

Public Budgeting and Performance Budget in Ondo State, Nigeria: An Empirical Study

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Abstract

The study examined the public budget process in Ondo State and investigated the nexus between public budgeting and performance budgeting in the study area. It also analysed the challenges facing public budgeting in Ondo State. These were to provide information on the budget process and performance budgeting in Ondo state, Nigeria. The results revealed that without revenue (REV), no organisation, either private or public, can achieve its stated goals and objectives. Also, it confirmed that budget in terms of function, programme and activity (VOA) ($r = 0.2316, 0.5181$ $f > 0.05$), measurement of work or output (ROL), cost of funding (COC), as well as monitoring budgeted cost and performance (REQ), among others, are some of the indicators that enhanced budget performance; that there is unidirectional causality running from REV to ROL. Furthermore, the overestimated allocation of funds to a particular area of interest, inflation of contract sums, inadequate resources, inadequate monitoring system and absence of transparency were the biggest challenges confronting public budgeting in the study area. The study concluded that the public budgeting process tremendously influenced the performance budget in Ondo State, Nigeria.

Keywords: Public budgeting, budgeting performance, governance, budget discipline, service delivery

Introduction

Every organisation needs to have well-thought-out plans to raise the money required to keep the operation running and to use the money prudently and efficiently. This is not limited to public organisations; private organisations are also expected to act the same way. This is with the view to achieving the predetermined goals of the organisation within a particular period. The plans and how to finance them are typically administrative. The financial aspect of the plan required by organisations is commonly referred to as the budget of such organisations. The budget is usually referred to as the document that directs an organisation's action and provides the organisation with information on the expected financial resources and how to expend them in a definite period (Ariyo-Edu & Woli-Jimoh, 2024).

A budget, according to Osadola et al. (2023) and the Chartered Institute of Management Accountants (2015), is "a plan quantified in monetary terms, prepared and approved before a defined period typically showing planned incomes to be generated or expenses to be incurred during that period, and the capital to be employed to achieve a given objective". Accounting data collection studies have found that the budgeting process will help to provide useful economic data for decision-making. In this regard, the main objective of budget preparation includes the choice to carry out the plan (Osadola et al., 2023).

The budget system was established as a result of the appearance of legislative regulation on the queen in the United Kingdom (Sallah, 2016). According to Ugoh & Ukpere (2009) and Ross (2020), earlier kings, particularly Charles II, only raised taxes to pay for war. However, following the 1688 Revolution and the 1689 Bill of Rights, it was established that no man could be forced by a law of Parliament to make any gift, loan, or charitable contribution or pay any tax without the consent of the general populace. The parliament set aside the right to approve the total costs incurred by the head to uphold this (Nwankpa, 2017). The oversight of the king's expenses was part of the expansion of lawmaking control over government finances, according to Ugoh & Ukpere (2009). To distinguish between state and crown spending, the civil list was developed. The parliament now has complete financial control over the crown as a result of the annual specified funding regulator of crown revenues and other changes created by succeeding legislatures. This served as the foundation for the budget's administration.

The budget is a tool used by the government of every nation in the world to show the direction of its policies (economic, political, and social). However, any project that is not budgeted for is not expected to be carried out by any government. Therefore, the budget reflects what the public expects from a specific government during a specific period. Budgets are translations of governmental manifestos, philosophies, and policies. It specifies how the government intends to use the nation's resources, sets the direction of economic policy, and distributes the commonwealth (Andrews et al., 2017).

Budgets are used for controlling as well as for planning, observing, and evaluating. For the government to successfully provide services, a budget must be effective and efficient to meet the needs of the people in the state. An estimate becomes a budget and attains its legal status as soon as it is approved by the legislative arm. It, thereafter, empowers the government to accumulate revenue and expend it. The budget is crucial to governance; therefore, all hands should be on deck

from preparation to implementation level. Responsive and responsible government, dedicated civil service and adequate data are necessities for good budget preparation. Every well-meaning government must put in place a plan to generate finance and how to judiciously allocate the finance as budget is to attain the set goal(s) of the government over a particular period. Budget preparation in a State is coordinated by the Ministry of Economic Planning and Budgeting for onward transfer to the executive for presentation and defence at the State's House of Assembly. Every ministry, agency and department in the state prepares their estimates and forwards them to the Ministry of Economic Planning and Budget for coordination. To drive this research endeavour, concentration will be placed on public budgeting with a special focus on Ondo State.

In Nigeria, the public budget is usually annual. There are statutory processes for the administration of public budget in Nigeria like all the countries of the world. Many governments are claimed to have violated these procedures, and the legislature has made significant claims of a lack of public financial discipline. Budgeting in Nigeria has been alleged to be an annual ritual. The annual budget is supposed to cover from January to December, but Nigeria has not been so lucky to have her budget passed by the parliament earlier than March until the 9th plenary session, 2019, that little differences were noticed. Budgets are passed a bit earlier than they used to be. Premised on the foregoing, this study seeks to examine public budgeting and budget performance in Ondo State, Nigeria. Its specific objectives are to:

- i. examine the public budget process and performance budgeting in Ondo State;
- ii. investigate the nexus between public budgeting and performance budget in the State; and
- iii. analyse the challenges facing public budgeting and performance budgeting in the Ondo State.

Research Hypothesis

H₀: There is no nexus between budget processes and performance budget in Ondo State.

H₁: There is a nexus between budget processes and performance budget in Ondo State.

Literature Review

Public Budgeting

The history of budgeting and budgets dates back to the Stone Age. The early men started making calculations. They calculated and estimated how to obtain and maintain food, clothing, shelter, and a general means of subsistence (Ojo, 2012). The French concept "bougette," connotes "a little bag," is where the idea of a budget first emerged. The leather bag used by the British Chancellor of the Exchequer was labelled with a budget. the container in which the Exchequer kept its report to the parliament on the needs and finances of the government. Olurankinse, (2012). And later, the document in the Chancellor of the Exchequer's bag was marked with the word "budget."

The definition of "budget" has recently changed. Several authors have attempted to define the budget concept. A budget, according to Ariyo-Edu & Woli-Jimoh (2024), refers to a comprehensive financial statement that details anticipated earnings and expenses. This refers to a numerical road map that directs operations concerning production and distribution of resources, such as capital, labour and supplies. Another element of a financial year plan is an estimate of costs and income for a set time, usually a year. Budgets are planning tools used by individuals, households, governments, and other private organisations to set priorities and track their progress toward predetermined goals. To achieve the budgetary objective, it is necessary to set aside savings or borrow money from outside sources (Olanrewaju, 2016).

Abdullahi (2018) also perceived a budget as a scheming instrument of specified expenditure of projects. Furthermore, Osadola et al. (2023) see a budget as a devious gadget designed to direct the actions of the administrators and also give feedback on the effectiveness of the budget. Budget is the standard to determine the actual expenditure of the government or manager as the case may be. Budget is not limited to Government business. At the governmental level, it is practiced at federal, state and local levels. In the same manner, at institutional, community, family and individual levels, budget is involved. Ariyo-Edu & Woli-Jimoh (2024) claimed that budget as a concept has different definitions per country, but the main idea centres around estimated expenditure and income, be it annual, bi-annual or quarterly, which must be approved by the legislative arm of the government. The budget is one of the major linkages between important elements of programming and operations in public financial management. In the words of Ugoh & Ukpere (2009), a budget is a detailed document that summarises the economic and non-economic activities of a government over a specific period. The policies, goals, and strategic plans of the current administration determine this course with special consideration on the projected available revenue to cater for the proposed expenditure.

The public is required by the budget to support the economic market system in government, and decision-making procedures are designed to guarantee the wise sharing of scarce resources. If there were enough resources to meet everyone's needs, a budget wouldn't be required, but since there aren't many, a budget is essential. According to Jadranka & Marina (2009), every country (advanced or emerging) requires stern resources financially for its existence. The régime would need to find money from the economy to fund the budget adequately and properly. Allocating resources responsibly, effectively, and efficiently is the responsibility of the government. According to Solabomi & Collins (2017), the financial statement of the government is the practical tool by which obligations are deciphered into fiscal terms. In addition, Olanrewaju (2016) claims that a budget is a numerical expression of an action plan and a tool for coordination and control. Ross (2020) asserts that a budget is a powerful person's plan stated in fiscal footings and subject to limitations placed on it by captured participants and the milieu. A budget is a strategy developed by influential people in a company that describes how to use the available resources to complete whatever those influential people decide is the organization's top priority.

According to Abdullahi (2018), the practice of government budgeting has its roots in Britain, where the term "budget" refers to the needs, statements and resources that are submitted to the parliament for consideration and approval for use in carrying out government functions and meeting other needs. The budget account is used to provide information on the government's finances, including the resources and revenue items, expenses, and purposes for which those items are used (De Witte & Gey, 2011). Government budgets are described as plans for financing the activities of the government during a fixed period, typically a year, prepared and submitted to the legislature where approval is necessary before the plan can be secured (Olanrewaju, 2016).

Budgets are used in the public sector to aid in management oversight and to ensure that the legal process of levelling taxes, revenue collection, and income disbursement is in line with budgetary directives (Tzenios, 2022). The goals outlined in the current government's plan or manifesto are highlighted in the budget. Edwards (2023) also claims that budgeting promotes coordination, planning, better performance measurement, and the introduction of corrective actions. The budget is used by the government to assess its performance and produce a self-

evaluation. The results of a serious government's self-evaluation from a prior year will reveal the degree of success and failure for that year and will point the way for the current and following years. The government often uses an incremental type of budget rather than other types. This is to keep track of the activities of the government and to know the direction of the subsequent budgets. Organisations often prepare their budget for the following reasons, as stated by Appah (2009):

- i. The budget serves as a direction towards achieving an operational destination, be it corporate or governmental. It is a means for achieving the aims, goals or objectives of the organisation.
- ii. It also assists in implementing the policies of an organisation as articulated by the management of such an organisation and in achieving its goals and objectives.
- iii. A budget helps in facilitating, coordinating, and harmonising the varying units of an organisation. This is towards achieving concord to achieve the set goals of the organisation.

Budgeting Performance

Budgeting performance was designed to focus attention on the performance of the work to be done rather than on things to be acquired. Performance budgeting is a budgeting approach that focuses on achieving specific outcomes and results rather than simply allocating money based on historical spending patterns. It is output-oriented and organized around objectives or programmes to be achieved. As a principles aid to management, its main emphasis is assessing the efficiency of operating units or the programs the government carries out or wants to do (Asomba et al., 2023).

Performance budgeting has been described as a budget that emphasizes the things which the government does rather than the things which the government buys. It also spells out the purposes and objectives for which funds are requested, the costs of the programmes proposed for achieving those objectives, and quantitative data measuring the accomplishments and work performed under each programme. The essential characteristics of a fully-fledged system of performance budgeting are the classification of budgets in term of function, programme and activity; measurement of work or outputs provided in each activity; expresses of the budget in a way which allows a direct comparison between cost funding and work to be performed for each programme activity; and mentoring of actual against budgeted cost and performance (Asomba et al., 2023).

Public Budgeting Process in Ondo State

The Constitution of the Federal Republic of Nigeria regulates the budget process at the state level (Abdullahi, 2018). Some sections of the Constitution address the issue of budget at the state level as entrenched in the 1999 Constitution of the country. The process of budget preparation, the process of legislation before the estimate is passed to law (appropriation law) and the process of evaluation are well stated. The Nigerian Constitution in Section 120, Subsection 1 states that Governors shall cause to be prepared and laid before each House of the Assembly at any time before the commencement of each financial year, estimates of the revenue and expenditures of the state for the next subsequent financial year (Constitution of the Federal Republic of Nigeria). This is an example of the budget preparation process that outlines the duties of the Executive and the House of Assembly under the 1999 Federal Republic of Nigeria Constitution

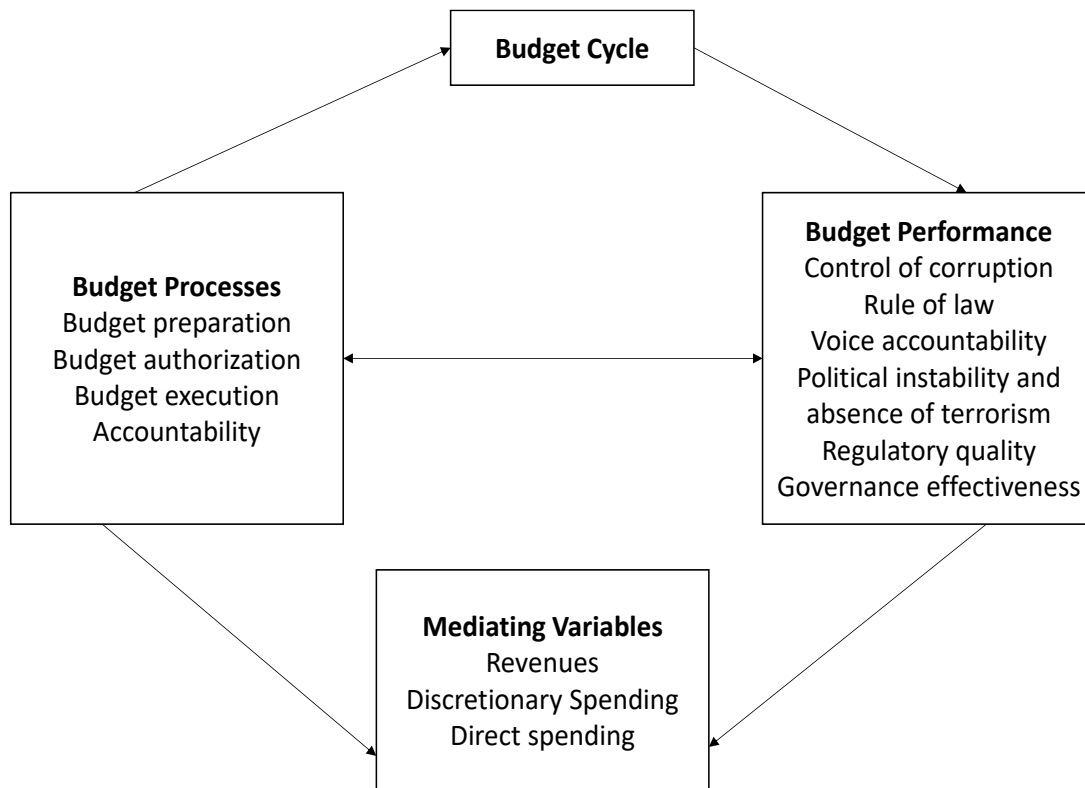
Alade et al. (2020) opine that at the State level, "budget preparation starts with getting estimates from the Ministries, Departments and Agencies of the Government stating the capital and recurrent estimates of the following fiscal year. Capital expenditure are expenses on capital projects, like constructions by the Government (road construction, dams and so on) while recurrent

expenditure estimates are the operational services of the Government such as payment of salaries, maintenance, repairs, among others. The estimate of various MDAs is then transferred to the appropriate Department of the Ministry of Finance of the state for approval. Before the approval, the Heads of the departments have to defend the estimates. The estimates, having been defended by the Heads of the Departments of the State's Ministry of Finance, are planned via Departments and titled "Appropriation Bill" and then presented to the House of Assembly of the State. The appropriation bill is published in the gazette for comments, public opinion and debate. After the expiration of the specified number of days for public opinion, comments and debate, the Governor is then expected to present the Budget speech to the State's House of Assembly. The formal presentation by the government is preceded by the introduction of the appropriation bill to the House of Assembly. The Budget proposal then goes through a series of readings and passes through Committee stages and debates until the appropriation bill is passed into law (appropriation act).

Mechanisms to Control Budget at the State Level

Certain mechanisms are in place at the state level to control budget from preparation, budget estimates approval to budget implementation. "Such areas of regulation according to Abdullahi (2011) are:

- i. Budget estimate approval from the departments
- ii. Publish the estimate in the management periodical for public scrutiny
- iii. Approval and Safety of the budget
- iv. Independent power of appropriation by the legislature without Governor's interference
- v. Effective oversight function on budget implementation by the legislature
- vi. Government audit



Source: Shah (2007); Kaufmann et al., 2011; WGI, 2022

Figure 1: Conceptual Framework of Public Sector and Budgetary Process

The public sector, according to Olaoye & Ogunmakin (2014) refers to the part of the economy that is controlled by the government for basic government services. These mammoth fundamental services expected of the government are occasioned by the number of persons they serve. As economists hypothesize, human wants are unlimited, but the means to satisfy them are limited, consequently, efficient managerial skills and tools are necessities for effectiveness and efficiency. The budget is a machinery of the government, used to achieve its purpose, good governance. A good budget targets the articulation of a realistic plan into action(s) (achievement of specific goal or goals), bearing in mind the necessary precautions that may influence its success and/or failure. The budget covers a specific time. An annual budget is a type of budget that covers a year. However, it can further be broken down into monthly, quarterly and bi-annually, depending on the country's convention or anyone that is considered most convenient or appropriate for the country (Araya, 2013). Budget administration requires that a committee is constituted, consisting of the management or senior staff of major departments in the Ministry of Finance of the state or country as the case may be.

The process of creating a budget is active and ongoing. It has a cyclical nature. Preparation and planning execution, legislative review and audit are the four distinct budget phases (Adekunle et al., 2022). Due to its cyclical nature, budgeting is a continuous process. The parliament might be busy with different stages of the budgeting process. That is approval of a budget, taking of audit report and monitoring of a budget can go simultaneously in a state or country. Budgeting is

futuristic but reference will still have to be made to the previous budget for appraisal, to attain a better budget. In Nigeria, budget preparation is perceived to be a bolted process and the contribution of the media and civil society are neglected. This is a negation of transparency in the budgeting process. The budgetary process can be discussed under the following sub-heads:

Planning and Preparation – The area of budgetary process is principally subjugated by the Executive in most countries of the world. Issuance of budget call circular to all the MDAs from the Department of Budget and Planning of the Ministry of Finance kick-starts budget preparation at the state level. A format is provided for the budget call for easy collation. The collation of the budget call is done by the Department of Budget and Planning of the Ministry of Finance for onward presentation to the Executive in the state. The Executive in turn present the same to the legislature.

Legislative Review – The legislature of most countries is empowered by the Constitution to perform oversight functions. Although the power given by the Constitution varies from country to country, it is mostly predicated upon the type of political system that is practised in the country.

Etale & Idumesaro (2021) posit that a comprehensive gaze at the power allocated to the Parliament over matters related to the budgetary process exposes categories of institutional arrangements. In the first group, countries like the United States of America, Italy and Russia, to some extent, fit into this group. The parliament has a dominant influence on the budget as a result of the institutional arrangements in the countries. The Parliament in these countries has the power to turn down the request of the Executive. The legislature in these countries is empowered to legislate, although it is still subjected to the veto of the President.

The United Kingdom, New Zealand, Australia and several developing countries in Asia and Africa belong to this group. The Executive is saddled with the responsibility of preparing and implementing the budget while the Parliament is saddled with the responsibility of legislating to approve the proposal as presented by the Executive. The Legislature is empowered to reject or modify any part of the budget. The third group comprises France and Japan. In this group, the legislature is expected to pay attention to new proposals and expenditures. Continuing expenditures are expected to be approved customarily. The legislature cannot inflate or deflate revenues or expenditures. Germany and Sweden are examples of the countries in the fourth group. In these countries, a medium-term fiscal plan plays a substantial role in the budgetary decision-making process. Approval by the legislature is restricted to one year, nonetheless. The fifth group are the Middle-Eastern countries and China. In these countries, it is either no Legislature or the Legislature has little power. The major contribution is debate. Issues about budgets habitually get into a conflict between the Executive and the Legislature because money is involved (Etale & Idumesaro, 2021).

Etale & Idumesaro (2021) further argue that one strategy for reducing tension between the executive and legislative branches is for the executive branch to set aside money for the legislative branch to use to fund projects in their respective constituencies. The different legislative committees typically write to the chief executives of each Ministry or Extra-Ministerial department to invite them to come and defend their budget proposal after the President or Governor has presented his budget proposal to the Legislature. The budget is discussed and approved by

parliament. The 1999 Nigerian Constitution is ambiguous about the Legislature's authority to amend the budget. As a result, this has frequently been a source of disagreement between the Executive and the Legislature, particularly at the Federal level (Etale & Idumesaro, 2021).

Execution or Implementation: Following the Legislature's fund-voting, the Executive has immediate control over expenditures. According to Alade et al., (2020), budget execution and implementation are management processes. Ahwera (2021) emphasises that the Executive is in charge of carrying out the budget. He categorises budget execution strategies into two groups: those that focus on administrative controls and those that focus on financial controls. The various accounts adopted for recording government transactions for both expenditures and receipts are the focus of financial controls. Performing and modifying the budget plan that was created and improved in the Policymaking division and reviewed and approved in the legislative branch are the responsibilities of administrative controls (Ahwera, 2021). Ahwera argues that maintaining flexibility at all administrative levels, adhering to financial constraints, and preserving legislative intent are the objectives of budget execution (Etale & Idumesaro, 2021).

According to Alade et al. (2020), how financial control and accountability are attained is through budget execution. They opine that “the point of applying the budget and implementation procedures to evaluate, monitor, direct, and control the fiscal part of government, accountability and financial control are then checked. The budget is intended to regulate finances and act as a tool for accountability. In Nigeria, it has not been simple to accomplish this. Etale & Idumesaro (2021) bemoaned the fact that authorised expenditures could only be made under the authority of a warrant issued specifically for that purpose. When voted funds are insufficient, the spending agency must request supplemental appropriations provisions and get parliamentary approval before incurring any additional expenses. A related development identified that Ex-post provisions were made to cover additional expenses that had already been incurred without parliamentary approval; these additional appropriations were then introduced.

Given the current situation, it is clear that the idea of parliamentary control over spending is absurd, and it appears that once unapproved overspending occurs, both ministerial and parliamentary authority would be granted ex-post as a matter of course (Etale & Idumesaro, 2021).

1. According to Olaniyan & Efuntade (2020), vote controllers may behave less than optimally if budget targets are followed. For instance, Lyndon & Joseph (2019) contend that expenses are sometimes incurred simply because they are planned for in the budget, rather than necessarily because they are required. Vote controllers may act in this manner out of fear that their accounts will have surpluses at year's end. Therefore, according to Mujannah, et al. (2019), 2-year-end surpluses will be seen by lawmakers and chief executives as unneeded money, and the next year's budget will be cut to get rid of the funds (Olaniyan & Efuntade, 2020).

2. **Audit:** This is the last step in the budget process, and it's just as crucial as the other steps. According to Maimako (2005), the budget necessitates evaluation, auditing, and public disclosure. The auditor's report details the management and implementation of the budget. According to Olaniyan & Efuntade (2020), auditing is a function that supports accountability because it lends credence to the claims made by the person or entity providing the account and offers insightful knowledge and data to the person or entity entrusted with the responsibility. The Auditor-General, or what is commonly known as the Supreme Audit Institution, is the agency responsible for the

audit of government accounts. They are responsible for monitoring how public funds are managed as well as the accuracy and reliability of the financial information the government reports.

According to Olaniyan & Efuntade (2020), Supreme Audit Institutions play a crucial role in promoting sound financial management and, in turn, accountable and transparent government (Ross, 2020). The Napoleonic, Westminster, and Board types of Supreme Audit Institutions are described by Tzenios (2022) as follows: The Supreme Audit Institution is a judicial and administrative body distinct from the legislative and executive branches of government. It is also known as the Court of Accounts or Cour des Comptes. The institution, a crucial component of the judiciary, determines whether the government is abiding by the law and keeps an eye on the responsible use of tax dollars. Governmental departments, agencies, and commercial and industrial entities that fall under the purview of ministries, as well as social security organisations, are all included in the audit jurisdiction of the Cour des Comptes. France, Italy, Spain, Portugal, Turkey, and the majority of the Latin American and Francophone African nations are a few examples of nations in this group (Maimako, 2005). The Office of the Auditor-General is an independent entity that submits reports to Parliament by the Westminster system. Even though there is less of a focus on upholding the law than there was during the Napoleonic system, the office still submits periodic reports on the financial statements and operations of governmental entities. The office doesn't carry out judicial duties, but it has the authority to inform the appropriate authorities of its findings so that they can take further action as needed. Several Commonwealth countries, such as Australia, Canada, India, and the United Kingdom, as well as a sizable number of Caribbean, Pacific, and sub-Saharan African nations, are examples of countries in this group. Even though Nigeria is classified in this system of budgeting procedures, the board system is independent of the Executive, much like the Westminster model, and it helps Parliament fulfil its oversight responsibilities. A general Executive Bureau and an audit commission, which makes decisions, make up the audit board (the executive organ). De facto, the Board President is the Auditor-General. He examines government spending and revenue, then reports his findings to the Legislature. Indonesia, Japan, and the Republic of Korea are also included in this group of countries (Maimako, 2005).

Furthermore, the three rudimentary audit types (financial indicate), compliance and performance [or value-for-money) were listed by Mujennah et.al. (2019). In financial auditing, the auditor assesses the accuracy and fairness of an organisation's financial statements. Tzenios (2022) posits that in conducting financial auditing, procedures are developed to ensure that expenditures are authorized, and properly documented and that funds are properly receipted, accounted for and safeguarded. He advanced a report that as the volume of government financial transactions increased, the demands made of the auditor for additional information also increased. As a result, the traditional financial audit could not cope, so the audit scope began to expand into other areas. Numerous designations were given to the novel segment of audit efforts comprising compliance audits and performance audits.

Lyndon & Joseph (2019) distinguish between compliance and performance audits. In compliance auditing, the auditor assesses whether expenditures have been authorized and used according to the legislative mandate. Transactions are reviewed to determine if government

departments and agencies have conformed to all pertinent laws and regulations. The emphasis is on compliance with all relevant laws. In a value-for-money audit, the emphasis is on whether taxpayers have received value for their money. Value-for-money audit emphasizes economy, efficiency and effectiveness of transactions. The performance or value-for-money audit sometimes takes the form of reviewing operational efficiency or reviewing the effectiveness of government programmes in achieving their objectives. Value-for-money is necessary because public sector accountability previously placed emphasis on the restriction of expenditures and ensuring that expenditures conform with budgeted estimates without examination of the intrinsic value of the resources utilization (Lyndon & Joseph, 2019).

Research Methods

Area of Study

The study covered the whole of Ondo State ministries, but the local government and State House of Assembly were selected using a multi-stage technique and recognizing the ministries and House of Assembly. The population of the study consisted of (49) selected ministries in Ondo state, selected members of the state house of assembly, selected heads of department from the selected local government council, as well as supervisory councillors of the local government councils. The variation in the selection is occasioned by the involvement of the ministries/state house of assembly and local government councils of the state in the preparation of the budget and their importance in the implementation of the budget.

Sampling Technique and Sample Size

This study adopted the multi-stage sampling technique. The first stage was the identifying of selected ministries, the House of Assembly and local government councils. One urban and one local government council were selected from each of the three senatorial districts. This was done to give every local government council an equal opportunity of being selected as part of the sample. The targeted respondents were the career officers in the selected ministries, House of Assembly and local government councils, totaling 1,231. Twenty percent (20%) was randomly selected, making up 246 respondents for the questionnaire administration: Ministry of Budget (50), Ministry of Finance (50), three local government councils (15) each totaling 45 and House of Assembly (15). Three executive members of each selected ministries, House of Assembly and local government councils were interviewed, making up of 18 interviewees.

Questionnaire Administration

A total number of 246 copies of the questionnaire were administered, out of which 226 copies (91.8%) were retrieved. A breakdown of these by selected ministry, House of Assembly and local government revealed the following rate of retrieval: Ministries of Economic Planning and Budget 46 (20.3%), Finance 45 (20.0%), Health 45 (20.0%) and Education 45 (20.0%), Akure South LGA (10 (4.4%), Okitipupa LGA 10 (4.4%) and Akoko North LGA 10 (4.4%) and House of Assembly 15 (6.6%)

Parameters for Measuring Performance Budgeting

The parameters for measuring performance budgeting include result-oriented, performance measurement, accountability and transparency, flexibility and adaptability on budgeting. Performance budgeting aims to achieve specific outcomes and results, it also requires the establishment of performance indicators and targets to measure the effectiveness and efficiency of

activities. Performance budgeting promotes accountability and transparency by providing ideal information on the performance of programmes and activities. It allows for flexibility in resource allocation as money can be allocated based on performance and changing priorities.

Data Presentation and Analysis

Data presentation covers findings on public budgeting, degree of compliance with the outcome of results and relationship between public budgeting and performance budgeting. Data collected were analysed using content and causality methods.

Assessment of Ondo State Government Records for 2024 Budget Performance

The budget performance Report for the Ondo State government is prepared quarterly and issued within 4 weeks from the end of each quarter. The report includes the original approved budget appropriation for the year 2024 against each organisational unit for each of the core economic classification of expenditures (Personnel, Overheads, Capital, and Others); the actual expenditures for quarter four (Q4), attributed to each organisational unit, as well as the cumulative expenditures for year to date, and balances against each of the revenue and expenditure appropriations. It is apposite to mention that the budget was reviewed up, during the year, from its initial figure of N395,227,184,000.00 to N492,045,100,000.00.

This Q4 report is assessed against the 2024 Final Budget.

The core economic classifications refer to:

- Recurrent Expenditure = N246,727,852,786.00
- Capital Expenditure = N245,317,247,214.00
- Total = 492,045,100,000.00.

This Budget Performance Report is produced by the Ministry of Economic Planning and Budget, Ondo State and published on the Ondo State Budget website (www.ondobudget.org).

Out of the total revised budget expenditure of N395,257,000,000.00 (Three hundred and Ninety-five billion, two hundred and fifty-seven million Naira Only, the Ondo State government expended the sum of N395,257,000,000.00 billion, resulting in an actual 2024 budget performance of 80.3%. The budget performance report was produced by the Ministry of Economic Planning and Budget, and the Commissioner of Economic Planning and Budget, Dr Emmanuel Igbanan announced while presenting an overall assessment of 2024 budget performance to journalists in Akure that this is the first time the state has reached this level of budget implementation.

The chief press secretary to the Governor, Mr. Ebenezer Adeniyiyan, the permanent secretary in the Ministry of Finance, Mr. Bunmi Alade as well as permanent secretary in the Ministry of

Education, Hon. Femi Agagu and State Director of Budget disclosed that the approved revised capital expenditure for 2024 was N245,317,247,214.00 of which N294,478,326,905.00 was expended as at 4th Quarter of 2024, representing 83.3%.

On the other hand, the Approved Revised Provision of 2024, Recurrent expenditure was N246,727,852,786.00 and N240,233,000,000.00 has been expended as of the 4th Quarter of 2024. This represents a performance of 97.6%. He explained that “Budget for New Horizon” was revised from the original budget size of N492,045,100,000.00.

The Nexus between Public Budgeting and Performance Budget in the Ondo State

Asomba et al. (2023) opine that the budget remains the organic instrument of the public finance management of any nation. The process of budget design, formulation and implementation, to a large extent, determines how the public financial system of a country is organized. Performance budgeting plays an important role in ensuring effective public expenditure management. It also establishes a nexus between resource allocation and prioritization, efficiency and effectiveness, accountability and transparency, monitoring and evaluation and a results-oriented approach. Public budgets of both the developed and developing nations serve as instruments of public policy direction for the federal, state and local governments. The nexus of resource allocation and prioritization involves resource allocation that is based on the expected outcomes of performance indicators. This approach ensures that resources are directly received from the state for actualization of programmes and projects that are likely to meet the direct results. By prioritizing, spending based on performance which governments can maximize the effects of public expenditure on economic development in Ondo State. Efficiency and effectiveness are also germane for considerations in performance budgeting. Performance budgeting allows governments to identify and scrutinise inefficiencies and ineffectiveness in public expenditure that lead to ideal utilization of resources. For a budgeting system to serve its purpose, it must be capable of producing and processing a variety of information relating to programmes and resources. Thus, the budgeting system must foresee the projects’ cost, itemize and determine their places in the scheme of needs of government, corporation or family. Monitoring and evaluation are integral parts of performance information that allow citizens and stakeholders to see performance indicators (Asomba et al., 2023)

Challenges Facing Public Budgeting and Performance Budgeting in Ondo State

A budget shapes the economy of a country. Where there is a defective budget, there is economic summersault, therefore, a budget is an important document for economic growth. Achievement of 100% budget performance has been difficult in Nigeria since 1999. If a budget is effective, the consequence is also felt positively on the economy and every other sphere of governance; the yearnings and aspirations of the citizenry are met, and this act gives the people confidence in democracy and also draws them closer (Ariyo-Edu & Woli-Jimoh, 2024).

In response to the interview session, a director in the Ministry of Education revealed that the public budget in the state is faced with several challenges, some of which are lack of concentration on capital projects, inflation of contract sums and lack of political will, among others. According to a director in the Ministry of Health, there are several challenges confronting

public budget in the state attributed to scarce, inadequate, limited or no resources for the monitoring of appropriation bills towards implementation projects.

According to the view of a representative of the House Committee on Appropriation, one of the major problems of public budget in the state is inadequate preparation and late submission for approval. Looting of public funds by public officers is a constraint militating against public budget in the state. To him, this has led to inadequate resources for the provision of public goods.

According to a supervisory Councillor for Education, lack of accountability and absence of transparency are one of the challenges facing council budget. These challenges have limited the councils in the provision of social amenities and other things to the rural dwellers. She concluded that there is a need for openness as well as checks and balances at the level of the council to ameliorate any form of secrecy. In a nutshell, the supervisory councillor for finance revealed that looting of funds by both public and political office holders, inflation of contracts sums and lack of political will, among others, are the challenges confronting the council budget. As a result, this has led to the diversion of public funds for private use.

This statement is reinforced Adamu & Rasheed (2016); Lyndon & Joseph (2019); Alade et al. (2020); Etale & Idumesaro (2021); and Asomba et al (2023); as cited in Ariyo-Edu & Woli-Jimoh (2024) enumerating the factors that militate against public budget and performance budget in Nigeria. Lack of professionalism, institutional corrupt practices, inefficiency and ineffectiveness of public and political office holders, lack of political will, and open partisanship on the part of bureaucrats and technocrats, among others, characterize some of the challenges facing the smooth performance of public budget.

Model Specification for Variables of the Study

Table 1: Granger Causality among Budget Indicators and Budget Performance in Ondo State, Nigeria

REV does not Granger Cause VOA	10	1.98806	0.2316
VOA does not Granger Cause REV		0.75214	0.5181
EXD does not Granger Cause VOA	10	0.33943	0.7274
VOA does not Granger Cause EXD		2.93377	0.1436
REV does not Granger Cause ROL	10	0.82992	0.4884
ROL does not Granger Cause REV		0.92175	0.4563
EXD does not Granger Cause ROL	10	0.20906	0.8181
ROL does not Granger Cause EXD		8.95122	0.0223
REV does not Granger Cause REQ	10	2.39461	0.1864
REQ does not Granger Cause REV		2.14324	0.2127
EXD does not Granger Cause REQ	10	1.47363	0.3140

REQ does not Granger Cause EXD		2.46085	0.1803
PAT does not Granger Cause REV	10	0.51979	0.6236
REV does not Granger Cause PAT		8.12674	0.0268
GOE does not Granger Cause REV	10	2.33606	0.1921
REV does not Granger Cause GOE		6.75050	0.0380
EXD does not Granger Cause REV	10	0.47200	0.6490
REV does not Granger Cause EXD		0.14266	0.8705
COC does not Granger Cause REV	10	1.35291	0.3391
REV does not Granger Cause COC		76.1832	0.0002
EXD does not Granger Cause PAT	10	2.78697	0.1538
PAT does not Granger Cause EXD		1.15142	0.3879
EXD does not Granger Cause GOE	10	14.1552	0.0087
GOE does not Granger Cause EXD		4.46895	0.0771
COC does not Granger Cause EXD	10	0.51007	0.6286
EXD does not Granger Cause COC		7.70589	0.0297

Table 2: Correlation Between Public Budgeting and Performance

	COC	EXD	GOE	PAT	REQ	REV	ROL	VOA
COC	1							
EXD	-0.05196	1						
GOE	-0.45982	-0.09356	1					
PAT	0.009951	0.436535	0.207004	1				
REQ	-0.25406	-0.72236	0.038811	-0.63555	1			
REV	-0.08543	0.846433	0.065152	0.561348	0.68302	1		
ROL	0.225909	0.70226	0.044334	0.497702	0.94748	0.681603	1	
VOA	0.05397	0.704412	0.282326	0.782155	0.83585	0.661829	0.765897	1

Table 3: Descriptive Statistics

	COC	EXD	GOE	PAT	REQ	REV	ROL	VOA
Mean	12.40417	3.87E+10	12.80083	4.546667	21.35917	6.74E+10	15.00333	30.8125
Median	12.5	3.84E+10	12.5	4.72	22.115	7.95E+10	13.79	30.965
Maximum	16.75	9.08E+10	16.83	6.19	27.01	1.07E+11	21.15	35.47
Minimum	7.69	1.92E+09	8.61	2.84	13.94	6.63E+09	11.27	25.12
Std. Dev.	2.511785	2.83E+10	2.466154	1.088112	4.689794	3.56E+10	3.574237	3.725034
Skewness	-0.15831	0.319999	0.050444	0.032504	-0.18862	-0.80428	0.479688	-0.0575
Kurtosis	2.557634	2.448422	2.12606	2.008945	1.463257	2.144263	1.666761	1.435486
Jarque-Bera	0.147968	0.356918	0.386975	0.493208	1.251947	1.65987	1.348963	1.230464
Probability	0.928686	0.836559	0.82408	0.78145	0.534741	0.436078	0.50942	0.540516
Sum	148.85	4.64E+11	153.61	54.56	256.31	8.09E+11	180.04	369.75
Sum Sq. Dev.	69.39969	8.80E+21	66.90109	13.02387	241.9359	1.40E+22	140.5269	152.6346
Observations	12	12	12	12	12	12	12	12

Source: Field Survey, 2024

This section provides an interpretation of the second objective of this study. Quantitative data were sourced from secondary sources. The probability values for F statistics are given on the right side of Table. If these probability values are less than any α level 0.05, then the hypothesis will be rejected at that level. The Granger causality test established that there is bidirectional causality between budget indicators and budget performance in Ondo State. Taking the indices one after the other, a causality test was conducted between REV and VOA. Using the decision rule of probability values, since the probability value 0.2316 and 0.5181 $>$ α level 0.05, it would be acknowledged that REV does not have a bidirectional Granger cause on VOA or vice versa. A similar trend was noted on the Granger Causality test conducted on EXD and VOA.

This study found no bidirectional causality between REV and ROL at the five percent level of significance. When two lags are applied, the hypothesis that the ROL Granger causes REV cannot be rejected at the five percent level of significance. Thus, there is unidirectional causality running from REV to ROL. The content of policy implications has been determined due to the direction of causality between these two variables. The combination of these variables with other socio-economic and political forces makes budget performance more difficult in promoting their social service provisioning.

This study tested the causal relationship between EXD and ROL using the Granger Causality test. The probability value of the first lag was above α level 0.05, which accepted the null hypothesis that EXD does not Granger-cause ROL. However, the probability value of the second lag was below α level 0.05, which rejected the null hypothesis and confirmed that ROL had a Granger cause on EXD. The causation from ROL to the balance of the processing of EXD also reflects budget indicators and performance in Ondo State. This was similar to the outcome obtainable from the Granger Causality test on PAT and REV, as well as GOE and REV. In addition, it is important to point out that the probability value 0.0002 $<$ α level 0.05 showed that REV had a significant Granger cause on the COC. Also, the EXD had a Granger cause on GOE, which represents the first lag of the hypothesis. This same trend was also found on the second leg

of the bidirectional causality between COC and EXD. The current data study suggests that budget indicators have an established Granger causality on the budget performance in Ondo State.

Discussion of Findings

The first objective of the study examined the public budget process in Ondo State. The study revealed that the State usually calls for budget estimates via the ministry of budget and economic planning in the early part of the fourth quarter of the year, usually around October. However, it must be quickly added that some respondents at the local government council are of the view that they received a circular from the Ministry of Local Government and Chieftaincy Affairs to prepare their budget estimate yearly. The study also revealed that the Ministries, Departments and Agencies that have designated departments assigned with budget preparation and also at the local government levels respond to the calls for budget estimate preparation on time. Furthermore, it was revealed that the executive arm of government has to prepare a budget and submit it to the legislature for scrutiny and approval before the Governor assents. However, there are several stages of the budget process at the legislative house. Importantly, the final analysis of objective one showed clearly that early submission of budget estimates by the executive arm of government goes a long way to determine when the legislative would approve the state budget. This upholds the view of Sicilia & Steccolini (2017), Olaniyan & Efuntade (2020), Ugoh & Ukpere (2009), and Lyndon & Joseph (2019) that the budget is traditionally a process by which constitutional authority makes decisions. The decisions are made on where, how, what and who to plan for through income and expenditures vis-à-vis revenues available for the execution of the allocation of resources. Also, the budget should be prepared on a timely basis and approved by the State House of Assembly, preferably before the beginning of the financial year.

The second objective of the study investigated the nexus between public budgeting and budget performance. The study revealed that without revenue (REV), no organisation, either private or public, can achieve its stated goals and objectives. The study also confirmed that budget in term of function, programme and activity (VOA), measurement of work or output (ROL), cost of funding (COC), as well as monitoring budgeted cost and performance (REQ), among others, are some of the indicators of public budget in the State which are key factors that will enhance development in concrete terms via the provisions of basic social amenities such affordable health care services, rural electrification, construction of roads and infrastructural development among others. However, the performance budget in the state has not achieved its stated goals and objectives. Therefore, without a public budget process, which leads to the approval of the budget, its performance cannot be gauged.

The findings of this study uphold the view of Igbara et al. (2016) that the effects of budget procedures on macroeconomic aggregates the balanced budget. However, without financial allocation, no organization can function. The findings of this study are in agreement with the views of Ibrahim (2013) that resource allocation and prioritizing are key components of performance budgeting, which means resource allocation based on the expected outcomes and performance indicators. Performance budgeting encourages governments to identify and detect inefficiencies in terms of public expenditure. Accountability and transparency are fundamental principles of performance budgeting. by linking budget allocations to performance outcomes, that it enhances accountability and transparency by holding government agencies responsible for achieving their goals and targets.

The third and final objective analysed the challenges facing public budgeting and performance budget in the State. Findings showed that uneven distribution of resources, lack of transparency, inflation of contracts sums, institutional corrupt practices, and overestimated

allocation of funds to a particular area of interest, among other, were the challenges confronting public budget in the state. The findings also revealed that the challenges confronting public budget in the state has affected its inability to enhance development in concrete terms. However, the findings revealed that the state and the local governments council can deliver more social service and infrastructural development when it put mechanism in place to boost its internally revenue generation and budget monitoring system. This statement is reinforced by Adamu & Rasheed (2016); Lyndon & Joseph (2019); Alade et al. (2020); Etale & Idumesaro (2021) and Asomba et al. (2023); as cited in Ariyo-Edu & Woli-Jimoh (2024) on the factors militating against public budget and budget performance in Nigeria. Lack of professionalism, institutional corrupt practices, inefficiency and ineffectiveness of public and political office holders, lack of political will, and open partisanship on the part of bureaucrats and technocrats, among others, characterize some of the challenges facing smooth performance of public budget. The findings of this study uphold the view of Ugoh & Ukpere (2009), who also report that looting of funds by public office holders, destructive corruption, overestimated allocation of funds to a particular area of interest over essential services, financial recklessness to a very large extent undermines the positive flow of budget performance in any environment.

Conclusion

The study concluded that public budgeting and performance budget are to improve socio-economic conditions in Ondo State. Effective public budgeting is crucial for performance budgeting, and performance budgeting serves as a key component in enhancing public budgeting by linking resource allocation, prioritization, accountability and transparency, effectiveness and efficiency, monitoring and evaluation, and a results-oriented approach. Ondo State faces challenges in public budgeting, but with the implementation of recommended actions, it can reduce these challenges and improve its budgeting processes for the welfare of its citizens and the development of the Ondo State in general.

Recommendations

Within the context of key findings of the study, the following recommendations are made for public budgeting and performance budget in Ondo State, Nigeria:

First, the government should be able to disseminate information to ministries, departments and agencies to ensure timely preparation of their budget estimate which will facilitate early submission and pave the way for timely approval of the proposed budget estimate before the end of the year.

Second, the government should be able to improve data collection and analysis, that is establish large systems for collecting, analysing and reporting performance data, this will enable them to provide accurate and resourceful information for best decision-making and also to assess effective performance budgeting.

Third, the government of the State and the local government levels should put mechanisms in place towards improving internally generated revenue. This will go a long way to curtail dependency on federal allocation and ensure timely provisions of social amenities and development projects to the populace.

Fourth, the government ensure an adequate monitoring system of the public budget process and performance budgeting at the state and local government levels. This will help to curtail the

diversion of public funds, and institutional corrupt practices and ensure that what the state budgeted for is implemented to the latter.

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