budget process a powerful tool for participatory governance. Budgeting is a serious business that sets the tone for development in a polity, usually for a 12-month period, and a government without a financial plan is walking blindfolded.

Nigeria's Executive and Legislature have for over a decade been unserious in planning the national budget. No federal budget since 1999 has been fully implemented arising from incompetence and the fact that the budgets are ''unimplemented''. (The Punch Newspaper Editorial comment of 16th June, 2011. Asiodu (2010), the annual budget does not only provide an opportunity for a review of the performance of the various policy measures of government, but also constitutes the operational instrument for mapping out the policies and programmes for ensuing fiscal year. The quality of successive annual budgets has become a key indicator for the extent to which government has been able to harness available resources towards the fulfillment of the objective and aspirations of the society.

The annual budget is a key instrument for the implementation of government projects, programmes and policies. It serve three important purposes; ( i ) it is a tool of management, (ii) it is a tool of accountability and transparency and ( iii ) it is an instrument of economic policy. Over the years, the implementation of the annual budget has been a source of concern for successive governments in Nigeria. It is pertinent to note that the Nigerian budgeting process suffers not so much from lack of technical expertise or design but from lack of commitment to good governance for the effective implementation of the budget. Nwokedi (2017) stated that the budget documents/ financial plans for a specified period in most countries the national budget is drafted by the government. The formulation process and the period covered varies between countries, but in all cases, it is drafted at regular intervals. Besides being an instrument for specifying revenue measures and distribution of resources, the budget is employed as a mechanism for macroeconomic stabilization.

According to Ajakaiye (2019), a budget is an annual plan. Accordingly, budgeting can be perceived to be a process of taking deliberate measures aimed at moving the relevant economic system from its current state towards a specified desired state. In that case, the revenue and expenditure programme as well as the fiscal, monetary, trade and other development policies enunciated in a budget are normally designed to

move the socio-economic system from its present state towards a desired state. The success or otherwise of a budget, therefore, depends crucially on the effectiveness of the budgeting process obtain in the society at any point in time. Norton and Elson (2012), points out that the IBP guide to budget analysis (2011) provides a useful account of common problems with budget process in developing countries. This he said include the following: difficulties of making accurate macro-economic projections due to vulnerability to external shocks and dependence on erratic revenue systems and aid flow, lack of independence from political control of the audit function and lack of accurate budget data.

Commenting on the weakness in budget implementation, Olomola (2019) opined that the implementation of budget seems to be more opaque than transparent. The proportion of appropriated funds received is highly unpredictable and varies from quarter to quarter. While some spending units get just about their full appropriation, others get much less. The rules and regulations exemplified by the appropriation bill seem not to be strictly followed during the implementation stage of the budget. In general the amount budgeted is not always released on time and in most cases the amount released deviate largely from the budget. The deviation between allocated and actual spending by MDAs can be attributed to(i) policy changes during the year, (ii) reallocation of expenditures during the budget implementation, (iii), inability to implement policies, programs and projects (v) inadequate counterpart funds in some instances (vi), inaccurate or inappropriate determination of the budget ceiling often prescribed for the MDAs and (vii) poor targeting (estimation) of the expected revenue to be collected by the agencies responsible for revenue generation and collection.

Gbadamosi (2009) asserts that one of the greatest challenges that policy makers had to contend with since the country's attainment of political independence is the diversification of fund to non- productive sector of the economy. The endowment of petroleum resources has provided us opportunities to lay foundation for sustainable socio-economic development an opportunity that most people would agree had not been put to best use. The continued dependence of all the three tiers of government the resources from crude oil sales with the consequent vulnerability to the vagaries of the international oil market, pose a serious constraint to plan and budget implementation.

In the words of Ogunlade (2017), apart from the issues of inefficient investment, a number of other pertinent issues and problems have continued to be significant in the implementation of capital budget in Nigeria. Prominent among these are several development plans or projects containing no detail information (no matter how brief) on the implementation aspect, the divergence between National Plan and Capital Budget, the neglect of the recurrent cost implications of capital budget and inappropriate priorities. Inang (2017, identifies the following itemized points as the weakness/problems of budget implementation. Too many objectives; some of which are intermediate, rather than ultimate, possibilities of policy conflicts, especially between stimulation of growth and attainment of price stability reduction in the rate of inflation sustenance of exchange rate stability and the budget process lacks rigor such as is typical with private sector budgeting which is manifested in the sheer lack of performance targets.

In the opinion of Asiodu (2010), the budgeting process in Nigeria has suffered from lack of transparency, openness, accountability and adherence to established financial rules and regulations to the extent that

ministries and agencies were hardly aware of allocations made to it in a given year. Asiodu (2010) further argued that for effective budget implementation, there must be consistency in government policies over a given period. Over the years, there has been policy inconsistency, and this has adversely affected budget implementation. In view of this, Asiodu suggests a proper budget implementation, regular monitoring and evaluation of programmes and projects. Commenting on fiscal indiscipline Kayode (2011), says fiscal indiscipline is caused by corruptive tendencies of most Nigerians at high places is the number one monster ravaging the Nigerian economy. Economic policies, according to him, can never survive in any nation infested by corruption, and entangled by the shackles of inefficiency; corruption is a negative force that seeks to undo all that the budget seeks to achieve.

For Aluko (1994), the problems of the budget in Nigeria will be solved if there is improvement in revenue generation and retention as well as a reduction and prudence handling of public expenditure. He was of the opinion that the Nigerian government must not relent in taking active and appropriate measures to control market forces that had consistently render virtually valueless our national currency. Towards this end, the government should encourage small, medium and large-scale enterprises, promote industrial and non-oil exports, embark on self-sufficiency in food production through appropriate agricultural policies, including appropriate subsidies, and protect the less privileged citizens of Nigeria from the increasing harsh economic situation in which they were living.

In summary, the bane of the successive budgets implementation in Nigeria include, inconsistent economic planning and policies, budget indiscipline, non-accountability, inadequate monitoring framework, political instability, ignorance of inputs from interest groups, allocation of huge amounts to debt service, use of in accurate data, allocation of more fund to recurrent expenditure than capital expenditure, depending on market mechanism and increase in money supply through high deficit financing. If the Nigerian government and by extension Yobe State government honestly adopts the strategies suggested by the authors, these problems will be positively addressed.

### III.    Method of Data Presentation and Analysis

The study employed mainly descriptive approach in the analysis. The data were presented in tabular form, after which, a simple percentage method was employed to analyze the data. Pie chart, and graph chart was used in analyzing the data because of the descriptive nature of the survey work.

### IV.    Results and Discussion

From the results of table 1, from 2010-2013, the recurrent budget had the percentage ranging from 33.8% to 38% were low compared to capital budget which ranged from 61.5% to 66.2%. From 2014-2017, the percentage increased for recurrent budget ranging from 52.3 % to 63.7% as the highest values compared to capital budget which ranged from 36.2% to 47.7% and from 2018-2021, the percentage increased for capital, which ranged from 48.9% to 64.2% compared to recurrent budget, which ranged from 51.1% to 57.3%. The year 2021 accounted for the highest capital and recurrent budget.

The data below presents the data so far extracted from the State annual budgets between (2010-2021).

**YOBE STATE BUDGET PERFORMANCE BREAKDOWN OF ANNUAL FISCAL AND ACTUAL EXPENDITURE FROM 2010-2021**

| Year | Recurrent | | | | Capital | | | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Budget (₦) Billion | % | Actual (₦) Billion | % | Budget (₦) Billion | % | Actual (₦) Billion | % | | Budget (₦) Billion | Actual(₦) Billion |
| 2010 | 22 | 32.8 | 20 | 33.9 | 43 | 66.2 | 39 | 66.1 | | 65 | 59 |
| 2011 | 23 | 34.7 | 21 | 34.4 | 44 | 65.7 | 40 | 66.1 | | 67 | 61 |
| 2012 | 30 | 38.4 | 25 | 32.1 | 48 | 61.5 | 36 | 59.0 | | 78 | 61 |
| 2013 | 32 | 37.2 | 29 | 33.7 | 54 | 62.8 | 45 | 60.8 | | 86 | 74 |
| 2014 | 65 | 63.7 | 55 | 61.8 | 37 | 36.2 | 34 | 41.5 | | 102 | 89 |
| 2015 | 42 | 52.5 | 39 | 53.4 | 38 | 47.5 | 34 | 46.6 | | 80 | 73 |
| 2016 | 46 | 52.3 | 40 | 53.3 | 42 | 47.7 | 35 | 46.7 | | 88 | 75 |
| 2017 | 40 | 57.9 | 36 | 58.1 | 29 | 42.0 | 26 | 41.9 | | 69 | 62 |
| 2018 | 47 | 51.1 | 38 | 49.3 | 45 | 48.9 | 39 | 50.6 | | 92 | 77 |
| 2019 | 43 | 57.3 | 32 | 42.7 | 39 | 63.9 | 22 | 36.1 | | 82 | 54 |
| 2020 | 53 | 50.5 | 52 | 49.5 | 39 | 51.3 | 37 | 48.7 | | 92 | 89 |
| 2021 | 72 | 57.1 | 54 | 42.9 | 68 | 64.2 | 38 | 35.8 | | 126 | 92 |
| TOTAL | 515 | 53.9 | 441 | 46.1 | 526 | 53.3 | 425 | 44.7 | | 935 | 866 |

**Source: Yobe state annual budget 2010-2021**

The recurrent actual expenditure between 2010 and 2013 were low (32.1%-34.4%) compared to capital actual expenditure (59.0%-66.1%). From 2014-2017, the percentage of capital actual expenditure declined ranging from 41.5% to 46.7% compared to recurrent actual expenditure ranging from 53.3% to 61.8%. Between 2010 and 2012, Yobe state recurrent budget were high in values than capital budget. The values of the budget changing related with the values of the actual expenditures, implying that the budget influenced the actual expenditure. Therefore this shows that budget and actual expenditures are related.

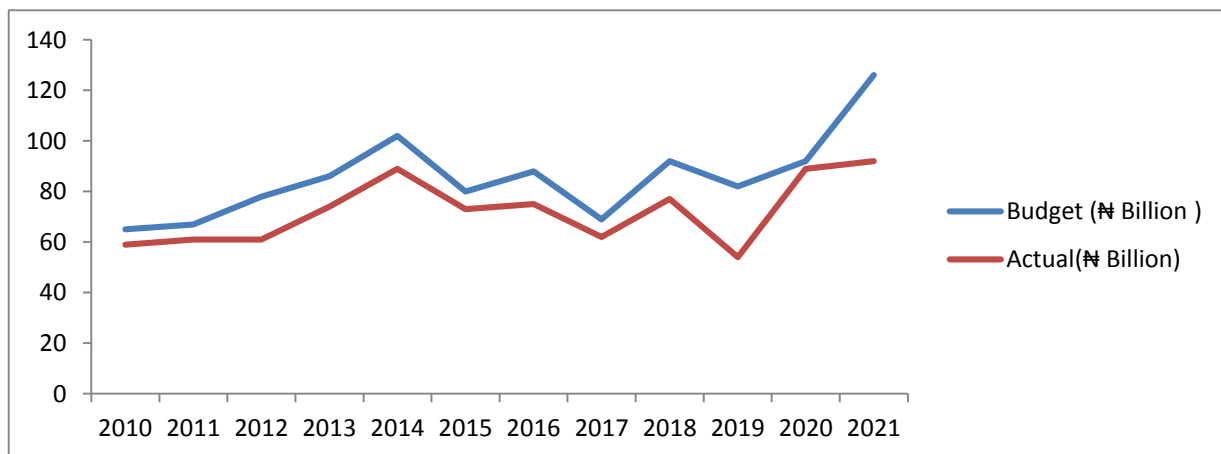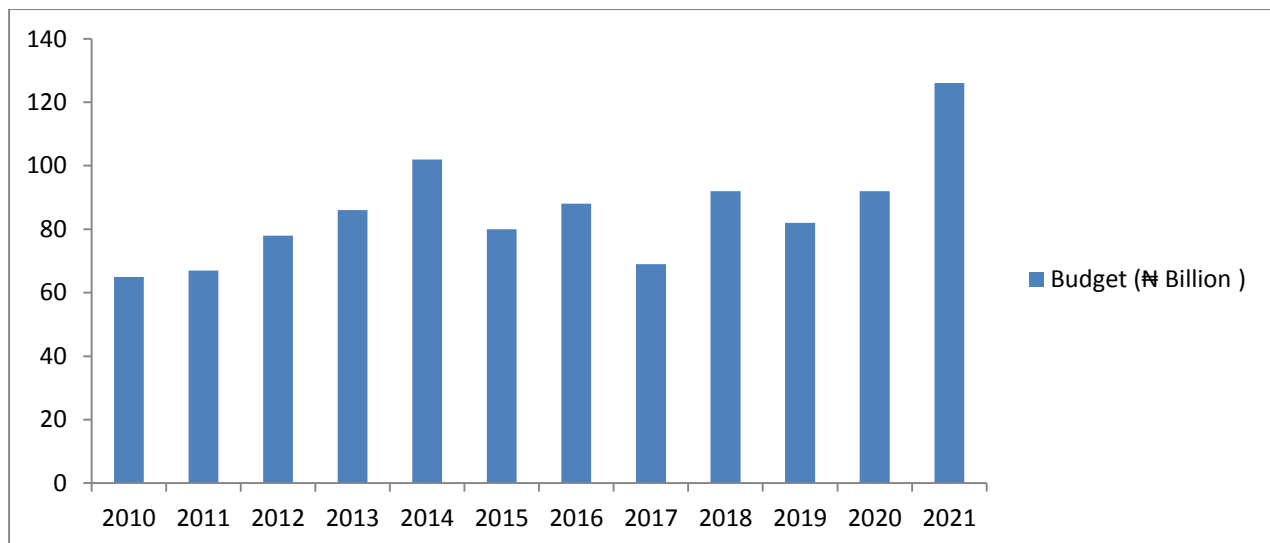## V.    Relationship between Budget and Actual Expenditures



**Fig. 1 Total Budget and Actual Expenditures From 2010-2021**

Figure 1 revealed that budget and actual expenditures increased slowly between 2010 and 2011, maintained the same slow movement up to 2013 and drastically increased at 2014, then fall at 2015 and slightly increased and decreased between 2016 and 2018, came down in 2019 and went up again in 2020 and 2021. The highest peak at 2021 indicated higher budget value than actual expenditures. This implies that the government performs below the budget.
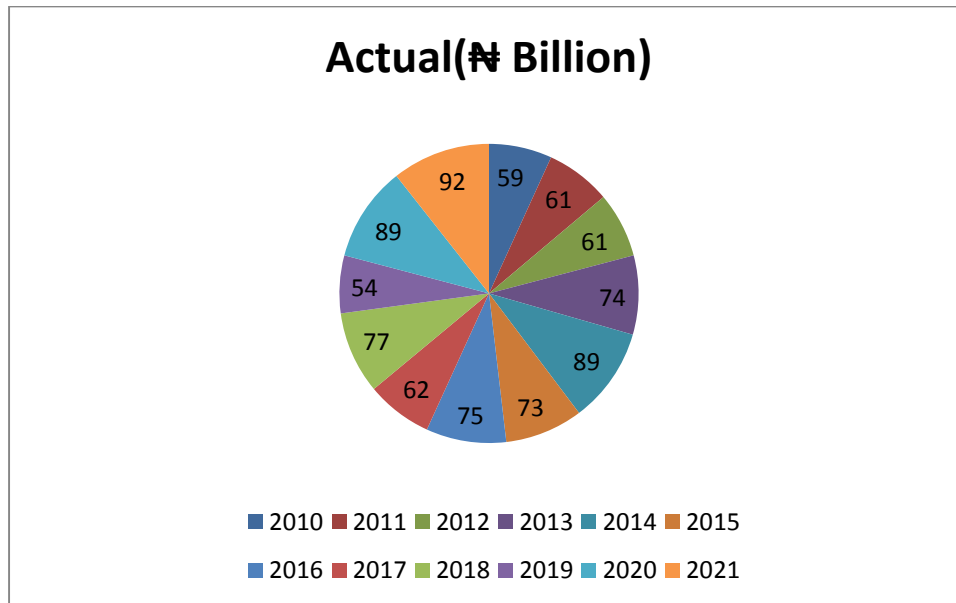


**Fig. 2 Total Annual Actual (₦ Billion) From 2010-2021**

The pie chart showed that 2021 had the highest total annual actual, followed by 2018 and 2021, and then others follow. The budget increased steadily between 2010 and 2014, then increased and decreased slowly till 2018, falls in 2019 and increased in 2020 and 2021.



**Fig. 3 Total Annual Budget (₦ Billion) From 2010-2021**

The pie chart showed that 2021 had the highest total annual budget, followed by 2014, 2018, 2020, then 2016, 2013, 2015, 2012, 2017 and 2010. The budget increased steadily between 2010 and 2014, then increased and decreased slowly till 2018, decreased in 2019 and increased steadily till 2021.

### VI.　Analysis of Time Series of Total Annual Budget and Actual Expenditures (2010-2021)

The time series analysis examines the time-based flow of budget and actual expenditures between years of study. The research subjected it to a three year moving averages.
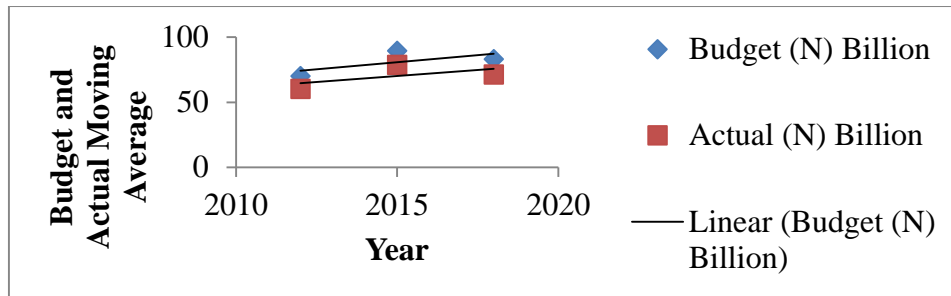


**Fig. 4 Scatter Plot of a Three Year Moving Average of Budget and Actual Expenditure (2010-2021)**

Figure 4 shows that in every three years budget changes increasingly and decreases after six years. The line that cuts the moving averages shows that budget increases fairly. The changes in budget are not steadily predicted.

**Regression of Budget and Actual Expenditures**

| Regression Statistics | |
|---|---|
| Multiple R | 0.83683 |
| R Square | 0.700284 |
| Adjusted R Square | 0.670312 |
| Standard Error | 9.696308 |
| Observations | 12 |

ANOVA

| | Df | SS | MS | F | Significance F |
|---|---|---|---|---|---|
| Regression | 1 | 2196.733 | 2196.733 | 23.36 | 0.00068 |
| Residual | 10 | 940.184 | 94.0184 | | |
| Total | 11 | 3136.917 | | | |

The regression analysis shows an F-value of 23.36 with 11 degree of Freedom, which is statistically significant at 0.00068. Since $p<0.05$, the effect of budget on actual expenditures is significant. The values of budget changes actual expenditures at 70% coefficient of determination.

## VII.     Findings of the Study

From the results and the analysis, the study found that:

1.  As the budget increases, the actual expenditures increase and vice versa. Therefore, the factors that influence budgeting also influenced the actual expenditures. The identified factors are budget unruliness, lack of accountability, non-consideration of reasonable suggestions from interest groups while preparing the budget, on- monitoring of budget, non-usage of accurate data, inconsistent economic planning and policies. There is no reason that the budget faces these issues and the implementation is possibly better.
2.  Budget changes increasingly and decreases after six years, showing fair deviations and that the changes in budget are not steadily predicted. This is still due to the already stated factors. Poor prediction is mainly caused by inadequate consultation and involvement of relevant stakeholders in budget planning.
3.  The study found that the budget had been on the increase compared to the actual, this implies that the performance level does not exceed the budget and that there exist a gap between the budget and budget performance
4.  There is a statistical significant effect of budget on actual expenditures.

## VIII.     Conclusions and Policy Recommendations

In conclusion, many factors have been found to be militating against the state budgeting system producing the desired results in the state economy. There are budget indiscipline; Poor implementation, bribery and corruption, non-adherence to the budget implementation guidelines, lack of co-operation by public and private institutions operating in the state, non-consideration of reasonable suggestions and advice brought forward by interest groups before or during the preparation of the budget, inadequate supervisory gadgets to monitor the operation of the monetary plan and external intervention. In recent times, the State successive budgets have made insignificant contributions to the socio-economic and political development of the State. Apart from the foregoing, the objectives of the financial plan(s) in Yobe State was found out to include intensive revenue generation, poverty reduction and empowerment of the citizen, diversification of the state economy, equitable distribution of the state resources, expansion of the state economy productive base and improvement in capacity utilization.

The low implementation level is due to poor budgeting plans prior to the budget submission and also social threats that affect the account system of the state.

In order to restore confidence in the State budget, the following recommendations were made:  There should be strict observance of budget discipline by the Yobe State government. Fiscal indiscipline particularly uncontrolled extra budgetary spending has been identified as one of the causes of un-effectiveness of the budget in the state economy. The enabling operational environment should be created to enable the budget can operate as effectively as possible without any hitch. Furthermore, there must be adoption of normal processes in changing the nation's government. This will go a long way in creating a conducive atmosphere for the Programme plan to work accordingly.

In the same vein, the State government should put adequate supervisory machinery in place, to enhance the monitoring capabilities of the budget department in the state. Such a supervisory framework should be in the form of space, equipment with modern technology, other materials and most importantly, adequate and well trained human resources. This will enable the State government effectively check the various institutions of government in the state in order to determine whether these government institutions operate the budget according to the specified budgetary guidelines, the state will caution them and if possible, impose the desired sanctions on them. Such an action will go largely in ensuring the potency of the state subsequent budgets. In addition, any good opinion brought forward to the budget department or the State government by various interest groups, expert and non-government organizations (NGOs) on budgetary matters should be adequately considered in the process of preparing and implementing the state budget.

Also, when any problem is anticipated in the course of the operation of the budget, the State government should introduce remedial measures at the appropriate time. This will stop beforehand any distortions, damages ''dislocation'' which the problem(s) in question would have caused on the various sector and sub-sectors of the state economy. Thus, contributing immensely in making the State budgetary estimates a worthwhile Programme document worthy of preservation and reference. Lastly, the State government particularly its budget department, should always use accurate data, especially data on the performance of the previous budget while preparing the State future budgets. Hence, if all the recommendations stated above are given serious and urgent attention by the State government especially its budget department, Yobe State will be a place for all to be. And indeed, the efficacy of the '' Budget'' in the State economy will be highly assured.

## References

Adeboye, T. (2017).The Making of the Federal Government Budget. A Paper Presented on a Workshop organized for Budget Office of the Federal Government, Ibadan.

Adesopo, A.A. (2011).Inventory Participatory Planning and Budgeting for Participatory Local Governance in Nigeria. International Journal of Business and Social Science, 2(7).

Ajakaiye, D.O. (2019) Towards Effective Budgeting Under A Democratic System. NCEMA Policy Analysis Series,5(1).

Aluko, S. (1994). Press Statement on the 1994 Budget, ''Same Old Song'' The Nigerian Economist,8(8).

Andy Norton & Diane Elson (2012).What's behind the budget? Politics, rights and accountability in the budget process, Centre for Aid and Public Expenditure Overseas Development Institute, London and Department of Sociology/Human Rights Centre University of Essex.

Anyiwe, E.M.(1991) Ecostat!!! Statistical Handbook for Economists, Social Scientists. Ama Resources Nig Ltd, Yaba-Lagos.

Asiodu, P. (2000) Budget Implementation, NCEMA Policy Analysis Series, 6(1)

Garba, A.G.(1999) A Review and Appraisal of the 1998 Federal Budget, CBN Bullion,24(1).Lagos.

Gbadamosi (2009) Towards Budgeting under a democratic system, Bullion. Vol 47 (1) CBN Lagos.

Kayode (2011) The role of budget to the economic development in Nig. Nigeria Economic Students Association in (Economic Journal) University of Maiduguri.

Nwokedi (2017) The Policy Focus of the year, Abuja.

Ogunlade A. (2017) Towards effective budget implementation in Nigeria.

Olomola A.S (2019) Strategies and consequences of Budgetary Reform in Nigeria. Paper presented at the annual congress of the Institute of International Public Finance, Cape Town, South Africa.

**Government Publications and Reports**

1. Yobe State Annual Budgets 2010-2021

2. The Audit Report by the Yobe State Auditor-General, 2010-2021.

3. Actual Revenue and Expenditure Figures compiled by the Accountant- General of Yobe State, 2010-2021.

4. Returns by the Yobe State Ministries/Extra-Ministerial Departments and Parastatals.

5. Global Credit Rating Company Report on Delta State, 2004.

6. Annual abstract of statistics by the Federal Office of Statistics, 2010 and data for 2012-2021.

7. Poverty Profile for Nigeria 1996 by the Federal office of Statistics. Now National Bureau of Statistics.

8. Socio-Economic Profile for Nigeria 1996 by the Federal Office of Statistics.

9. Nigeria Living Standard Survey, by the Federal Office of Statistics in collaboration with the European Union and World Bank, 2013-2014.