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Abstract

Purpose – The purpose of this paper is to attempt an empirical examination of government budgeting and expenditure processes in Nigeria, a developing country. It examines the current state of budgeting and public funds management (PFM) in Nigeria. It also examines the extent to which the government has used the budgetary mechanism to effectively manage the nation's economy.

Design/methodology/approach – The paper employed simple regression estimation technique for data analysis. Time series data set of budgetary information was constructed from different archival sources over a 16-years period (2000-2015), majorly the national Appropriation Acts, press releases, regulatory and governmental reports, reports of Transparency International, World Bank and Central Intelligence Agency.

Findings – The findings confirm that the nation's annual budgeting approach is defective and lags in achieving its fiscal objectives. The budget indicates a state of poor accountability and transparency in PFM. Findings also suggest that the level of economic development in Nigeria is not commensurate with the size of government expenditure.

Practical implications – The paper draws the attention of the government to the need to restructure its approach to budgeting and adopt a more resilient approach that suits its environment and economic peculiarities in effort to ensure efficient management and accountability of public funds. The paper also offers value to other developing countries. It provides empirical evidence that explains an aspect why the African continent remains underdeveloped hitherto.

Originality/value – This paper lends a voice to the call for a restructuring of the Nigerian budgetary system and its implementation strategy. It advocates for the adoption of an alternative budgeting approach that matches Nigeria economic realities. The paper demonstrated that the traditional budgetary approach being used by many developing countries is limited in certain ways and could hinder sustainable development.

Keywords Government, Accountability, Transparency, Budgeting, Public funds management

Paper type Research paper

1. Introduction

Fundamentally, a budget occupies a significant and strategic position in the holistic administration and sustenance of a nation's affairs. It is a policy document expressed in financial terms which contains government estimates of revenues and expenditures for a specified period, usually one year (Malgwi and Unegbu, 2012; Abe, 2012; Ojo, 2012; Okpala, 2012). According to Olomola (2012), a budget is an indispensable economic instrument used by the government to facilitate and realize its agenda in a given fiscal year. It is an essential fiscal mechanism for efficient resource mobilization, allocation and economic management to achieve set objectives (Horngren *et al.*, 2008).

By tradition, the government exists to serve the interest of the nation and its citizens (Bello, 2001; Okpala, 2012). It oversees the affairs and welfare of its populace using different contrivances of which budgeting is foremost. The government makes use of its annual budget to appropriate the nation's wealth and manage the economy (Okpala, 2012; Olurankinse, 2012). It is therefore believed that a nation's budget should help reduce poverty, improve infrastructures, create job opportunities, develop key sectors of the economy and improve the living standard of its populace (Olomola, 2012). According to the then Speaker of the House of Representatives, Aminu Tambuwal, budget and its implementation remain sore points of governance in nation building (Nwogu, 2013). This is because a nation's development and economic growth substantively depend on its system of

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revenue generation and funds management. However, contrary to these expectations, Olajide (2011), Olurankinse (2012), Okpala (2012), Okolo (2012) and Agbonkhese and Asekome (2014) noted that each year, since independence, Nigerians have consistently decried the abject failure of the nation's annual budget in fulfilling its fiscal objectives and in managing and accounting for public funds. Doubts are being expressed and queries are raised on the nation's budgetary process and its implementation strategies (Akpan, 2013; Olomola, 2012; Iredia, 2012). This, observably, has been traced to irregularities in governance, poor management of public funds and high level of corruption among public officers (Peter, 1999; Olomola, 2012; Omah *et al.*, 2013; Iredia, 2012; Ugwuanyi and Ewuim, 2012; Agbonkhese and Asekome, 2014; Transparency International, 2015; Central Intelligence Agency, 2016).

In Nigeria, each fiscal year, funds are dispensed to each tier of government based on the adopted official allocation formula, wherewith disbursements are made to the various ministries, departments and agencies based on the approved budget estimates (ICAN, 2009; Fiscal Responsibility Act, 2007; The Constitution of the Federal Republic of Nigeria, 1999; Public Procurement Act, 2007). These funds, which are meant to take care of recurrent expenditures, capital projects and other developmental initiatives, when disbursed, are usually siphoned for personal enrichment (Olurankinse, 2012; Peter, 1999), and seldom does the budget ever achieve its objectives. This has been the trend over the years, where government expenditure has only little or no commensurate impact on the living standard of the electorates (Abe, 2012; Agbonkhese and Asekome, 2014). According to Central Intelligence Agency (CIA) (2016), economic diversification and strong growth have not translated into a significant decline in poverty levels in Nigeria.

According to Okwoli (2004) and Akpan (2013), the Nigerian society is filled with stories of corrupt practices, such as fictional characters (ghost-workers) on government payrolls, contract inflation, budget padding and money laundering amongst others. In 2015, a report by Transparency International ranked Nigeria amongst the most corrupt countries in the world, being positioned as 32nd most corrupt nation out of 168 countries surveyed (Transparency International, 2015). Likewise, KPMG reported that in 2012 alone, over ₦225 billion (US$1.5 billion) was lost to fraudulent practices in the country. It was also reported that, on the continent, Nigeria accounted for the highest number of fraud cases, topping the list as the most fraudulent country in Africa in 2012 (Randle, 2012). To account for top fraud cases in the country, the political elites and public officeholders were identified to be among lead culprits (Bello, 2001; Onuorah and Appah, 2012; Otusanya and Lauwo, 2013; Transparency International, 2015; CIA, 2016). The questions, however, begging for answers are as follows: how and where do these public officers get these funds? Are there no systems in place to control how pubic funds should be accessed, expended and accounted for? What faults are there with the system of public funds management (PFM) and accountability in Nigeria?

With this proclivity, coupled with the challenges confronting the nation and its economy, the dividend of democracy to the electorates is still a mirage and far from reality. Doubts appear to have overtaken the expectations of the electorates. There is a rising interest in the state of governance (Olomola, 2012; Iredia, 2012). Significant interests are being centered on the potency of the nation's annual budgets in ensuring efficient management and accountability of public funds (Okpala, 2012). Except for a progressive and resilient budgetary system which will serve as economic blueprint for national reforms and transformation, the Nigerian vision 2020 of becoming one of the first global economies of the world would only be a fantasy (Horngren *et al.*, 2008; Olomola, 2012; Abogun and Fagbemi, 2012). It is therefore imperative that the current state of the nation's budgetary system be examined critically and exigent measures taken to ensuring transparency in government expenditure and efficient management and accountability of public funds.

This paper therefore is a response to the need for a restructuring of the nation's budgetary system and its implementation strategies. It scrutinizes the state of the nation's level of development, the endemic cases of corruption and money laundering among public officers and the poor implementation of the nation's annual budgets as evidence of malpractices in the nation's budgetary system. This is because, despite the consistent rise in the annual expenditure of the government, there are neither notable improvements in the living standard of the citizens nor any commensurate development in infrastructural facilities (Okpala, 2012; Samuel and Kabir, 2011; CIA, 2016). Rather, the corruption perception ranking for Nigeria by Transparency International keeps worsening (see Table AI).

Significant contributions of this study include the following: first, to call the attention of the legislators and budget implementation and monitoring committees to the need to hedge identified loopholes in the nation's budgetary system. Second, it provides empirical evidence on the current state of PFM and accountability in government expenditure. Finally, it extends the body of literature on government budgeting (GB) by proffering answers to the following research questions:

RQ1. To what extent have increases in government expenditure suggested economic development and improvement in living standard in Nigeria?

RQ2. To what extent has the Nigerian government used the budgetary mechanism to effectively manage public funds?

The other sections of this paper are organized as follow: Section 2 presents the review of prior literature and provides the theoretical perspective of the study, Section 3 expounds the methodological approach adopted for the study, Section 4 focuses on the study's analysis and discussions, and Section 5 summarizes and concludes the study.

2. Literature review and hypotheses formulation

This study is underpinned by Keynesian theory on government expenditure and economic growth. This theory as modeled by Keynes stipulates that expansion of government expenditure accelerates economic growth (Olomola, 2012; Chude and Chude, 2013). It assumes government expenditure to be an expansive spectrum of investments to develop the economy and improve the living standard of the populace. Keynesian provided an extensive explanation of the demand for output as a whole, which was lacking from traditional theory. It holds that in the short run, especially during recessions, economic output is influenced strongly by total spending in the economy (Kregel, 1983; Jahan *et al.*, 2014). Keynesian economists believed that government spending could be used to increase aggregate demand, thus increasing economic activity, reducing unemployment and depression. Although, total spending does not necessarily equal the productive capacity of the economy, Keynesian economists often advocate an active role for government intervention during recessions (Heise, 2009; Jahan *et al.*, 2014).

In the late 1960s, the new classical macroeconomics movement was much critical of Keynesian assumptions. The movement provided much detailed explanation of certain phenomena, such as the coexistence of high unemployment and high inflation, which was characterized by explicit and rigorous adherence to micro-foundations, as well as the use of increasingly sophisticated mathematical modeling. Traditionally, classical economists advocated balanced government budgets. They argued that government fiscal policy does not really affect the growth of national output (Samuel and Kabir, 2011). Cotler (2000), however, found that the use of government expenditure as a mechanism to stabilize output depends largely on how sound the banking system is. Similarly, in the 1970s during the oil shock and resulting stagnation, Keynesian suffered a major setback in its assumptions on unemployment and inflation because it had no appropriate policy response for the stagflation many advanced economies suffered in the 1970s. However, the dawn of the 2007-2008 financial crisis caused a reemergence in Keynesian thought, which continues as new Keynesian economics (Jahan *et al.*, 2014).

Regardless of the setback suffered by Keynesian, the theory has been the foremost underpinning in understanding modern economic dynamisms. Researchers have been able to understand complex economic phenomena applying the Keynesian theory. Keynesian diagnosis of recessions and depressions remains the foundation of modern macroeconomics (Jahan *et al.*, 2014). For example, using Keynesian model, Alshahrani and Alsadiq (2014) and Samuel and Kabir (2011) found that government expenditure on socio-economic welfare projects, such as education, healthcare services and other infrastructures, would raise labor productivity and boost private domestic investment, which, in turn, would foster economic growth. Similarly, Agbonkhese and Asekome (2014) applied the Keynesian mechanism of income determination and found that credit to the economy positively relates to gross domestic product (GDP) in the sense that an increase in the aggregate net credit to the economy increases the availability of loanable funds, which leads to more investment and, in turn, raises aggregate demand (total spending). Hence, this added investment will lead to a higher level of economic activity.

With this theory, public expenditure is thought to be an external factor utilized as a policy instrument to promote economic growth. Even of a recurrent nature, increased governmental expenditure can contribute positively in growing the nation's economy. An increase in government consumption is likely to lead to an increase in employment, profitability and investments through multiplier effects on aggregate demand (Chude and Chude, 2013). Although this study favors the Keynesian theory, however in Nigeria, it appears that despite the consistent rise in government expenditure over the years, there are still public outcries over decaying infrastructural facilities (CIA, 2016; Chude and Chude, 2013; Okpala, 2012; Iredia, 2012; Samuel and Kabir, 2011). One reason associated with this paradoxical disorder is the fact that public funds are usually being mismanaged, misappropriated and siphoned for private utilization (Adetula, 2008; Okpala, 2012; Jama'are, 2012; Otusanya and Lauwo, 2013; Ojo, 2012).

The political economy of Nigeria over time has mirrored several challenging features. According to Lewis (1999), there has been a general macroeconomic instability. For years, high fiscal deficits, inflation and monetary expansion weakened the nation's economy, leading to the depreciation of the naira. Likewise, between 1988 and 1993, about $12.2 billion, which were designated for specific programs in industry, public works and defense, which represents almost 20 percent of export receipts, were diverted to special accounts with no accounting for the whereabouts of this enormous diversion of public funds.

Accordingly, government expenditure on capital will have differential impact on economic growth when the funds are properly managed and invested in more productive sectors (Samuel and Kabir, 2011; Agbonkhese and Asekome, 2014). In order to assess the consistency of the Keynesian theory within the confine of a developing nation, the following hypothesis was formulated:

H_0. The size of government expenditure has no significant effect on the level of economic development in Nigeria.

2.1 *Public perception of GB and PFM*

Aroused by the endemic corrupt practices and acts of money laundering in the Nigerian public sector, stakeholders have expressed curious interests in the nation's state of governance (Otusanya and Lauwo, 2013; Olajide, 2011; Akpan, 2013; Iredia, 2012; Okpala, 2012). In fact, with the continuing abandonment of capital projects, unfulfilled governmental promises and misappropriation of public funds, foremost concern hinges on the potency and credibility of the nation's annual budget in achieving its fiscal objectives (Olomola, 2012; Okpala, 2012; Abe, 2012; Ajibolade and Akinniyi, 2013; Okolo, 2012).

The dividend of democracy appears to have remained a mirage to majority of the populace since the inception of democracy. Nigeria, in spite of being the sixth largest producer of oil and gas in the world, still has its citizenry living in abject poverty and most of its infrastructural facilities in dilapidating state (Onuorah and Appah, 2012; Olajide, 2011; Samuel and Kabir, 2011; Okpala, 2012; Central Intelligence Agency (CIA), 2013, 2016). Economic diversification and strong growth have not translated into a significant decline in poverty levels. Rather, over 105.4 million Nigerians still live in extreme poverty. This has mystified neighboring nations for long, seeing the rich endowments of the nation with both human and natural resources (Abogun and Fagbemi, 2012; Otusanya and Lauwo, 2013; CIA, 2016). Hence, these incongruities of Nigeria's situation with the nation's potentials only suggest mismanagement and siphoning of annual budgeted funds meant for the good of the populace.

For instance, over the years, billions of US dollars have been spent to resuscitate the power sector and overhaul the transport system of the nation; however, there has been little or no substantial progress made in the past decades. These projects are still in abject ridicules, with no detail of the whereabouts of the expended resources (Adetula, 2008; Okpala, 2012; Abe, 2012; Ojo, 2012). Hitherto, it is a great concern to stakeholders on how the funds budgeted for the execution of these projects are stashed away in Western banks by those in leadership (Otusanya, 2010). Inkling into this blight was provided in the observation of Idris *et al.* (2013) that the power sector of Nigeria stands in closer proximity for corruption like the oil and gas sectors. Most stakeholders have wondered how the perpetrators of corrupt practices plunder public funds since only authorized officers have access to these funds. This suggests that budgeting in the Nigerian public sector may lack true accountability and transparency in managing public funds (Bello, 2001; Onuorah and Appah, 2012; Okpala, 2012; Babatunde, 2013).

Accountability here is the obligation of the leadership to answer for the execution of entrusted responsibilities. It is the requirement to provide explanation about the stewardship of public funds and how the funds have been used to achieve maximum benefits for the populace (ICAN, 2014; Onuorah and Appah, 2012). It is also the acknowledgment and assumption of responsibility by those in leadership position for actions, decisions and policies including the administration, governance, and implementation within the scope of the entrusted position and encompassing the obligation to report, explain and be answerable for resulting consequences (Diamond *et al.*, 2006; Sylvester, 2013).

The role of GB indeed is central in ensuring true accountability, nation building and economic development. However in recent years, it has come under staid scrutiny following poor implementation outcomes, allegations of budget padding and misappropriation of public funds (see Fourth Republic 7th National Assembly Third Session, No. 7, 2013; *Business Day*, 2013; Shittu, 2016). The scrutiny has become exigent because, in a democratic setting, where true bureaucracy exists, no public officer has access to public funds except when duly authorized and proper approval obtained from the Minister of finance. Besides, this is done only within the confine of an Appropriation Act (see Public Procurement Act, 2007; Fiscal Responsibility Act, 2007; ICAN, 2009; The Constitution of the Federal Republic of Nigeria, 1999). As argued by Diamond *et al.* (2006), the lack of budget discipline within the executive arm and failure to comply with existing financial regulations often have been at the root of many of the public expenditure management problems of Anglophone African countries.

By tradition, the incremental or "line-item" budgeting style has been the customary approach adopted by the Nigerian Government for each succeeding year. This approach, which is expenditure oriented, itemizes proposed disbursements under different heads and sub-heads of the various Ministries, Extra-ministerial Departments and Parastatals (ICAN, 2009). Hitherto, it is usually argued that this budget approach, however good and simple to operate, has failed to provide for true accountability and detailed scrutiny of proposed expenditure heads (ICAN, 2009; Olajide, 2011). These have become major loopholes through which misappropriation of public funds thrives in the form of undue item inflation, budget padding and duplications of expenditure heads (Okolo, 2012).

According to a bill by Honorable Beni Lar in 2013, the current budgeting system being practiced in the public sector has made resources allocated to be thinly spread over a large number of projects resulting in non-performance of successive budgets (see Fourth Republic 7th National Assembly Third Session, No. 7, 2013; *Business Day*, 2013). With this budgeting approach, superficial analysis of expenditures is inherent and estimates could be far from reality. Unlike Zero-Based Budgeting System (ZBBS) and Planning Programming Budgeting System (PPBS), the "line-item" budgeting approach has been found to fail in costs clarification and project justification (ICAN, 2009). ZBBS is a budgeting approach that allocates funds based on program efficiency and necessity rather than budget history, which ensures thorough review and justification of every program and expenditure at the beginning of each budget cycle (Ogden, 1978; Wichowski, 1979; Ishikawa and Sudit, 1981; Deloitte, 2015; Ekanem, 2014). The PPBS, on the other hand, is the budgeting system that integrates a number of techniques in a planning and budgeting process for identifying, costing and assigning a complexity of resources for establishing priorities and strategies in a major program and for forecasting costs, expenditure and achievements within the immediate financial year or over a longer period (Hooper, 1968; Poindexter, 1969; Raduski, 2010; ICAN, 2014).

In Nigeria, the fact that there exists a near total absence of accountability and ethics in the conduct of public officers (Bello, 2001; Babatunde, 2013; Okpala, 2012), the nation's annual budget is suspected to have become a contrivance for misappropriating public funds following the pervasive cases of frauds in the public sector and among public officers (Otusanya and Lauwo, 2013; Okwoli, 2004; Onuorah and Appah, 2012; Okpala, 2012; Olurankinse, 2012). The findings of Diamond *et al.* (2006) also suggest that, within Anglophone African countries, there is a lack of commitment and accountability by high-level authorities and high levels of corruption, especially among those in the helm of affairs.

In Nigeria, as in most African countries, there has been a lack of visionary leaders, and continues to be the bane of her development and economic prosperity. As argued by Ehusani (2017), public figures exemplify the sterling qualities of leadership, which rub off on the society and invest citizens with the patriotic fervor. However, the Nigerian episode is different. Its leadership is infested with dishonest, treasury looting, budget misappropriation and belligerent disregards for national laws. The leadership across the board from local to national level is all about the well-being of the leaders and their cronies and the entrenchment of their rules by crook means. Their misrule is also manifested in the spate of onslaughts against perceived opponents while the interests and well-being of the society is undermined or even ignored (Larigold, 2017; Mike, 2015). Evidence has shown that leadership in Nigeria and all over Africa is marred with sever corruption and disregards for the rule of law (Transparency International, 2015; CIA, 2016). It has been defined, by practice, to be an avenue for amassing wealth and oppressing the populace to achieve personal ambitions. As it were, the leadership in many developing countries has contributed significantly to the corruption challenges and massive looting of public funds (Diamond *et al.*, 2006; Bakre, 2007; Transparency International, 2015).

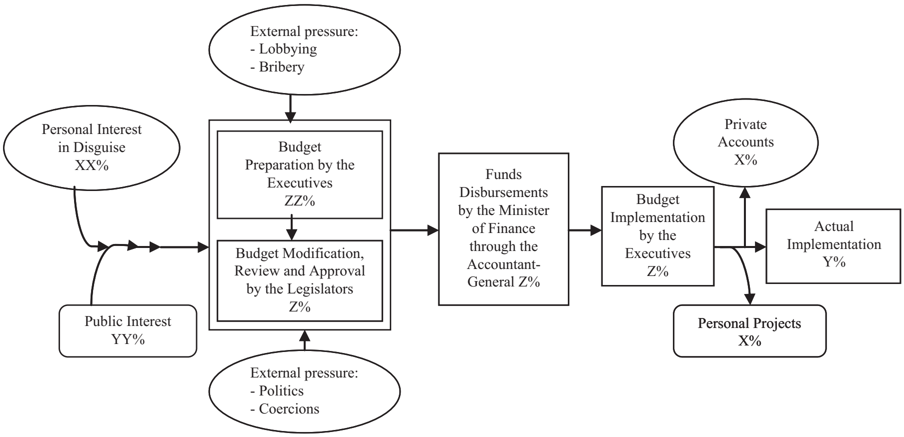
2.2 The budget process and PFM in Nigeria

Commonly, it is argued among experts that the success of any budgetary process has its fundamentals in the way in which the budget is developed (Fagbemi and Ajibolade, 2013; Olurankinse, 2012). Although, despite the emphasis usually laid on the fundamentals of the budget preparatory stage to its successful delivery, this study holds that the budget preparatory and implementation stages coupled with its regulatory and control measures remain the conclusiveness for a successful budgetary process. In Nigeria, however, it is argued that the budget does not usually achieve its annual objectives as setout by the ruling class (Olurankinse, 2012; Olomola, 2012; *The Punch Newspaper*, September 20, 2013). It has been alleged to be an institutional medium through which public officers misappropriate and mismanage public funds.

Fraud, which in itself is chaotic and assumes variant degrees, has made even the judiciaries to contend themselves with only few general rules for its discovery and defeat. For Mani (1993), Bello (2001) and Omah *et al.* (2013), fraud involves the use of deception to obtain an unjust or illegal financial advantage. To accede to the implicit rationale assumed in this study, Figure 1 is modeled to propose a relationship between GB and the current state of PFM in Nigeria.

During the budget process in Nigeria, much vigor and persuasions usually accord the preparatory and approval stages (ICAN, 2009; Olurankinse, 2012). These, however, are not without individual ulterior interests. Usually, after approval is agreed upon by the legislative arm of the government and presidential assent secured (The Constitution of the Federal Republic of Nigeria, 1999), funds are disbursed for execution strictly on budget specifications (Fiscal Responsibility Act, 2007; The Constitution of the Federal Republic of Nigeria, 1999; Public Procurement Act, 2007). Nevertheless, once these funds are disbursed, they are usually diverted for personal projects and siphoned into private accounts, both within and outside the country (Peter, 1999). Consequently, seldom would the budget achieve its objectives for that particular fiscal year (Okolo, 2012; Olomola, 2012; Olurankinse, 2012; *The Punch Newspaper*, September 20, 2013).

Figure 1 indicates that, during the budget preparation stage, expenditures due, both recurrent and capital expenditures, for a succeeding fiscal year are collated and presented by the executive arm (the President and his cabinet members) of the government to the legislative arm, for review, modifications and approval (ICAN, 2009; Okpala, 2012; Olurankinse, 2012; The Constitution of the Federal Republic of Nigeria, 1999). Customarily, at this stage, the various Ministries, Departments and Agencies send in proposed expenditure estimates (YY percent); allegedly, with ulterior and personal interests (XX percent) to arrive at the budget total (ZZ percent). These ulterior and personal interests often include expenditures that do not exist, such as fictional characters (ghost workers) in the payrolls, padding and undue duplication of expenditure heads and most times, deliberate inflation of expenditure heads,



Sources: Adapted from the budgetary process as contained in the Nigerian 1999 Constitution and Fiscal Responsibility Act (2007)

Figure 1. Hypothesized interaction between government budgeting and public funds management in Nigeria

and fabricated capital projects, amongst others (see Okolo, 2012; Omah *et al.*, 2013; Olurankinse, 2012; Okwoli, 2004; Akpan, 2013; Shittu, 2016; Oladimeji, 2016).

Subsequently, after the budget draft (ZZ percent) is submitted, basic review and modifications are made by the legislators (the Senates and House of Representatives) before the final approval (ICAN, 2009; The Constitution of the Federal Republic of Nigeria, 1999). Usually, this stage attracts belligerent pressures, unscrupulous lobbying and bribery, where the entreating parties seek to ensure that proposed expenditure estimates in the budget are duly approved incontestably (Iredia, 2012; Olurankinse, 2012). Following a considerable review and modifications, a point of consensus is agreed by the legislators, normally being a little lower (or higher, when unduly inflated by the legislators) than the exact submission, say Z percent of the total estimates (ZZ percent). With this, the appropriation bill is then assented and signed into law by the President to become executable (Appropriation Act) for the proposed fiscal year (see Fiscal Responsibility Act, 2007; The Constitution of the Federal Republic of Nigeria, 1999; ICAN, 2009).

Consequent to this enactment, funds are disbursed (Z percent) strictly on budget specifications to all responsible parties for apt implementation. However, often times, once these funds are disbursed, they are usually siphoned into private accounts and seldom would the budget achieve its fiscal agenda (Olomola, 2012; Olurankinse, 2012). Whereas some projects are initially commissioned and abjectly abandoned midway, others are shortchanged with substandard materials different from the approved budget estimates. Funds meant for other expenditures are usually diverted into personal utilization. Corruption in government and among public officers has been identified to be the arch-cause fostering mismanagement and poor accountability of public funds and underdevelopment in Nigeria (Olomola, 2012; Olurankinse, 2012; Okpala, 2012; Peter, 1999; Omah *et al.*, 2013; Transparency International, 2012, 2015; Jama'are, 2012; CIA, 2016).

In reality, misappropriation of public funds by public officers only points to the lack of transparency and true accountability in the Nigerian budgetary process (Iyoha and Oyerinde, 2010; Okpala, 2012). The budgetary medium is allegedly being used by public officers and government officials to misappropriate public funds on a yearly basis (Iredia, 2012; Adetula, 2008). This argument hypothetically stands true because, according to the Nigerian 1999 Constitution, Public Procurement Act (2007), Fiscal Responsibility Act (2007), public officers and government officials can only access public funds to make expenditure within the confine of an Appropriation Act (budget) (Olurankinse, 2012). Besides, this is achieved only when due authorization for spending is secured from the Ministry of Finance through the use of warrants. Supposedly, therefore, these officers through the budget medium access public funds, and then divert them for personal uses, while only little is done to develop the nation's economy and improve the living standard of the populace.

2.3 Selected cases of misappropriation of public funds in the public sector

In 2004, government uncovered a ₦55 million public relations lobby fund allegedly used by the Ministry of Education to influence the legislature to increase its budget. This issue led to the removal from office of the Senate President and the Minister of Education. With the discovery of this duplicitous act, the then president, President Olusegun Obasanjo, announced that his administration was set to investigate and deal appropriately with other Ministries, Departments and Agencies found to have also "bribed" legislators concerning the budget, but nothing much happened thereafter (Iredia, 2012). In July 2012, the House of Representatives Committee on Environment discovered a tree seedling fraud worth ₦2 billion awarded by the Ecological Fund office. According to the report, ₦3 billion was approved by the Presidency in 2010 to execute the project, out of which ₦2 billion was released to the contractors and consultants without the government getting any value from the expenditure (Ogunseye *et al.*, 2012).

Other cases of diversion of public funds allocated in the budget also came to light; in October 2013, the former Inspector General of Police, Mr Sunday Ehindero, was alleged to have diverted ₦16 billion belonging to the force to his personal use. This was made known to newsmen by the Independent Corrupt Practices and Other Related offences Commission, ICPC (*The Punch Newspaper*, October 10, 2013). In another report, it was alleged that over ₦11.7 million was paid into a private account of an employee by the Federal Civil Service Commission, which was a breach of the financial regulations provisions. Besides, the House of Representatives Committee on Public Accounts has demanded an explanation of the whereabouts of the money. It was also discovered that an employee collected ₦493,000 to attend a conference without any documentation to justify expenditure (*The Punch Newspaper*, October 29, 2013).

Furthermore, in October 2013, the Economic and Financial Crimes Commission disclosed that about ₦14 billion was allegedly withdrawn from the Police Pension Fund without vouchers authorizing the withdrawals *(The Punch Newspaper*, October 26, 2013). Likewise, in November 2013, the Federal High court in Lokoja, Kogi State, sentenced a former Chairman of Davi Local Government Area, Mr Enesi Jimoh, to six months in prison of allegedly converting ₦7 million belonging to the council to personal use while in office (*The Punch Newspaper*, November 14, 2013).

Similarly, the House of Representatives Committee on Aviation in November 2013, accused the Minister of Aviation, Mrs Stella Oduah for extra-budgetary spending and violation of public procurement procedures, which involved the purchase of two bulletproof BMW cars worth ₦225 million (*The Punch Newspaper*, November 7, 2013). Likewise, a total of 45,000 ghost workers who earned over ₦100 billion were uncovered from about 251 MDAs through the application of the Integrated Payroll Personnel Information System. At the state level, a state was reported to have discovered over 2,000 ghosts in its payroll among which was a month-old baby who was earning ₦24,000 monthly, while a fake commissioner on government payroll was discovered in another state (Akpan, 2013). Apparently, all these alleged cases of mismanagement and misappropriation of public funds are indications that the nation's budgetary system lacks true accountability and transparency (Iyoha and Oyerinde, 2010; Onuorah and Appah, 2012; Okpala, 2012; Babatunde, 2013).

Theft of public funds, however, is not peculiar to Nigeria alone, in the USA for example, Williamson (2011) noted that expenditures on public administration are recognized as necessary, although sometimes they are believed to be unnecessarily bloated, especially where corruption is out of hand. According to Transparency International (2015), not one single country, anywhere in the world, is corruption-free. However, measures to inhibit its spread and cushion its effects differ significantly across countries.

2.4 Statutory provisions of government expenditure and public funds accountability

In Nigeria, several legal provisions exist to enhance public funds accountability. Excerpts of the 1999 constitution the 2007 Fiscal Responsibility Act and the 2007 Public Procurement Act on how public funds should be accessed and expended by public officers are presented below.

Provisions of the 1999 Constitution:

> Section 80(2) of the 1999 Constitution of Nigeria states that, "No moneys shall be withdrawn from the Consolidated Revenue Fund of the Federation except to meet expenditure that is charged upon the fund by this Constitution or where the issue of those moneys has been authorized by an Appropriation Act, Supplementary Appropriation Act or an Act passed in pursuance of section 81 of this Constitution". Section 80(3) states that, "No moneys shall be withdrawn from any public fund of the Federation, other than the Consolidated Revenue Fund of the Federation, unless the issue of those moneys has been authorized by an Act of the National Assembly. Section 80(4) states that "No moneys shall be withdrawn from the Consolidated Revenue Fund or any other public fund of the Federation, except in the manner prescribed by the National Assembly" (The Nigerian Constitution, 1999).

Provisions of the Fiscal Responsibility Act:

> Section 26 of the Fiscal Responsibility Act states that, "The Minister, shall within 30 days of the enactment of the Appropriation Act, prepare and publish a disbursement Schedule derived from the Annual Cash Plan for the purpose of implementing the Appropriation Act". Section 27(1) states that, "The sums appropriated for a specific purpose shall be used solely for the purpose specified in the Appropriation Act" (Fiscal Responsibility Act, 2007).

Provision of the Public Procurement Act:

> Public Procurement Act, Part IV, section 16(1) noted that; "Subject to any exemption allowed by this Act, all public procurement shall be conducted: (a) subject to the prior review thresholds as may from time to time be set by the Bureau pursuant to Section 7(1) (a)-(b)"; (b) "based only on procurement plans supported by prior budgetary appropriations and no procurement proceedings shall be formalized until the procuring entity has ensured that funds are available to meet the obligations and subject to the threshold in the regulations made by the Bureau, has obtained a 'Certificate of "No Objection" to Contract Award' from the Bureau" (Public Procurement Act, 2007).

With reference to the provisions of the Nigerian 1999 Constitution, Section 80 (2-4), it is apparent that public funds can be accessed and expended only within the confine of an Appropriation Act (budget), or similar Acts by the National Assembly. Besides, the Accountant-General will only release funds based on due authorization for the release of funds following the Minister's signatory. Since this is the statutory framework applicable in accessing and expending public funds, therefore it can be alleged that public officers through the budget medium access public funds from government coffers under the disguise of executing the budget directives, but with some ulterior intent to siphon part of the funds for personal utilization. According to Olurankinse (2012), one possible case of corruption by public officers is the disregard for budget specifications as approved by the legislators by ordering goods and services which were not duly authorized in the budget.

In spite of the specific nature of appropriation laws, the commitment phase of the expenditure process is a fertile ground for corrupt activities (Olurankinse, 2012; Okpala, 2012). The most frequent of these is the partial or total disregard for procurement regulations and procedures, which specify the price and quality of goods and services that are authorized in the budget. With this disregard for appropriation laws and misappropriation of public funds, the pioneer Director-General of Budget Monitoring and Price Intelligence Unit (Due Process Unit), Dr Oby Ezekwesili noted that there is no governance in Nigeria, but merely massive transaction of operations (Ezekwesili, 2013).

Panic-stricken by the massive misappropriation of public funds through the budget medium, three socio-economic groups, namely, Center for Social Justice, African Network for Environmental and Economic Justice, and Zero Corruption Coalition have called on the National Assembly to reduce frivolous expenditure in the 2014 budget proposal. In their submissions, they decried the high cost of governance in Nigeria, inefficiencies and wastages in the 2013 budget, poor capital budget implementation, amongst others, and have called for a thorough and proper scrutiny of the proposed expenditure estimates for 2014 (*The Punch Newspaper*, October 25, 2013).

2.5 Problems associated with government budgetary approach

2.5.1 Cash bases of accounting. For decades, the cash basis accounting system adopted by the Nigerian government in the administration of its finances has come under sharp criticisms. For ICAN (2009), despite its simplicity, this basis of accounting only presents an unrealistic view of government expenditures. The accounting approach to government assets and property is that each year government assets are written off in the year of purchase. This has made theft of public funds, government property and assets in the various ministries and parastatals to thrive.

Apparently, an accounting system where government assets are written off in the year of purchase and new sets of assets featuring as expenditure heads in the budget for the same purpose would only produce an absurd picture of government finances (Ball and Pflugrath, 2012). Largely, this has fostered the continuing practices of corruption in the Nigerian public sector. It was for the severe weaknesses associated with this system of accounting that the International Public Sector Accounting Standards Board (IPSASB) was established to develop high-quality accounting standards and other publications for use by public sector entities around the world (IPSASB, 2013).

2.5.2 Introduction of budgeting slacks. Furthermore, the tendency of slacks being in GB may foster misappropriation of public funds. Lukka (1988) noted that budget slacks allow administrators to gain extra resources and get away with inefficiencies. Slacks generally are excesses over the required resources deliberately built into the budget by underestimating revenues, overestimating costs or underestimating performance capabilities (Kren, 2003; Ajibolade and Akinniyi, 2013).

At times, budgetary slack may appear beneficial in some ways; however, in Nigeria, it is alleged to be used by public officers to misappropriate public funds (Okpala, 2012; Babatunde, 2013; Iyoha and Oyerinde, 2010; Agbaje, 2011). Commonly, slacks are built into the budgetary system when expenditure heads are overstated and duplicated, or fictitious expenditures and fictional characters (ghost-workers) are fused into the budget (see Okolo, 2012; Akpan, 2013). Busch and Gustafsson (2002) observed that slacks in budgeting are higher in the public sector than in the private sector. Tagwireyi (2012) noted that slacks may account for as much as 20 percent of the budgeted expenses of a cost center in a public sector organization. Through slacks the actors involved in the process elaborate budgets using information different from reality, summing or subtracting from real data so that the budget becomes flexible in the results which are presented according to one's interests (Bradshaw *et al.*, 2007; Faria and Silva, 2013). Usually, budget slacks lead to wastages and distortions in resource distribution (Akpan, 2013; Agbaje, 2011; Tagwireyi, 2012).

2.5.3 Budgeting approach adopted. The "line-item" or "incremental budgeting" approach adopted by the government has contributed to the poor implementation of its annual budgets. This approach gives room for duplications and inflation of expenditure heads (Okolo, 2012). It requires little data and analysis, and relies heavily on opinions, judgment and historical precedent (ICAN, 2009; Joseph, 2013). Under this approach, budgets are prepared without reference to goals. Only little attempt to link the budget with implementation and subsequent performance review are made (ICAN, 2009). In simple analogy, since this approach emphasizes expenditure rather than performance (i.e. inputs rather than outputs) and fails to justify expenditure heads in detail, public officers are alleged to exploit its inadequacies to mismanage public funds. In the last decade, Lienert and Sarraf (2001) in their research noted a disappointing level of budgetary performance in Africa. This they attributed to the weaknesses in the inherited British system and other external influences, as well as domestic developments. For them, there are widespread problems with budget management systems across Africa and reforms are needed in institutional arrangements, especially in budget execution.

According to the bill sponsored by Honorable Beni Lar in 2013, it was noted that the current envelope budgeting system of allocating resources being practiced in Nigeria is archaic. Whereas many countries have discarded the current Line Item Budgeting System practiced in Nigeria and have adopted the Program-Based Budgeting System, Nigeria continues to adopt the budgeting practice that has not done much to improve the economy or the well-being of the citizens (Fourth Republic 7th National Assembly Third Session, No. 7, 2013; *Business Day*, 2013).

With these reports, just as reported by Abe (2012), the Nigerian economic problems are exacerbated by the weak budgetary systems and faulty budget choice in all tiers of government. It has failed to match economic realities and has not accomplished much since its inception. Corruption and misappropriation of public funds thrive through its inadequacies.

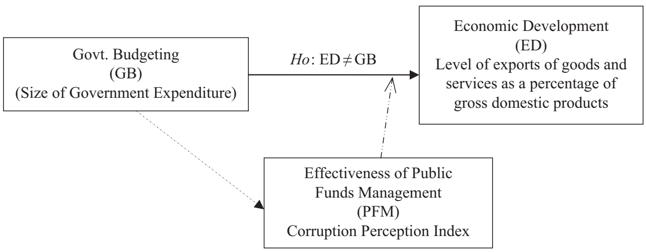
2.5.4 The Nigerian political system. Similarly, Agbaje (2011) noted that the Nigerian structure promotes wastages and lacks accountability. For him, the prebendal and clientilist political system and its manner of remunerating political appointees and their constituencies make the cost of governance prohibitive and probably unsustainable. As noted by Iyoha and Oyerinde (2010) and Okpala (2012), the required level of accountability in public expenditure in Nigeria has not been achieved. The situation has remained worrisome even though the country does not lack the appropriate laws and regulations required to bring sanity into the system. Although there have been some bold steps and initiatives in the recent past by the government to combating frauds and ensuring other controls mechanism, however, the issue of weak accounting infrastructure has not been addressed (Iyoha and Oyerinde, 2010). Just as Lienert and Sarraf (2001) noted, any technical reforms will be ineffective unless there are concomitant changes to enhance accountability, improve governance, and increase compliance.

2.5.5 Other administrative/management problems. According to a report by the House Committee on Legislative Budget and Research on the 2010 Appropriation Act (2010), among other factors, the major causes of the poor implementation and performance of the capital budget of government ministries and parastatals include poor project planning and preparation with unclear project timelines and milestones. Likewise, poor cash flow management, lack of implementation plans for projects, technical capacity and inadequate monitoring of budget performance were identified among the problems.

2.6 Conceptual modeling

Within the Keynesian model on government expenditure and economic growth, this study argues that the reason why economic growth in Nigeria appears stalled is due to an extensive scale of public funds mismanagement through an ineffective budgetary system. A budget, however good, if plagued with ineffective accountability processes would subvert its noble objectives. This study therefore developed a model as depicted in Figure 2 to explain the relationship between PFM, economic growth and GB in Nigeria.

The model presented in Figure 2 depicts the study's proposition on GB, PFM, and economic development as formulated in the study's hypotheses. First, the figure shows the interaction between GB (size of government expenditure) and economic development (ED) as proposed in the Keynesian Model. This simply indicates that the level of economic development would depend on the size of government expenditure. Second, the figure shows the nature of relationship that seems to exist between PFM and GB in Nigeria.



Source: Authors' Model (2016)

Figure 2.
Relationship between government budgeting, public funds management and economic development in Nigeria

This simply will establish whether public funds are being managed effectively by those charged with its oversight. This has become exigent because of the pervasive cases of misappropriation of public funds and corruption in governance.

3. Research methodology

For this study, the positivists' approach to research was adopted. This philosophy seeks to identify a testable hypothesis about the association between two or more variables (Musbah, 2010). A blend of case study, time series and explanatory research designs was adopted to achieve the objectives of the study. This study examines the relationship between GB, economic development and PFM in Nigeria. It adopts an in-depth study of the present state of the Nigerian budgetary system and examines prior events in relation to the size of government expenditure and PFM over a period.

3.1 Data collection and measurement

The study relied on archival records and historical data which were retrieved from public domain. A time series data set was constructed from different secondary sources over a 16 years period (2000-2015), majorly the national Appropriation Acts, press releases, regulatory and governmental reports, reports of international organizations, namely, the Transparency International, the World Bank and the Central Intelligence Agency (CIA), and cases of corrupt practices among public officers. All data sourced from public domain were duly scrutinized to authenticate their dependability.

For the purpose of analysis, descriptive and inferential statistics coupled with narrative analysis of existing literature were used to answer the research questions. Simple regression analysis was performed at a 0.05 level of significance to estimate the effect of government expenditure on economic development and to test the hypothesis formulated for the study. The regression model developed for the study is as follows:

$$\mathrm{ED}_t = \beta_o + \beta_1 \times \mathrm{SGE}_t + \varepsilon \tag{1}$$

where ED_t is the dependent variable which represents economic development for period t; and SGE_t the explanatory variable which represents the size of government expenditure for period t; β_o the intercept; β_1 the coefficient; and ε the error term. The nation's level of exports of goods and services as a percentage of GDPs was used as proxy for level of economic development. According to World Bank national accounts data and Organization for Economic Cooperation and Development National Accounts data files (World Bank, 2013), economic development consists of exports of goods and services which represent the value of all goods and other market services provided to the rest of the world. They include value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments. The independent variable represents the size of government expenditure. This variable was measured using the amount of government annual expenditure as contained in the national appropriation Acts (budgets) for the specified period (see Table AII).

Furthermore, to measure the efficiency of PFM and accountability by the government, the Transparency International corruption ranking index was used as a proxy variable. This index was adopted as proxy because there are no prior empirical studies that have been able to establish a measure of performance for PFM and accountability in Nigeria. Besides, there are variant positions of what should be the parameter for assessing the government in the area of good governance and true accountability of public funds. Hence, according to Transparency International (2015), this index ranks countries based on how corrupt their public sector is perceived to be (i.e. administrative and political corruption). A country's score indicates the perceived level of public sector corruption on a scale of 0-10, where 0 means that a country is perceived as highly corrupt and 10 means that a country is perceived as very clean. A country's rank indicates its position relative to the other countries included in the index (see Table AI).

4. Empirical results

4.1 Descriptive statistics

To present a logical argument and make valid judgment on the study's proposition, descriptive and inferential statistics were performed. Chronologically, the research questions have been answered in a manner that would enhance easy comprehension and coherent argument.

4.1.1 GB and poverty level in Nigeria. In relation to our second research question, this analysis helps to assess how well the government has used the budgetary mechanism to manage public funds to achieve improvement in the living standard of the populace. The outcome of this analysis will give a level of assessment whether GB has been able to achieve its objective in Nigeria. Bello (2001) and Okpala (2012) noted that the government oversees the affair and welfare of it citizens. This it does using the budgetary mechanism (Okpala, 2012; Olurankinse, 2012). Table I shows the extent of success or failure of GB in Nigeria based on the living standard of the populace.

Table I indicates that although government capital expenditure increased from ₦2.076 trillion to ₦3.898 trillion within 2004-2010, the number of poor at $1.25 a day increased from 85,774,727 in 2004 to 108,569,349 in 2010. The percentage increase in the poverty level to expenditure growth (i.e. 26.6 against 87.8 percent) indicates that poverty level exacerbated irrespective of the increase in government expenditure. This therefore implies that despite the increase in government expenditure, not much was achieved as commensurate impact on the living standard of the citizens. According to CIA (2016) report, the Nigerian economic diversification and strong growth have not translated into a significant decline in poverty levels; over 62 percent of Nigeria's 170 million people still live in extreme poverty. Despite its strong fundamentals, oil-rich Nigeria has been hobbled by inadequate power supply, lack of infrastructure, delays in the passage of legislative reforms, an inefficient property registration system, restrictive trade policies, an inconsistent regulatory environment,

Years	Capital expenditure ₦'M	Estimated population	Number of Poor at $1.25 a day (PPP)	Poverty headcount ratio at $1.25 a day (PPP) (% of population)
2000	360,805	–	–	–
2001	496,358	–	–	–
2002	486,705	–	–	–
2003	382,351	–	–	–
2004	349,868	–	–	–
Total (2000-2004)	2,076,087	135,999,250	85,774,727	63.1
2005	617,284	–	–	–
2006	568,557	–	–	–
2008	830,558	–	–	–
2009	860,298	–	–	–
2010	1,022,000	–	–	–
Total (2005-2010)	3,898,697	159,707,780	108,569,349	68.0
% increase	87.8	17.4	26.6	

Sources: Retrieved from the National Appropriation Acts (2000-2010), World Bank Databank (2013) and CIA (2016)

Table I. Relationship between poverty level in Nigeria and government capital expenditure a slow and ineffective judicial system, unreliable dispute resolution mechanisms, insecurity, and pervasive corruption (CIA, 2016).

4.1.2 GB and PFM. The outcome of this analysis establishes a level of relationship between the size of government budget and Nigeria's corruption ranking in the world. This ranking index for Nigeria is based on data retrieved from Transparency International. The index ranks countries based on how corrupt their public sector is perceived to be (i.e. administrative and political). Table II shows the level of association.

From the data summary in the Table II, it could be seen that whereas government expenditure experienced a considerable level of expansion from ₦2.748 trillion in 2008 to ₦4.493 trillion in 2015, the corruption ranking for Nigeria worsened from being the 60th most corrupt nation in the world to 32nd most corrupt nation within the same period. Paradoxically, from the table, it could be seen that as government expenditure increased, the corruption ranking for Nigerian worsened. Besides, not much of this amount can be accounted for; rather, Nigerians still have to contend with poor electricity supply, dilapidated roads and suboptimal transport system, educational deficiency and poor healthcare services, among others (Okpala, 2012; Abe, 2012; Adetula, 2008; Ojo, 2012; CIA, 2016).

4.2 Hypotheses testing

To estimate the regression model developed for this study and make inferences on the study's proposition, simple regressions analysis was performed at a 0.05 level of significance using SPSS version 20, with the results displayed in Table III.

From the table, the F-test is 11.196, while the t-test is −3.346 indicating a negative relationship, and the p-value is $0.007 < 0.05$. The R^2 and adjusted R^2 are shown as 0.504

Years	Budget total (₦'m)	Nigeria's corruption position in the world
2008	2,748,000	60th/180
2009	3,102,000	51st/180
2010	4,079,655	45th/178
2011	4,484,737	40th/182
2012	4,877,209	36th/174
2013	4,987,220	34th/177
2014	4,695,190	38th/174
2015[a]	4,493,364	32nd/168
Total	33,467,375	

Sources: Retrieved from the National Appropriation Acts and [a]Bills (2008-2015) and Transparency International (2008-2015)

Table II. Relationship between corruption ranking in Nigeria and government budgeting

	Model	Sum of squares	df	Mean square	F	Sig.
1	Regression	339.434	1	339.434	11.196	0.007
	Residual	333.494	11	30.318		
	Total	672.928	12			
	Model summary	$R = 0.710$	$R^2 = 0.504$	Adjusted $R = 0.459$		
	Coefficients	Unstandardized coeff. $B = -18.642$	SE = 5.571	Standardized coeff. $B = -0.710$	$t = -3.346$	0.007

Notes: Predictor: (Constant), SGE; dependent variable: ED
Source: SPSS output 2016

Table III. Regression analysis

and 0.459, respectively. Based on the estimated p-value (p-value = 0.007 < 0.05), the null hypothesis is rejected. Hence, it is inferred that the size of government expenditure has a significant effect on the level of economic development in Nigeria. However, this effect is negative ($t = -3.346$).

From this outcome, the Keynesian theory on face value may appear valid, in that the size of government spending affects economic growth; however, the case of Nigeria shows that the effect of government spending on economic development is negative. This simply means that as government expenditure increases, instead of growing the economy positively, it rather decreases the level of economic growth. That is, despite governmental efforts in increasing the size of its expenditure for the past 15 years (2000-2015), the level of economic development in the nation was not improved; rather, Nigeria still largely depends on importation and borrowing to sustain her economy. This is opposed to the Keynesian model which stipulates that expansion of government expenditure accelerates economic growth.

4.3 Discussion of findings

Whereas Keynesian model stipulates that expansion of government expenditure accelerates economic growth (Olomola, 2012), from the findings of this study, this is not the case in Nigeria. The nation's economy is on the decline in spite of governmental budgeted expenditure to accelerate its development. Poor budget implementation and mismanagement of public funds are the twin principal factors identified to be responsible for this absurdity. This study in line with argument in earlier studies found that the nation's budgetary system has failed in its implementation strategy (Olajide, 2011; Olomola, 2012; Okpala, 2012). This is because a budget and its implementation remain fundamental to nation building and in economic development, but with the ruin of corruption, its good objectives have been subverted, and this is the dilemma of the Nigerian budgetary system.

Hitherto, despite the huge sum of money being spent each year to resuscitate the power sector, the then Minister of State for power, Mrs Zainab Kuchi, told newsmen that only 40 million Nigerians (25 percent) have access to electricity, with the remaining 120 million living in darkness (Usman, 2013). In another report by NOI Polls Limited in 2013, about 81 percent (i.e. about 130 million) Nigerians, out of the estimated 160 million, generate their own electricity through alternative sources to compensate for the irregular power supply (*Nigeria Business News*, 2013). With this plight, the World Bank has ranked Nigeria as the second worst country with high electricity access deficit (*Blueprint Newspaper*, 2013).

In 2010, the CIA and World Bank reported that the population percentage of Nigerians living below poverty line is about 70 percent (World Bank, 2013; CIA, 2013, 2016). "Poverty" here is an economic condition of lacking both money and basic necessities needed to successfully live, such as food, water, education, healthcare, and shelter. Some of the things that cause poverty in Nigeria as identified in earlier studies are the ruling and business elite; all because they have no dream beyond the satisfaction of their own desires. For if the annual budgets meant for the development of the nation's economy and welfare of the populace were truly being used for such, then Nigeria would have been one of the best countries in African and among the best in the world (Ezekwesili, 2013), but they are rather being mismanaged and misappropriated for personal utilizations.

Also, to a large extent the position Nigeria occupies in the Corruption Perception Index over the years points to the fact that gross irregularities in governance and inherent corruption in the public sector subsist (Table I). The inefficiency in the management of the nation's resources is found to be one major cause to the populaces' nightmare which has produced poverty and lack of economic development.

This contradiction in development is linked to poor PFM and irregularities in budget implementation. A report by the Speaker of the House of Representatives, Aminu Tambuwal in 2013, noted that budget implementation remains a sore point of governance in the country, while commenting on the low implementation level of the capital component of the 2013 budget. When addressing pressmen, he noted that in spite of the early passage of the budget by the National Assembly, not much progress was made in achieving its capital objectives, of which no justification could be tendered (Nwogu, 2013).

To these expressive observations coupled with the finding of a negative relationship between GB, economic development and PFM, this study therefore holds that budgeting in the Nigerian public sector has not achieved much in developing the nation's economy and in improving the living standard of the populace (see Table I). There is a need for exigent measures to be taken to restructure the budgetary process and its implementation strategy which will ensure good governance and transparency in government expenditure.

5. Summary and conclusion

This study extends extant literature on GB in Nigeria. It argues within the Keynesian theory that budgeting in government is an imperative mechanism in managing public funds and administering the affairs of the nation. It also argues that budgeting in the Nigerian public sector has been used by public officers to mismanage public funds. This submission is based on the fact that since public funds can only be accessed and expended by an appropriation Act, or an Act by the National Assembly, public officers use this medium to access public funds in pretense to execute the budget directives, but divert part of the funds for personal utilization. Also, it is evident by the increasing poverty level and deteriorating corruption ranking in spite of increasing government expenditures.

The results of the study suggest that the current system of budgeting being practiced in the Nigerian public sector has failed in achieving any meaningful success in developing the nation's economy and in improving the living standard of the populace and in matching economic realities. Public officers have largely abused its inadequacies for personal advantages.

Consequent to its findings, the study concludes that not much has been achieved by the government using the current budgeting system due to outright disregards for budget specifications and for procurement regulations and procedures. There is therefore need for the government to adopt a better accounting approach in the public sector, including the accrual-based accounting and budgeting system for true accountability and transparency in government expenditure. These will facilitate rapid economic development and effective utilization of the nation's resources for the good of all stakeholders.

5.1 Recommendations

Based on the findings of this study, it is recommended that the government must strive for a progressive and resilient budgetary system which will promote true accountability of public funds. Steps must be taken to move the country toward achieving accrual-based accounting and budgeting system. In addition, as specified by the IPSASB, the international public sector accounting standards should be fully implemented in all government Ministries, Departments and Agencies. This will help limit the tendency of theft of government assets and properties. It will also facilitate prudency in government expenditure.

The Nigerian government should also restructure its approach to budgeting and adopt a PPBS with a view to moving to a properly implemented Zero-Based Budgeting which will help eliminate the tendency of padding the budget or creating slacks in the budgetary process. Stringent measures should be put in place to curb budget lobbying during the budgetary process. This will help fortify the process of checks and balances in government finances. There should be adjunct machineries in place to enforce strict budget monitoring and implementation processes.

Finally, the rule of law should reign supreme in all government dealings. Public officers should adhere to their tenants in the administration of the nation's affairs. Likewise, all appropriation laws and procurement Acts should be enforced in all government transactions and spending without respect for persons. The budget directives should be followed strictly in expending public funds and must be expended for the purposes they are meant to achieve. The budget implementation process must be done within the confine of value-for-money, accountability and transparency.

5.2 Implication

This study offers value to other developing countries. It provides empirical evidence that explains an aspect why the African continent remains underdeveloped hitherto. It has also demonstrated that the traditional budgetary approach being used by many developing countries is limited in certain ways and could hinder sustainable development. Hence, the study posit a call to other developing countries to reexamine their policies and approach to budgeting to weed out inefficiencies from the budgetary processes. The study also illustrates practically the link between corruption, government expenditure, poverty and underdevelopment. According to reports from Transparency International, corruption is still on the rise in Sub-Saharan Africa, which is being machinated by those in leadership. Hence, beyond the domain of this research, developing countries should hold their leaders accountable for their actions and decisions in relation to public finance. Researchers can also benefit in understanding the system of public finance in Nigeria, African' Giant and most populous nation in the continent. The study calls for a restructuring or outright change in the budgetary system of Nigeria. Hence, research into the budgetary approach that best fits Nigeria's peculiarity is encouraged. The findings should be extended; especially, there is a need to examine the workability of adopting advanced budgetary systems in Nigeria.

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Appendix 1

Year	Corruption scores (0-10) 0 = highly corrupt 10 = corruption free	Total country surveyed	Nigeria's position in the world in a descending order	Nigeria's corruption ranking position
2000	1.2	90	90/90	1st
2001	1	91	90/91	2nd
2002	1.6	102	101/102	2nd
2003	1.4	133	132/133	2nd
2004	1.6	146	144/146	3rd
2005	1.9	159	154/159	6th
2006	2.2	163	142/163	22nd
2007	2.2	179	147/179	33rd
2008	2.7	180	121/180	60th
2009	2.5	180	130/180	51st
2010	2.4	178	134/178	45th
2011	2.4	182	143/182	40th
2012	2.7	174	139/174	36th
2013	2.5	177	144/177	34th
2014	2.7	174	136/174	38th
2015	2.6	168	136/168	32nd

Source: Transparency International (2000-2015)

Table AI. Corruption ranking for Nigeria by transparency international (2000-2015)

Appendix 2

Table AII. Nigerian budget estimates and capital expenditure breakdown of selected items

Years	Budget total ₦'m	Recurrent exp., debt servicing and transfer ₦'m	Capital exp. ₦'m	Transport ₦'m	Education ₦'m	Agriculture and water resources ₦'m	Power and steel ₦'m	Health ₦'m	Environment, works, land and housing ₦'m
2000	677,511	316,706	360,805	9,000	23,343	24,585	55,736	7,003	44,474
2001	894,215	397,857	496,358	23,002	24,800	74,347	78,397	19,460	71,206
2002	1,064,801	578,096	486,705	17,444	22,100	85,176	63,443	19,774	72,095
2003	976,255	593,904	382,351	6,330	15,723	10,647	40,587	19,601	59,000
2004	1,302,524	952,656	349,868	2,450	21,550	48,048	54,624	26,410	50,366
2005	1,799,938	1,182,654	617,284	10,189	27,441	79,939	91,115	21,653	97,426
2006	1,899,988	1,331,431	568,557	2,177	37,389	91,159	74,710	39,163	78,366
2007	2,309,224	1,478,666	830,558	13,258	47,104	139,099	100,077	52,536	198,210
2008	2,748,000	1,887,702	860,298	156,090	52,326	110,318	129,654	55,205	9,774[b]
2009	3,102,000	2,080,000	1,022,000	n/a	n/a	116,000	86,400	n/a	171,710
2010	4,079,655	2,708,836	1,370,819	141,278	53,668	117,132	159,097	49,990	226,306
2011	4,484,737	3,337,986	1,146,751	53,978	51,825	93,457	90,203	55,412	201,838
2012	4,877,209	3,357,223	1,519,986	47,000	55,057	75,410	73,300	57,011	175,844
2013	4,987,220	3,365,742	1,621,478	44,528	71,938	135,037	76,559	60,082	212,235
2014	4,695,190	3,575,575	1,119,615	31,808	50,781	79,758	61,981	49,536	131,053
2015[a]	4,493,364	3,936,369	556,995	8,300	23,520	24,530	6,130	22,676	23,375
Total	44,391,831	31,081,403	13,310,428	566,832	578,565	1,304,642	1,242,013	555,512	1,813,504
(%)	100	70.02	29.98	1.28	1.30	2.94	2.80	1.25	4.09
Mean	2,774,489	1,942,588	831,902	37,789	38,571	81,540	77,626	37,034	120,900

Sources: National Appropriation Acts (2000-2014) and [a]National Assembly (2015). [b]No budget estimate for works for 2008 Fiscal year

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