

## Government Budgeted Expenditure and Rural Development in selected Local Government Areas of Akwa Ibom State, Nigeria

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### Abstract

*Government expenditure budget plays a crucial role in facilitating local government development, as it determines the allocation of resources for various public goods and services. The study aimed to evaluate the impact of recurrent and capital estimates on rural development in selected local government areas of Akwa Ibom State. The research used allocation of resource theory and used data from the 2016-2022 fiscal year budget estimates. The study applied panel data models on annual data of government budgeted expenditure and rural development within the scope. In order to circumvent endogeneity problems, panel estimation techniques of fixed and random effects was adopted. Panel data estimation allows for the control of individual-specific effects usually unobservable which may be correlated with other explanatory variables included in the specification of the relationship between dependent and explanatory variables using Hausmann test. The results showed that recurrent and capital expenditure had positive and non-significant effects on economic, social, and administrative sectors. Recurrent expenditure had a negative and non-significant effect on social service sector development, while capital expenditure had a positive and non-significant effect. The study recommends among others that local governments in Akwa Ibom State should increase their capital budget estimates and internal revenue efforts to raise funds for rural development.*

**Keywords:** Government budgeted expenditure, Rural development, Local Government areas

### 1.0 Introduction

The local government system in Nigeria is established under the 1999 Constitution, with the third level of government being accountable for providing vital services such as healthcare, education, and infrastructure (Atakpa, & Igboeche, 2019; Nigerian Constitution, 1999). Akwa Ibom State, situated in the Niger Delta region, is one of the 36 states in Nigeria and consists of 31 local government areas (LGAs). The expenditure budget of the state government has a substantial influence on the growth of these Local Government Areas (LGAs). Although government budgeted expenditure plays a crucial role in local government development, there are questions regarding the efficiency and efficacy of budget implementation in Akwa Ibom State. Several studies have identified problems including deficient budget planning, insufficient funding, and a lack of openness and accountability (Ibok, 2017; Ekpo, 2018). These difficulties might impede the provision of public goods and services, intensifying poverty and underdevelopment in the Local Government Areas (Ibanga & Uwah, 2021).

Rural development refers to the process of improving the moral, social, political, and economic capabilities of rural communities. This is achieved by providing essential infrastructure such as piped water, electricity, well-maintained roads, and small-scale industries. Additionally, rural development aims to enhance political awareness and participation among community members, as well as promote their moral and social well-being. These efforts ultimately foster tolerance, discipline, justice, fairness, kindness, and love within the rural communities (Effiong & Okijie, 2022). It is also regarded as "a

procedure of enhancing the quality of life and providing significance to a large number of individuals residing in rural regions". Rural development offers opportunities for gainful employment and the expansion of social services, hence enhancing the well-being and safety of rural inhabitants (Effiong & Okijie, 2022). Moreover, rural development refers to the achievement of self-reliance among the rural population by altering the socio-spatial structures of their economic activities (Effiong & Okijie, 2022).

The government formulates the budget as a public policy to act as a catalyst in accomplishing its objective. Although public sector organisations implement methods to regulate and monitor budget performance, it is evident that the level of accomplishment in terms of budget performance is quite low. The actualisation of the budget falls significantly short of expectations, and the discrepancy between the budget and the achieved results continues to decrease with time. The budget implementation process is when the most noticeable bottlenecks occur. Complaints sometimes pertain to the failure to release, incomplete release, or delayed release of authorised cash for planned expenses. It has been noted that sometimes, monies designated for a specific quarter are only made accessible at the conclusion of that quarter. This has inherent adverse consequences for institutional planning and management, as well as for the overall influence of the budget on the development and well-being of the population (Uwah, 2019).

This study was to investigate the impact of government budgeted expenditure on the development of rural communities in Akwa Ibom State. Specifically, it focused on chosen Local Government Areas in the three senatorial districts of Akwa Ibom State. The main objective of this study was to investigate the effect of government budgeted expenditure on rural development in Akwa Ibom State. Specifically, the study sought to evaluate the effect of recurrent and capital expenditure estimates on economic sector in selected Local Government Areas of Akwa Ibom State; examine the effect of recurrent and capital expenditure estimates on social service sector in selected Local Government Areas of Akwa Ibom state; ascertain the effect of recurrent and capital expenditure estimates on area development sector in selected Local Government Areas of Akwa Ibom State; investigate the effect of recurrent and capital estimates on administrative sector in selected Local Government Areas of Akwa Ibom State. In this study, rural development is the dependent variable while government budgeted expenditure is the independent variable. The components of rural development are government budgeted expenditure estimates for economic sector of the local government, government budgeted expenditure estimates for social service sector of the local government, government budgeted expenditure estimates for area development sector and government budgeted expenditure estimates for administrative sectors of the local government. These constitute the unit scope. Components of the independent variable are; approved budget estimates for recurrent and capital expenditure. Geographically, the scope of this study is nine Local Government Areas of Akwa Ibom State selected from among the three senatorial districts of the state. The nine local government are; Mbo, Ibeno and Onna (Eket Senatorial district); Uyo, Ibesikpo Asutan and Nsit Atai (Uyo senatorial district); Obot Akara, Etim Ekpo and Ukanafun (Ikot Ekpene senatorial district). The period covered in the study is 2016-2022 fiscal year.

## **2.0 Review of Relevant Literature**

The study uses this section to discuss the conceptual, theoretical and empirical reviews.

### **2.1 Conceptual Review**

#### **2.1.1 Budget**

Budget is a crucial financial control and accountability device in the public sector, providing a formal basis for monitoring the economy's progress. It is an annual plan for resource mobilization and allocation, aiming to achieve government's public policy goals. In Nigeria, budgeting has been a topic of controversies due to continuous government changes and policy and ideology changes. During the global economic recession of the 1930s, governments played a vital role in stimulating economic

growth and development by increasing government expenditures and reducing taxes (Onodugo & Itodo, 2016).

Oke (2013), asserts that, a budget is a framework for revenue and expenditure outlays over a specified period usually one year. It is an instrument stipulating policies and programmes aimed at realizing the development objectives of a government. In recent times, budgeting in Nigerian has continued to spring up various controversies as to the modality for preparation and administration in the country due to continuous change in government and consequential change in policy and ideology.

Rural community development is a social process that aims to create awareness of rural possibilities, provide information on resources, inputs, infrastructure, technical assistance, skills acquisition, literacy levels, productivity improvement, and adaptation of technology in agriculture. Local government administration is essential for rural community development, as it deals with matters affecting the inhabitants of a particular district or place. The 1976 local government reform in Nigeria aimed to achieve community development objectives, including making appropriate services and initiatives, mobilizing human and material resources, and promoting accountability and governance. The role of local government in community development is triadic: as an agent of mass mobilization, accelerating economic growth and development, and as an agent of socio-economic equity (Agboeze et al., 2021).

According to Abdallah (2018) budgeting is a fiscal strategy in Nigeria's Local Government system that aims to efficiently allocate scarce resources among competing demands. It is a planning tool used by management to allocate limited resources to different organizational functions. Budgeting is a system of forecasting expected revenue and expenditure in quantifiable terms, such as time, personnel, space, building, or equipment. It is a component of long-term planning, taking into account the past and present but focusing on the future.

Etale & Idumesaro (2019) see budgeting is an integral part of planning, helping to identify problems early and take corrective measures if necessary. It is a tool for financial planning, guiding short-range plans, communicating plans and objectives to various responsibility centres, and evaluating performance. Budgets measure the actual achievement of people, departments, ministries, and firms, and budgetary control ensures that actual results align with the overall financial and policy objectives of the organization. In large and complex organizations, budgeting is nearly impossible without it.

Without effective budget analysis and feedback, many Local Governments would become bankrupt and considered ineffective. Problems arise from inadequate data to formulate and implement a proper budget, and non-existence of a well-defined structure, leading to overlapping duties. Addressing these deficiencies can be achieved through the use of budgeting techniques and budgetary control (Aduwo, 2019).

### **2.1.2 Budget Expenditure**

After the National Assembly approves the budget, the implementation phase starts. The Minister of Finance then issues a quarterly warrant to the Accountant-General for the Federation, instructing them to release monies to the Treasury in accordance with the approved estimates. Upon request by the accountable authority, typically the minister or the Permanent Secretary, the monies are thereafter allocated to each ministry or agency. In the event of an immediate requirement, monies might be disbursed ahead of schedule to a specific government department or organisation. This can be done by making a special appeal to the Minister of Finance, which is often initiated by the accounting officer of the department, who is normally the Permanent Secretary. An advance payment is deducted from the ministry's or agency's subsequent quarterly allocation (Daka et al., 2020).

After receiving approval from the governing body, the budget is put into effect, and the process of monitoring and assessment should commence. Regularly monitoring and evaluating the budget on a monthly basis will identify possible areas of risk at an early stage, allowing for timely intervention. By authorising the allocation of funds to a given activity while denying it for another, an organisation can establish a connection and exercise control over the actions of its personnel in order to accomplish

specific goals. The execution of a budget is as significant to the budgetary strategy itself. The misallocation of funds allotted to institutions is likely to occur if the budget is not adequately implemented (Daka et al., 2020).

Budget implementation serves as a mechanism to regulate the financial conduct of administrators within a system, ensuring that monies allocated for specific services are not squandered or spent irresponsibly. Economic indicators serve a crucial part in the implementation of a budget, as they measure the efficiency and efficacy of the process. Efficiency indicators gauge the degree of progress made towards the established objectives, whereas effectiveness indicators assess the correlation between the input and the attained outcome or result. The emphasis on efficiency and effectiveness necessitates the creation of new indicators that are closely linked to a specific function, task, or sub-task. Developing novel indicators is a challenging and time-intensive task. Expertise and experience are necessary for formulating and selecting indicators that are suitable for the unique tasks, sub-tasks, and roles of public organisations. In the public sector, it is recommended to carefully examine and evaluate the connection between the number of resources provided, the progress made towards the objectives, and the execution of public functions (Guziejewska, 2013).

According to Okon & Uwah (2023) the monitoring and control of the budget process is crucial for ensuring effectiveness. Once the budgets have been implemented, they must be closely monitored and managed to ensure that they correspond with the set goals and objectives over a specific period of time. While budgeting offers commendable advantages, it is crucial to exercise control and monitoring during its preparation, implementation, and execution. This is necessary to prevent any deviations from the planned budget and to provide a foundation for potential revisions. The challenges associated with implementing preparations and the impact of human factors on budgeting should be carefully considered. When preparing budgets, management should carefully consider the external environment, evolving technologies, organisational structure and scale, as well as the culture of the organisation and the specific location in which the timber enterprises operate. Implementing a professional and open approach to budget planning will enhance the organization's ability to secure financial resources from investors, development banks, and national or international donors. This can be achieved by effectively monitoring and controlling the budget process. This is accomplished by ensuring that the projected budget remains consistent with the actual results, allowing for appropriate actions to be taken when needed (Otley & Pollanin, 2003).

### **2.1.3 Rural Development**

According to Onodugo and Itodo (2016) rural development refers to the social process by which individuals can enhance their abilities to adapt to and exert influence over local circumstances and the evolving global environment. Sustainable community development is unlikely to occur through coercion or imposition, but is more likely to be achieved when all stakeholders actively engage and contribute their ideas, visions, and duties in a fair and democratic manner to guide and execute community or village development initiatives.

An effective method for achieving sustainable rural development is to provide the primary stakeholders (residents of the community) with an equitable chance to envision and strategize for their own future. This highlights the importance of competent leadership at the grassroots level to mobilise the rural population's efforts for their own progress. Community development programs typically have the objective of raising awareness about the potential opportunities in rural areas. They also provide information about available resources, inputs, and infrastructure, as well as offer technical assistance and support for skill acquisition and development. These programs aim to increase literacy levels, enhance productivity and productive systems, and promote the use of suitable agricultural technology (Ibok, 2017).

In order for rural community development initiatives to achieve success, it is imperative that powerful local leaders are actively engaged. Failure to involve these leaders may result in the undermining of progress in such programs. Hence, any institution or organisation that intends to

implement a development strategy for the community must first seek approval from these important local leaders, a process commonly known as legitimisation. Regrettably, rural community development has been disregarded by consecutive administrations in Nigeria since the era of colonial control. For example, the colonial authorities focused their efforts on developing infrastructure such as roads, schools, hospitals, and piped water systems mostly in big cities (Onodugo & Itodo, 2016).

## **2.2 Theoretical Framework**

### **2.2.1 Allocation of Resource Theory**

The Allocation of Resource Theory was developed by Peteraf and Barney (2003). This theoretical framework concerns the distribution of monetary resources by governments, corporate entities, and entrepreneurs via the budgeting procedure to achieve their financial goals. Budgetary control principles are used to allocate finite economic resources among government entities (Anantadjaya, 2008). Adhering to the Invisible Hand Theory, scholars understand the allocation of resources by considering elements such as competition, supply and demand, entrepreneurs, and government institutions (Peteraf, 2003). Government bodies, business entities, and entrepreneurs implement a budgetary process to distribute their financial resources in order to accomplish their predetermined financial objectives. The theory of Allocation Resource facilitates the allocation of financial resources by Local Government through a budgetary management system.

### **2.3 Empirical Review**

Ibrahim et al. (2023) investigated the influence of government spending on the development of infrastructure in Nigeria from 1986 to 2022. The research was directed by three research enquiries and goals. The study utilised the Ordinary Least Squares (OLS) estimation approach to examine the hypotheses. The OLS analysis revealed a favourable correlation between government expenditure and the growth of health, education, and transport facilities in Nigeria. In order to enhance the progress made in infrastructure development in the Nigerian economy, the study recommends that the government should bolster the health sector by allocating more funds to enhance the healthcare infrastructure. Additionally, the government should intensify its efforts to generate more revenue for investment in education. Furthermore, there should be increased involvement of the private sector, particularly in the development of air transport and seaport.

Beals (2023) investigated the correlation between capital spending allocated to public infrastructure and economic growth, as measured by real gross domestic product (real GDP), in Nigeria. Additionally, the analysis examines the correlation between capital expenditure and real GDP, both independently and in relation to each other. This research utilised secondary sources of data, specifically the published Central Bank of Nigeria Statistical Bulletin 2021 (Public Finance and Real sector), spanning a 20-year period from 2002 to 2021. By employing descriptive statistics and ordinary least squares regression through the SPSS statistical program, the study demonstrates that the pattern of capital expenditure is unpredictable, while that of real GDP shows consistent growth over time. There is a strong and considerable positive link between capital expenditure and real GDP, with both variables influencing each other. This study suggests that the Nigerian government should prioritise capital expenditure in order to enhance infrastructure development and, consequently, promote economic growth. Additionally, it proposes that Nigeria's economic resources should be allocated efficiently towards capital investments.

Okoye (2021) conducted a study on the relationship between local government autonomy and socio-economic growth in Nigeria. This study utilised content analysis of textbooks, journals, mass media, and government documents. The article primarily utilised a descriptive approach to analyse the overall necessity for local government autonomy and socio-economic advancement in Nigeria. The study's findings indicate that granting financial, political, and administrative autonomy to local government areas is necessary to empower them to effectively and sustainably develop rural communities in Nigeria. Therefore, the report suggested that the government should take the necessary

steps to provide complete autonomy to all local governments in Nigeria. This will help to achieve the desired socioeconomic development in rural parts of the country.

Daka et al. (2020) evaluated the budget implementation tactics employed by educational administrators at the University of Zambia. The study employed a descriptive research design. The study utilised a non-scientific or judgemental sampling process to determine the sample size and pick the participants. Questionnaires were utilised to gather primary data. The respondent's knowledge on strategic budget implementation was analysed using content analysis and summarised using descriptive analysis. The research findings indicate that the University of Zambia does not effectively and efficiently employ budget implementation procedures. The study also revealed that the respondents were unsure about the individuals accountable for making the ultimate determinations on budget recommendations. The report suggested that the University of Zambia should create inventive techniques for implementing its budget, which should include clear procedures and rules for allocating funding and implementing operational regulations.

Jimoh et al. (2020) investigated the correlation between budget and budgetary control and performance in the Local Government of Osun State. The study utilised a survey research design. The study utilised stratified and simple random sample approaches for the sampling techniques. The study utilised primary data. The main data was acquired through a meticulously designed questionnaire. The acquired data was analysed via descriptive and inferential statistical methodologies. Descriptive statistics employed basic frequency and percentage calculations to address the research enquiries, whereas inferential statistics were utilised to evaluate the hypotheses formulated for the study. The study discovered a substantial correlation between the implementation of the budget and the budgetary control system, and the efficient performance in the local government in Osun State. The study determined that the Local Governments in Osun State, located in the South-West region of Nigeria, should embrace and effectively execute a budget in order to achieve effective control, transparency, and accountability of public finances, hence preventing mismanagement and misappropriation of funds.

Aduwo (2019) looked at how the Ado-Ekiti Local Government in Nigeria was able to function with the help of budgeting and controlling expenditures. The study employed a descriptive research methodology and collected data by distribution of a questionnaire to a specific group of participants. The data was analysed using the non-parametric method of chi square regression. The hypotheses were examined and evaluated at a significance level of 5%, providing evidence that budgeting is a valuable instrument for local government to assess the realisation of their aims and objectives. Given the evolving context in which governments currently function and represent, it may be inferred that the budget, being an ongoing managerial task, should adjust to the fluctuations in the dynamic business environment.

### **3.0 Methodology**

#### **3.1 Research Design**

This study adopted *the ex-post facto* research design. This design is used because the study made use of already existing data which the researchers had no control over and therefore cannot manipulate them.

#### **3.2 Population of the Study**

The population of the study consisted of all the 31 Local Government Areas in Akwa Ibom State selected across the 3 senatorial districts in Akwa Ibom State.

#### **3.3 Sample Size and Sampling Technique**

The sample size for the study is nine of the 31 local government areas in Akwa Ibom state. Purposive sampling technique was used to select three (3) Local Government Areas per senatorial districts. From the three senatorial districts in the state, three (3) Local Governments were purposively selected from

each of the senatorial districts. The selection was also based on the condition that the selected local government areas were accessible in terms of data availability to the researcher. The selected local government areas were: Nsit Atai, Ibesikpo, Uyo, Obot akara, Etim ekpo, Ukanafun, Ibeno, Mbo, and Onna.

### 3.4 Sources of Data

This study made use of secondary data collected from various appropriation bills in the Department of Budget, planning, research and statistics (BPRS) of the selected Local Government Council for the period 2016-2022.

### 3.5 Data analysis Technique

This work used the pool ordinary least square regression as the data analysis technique. The use of this method was justified by the following reasons: the collected data has both temporal and cross-sectional characteristics, and is distributed across the sampled local government areas. Panel data regression is superior because it utilises a large number of observations and reduces the issue of degree of freedom. It also avoids the problem of multicollinearity and better captures the individual cross-sectional (or firm-specific) effects that the different pools may have on the dependent variable in the model. The decision rule for accepting or rejecting the null hypotheses was based on the probability values (p-Values). The null hypotheses should be accepted if the p-values are more than 0.05 and rejected if the p-values are less than 0.05.

### 3.6 Model Specification

The model used in establishing the econometric relationship between government budgeted expenditure and rural development was adopted from the study of Jimoh et al. (2020) and modified to fit this study as presented below;

$$RDev = f(Gbe) \quad (1)$$

Where;

RDev = rural development

Gbe = government budgeted expenditure

If rural development is disaggregated into its various components and government expenditure budget as approved estimates on both recurrent and capital expenditure, (1), can be written as;

$$ECS = f(REXP, CEXP) \quad (2)$$

$$ADS = f(REXP, CEXP) \quad (3)$$

$$SSS = f(REXP, CEXP) \quad (4)$$

$$ADMS = f(REXP, CEXP) \quad (5)$$

Where;

ECS = economic sector

ADS = area development sector

SSS = social service sector

ADMS = administrative sector

Amending (2) – (4) for estimation, we have;

$$LECS_{it} = \alpha_0 + \alpha_1 LCEXP_{it} + \alpha_2 LREXP_{it} + \mu_{it} \quad (6)$$

$$LADS_{it} = \alpha_0 + \alpha_1 LCEXP_{it} + \alpha_2 LREXP_{it} + \mu_{it} \quad (7)$$

$$LSSS_{it} = \alpha_0 + \alpha_1 LCEXP_{it} + \alpha_2 LREXP_{it} + \mu_{it} \quad (8)$$

$$LADMS_{it} = \alpha_0 + \alpha_1 LCEXP_{it} + \alpha_2 LREXP_{it} + \mu_{it} \quad (9)$$

Where:

CEXP = Capital expenditure budget

REXP = Recurrent expenditure budget

$\alpha_0$  = is the constant or intercept value

$\alpha_1$  and  $\alpha_2$  are the coefficients of the independent variables to be determined

$\alpha_1$  and  $\alpha_2 \neq 0$

$\mu$  = the error term of the regression equation

L = Logarithm

"{i}" = Cross section (sampled industrial goods)

"t" = Time frame (2013 to 2022)

$e_{it}$  = Stochastic error term

#### 4.1 Data Analysis and Test of Hypotheses

Considering Nsit Atai Local Government Area from the year 2016 to 2022, it was observed that recurrent expenditure increased from ₦960,000,000 to ₦1,080,000,000, capital expenditure reduced from ₦1,003,000,000 to ₦967,000,000. Within this period, the dependent variables such as the economic sector reduced from ₦242,000,000 to ₦154,000,000, the social service sector fluctuated seriously and dropped drastically from ₦241,000,000 to ₦28,200,000. Also, at the period, the area development sector also fluctuated seriously and then increased marginally from ₦33,000,000 to ₦51,000,000. The administrative sector fluctuated drastically and then dropped from ₦487,000,000 to ₦490,050 (Department of Budget, Planning, Research and Statistics (BPRS), Nsit Atai Local Government Area, 2016-2022).

For Ibesikpo Local Government Area, these were obtainable from the year 2016 to 2022, it was observed that recurrent expenditure increased from ₦1,610,000,000 to ₦2,080,000,000 capital expenditure reduced from ₦1,812,700,000 to ₦492,500,000. Within this period, the dependent variables such as the economic sector reduced from ₦540,007,000 to ₦103,000,000, the social service sector increased from ₦58,500,000 to ₦77,270,000. Also the area development sector increased from ₦51,810,000 to ₦73,230,000. The Administrative sector decreased drastically from ₦584,279,000 to ₦239,000,000 (Department of Budget, Planning, Research and Statistics (BPRS), Ibesikpo Asutan Local Government Area, 2016-2022).

Considering Uyo Local Government Area, it was observed that recurrent expenditure increased from ₦240,000,000 to ₦913,500,000, capital expenditure reduced drastically from ₦959,175,000 to ₦300,000,000. Within this period, the economic sector fluctuated and then increased marginally from ₦16,600,000 to ₦18,144,000 the social service sector increased from ₦16,800,000 to ₦26,400,000, the area development sector from ₦28,512,000 to ₦27,000,000. The administrative sector decreased from ₦35,000,000 to ₦3,130,552 (Department of Budget, Planning, Research and Statistics (BPRS), Uyo Local Government Area, 2016-2022).

Regarding Obot Akara Local Government Area, it was observed that recurrent expenditure reduced from ₦1,800,800,000 to ₦688,300,000, capital expenditure increased from ₦1,466,000,000 to ₦1,875,000. The economic sector increased from ₦260,626,000 to ₦452,500,000. The social service sector increased from ₦100,840 to ₦2,250,500,000. The area development sector reduced from ₦2,340,500,000 to ₦4,470,500 while the administrative sector increased from ₦21,925,000 to ₦26,052,600 (Department of Budget, Planning, Research and Statistics (BPRS), Obot Akara Local Government Area, 2016-2022).

Considering Etim Ekpo Local Government Area, it was observed that recurrent expenditure increased from ₦23,725,000 to ₦229,210,000. Capital expenditure increased to ₦13,098,583 to ₦108,000,000 economic sector increased from ₦14,000,000 to ₦54,000,000, the social service sector fluctuated drastically and then dropped from ₦96,000,000 to ₦13,660,000. The area development sector fluctuated and then increased marginally from ₦31,400,000 to ₦42,800,000 while the administrative sector increased from ₦140,860,000 to ₦201,000,000 (Department of Budget, Planning, Research and Statistics (BPRS), Etim Ekpo Local Government Area, 2016-2022).

For Ukanafun Local Government Area, recurrent expenditure increased from ₦25,060,000 to ₦223,500,000, the capital expenditure increased drastically from ₦115,100,000 to ₦161,000,000.



Within the period, the dependent variables such as the economic sector increased from ₦57,500,000 to ₦144,000,000, the social service sector though fluctuated, increased from ₦33,000,000 to ₦45,000,000, the area development sector increased from ₦22,500,000 to ₦39,500,000 while the administrative sector fluctuated during the period and then reduced from ₦230,625,000 to ₦135,000,000 (Department of Budget, Planning, Research and Statistics (BPRS), Ukanafun Local Government Area, 2016-2022).

Considering Ibeno Local Government Area, the recurrent expenditure dropped from ₦150,920,000 to ₦84,430,420 while capital expenditure also dropped from ₦105,538,020 to ₦54,400,000. The economic sector reduced from ₦51,900,000 to ₦27,869,878, social service sector increased from ₦40,500,000 to ₦43,960,000, the area development sector increased from ₦29,875,550 to ₦62,100,000 while the administrative sector reduced from ₦52,456,000 to ₦43,210,000 (Department of Budget, Planning, Research and Statistics (BPRS), Ukanafun Local Government Area, 2016-2022).

For Mbo Local Government Area, recurrent expenditure increased from ₦34,125,000 to ₦105,509,250, capital expenditure also increased from ₦16,600,000 to ₦264,000,000. The economic sector reduced from ₦27,000,000 to ₦3,150,000, the social service sector reduced from ₦30,150,000 to ₦18,650,000, the area development sector increased from ₦11,564,500 to ₦15,785,000 while the administrative sector increased slightly from ₦20,250,000 to ₦20,865,750 (Department of Budget, Planning, Research and Statistics (BPRS), Mbo Local Government Area, 2016-2022).

Regarding Onna Local Government Area, recurrent expenditure increased from ₦159,200,000 to ₦844,304,200, capital expenditure reduced from ₦105,538,020 to ₦68,000,000 while the economic sector increased from ₦15,536,000 to ₦54,400,000, social service sector increased from ₦17,654,500 to ₦31,500,000, area development sector increased from ₦16,500,000 to ₦32,550,000 while the administrative sector also increased from ₦11,000,000 to ₦23,600,000 (Department of Budget, Planning, Research and Statistics (BPRS), Onna Local Government Area, 2016-2022).

#### 4.1.1 Test of Hypothesis one

**H01:** Approved recurrent and capital expenditure estimates in selected Local Government Areas of Akwa Ibom State does not significantly affect their economic sectors.

$$LECS = 16.9 + 3.6LREXP + 0.003LCEXP$$

$$R^2 = 64\%$$

**Table 4.1 Table of Panel least square showing LECS and LREXP, LCEX in Nigeria**

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.757288	2	0.1528
Period random	0.400084	2	0.8187
Cross-section and period random	2.703245	2	0.2588

\*\* WARNING: estimated period random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
LREXP	0.000000	0.000000	0.000000	0.3203
LCEXP	0.034668	0.202364	0.007500	0.0528

Cross-section random effects test equation:  
 Dependent Variable: LECS  
 Method: Panel EGLS (Period random effects)  
 Date: 06/03/24 Time: 10:12  
 Sample: 2016 2022  
 Periods included: 7  
 Cross-sections included: 9  
 Total panel (balanced) observations: 63  
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.95507	2.925795	5.795029	0.0000
LREXP	3.67E-10	3.75E-10	0.980415	0.3314
LCEXP	0.034668	0.151917	0.228202	0.8204

  

Effects Specification		S.D.	Rho
Cross-section fixed (dummy variables)			
Period random		0.000000	0.0000
Idiosyncratic random		0.909702	1.0000

  

Weighted Statistics			
R-squared	0.642189	Mean dependent var	17.85393
Adjusted R-squared	0.573379	S.D. dependent var	1.328472
S.E. of regression	0.867707	Sum squared resid	39.15164
F-statistic	9.332821	Durbin-Watson stat	1.757873
Prob(F-statistic)	0.000000		

**Source:** Author’s analysis using e-view 10 output (2024)

Accept  $H_0$  if the p-value of the coefficients are > than 5% level of significance, otherwise reject  $H_0$  and accept  $H_1$  when the p-value of the coefficient of the parameter estimates are < 5% level of significance.

Result reveals that the p-values of the coefficients of log of recurrent and capital expenditures is > 5% level of significance (0.3314 and 0.8204 respectively), the researcher therefore fails to reject the null hypothesis and thereby concluded that recurrent expenditure and capital expenditure had no significant effect on economic sector of Akwa-Ibom State in Nigeria.

#### 4.1.2 Test of Hypothesis Two

**H<sub>02</sub>:** Approved recurrent and capital expenditure estimates in selected Local Government Areas of Akwa Ibom State have no significant effect on social service sector of the areas.

$$LSSS = 18.17 - 1.24LREXP + 0.018LCEXP$$

$$R^2 = 29\%$$

**Table 4.2 Table of Panel least square showing LSSS and LREXP, LCEX in Nigeria**

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.908205	2	0.0316
Period random	0.000000	2	1.0000
Cross-section and period random	11.739290	2	0.0028

\* Period test variance is invalid. Hausman statistic set to zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
LREXP	-0.000000	-0.000000	0.000000	0.0142
LCEXP	0.018278	0.323693	0.021894	0.0390

Cross-section random effects test equation:

Dependent Variable: LSSS

Method: Panel EGLS (Period random effects)

Date: 06/03/24 Time: 10:17

Sample: 2016 2022

Periods included: 7

Cross-sections included: 9

Total panel (balanced) observations: 63

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	18.17830	4.318557	4.209346	0.0001
LREXP	-1.24E-09	5.49E-10	-2.264392	0.0277
LCEXP	0.018278	0.224127	0.081553	0.9353

Effects Specification

	S.D.	Rho
Cross-section fixed (dummy variables)		
Period random	0.178441	0.0178
Idiosyncratic random	1.325962	0.9822

Weighted Statistics

R-squared	0.290241	Mean dependent var	17.74099
Adjusted R-squared	0.153749	S.D. dependent var	1.515297
S.E. of regression	1.393951	Sum squared resid	101.0411
F-statistic	2.126429	Durbin-Watson stat	1.510408

Prob(F-statistic) 0.038583

**Source: Author’s analysis using e-view 10 output (2024)**

Accept  $H_0$  if the p-value of the coefficients are > than 5% level of significance, otherwise reject  $H_0$  and accept  $H_1$  when the p-value of the coefficient of the parameter estimates are < 5% level of significance.

Result reveals that the p-values of the coefficient of log of recurrent expenditure is < 5% level of significance (0.0277) while capital expenditures is > 5% level of significance (0.9353), the researcher therefore rejects the null hypothesis that recurrent expenditure had no significant effect on social service sector. However, the researcher fails to reject the null hypothesis that capital expenditure had no significant effect on social service sector and thereby concluded that capital expenditure had no significant effect on social service sector of Akwa-Ibom State in Nigeria.

### 4.1.3 Test of Hypothesis Three

**H<sub>03</sub>:** There is no significant effect of approved recurrent and capital expenditure estimates in selected

Local Government Areas of Akwa Ibom State on area development sector of the areas.

$$LADMS = 2.7 - 5.4LREXP + 0.008LCEXP$$

$$R^2 = 45\%$$

**Table 4.3 Table of Panel least square showing LADMS and LREXP, LCEX in Nigeria**

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.844664	2	0.6555
Period random	0.076019	2	0.9627
Cross-section and period random	0.822951	2	0.6627

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
LREXP	-0.000000	0.000000	0.000000	0.4439
LCEXP	0.008028	0.007627	0.000044	0.9516

Cross-section random effects test equation:

Dependent Variable: LADMS

Method: Panel EGLS (Period random effects)

Date: 06/03/24 Time: 10:19

Sample: 2016 2022

Periods included: 7

Cross-sections included: 9

Total panel (balanced) observations: 63  
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.716279	0.225203	12.06148	0.0000
LREXP	-5.48E-12	2.82E-11	-0.194296	0.8467
LCEXP	0.008028	0.011677	0.687497	0.4948

  

Effects Specification		S.D.	Rho
Cross-section fixed (dummy variables)			
Period random		0.018367	0.0690
Idiosyncratic random		0.067487	0.9310

  

Weighted Statistics			
R-squared	0.452227	Mean dependent var	2.867000
Adjusted R-squared	0.346887	S.D. dependent var	0.081968
S.E. of regression	0.066243	Sum squared resid	0.228180
F-statistic	4.292991	Durbin-Watson stat	1.472986
Prob(F-statistic)	0.000221		

**Source:** Author’s analysis using e-view 10 output (2024)

Accept  $H_0$  if the p-value of the coefficients are > than 5% level of significance, otherwise reject  $H_0$  and accept  $H_1$  when the p-value of the coefficient of the parameter estimates are < 5% level of significance.

Result reveals that the p-values of the coefficients of log of recurrent and capital expenditures are is > 5% level of significance (0.8467 and 0.4948 respectively), the researcher therefore fails to reject the null hypothesis and thereby concluded that recurrent expenditure and capital expenditure had no significant effect on area development sector of the areas in Akwa-Ibom State in Nigeria.

#### 4.1.4 Test of Hypothesis Four

**$H_{04}$ :** Approved recurrent and capital expenditure estimates in selected Local Government Areas of Akwa Ibom State does not significantly affect administrative sector of the areas.

$$LADS = 13.5 + 1.24LREXP + 0.08LCEXP$$

$$R^2 = 25\%$$

**Table 4.4 Table of Panel least square showing LADS and LREXP, LCEX in Nigeria**

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.573078	2	0.0616
Period random	4.293468	2	0.1169
Cross-section and period random	5.865494	2	0.0533

\*\* WARNING: estimated period random effects variance is zero.

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var(Diff.)	Prob.
LREXP	0.000000	0.000000	0.000000	0.0187
LCEXP	0.087172	-0.220510	0.087014	0.2969

Cross-section random effects test equation:

Dependent Variable: LADS

Method: Panel EGLS (Period random effects)

Date: 06/03/24 Time: 10:20

Sample: 2016 2022

Periods included: 7

Cross-sections included: 9

Total panel (balanced) observations: 63

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	13.56244	7.864905	1.724425	0.0906
LREXP	2.93E-09	1.01E-09	2.911363	0.0053
LCEXP	0.087172	0.408372	0.213463	0.8318

Effects Specification

	S.D.	Rho
Cross-section fixed (dummy variables)		
Period random	0.000000	0.0000
Idiosyncratic random	2.445394	1.0000

Weighted Statistics

R-squared	0.256685	Mean dependent var	17.09654
Adjusted R-squared	0.113740	S.D. dependent var	2.533743
S.E. of regression	2.385300	Sum squared resid	295.8622
F-statistic	1.795691	Durbin-Watson stat	2.592358

Prob(F-statistic)	0.084658
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**Source: Author's analysis using e-view 10 output (2024)**

Accept  $H_0$  if the p-value of the coefficients are  $>$  than 5% level of significance, otherwise reject  $H_0$  and accept  $H_1$  when the p-value of the coefficient of the parameter estimates are  $<$  5% level of significance.

Result reveals that the p-values of the coefficient of log of recurrent expenditure is  $<$  5% level of significance (0.0053) while capital expenditures is  $>$  5% level of significance (0.8318), the researcher therefore rejects the null hypothesis that recurrent expenditure had no significant effect on administrative sector. However, the researcher fails to reject the null hypothesis that capital expenditure had no significant effect on administrative sector and thereby concluded that capital expenditure had no significant effect on administrative sector of Akwa-Ibom State in Nigeria.

## 4.2 Discussion of Findings

### **Effect of recurrent and capital expenditure estimates on economic sector in selected Local Government Areas of Akwa Ibom State.**

From the Panel Least Squares regression result shown in table 4.1 above, we used the Correlated Random Effects – Hausmann Test. The Hausmann test value of 3.757 and its corresponding p-value of 0.152 suggest that we accept the null hypothesis at 5% level of significance that random effect model is appropriate for this study and deduce that differences in coefficients are not systematic, therefore we accept and interpret the random effect model. In an attempt to know the most reliable estimation model between the fixed effect estimation model and the random effect estimation model, Hausmann test was conducted to test if there is a substantial difference between the estimates of the fixed effect estimator and that of the random effect estimator. Result reveals that random effect hypotheses is acceptable because the probability value is non-significant; Considering the random effect model,  $R^2$  of about 64% as well as the adjusted  $R^2$  of 57% is an indication that the model is fairly represented. That is the independent variables explained 64% variations in the dependent variable while the remaining 36% may be explained by variables not included in the model. The F statistic value of 46.8 ( $P=0.000000$ ) indicated that the independent variables jointly impacted on economic sector and that the overall model is a good fit.

A keen observation of the result shows that, recurrent and capital expenditure had a positive and non-significant impact on economic sector development, such that a percent increase in recurrent expenditure would bring about a three hundred and sixty (360) per cent increase in economic sector performance development, while a per cent increase in capital expenditure would bring about a three (3) per cent increase on economic sector development of Akwa-Ibom State. This result is somewhat similar to the work of Ibrahim et al. (2023) whose analysis revealed a favourable correlation between government expenditure and the growth of health, education, and transport facilities in Nigeria.

### **Effect of Recurrent and Capital Expenditure Estimates on Social Service Sector of Selected Local Government Areas in Akwa Ibom State**

From the Panel Least Squares regression result shown in table 4.2 above, we used the Correlated Random Effects – Hausmann Test. The Hausmann test value of 6.9 and its corresponding p-value of 0.03 suggest that we fail to accept the null hypothesis at 5% level of significance that random effect model is appropriate for this study and deduce that differences in coefficients are systematic, therefore we accept and interpret the fixed effect model. In an attempt to know the most reliable estimation model between the fixed effect estimation model and the random effect estimation model, Hausmann test was conducted to test if there is a substantial difference between the estimates of the fixed effect estimator and that of the random effect estimator. Result reveals that fixed effect hypotheses is acceptable because the probability value is significant; Considering the fixed effect model,  $R^2$  of about

29% as well as the adjusted  $R^2$  of 15% is an indication that the model is fairly represented. That is the independent variables explained 29% variations in the dependent variable while the remaining 61% may be explained by variables not included in the model. The F statistic value of 2.12 ( $P=0.0038$ ) indicated that the independent variables jointly impacted on economic sector and that the overall model is a good fit.

A keen observation of the result shows that, recurrent had a negative and significant effect on social service sector development, such that a per cent increase in recurrent expenditure would bring about one hundred and twenty-four (124) per cent decrease in social service sector development. while capital expenditure had a positive and non-significant effect on social service sector development, such that a percent increase in recurrent expenditure would bring about a one point eight per cent (1.8) per cent increase on social sector development of Akwa-Ibom State. This result is in consonance with the findings made by Beals (2023).

### **Effect of Recurrent and Capital Expenditure Estimates on Area Development Sector in Selected Local Government Areas of Akwa Ibom State**

From the Panel Least Squares regression result shown in table 4.3 above, we used the Correlated Random Effects – Hausmann Test. The Hausmann test value of 0.844 and its corresponding p-value of 0.655 suggest that we accept the null hypothesis at 5% level of significance that random effect model is appropriate for this study and deduce that differences in coefficients are not systematic, therefore we accept and interpret the random effect model. In an attempt to know the most reliable estimation model between the fixed effect estimation model and the random effect estimation model, Hausmann test was conducted to test if there is a substantial difference between the estimates of the fixed effect estimator and that of the random effect estimator. Result reveals that random effect hypotheses is acceptable because the probability value is non-significant; Considering the random effect model,  $R^2$  of about 45% as well as the adjusted  $R^2$  of 34% is an indication that the model is fairly represented. That is the independent variables explained 45% variations in the dependent variable while the remaining 55% may be explained by variables not included in the model. The F statistic value of 4.29 ( $P=0.000221$ ) indicated that the independent variables jointly impacted on area development sector and that the overall model is a good fit.

A keen observation of the result shows that, recurrent had a negative and non-significant effect on area development sector such that a per cent increase in recurrent expenditure would bring about five hundred and forty (540) per cent decrease on area sector development while capital expenditure had a positive and non-significant impact on area sector development, such that a per cent zero point eight (0.8) per cent increase on area sector development of Akwa-Ibom State. The findings corroborate with that of Daka et al. (2020).

### **Effect of Recurrent and Capital Estimates on Administrative Sector in Selected Local Government Area of Akwa Ibom State**

From the Panel Least Squares regression result shown in table 4.4 above, we used the Correlated Random Effects – Hausmann Test. The Hausmann test value of 5.57 and its corresponding p-value of 0.06 suggest that we accept the null hypothesis at 5% level of significance that random effect model is appropriate for this study and deduce that differences in coefficients are not systematic, therefore we accept and interpret the random effect model. In an attempt to know the most reliable estimation model between the fixed effect estimation model and the random effect estimation model, Hausmann test was conducted to test if there is a substantial difference between the estimates of the fixed effect estimator and that of the random effect estimator. Result reveals that random effect hypotheses is acceptable because the probability value is non-significant; Considering the random effect model,  $R^2$  of about 25% as well as the adjusted  $R^2$  of 11% is an indication that the model is fairly represented. That is the independent variables explained 25% variations in the dependent variable while the remaining 75% may be explained by variables not included in the model. The F statistic value of 1.79



( $P=0.084$ ) indicated that the independent variables may not jointly impact on administrative sector development and that the overall model may not be a good fit.

A keen review of the results revealed that recurrent expenditure had a significant positive effect on administrative sector development, such that a per cent increase in recurrent expenditure would bring about two hundred and ninety-three (293) per cent increase in administrative sector development, while capital expenditure had a positive and non-significant effect on administrative sector development, such that a percent increase in capital expenditure would bring about an eight point seven per cent (8.7) per cent increase on administrative sector development of Akwa-Ibom State. However, these findings were in congruence with the empirical documentations of Aduwo (2019).

### **5.1 Summary of Findings**

The research was carried out to evaluate the effect of government budgeted expenditure and rural development in selected local government areas of Akwa Ibom state. From the analysis, some findings were made as follows:

1. Recurrent and capital expenditure had a positive and non-significant impact on economic sector development.
2. Recurrent expenditure had a negative and significant effect on social service sector development, while capital expenditure had a positive and non-significant effect on social service sector development.
3. Recurrent expenditure had a negative and non-significant effect on area development sector, while capital expenditure had a positive and non-significant impact on area sector development.
4. Recurrent expenditure had a significant positive effect on administrative sector development, while capital expenditure had a positive and non-significant effect on administrative sector development.

In view of the findings, it can be said that while government expenditure budget may affect some sectors of the rural economy significantly, other sector may either be partially affected or not affected at all. It should also be noticed that poor expenditure of the budget may be the reason for poor development of rural communities in Akwa Ibom State. Thus, while budget may represent plan document for development, it can only be effective in achieving this goal if it is properly managed and the resources efficiently utilized.

### **5.2 Conclusion**

Budget is a very important tool for planning. By its nature, it is futuristic. This means that every effort should be directed at ensuring its workability towards the broader planned objectives. It is one thing to make a budget, it is another thing to implement it. The expenditure stage of the budget is where its effectiveness can be measured. This study examined the extent to which government budgeted expenditure could enhance rural development. This study is carried out to examine the effect of government budgeted expenditure and rural development in selected local government areas in Akwa Ibom state. The researcher used recurrent budget expenditure and capital budget expenditure as independent variables, while economic sector development, social service sector development, administrative development and area sector development were used as dependent variables in this study. The Correlated Random Effects – Hausmann Test was employed in analyzing the data obtained. From the findings, it is clear that the expenditure of the budget does not significantly affect every unit of the rural economy simultaneously. While some sections of the rural economy are significantly affected by the expenditure of the budget, others are not affected at all. This may be due to priority attached to some sections of the economy above other sections by the managers of local resources. It can also be said that inability of budget expenditure to significantly affect rural development could be attributed to poor funding of the lower-level government by the higher-level government and poor source of internal revenue generation. Whatever reason there may be for poor performance of budget

expenditure in the development of rural communities in Akwa Ibom State, the overall performance of the budget vis-à-vis rural development is poor.

### **5.3 Recommendations**

1. The local government should budget more for capital expenditure in the development of rural communities since it is observed that capital expenditure estimates affect development more significantly than recurrent expenditure.
2. Rural development projects should be prioritized so as to determine areas of immediate needs and expend resources appropriately.
3. Local government should consider improving on their internal revenue generation efforts so as to be sure of funds to execute community development projects.
4. To ensure effective development of rural communities, Local Government can partner with state government and development agencies to raise the needed funds for rural development.

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