

# **DYNAMIC ANALYSIS OF FINANCIAL CONTROL AND GOVERNMENT BUDGET PERFORMANCE IN SOUTHWEST NIGERIA**

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## **Abstract**

*This study carried out a dynamic analysis of financial control and government budget performance in southwest Nigeria. The study specifically analyzed the causal relationship between expenditure budgeted-actual variance, revenue budgeted-actual variance and government budget performance. Employed in the study are secondary data sourced from the annual budget of southwestern state for period covering year 2000 to 2014. The study made use of granger causality dynamic analysis. The result of the analysis conducted revealed that there is no significant dynamic relationship between finance control and government budget performance in southwestern Nigeria. Thus the study recommended that government at state level should device budget implementation models that will foster dynamic interaction between budget realization/implementation and budget performance.*

*Keywords: Financial Control, Budget, Government revenue, Government expenditure, Nigeria*

## **INTRODUCTION**

Budgeting in government is as old as governance itself. (Olurankinse and Ibadin, 2008 and California Department of Finance, 1998). The British Government has it to its credit for being the first to present the full budget to its Parliament in 1822 and United States of America had its own in 1921. (Omolehinwa, 2010). Budget is the tool of performance evaluation and financial control

made an in-road into the industrial sector around 1920s (Kaplan and Atkinson, 1998, Littleton and Zimmerman, 1962; Omopariola, 1991 and Kohler, 1957). Budgeting remains the most discussed subject in the public sector accounting and finance (Omolehinwa, 2001 and Tao, 2012). This popularity accorded government budget is partly due to its indispensable relevance in public sector financial management. Also, the mechanism of government intervention in any economy operates through public budget. Thus, budget is the most important economic tool of government which provides a comprehensive statement of the priorities of the nation. It is a tool of stabilizing the economy, distributing income, allocating scarce resources to address competing needs as well as the focal point for the reconciliation of competing visions of the public good ( Olomola, 2012, Wehner, 2003 and Douglas, 2002).

Nwagbara (2012) argued that budgeting, though fraught with a lot of weaknesses such as being an annual performance ritual to managers, yet there is no other managerial process that translates qualitative mission statements and corporate strategies into action plans, links the short-term with the long-term, and brings together managers from different hierarchical levels and from different areas than budgeting. Nwagbara (2012) further submitted that what organisation should embark on is a paradigm shift from 'one-dimensional financial models' towards 'integrated frameworks' to measure performance. Globally, efforts have been going on to reinforce and reform government budget as a potent tool to performance evaluation and financial control (Dweger and Tanners, 2002; Ayatse, 2009 and Rivenbank and Peterson 2008).

It is a well-accepted economic fact that resources (finance, time, labour, material) are never sufficient to meet demand on them. Paucity of finance in government is just an integral part of the general economic problem (Lawal and Ojo, 2004). The antidote to solving the problem of scarcity of resources is adequate and timely planning for the use of the available resources, especially finance. The importance of planning, that is, the process of designing a future (objective setting) for an organisation and harnessing available resources to achieve the objectives was observed by Olusemore (2006) and Olomola, (2012). It is therefore suffice to say that financial planning (using budget) is the most potent tool of designing a good financial future for all economic organisations including government establishments. This is why the study is directed at State Governments in the entire South-west Nigeria, with focus on nexus between financial control and government budget performance.

### **Statement of problem**

Inherent weaknesses in the Nigerian budget system militating against its implementation and financial control is the problem of over-dependence on oil revenues which is subject to price and demand vagaries in the world market world Bank Economic Report 2013 reveals that oil

revenues accounts for 75% for the consolidated revenues available for distributions to the tree-tiers of government. This is over time engender the problem of lack of financial control in the budget practice and implementation of the nation (2013), Asaju, Adagba and Kajang, (2014), Onore, (2014) and Ugor and Ukpere, (2009). this study was provoked by two factors namely: the inherent weaknesses paramount to budget implementation in all the tree-tiers of government and the understanding that most of the existing studies on government budget performance and implementation (Nurudeen and Usman (2010), Akpan (2005), Odusola (1999), Oyinlola (1993) Olomola (2012), Ogbolu and Toriba (2012)) paid attention to budget impact on the economy using economic indicators such as Gross Domestic Product (GDP), employment rate, inflation rate and exchange rate as measures of budget performance and focusing on Federal budget alone relegating to the background the performance of government budget at the State and Local Government levels (Olomola, 2012). Thus this study analyzed the dynamic linkage between financial control and government budget performance in southwestern Nigeria. Specifically the study analyzed:

1. the causal relationship between expenditure budgeted-actual variance and government budget performance, and
2. the causal relationship between revenue budgeted-actual variance and government budget performance

## **LITERATURE REVIEW**

### **Concept of Financial Control**

Financial control is the application of the principles of management control function to the use of financial resources in organisations. Bariyama (2000) defined the term as financial control once operations start, close attention must be paid to actual performance and budgeted performance by managers and supervisors responsible for individual budgets. Comparing budgeted figures with actual, noting variances, taking corrective action to determine the causes of variances make the budget a control tool and performance evaluation. Oshisami (1992) ended his definition by linking financial control to decision making, planning, budgeting and accounting. It has been pointed out earlier too that financial control is an aspect of financial planning.

### **Types and Tools of Financial Control**

Literature differs on what should be the agreed basic classification of control systems. For examples Glautier and Underdown (1986) classified control into the broad categories of:

- (a) Control as part of the management process,

(b) Extended meaning of control, “control has acquired a variation of uses in our daily language. For examples, of traffic control, arms control, and pest control”.

(c) The application of control in business affairs which include: Production control, quality control, and budgetary control.

Appleby (1981) categorized control in business into two broad areas:

- (i) Budget related controls: these include budgetary and standard costing controls.
- (ii) Non–budgetary controls: Controls under this area are ratio analysis, break–even charts, statistical data and reports, and use of audit.

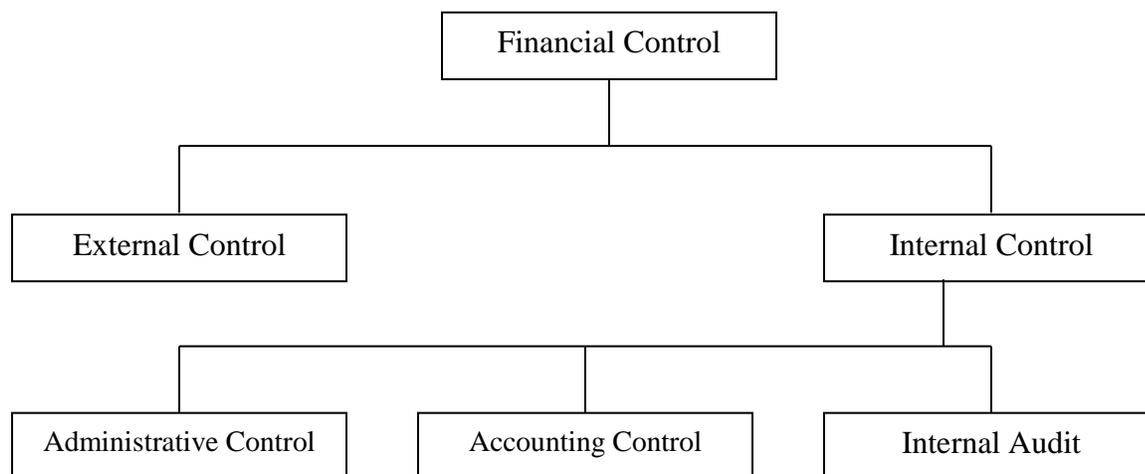
Drury (1985) partitioned control in business into the following categories:

- (i) Administrative control: Using job descriptions, operating manuals, training procedures, budgets, and standard costing as tools
- (ii) Social controls: He described it as those “exercised by individuals over one another”.

Lucey (2000) divides control systems into accounting and other quantitative control systems. Budgetary control and standard costing are the components of accounting control, while other quantitative control systems include: quality control, production control, and inventory control.

For the purpose of this work, the classification given by Oshisami (1992) is adopted. Oshisami (1992) report figure 1 to describe the financial control structure.

Figure 1: Structure of Financial Control



Source: Oshisami, K..(1992)

**External Control:** This type of control system operates independently of an organization or system. It focuses on accountability and stewardship. Its characteristics arise from its independence of posture include fairness, credibility, legality and lack of prejudice” Oshisami (1992). The practical tools of external control are the external auditors and special investigation.

The internal control as an aspect of financial control operates effectively using the following techniques

(i) Internal Audit: The official definition of internal audit in the auditing guideline for Internal Auditor in Oloaoye, (2001) states as follows: an independent appraisal function established by management of an organization. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Tools of internal audit include: vouching, verification, physical inspection, external confirmation and observation.

(ii) Accounting Control accounting controls are checks, balances and supervisory controls within and around the accounting system installed to ensure that all financial transactions and events are accurately recorded in the system, completely and promptly; that there are safeguards over the custody and use of assets held by the organisation, and that the possibility of occurrence of errors and improper or illegal financial transactions are reduced to the barest minimum. (Oshisami 1992) Tools of accounting controls include: internal checks, supervising control checks.

(iii) Administrative Control was defined by Drury (1985) as all methods and procedures which direct employees towards achieving the organizational objectives. Tools of administrative controls include; plans, procedures, budget, standard costing, operating manuals and forecasts.

### **Financial Management, Financial Planning and Financial Control: Aligning the Semantics**

The three finance terminologies are closely related but differ in meaning. An earlier alignment of the trio is necessary for the purpose of their usage in businesses. Financial management is the broadest of the three terms and encompasses financial planning and control. Omopariola (2001) aptly described financial management as being concerned not only with the acquisition but with the application, conservation, timing, volume, and composition of funds in order to ensure an effective utilization of available resources.

Therefore it is the responsibility of management to take those actions which will ensure that costs and revenues remain at certain levels. Those actions of management include financial planning and control and performance evaluation. Pandey (2004) and Brealey and Meyers (1996) identified the following as the tasks involved in financial management namely: investment mix decision, financial mix decision and dividend profit allocation decision. Financial planning is defined by the Oxford Business Dictionary as it is the process of analysing a firm's investment options and estimating the funds requirement and deciding the sources of funds (Tata, 2002 and Pandey, 2004). Flowing from the definitions given above the following is common to financial planning setting financial goals or targets clearly, that is in specific terms

and separating between short-term and long-term financial goals are common to financial planning. The fact remains that objectives and goals should possess specificity, measurability and attainability criteria.

Osiyemi (2005) prescribed five basic characteristics of a financial plan using the acronym “SMART” standing for specific, measurable, achievable, realistic and timeliness. For example, it could be a financial management strategy for a firm to desire to increase profitability on a consistent percent per annum. That becomes an objective in respect of profitability. Financial planning will state in specific terms; what percentage increase per annum? That estimate becomes a goal or target under the plan. Financial planning goes ahead to identify what steps or policies can be pursued to bring about the desired increase in profitability? Such policies will include the following: aggressive marketing through sales promotion and increased depots, possible price increase, if the price elasticity of demand is inelastic, possible price decrease if the price elasticity for the product is elastic, manufacturing new product(s) for the existing market and manufacturing new product for new market. These are few of the options that can be pursued to achieve that purpose or target. Each of the options will be evaluated so as to adopt the best option. The adopted policy/(ies) will be embarked upon and continuously reviewed for assessment.

Financial control is defined in the Oxford Dictionary of Business and Management (2009) as being assisted by the provision of financial information to management by the accountant and the use of such techniques as budgetary control and standard costing, which highlight and analyses any variances. Financial control is seen as a tool of management which provides information to monitor performances as dictated in the financial plan. It also uses budgetary control and standard costing as tools. As earlier mentioned that financial control is an instrument of financial management and a component of financial planning, a glimpse of the financial planning process as given by Pandey (2004) confirms and posited that financial planning process involves the following facets: evaluating the current financial condition of the firm; analyzing the future growth prospects and options; appraising the investment options to achieve the stated growth objectives; projecting the future growth and profitability; estimating funds requirement and considering alternative finance options; comparing and choosing from alternative growth plans and financing options and measuring actual performance with planned performance.

### **Understanding Financial Control as a Financial Management Tool**

The management process entails four main functions as identified by Hicks and Gullet (1981). They are: planning, organizing, motivating and controlling. Controlling as a management

function is defined by Moore (1964) in Olaoye (2005) there's many a slip giving work assignments and carrying them out. Get reports of what is being done, compare it with what ought to be done, and do something about it if the two are not the same. Management control function according to Anthony (1965) in Omolehinwa (2001) is the process by which managers assures that resources are obtained and used effectively and efficiently used in the accomplishment of organization's objectives. It can be observed from the foregoing definitions of control as a management function that: there are work assignments as objectives/targets, these are assignments are assigned to managers for implementation, resources (finance, materials, and machine) are mobilized for the use managers to accomplish the set targets, those resources should be used efficiently and effectively, actual performance (reports) should be monitored to see that it is in-line with the targets set and that amendments or adjustments are made to make performance fall-in-line when deviations are noticed.

### **Theoretical Review**

This study is hinged on theories of government expenditure and budgeting such as Adolph Wagner theory, theory of incrementalism, theory of responsible budgeting

#### ***Adolph Wagner theory***

In the 19th century a German economist, Wagner (1883), formulated a "Law of expanding state expenditures", and the main point of his work is the growing importance of government activity and expenditure as an inevitable feature of a "progressive" state. A modern formulation of Wagner's "law" as proposed by Bird (1971) might run as follows: as per capita income rises in industrializing nations, their public sectors will grow in relative importance. Wagner included in the work three reasons why the development of public spending will take place. Firstly, an expansion of state expenditures would come about with respect to the administrative and protective functions of the state. His explanation based on substitution of public for private activity. After some years, new factors have been added, such as the increase in population density and urbanization, consequently that leads to increased state (public) expenditures and on economic regulation. Secondly, the study predicted a considerable relative expansion of "cultural and welfare" expenditures (especially redistribution of income and education). The study assumed that these goods are "luxury goods", hence, the income elasticity of demand is greater than unity. Finally, Wagner claimed that the inevitable changes in technology and investment required in many activities would generate an increasing number of private monopolies. This effect would have to be offset, or the monopolies taken over, by the state interests of economic efficiency (his main example was the railroad).Wagner in his original study

also recognised that the state expansion has some limits. The study mentioned that the proportion between government spending and national income may not be permanently overstepped. Hence, this suggests that there must be some sort of balance in the individual's outlays for the satisfaction of various needs.

### ***Theory of Incrementalism:***

Aaron (1964) tried to justify and find a constant basis for changes in budget figures or outlay from one financial year to the other. The main discovery then was that the basis for increasing outlay is based on small additions to the preceding year's expenditure or revenue items. That is, the future performance can be predicted by using the prior year budget outlay as a predictor.

The relevance of this theory to budget as a financial control tool and performance evaluation in the government sector lies in the fact that small incremental changes in revenue and expenditure items of government from one year to another could indicate consistent measurable growth and adherence to plan which are indicative that budget can be used to achieve objectives.

### ***Theory of Responsible Budgeting***

Aaron, (1989) explained that the aim of the theory is to establish the fact that budget in both the public and private sector is to be used in responsible manner, to achieve objectives that are based on the aspiration of the populace and in accordance with the resources available. It expects the preparers and the users or beneficiaries of budget to agree on what should be the beneficiaries' desires and how resources would flow to finance such needs from the society or corporate body. In essence, for budget to be an effective tool of financial control and performance evaluation in MDAs, the budget goal setters (that is, management) and the budget implementers (that is, operational staffers) should agree on realistic targets or government capacity to fund projects that are of direct benefit to the citizenry.

### **Empirical Review**

Omopariola (1984) and (1991) did a survey of Federal government budget performance between 1985 and 1989 and discovered that there is a wide gap between budget estimates and actual performance. The research finds out revenue and expenditure variances lies between 74.05% and 275.71%. This was attributed to poor skill of estimation, economic depression and lack of sound accountability structure. The same disparity was discovered for Lagos and Ogun States for the same period by Omopariola (1991). The findings of Omolehinwa (2001) are not anything different from the findings of Omopariola (1999) as far back as 1984 and 1991.

Omolehinwa (2001) reported that there was a disparity of between 26% and 180.8% within 1970 to 1994 in capital budget approved estimates and actual implementation. Obadan (2003) also examined the budget process and budgeting experience in Nigeria. Specific issues such as objectives and significance of government budget, the budget process, features of past budgeting experience including the issue of operation and maintenance expenditure, budgets in relation to fiscal disciplines and macroeconomic stability, and international experiences of fiscal frameworks for fiscal prudence were thoroughly examined. He pointed out the basic objectives of government budget as to relate expenditure decisions to specific policy objectives, and to existing and future resources; relate all major decisions to the state of the national economy; ensure efficiency and effectiveness in the implementation of public sector programmes and facilitate legislative control over the various phases of the budgeting process.

Wehner (2009) also examined budget practices and procedures in Africa. He examined the budget practices and procedures of about twenty-five African countries, including Nigeria. Timeliness in the formulation, approval, execution and audit and evaluation was examined. The role of the executive and the legislatures, fiscal transparency, off-budget spending and Aid management were also examined. He linked the survey results to administrative traditions, reform efforts and political and economic realities. He mentioned areas of transparency and off-budget spending, budget execution and audit procedures and Aid management as areas that need attention

Alesina, *et al.* (1999) also investigated budget institutions and fiscal performance in Latin America. The goal of the paper was to explain cross country differences in fiscal positions by focusing upon the procedures which lead to the formulation, approval and implementation of the budget. They considered a sample of almost all the Latin American countries and constructed an index of budget procedures on a hierarchical-collegial dimension, and on a transparent one. The study used both the written legislation and a survey conducted by means of questionnaires answered by the subject director's office of each country. Indices were constructed from the data collected upon 10 characteristics of the budget procedures. In each question, for each year of the sample, countries were assigned a score between 0 and 10 according to their answers, 10 for the case of the answer that was considered was the most "hierarchical" and 0 for the most "collegial" answers. Specifically, the study found that for a sample from 1980 to 1992, stringent budget laws on deficit influences fiscal outcomes and more hierarchical procedures are associated with lower primary deficits in Latin America. They also concluded that transparent procedures in budget processes are associated with lower primary deficits. The results were based on correlations and regressions between the various aggregated indices of

budget procedures and fiscal policy measures in Latin America, after controlling for several economic determinant of the government budget.

Furthermore, shedding light on the effect of budget Procedures on outcome, Poterba *et al* (1999) focused on fiscal shocks, namely the difference between planned and actual spending and revenues, due to a variety of unexpected random events. Poterba *et al* (1999) said that while many states cannot plan to run deficits, unexpected deficits as a result of fiscal shocks can and do materialise. The research studied whether the different degrees of stringency of budget balance provisions affect the reaction of states to fiscal shocks. He found that states with weak ant deficit rules adjust spending less in response to positive deficit shocks than their counterparts with strict ant deficit laws. More generally, Poterba *et al* (1999) concluded that fiscal institutions affect the short-run patterns of taxes and expenditures. The research also found that adjustments to adverse fiscal shocks are less vigorous and prompt in states with divided government, where the governor does not belong to the party that holds a majority in the legislative. Alt and Lowry (1994) also found support for Potherb's conclusions. Though, using a different approach and sample, they found that adjustments to fiscal imbalances are low in states with divided government and weak ant deficit rules.

Alesina and Robert (1997) also investigated whether the budget performance have significant macroeconomic effects on the size and composition of the budget and on the budget balance. There paper focuses mostly on the formulation of a budget proposal within the executive and the presentation and approval of the budget in the legislature. Two issues were crucial to them. They are voting procedures leading to the formulation and approval of the budget and the degree of transparency of the budget. They focused upon a key-trade-off between two types of institutions: hierarchical and collegial. They concluded that hierarchical institutions are more likely to enforce fiscal restraint, avoid large and persistent deficits, and implement fiscal adjustments more promptly. On the other hand, they are less respectful of the rights of the minority, and more likely to generate budgets heavily tilted in favour of the interests of the majority. They also concluded that collegial institutions have the opposite features.

Bleaney (2010) wrote on budget institutions and fiscal performance in Africa. He examined the relationship between budget institutions and fiscal performance in 46 African countries, made up of 45 countries of AU members and Morocco. The paper analyzed African budgetary system in isolation given that the regions comparatively high vulnerability to external shocks, large extent of external influence, underdeveloped financial markets, and weak state structures and political systems render the fiscal position of African countries generally more fragile than that of other developing countries. The objectives of this paper were to propose an index which allows for the assessment of the adequacy of budget institution in the specific

context of African countries and analysed their impact on fiscal outcomes. The author constructed an Africa-specific budget institution index. He provided a framework for a two-dimensional analysis across budgetary phases and across categories. He distinguished between three phases of the budget process. At each of the three budgetary phases, the index captured five categories, evaluating different aspects of the quality of budget institutions. The categories included centralisation, rules and controls, sustainability and credibility, comprehensiveness, and transparency. Each category is made up of several individual criteria, about 34 in total, both fiscal and procedural rules. While the former were measured by criterion on the existence of numerical fiscal rules, the latter were captured by several criteria. In the scoring of the index, each category was attributed a maximum score of 1 and each of the variables was given an equal weight. Moreover, the overall index was scaled to range between 0 and 1, while the highest score reflected better performance. It was found that there are indeed big differences in the quality of budgetary institutions on the continent. Give the correlation and regression results, it was found that sound budget institutions are associated with lower public external debt levels and less significantly, a higher primary budget balance.

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## **METHODOLOGY**

This study made use of granger causality model in the bit to ascertain the dynamic relationship between financial control and government budget performance, two models were structured with Ratio of Internally Generated Revenue to Total Revenue herein after denoted as (IGR/TR) as measure of government budget performance, while expenditure budgeted-actual variance (EBAV) and revenue budgeted actual variance (RBAV) as measures of financial control. Thus the two models of the study are presented below showing the dynamic connection between financial control and government budget performance. However the study made use of granger causality dynamic analysis in order to test whether past values of financial control variables significantly influence government budget performance in the present period and vice versa

## Models Specification

$$\left[\frac{IGR}{TR}\right]_t = \phi + \sum_{j=1}^k \alpha_j \left(\frac{IGR}{TR}\right)_{t-j} + \sum_{j=1}^k \beta_j i(EBAV)_{t-j} + U_{1t}$$

$$\left[\frac{IGR}{TR}\right]_t = \phi + \sum_{j=1}^k \alpha_j \left(\frac{IGR}{TR}\right)_{t-j} + \sum_{j=1}^k \beta_j i(RBAV)_{t-j} + U_{2t}$$

## Sources of Data

The study employed secondary data for the analyses done. The coverage area for the study is the southwest states of Nigeria. The six states of this geo-political zone are Lagos, Ogun, Oyo, Osun, Ekiti and Ondo. The secondary data used for the analyses were collected from three main sources for each of the states under study for the period of year 2000-2014 namely: the annual budget statements, the annual financial reports of the Accountant-General and the annual report of the Auditor-General.

## EMPIRICAL RESULTS AND DISCUSSION

Granger causality analysis is conducted to investigate the causal link between budgeted-actual variance (both revenue and expenditure) and government budget performance in southwestern Nigeria. The analysis is presented for each of the cross sectional unit (state) in order to trace the causality of both revenue and expenditure budgeted-actual variance for each state. Thus the result of granger causality analysis for each of the state is presented in table below.

Table 1. Granger Causality Analysis

Null Hypotheses	F-Statistics	Probability
<b>EKITI STATE</b>		
EBAV does not Granger Cause IGR/TR	3.46089	0.08262
IGR/TR does not Granger Cause EBAV	0.52940	0.60825
RBAV does not Granger Cause IGR/TR	6.45623	0.02142*
IGR/TR does not Granger Cause RBAV	0.99751	0.41042
<b>LAGOS STATE</b>		
EBAV does not Granger Cause IGR/TR	0.10834	0.89861
IGR/TR does not Granger Cause EBAV	0.98917	0.41317
RBAV does not Granger Cause IGR/TR	0.55189	0.59631
IGR/TR does not Granger Cause RBAV	1.73576	0.23652
<b>OGUN STATE</b>		
EBAV does not Granger Cause IGR/TR	0.49525	0.62694
IGR/TR does not Granger Cause EBAV	0.64335	0.55070
RBAV does not Granger Cause IGR/TR	0.24166	0.79086
IGR/TR does not Granger Cause RBAV	0.49882	0.62495
<b>ONDO STATE</b>		
EBAV does not Granger Cause IGR/TR	0.04518	0.95607
IGR/TR does not Granger Cause EBAV	3.18189	0.09622

Table 1...

RBAV does not Granger Cause IGR/TR	0.15090	0.86232
IGR/TR does not Granger Cause RBAV	2.05346	0.19064
<b>OSUN STATE</b>		
EBAV does not Granger Cause IGR/TR	0.88391	0.44996
IGR/TR does not Granger Cause EBAV	0.08037	0.92351
RBAV does not Granger Cause IGR/TR	0.75421	0.50110
IGR/TR does not Granger Cause RBAV	0.12816	0.88148
<b>OYO STATE</b>		
EBAV does not Granger Cause IGR/TR	0.95015	0.42635
IGR/TR does not Granger Cause EBAV	0.93889	0.43025
RBAV does not Granger Cause IGR/TR	1.10485	0.37697
IGR/TR does not Granger Cause RBAV	0.35041	0.71469

Table 1 reveals the results of the granger causality dynamic estimation showing the relationship between expenditure budgeted-actual variance, revenue budgeted-actual variance and government budget performance measured in terms of ratio of internally generated revenue to total revenue. Table 1 reported the f-statistics alongside the probability values testing the null hypotheses of null dynamic causality running from expenditure budgeted-actual variance/ revenue budgeted-actual variance to ratio of internally generated revenue to total revenue and vice versa for each of the southwestern states. The result presented shows that there is not enough evidence to reject the corresponding null hypotheses for each of the states except for Ekiti state which reflect that there is causal relationship running from revenue budgeted-actual variance to ratio of internally generated revenue to total revenue given the reported f-statistics of 6.45623 and probability value of 0.02142. Thus the result shows that there is no significant dynamic relationship between financial control and government budget performance in southwestern Nigeria which by implication connotes that previous level of financial control in government budget implementation process does not significantly influence the performance of government budget in the present period. From the foregoing it can be established that there is dynamic interrelationship between financial control and government budget performance in southwestern Nigeria, though the surety of the presence of static interrelationship between financial control and government budget performance cannot be ignored in this study as the focus of the study on emphasized the dynamic linkage. It therefore stands that the ability of southwest government to narrow the gap between budget estimates and actual realization will not significantly influence budget performance in the future.

## CONCLUSIONS

From the analysis conducted it can be concluded that financial control measured in terms of expenditure budgeted-actual variance and revenue budgeted-actual variance has no significant

dynamic relationship with government budget performance measured in terms of ratio of internally generated revenue to total revenue in southwestern Nigeria. Hence the study recommends that government at state level should device budget implementation models that will foster dynamic interaction between budget realization/implementation and budget performance.

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