

# Impact of Poor Accounting Practices on Budget Implementation on Government Owned Industries. A Study of Enugu State

Ugwuanyi U. B Ph.D<sup>1</sup> Ebe E. C. CNA<sup>2</sup>

1. Department Of Accountancy, Enugu State University Of Science And Technology, Enugu Nigeria.  
[uchebrowntak@yahoo.com](mailto:uchebrowntak@yahoo.com)
2. Department Of Economics, Ebonyi State College Of Education. Ikero Ebonyi State Nigeria.  
[Idenyemihe@ymail.com](mailto:Idenyemihe@ymail.com)

## Abstract

This work titled impact of poor accounting practices on budgetary implementation on Enugu State owned industries aimed at identifying the major causes of poor accounting and budgetary practices in government owned industries; determine the effects of these problems on implementation of budgets in government owned industries; and analyse the impact of these numerous problems to the growth and development of government industries in Enugu State. The study reviewed other existing literature. It applied content analysis techniques. The study discovered that there exist poor accounting practices in government owned industries in Enugu State and also appropriate budgetary implementation are hardly kept by these industries. It was found also that employment into these industries are defective hence poor accounting practices and impact of budgetary implementation are hardly met. The study recommend that appointment into board members should not be defective. Rather people who are called to serve should be appointed in-spite zone or local government to ensure success of government industries. In addition, employment into those industries not be zoned to ensure that experts are employed and they effectively discharge their duties diligently and proper things being done at the right time. Government Should introduce policy where wrong appointee should be re-visited or cancelled if possible to ensure that correct personnel is employed for effective performance. Study is recommending that national growth should be preferred by introducing measures that will motivate and increase individual representative willingness and performance through incentives and rewarding system. Implication of the findings. Due to the fact that required personnel often do not occupy the right position in government industries in Enugu State it creates loopholes especially in area of accounting and its budgets. It affects the performance of the entire industry.

## 1. Introduction

### 1.1 Background of the Study

The primary role of government has been the provision of essential goods to her citizens. This is achieved by executing projects toward enhancing the social and economic well being of her citizens. These goods and services are normally provided through ministries and extra ministerial departments. In general, these ministries and extra-ministerial department are referred to as the public sector.

The government administration conferred much on the management of money voted to ensure that the money was properly utilized for the purpose they were meant for and that the desired objectives are achieved. The members of public, being aware of enormous tasks and responsibilities facing them, normally start by formulating a well detailed, articulated plan of activities and events that will enable them to achieve success. The detailed documents that are prepared for this purpose are referred to as budgets. The act of preparing this detailed plan of actions and activities concerned with public income and expenditures is called budgeting.

In spite of the above activities that will help to actualize the plans, there exist poor accountability and constant failure in implementing the budget in the public sector or in the government owned companies. The poor accounting and failure on budgetary implementation in government owned companies are common in the recent days and its negative impacts are noticeable on the Nigeria's economy. These, in turn contribute to low industrialization, poor economic growth and above all lack of job creation at all levels of government, Enugu State which is the base of this research work inclusive.

Enugu state no doubt has abundant Mineral and Agricultural resources, and enough state owned industries and companies especially when compared with other states of the federation. These range from manufacturing companies, hotels, media houses, marketing outfits and so on. Detailed list of the government parastatals in Enugu State include: Niger Gas Emene, Niger Steel Company Emene, Enugu State Transport Companies (ENTRACO) Emenite, Cashew Industry, Oghe, Star Printing and Publishing Company Ltd Enugu, Star Television, Ohebe Dim Aluminum Industry, Hotel Presidential, Nike Lake Resort (Protea Hotel), Industrial Development Centre (IDC). (Enugu State Ministry of Commerce, Industry, Mine and Agriculture 2005)

Nevertheless, the accounting and budgetary procedure in these parastatals over the years, have been a source of concern to many people including analysts, investors, and the government itself. Accounting as a management tool has its origin in the functions which is served from the earliest times in the history of society. In that regard therefore, the birthday of accounting can be attributed to Italian Mathematician's method of keeping business records to avoid fraud and for safe-keeping of records of business which was set out by LUCA in his famous treaties in Venice in the year 1494.

As business organizations grew in size and complexity, following the 19<sup>th</sup> century industrial revolution in Europe, the accounting problems involved became more complex. With these developments came awareness of the need for other fields of accounting to exist which includes Cost Accounting, Management Accounting, Taxation, Government Accounting, Auditing and Gas Accounting.

In the same vein, budgets which are prepared and produced by Accountants became very prominent managerial tools for effective decision making such, that its roles in the contemporary business life of any organization cannot be over looked. This implies that adequate accounting and efficient budgeting leads to organizational growth and economic development. Organizational growth could be same to development or changes for better or improvement as the case may be resulting to increased output, profit potentiality and business expansion. With an efficient accounting and budgetary procedures, an organization is more likely to operate at an optimal level, given the constraint on its resources.

As it affects government companies in Enugu State, there are often deviations from accounting principles, standards and practices. These are also manipulations of priorities by unrestricted transfer of funds from one category of expenditure to another resulting to management running out of funds in critical areas only to ask for supplementary appropriations that most often may not be approved. (Enugu State Ministry of Commerce, Industry, Mine and Agriculture 2008).

In the light of the above, it becomes imperatively essential to investigate the causes of these inadequacies, their effects and consequences, as well as make suggestions based on findings on how these problems hindering the general economic progress could be curbed, the state of industrial growth should be maintained and the economy of the Enugu State and the entire nation improved.

### *1.2 Statement of Problem*

The central problem of the study is identified to be the poor accounting practices and failure on budgetary implementation in government owned industries in Enugu State. Poor accounting practices and failure on budgetary implementation in the government industries are vividly noticed. This has lead to poor growth rate and unemployment situations in Enugu State.

In Enugu State, the accounting practices and budgetary implementation in Government owned industries over the years have not been commendable. Budgets in developing economies hardly interpolate with its accounting practices and this lead to poor budgetary appropriations and negatively affects her financial performance.

In Enugu State, there are often deviations from accounting principles, standards and practices. There are also manipulations of priorities by unrestricted transfer of funds from one category of expenditure to another resulting to management running out of funds in critical areas only to ask for supplementary appropriations that most often may not be approved; (Enugu State Ministry of Commerce, Industry, Mine and Agriculture 2008).

This persistent deteriorating state of government industries has given the researcher the keen interest to investigate on the causes of these problems and recommend the possible solutions.

### *1.3 Objectives of the Study*

The main objective of the study is to investigate into the impact of poor accounting and budgetary implementation practices on government owned companies in Enugu State.

The study will specifically:

- (i) Identify the major causes of poor accounting and budgetary implementation practices in government owned companies in Enugu State.
- (ii) Determine the effects of these problems on implementation of budgets in government companies.
- (iii) Analyse the impact of these numerous problems to the growth and development of government companies in Enugu State.

## **2. Literature Review**

This chapter was written in three sections. Firstly introduction while the next section shall be called academic review of Journal and other academic literatures in relation to the topic under study. The last section shall be based on theoretical framework as it relates to the topic in order to make this work vivid and focused.

### *2.1 Empirical and Academic Review*

There was a study carried out by Mullins (1993) on the topic titled “Corporate Budgetary Control and Accounting Practice in Nigeria’s Oil-Drivers Economy: Survey of Government Owned Business Investments” aimed at identifying the problems of government owned industries in Nigeria. It was a survey research by which he adopted the use of questionnaire for data generation. He analyzed the responses of the respondents (the Staff of Rivers State government industries Budgetary Section) using chi-square method. The outcome showed that government owned industries in Nigeria have been hampered by inadequate/ineffective accounting practice/system, worsened by weak budgetary control system, poor product marketing system and finally defective deficit financial system. He recommended that Government owned industries should have up-to-date accounting practice and adequate plan for budgetary implementation.

In another study carried out by Okemini and Uranta (2008) on the topic “Government Owned Business Investments (GOBIs)” aimed at assessing the accounting practice and financial performance of GOBIs in developing countries. The study adopted survey research and used questionnaire to generate data. The researcher administered questionnaires on 140 public enterprises and 50 private enterprises proprietors at Delta State. They made use of chi-square in their analysis. Okemini and Uranta (2008) found out that GOBIs has negative financial performance as a result of poor accounting practice and that many operate at substantial losses due to weak budgetary implementation. Fubara (2004) in a publication titled “Poor Performance on GOBI”. This publication revealed the major problems facing GOBI in Nigeria. It was an exposing research into poor practice of accounting in GOBI in Nigeria. He noted that this was as a result of insufficient funds arising from restrictive ownership, scarcity of technology, conflict of objectives between government and firm’s management, and general managerial inefficiency. Akinsanya (1992) on the topic “Educating the performance of Public Enterprises in a changing environment” identified high incidence of fraud, poor product marketing, pervasive political affiliations, defective appointment of board members, overstaffing, financial indiscipline and dishonesty to be the major cause of poor accounting practices and budgetary implementation in government industries in Nigeria. It can be observed from the above studies that poor accounting practices on budget implementation is a existing problem in Government owned industries in Nigeria. Nevertheless, more of the researcher pointed clearly a concrete machinery to put in place to handle the poor accounting practices on budget implementation caused by numerous factors thus: high incidence of fraud, pervasive political affiliations, defective appointment of board members financial indiscipline and dishonesty etc.

### *2.2 Theoretical Framework*

This study was based on the theory of control. The theory of control was first formulated by Henri Fayol (Professor of Management) in 1916 and published in the management Sciences Journal in 1949. The theory of control is based on the principles of

- i. How to understand failure of control in management of government establishments,
- ii. How failure occur,
- iii. How to analyze deviations,
- iv. How to correct deviations,
- v. And how to prevent failures in control relationship of the above variables.

This theory of control specifies the obligations of government industries in providing social and basic amenities to the citizenry. It indicates that government owned industries is a basic principle of control on those scarce resources they are meant to manage. Robert (1970) on a journal of management control function on government enterprises published at Harvard business press states the relevance of effective management control in government industries. Shields and Young (2009) contends that government industries ought to provide both resources and employment to the citizens for meeting the laid down objectives. This implies that government of Enugu State, Board members and staff have joint responsibility to ensure proper accounting practices and timely budgetary implementation and appropriations by building effective management controls and directions.

The General Accepted Accounting Practice (GAAP) should be uphold in all government establishments in order to meet the desired objectives. Rittenbery and Schwieger (1997) states “several corporate failures which adversely affect both budgeting, accounting and profitability. Adequate control is very essential to every organization be it individual or government owned all over the world. It is because if there is no adequate control of resources in the organization, it will be practically impossible to appropriate budgets and accounting practices becomes a waste. The idea behind proper accounting practices and timely budget implementation and appropriations in the above referenced research work seem to agree with our opinion for the appointment minded individuals into board members of government industries in Enugu State for adequate control, acceptable accounting practices and above all budgetary implementation in order to address the problem of impact of accounting on budgetary implementation. Going by the theory of control with emphasis on its principle of obligations of government industries in providing social and basic amenities to her citizenry, government owned industries are expected to live to its responsibility of establishing standards, adequate controlling mechanism and acceptable accounting practices. In view of Conard (2003), government enterprises need not to have unethical persons acting outside controls. Thus ineffective control system in every organization is negatively affects organizational profitability and sustainability as well as company’s resources and performance.

Many studies had indeed established link between the accounting practices and corporate financial performance underscoring centrality and criticality of the poor budget performance in government industries especially in a developing economics where corporate governance might not be focused. This study, however, focused mainly on the affairs of government owned industries in Enugu State. This theory is relevant to the study because appreciation of failure of control, how it occurred and how to analyse and interpret the failure is necessary if the correct thing must be done; and this is directly correlated to the objectives of the study.

### **3. Discussion**

This chapter deals with discussion on the various strategies adopted by the Enugu State owned industries in handling accounting and budgetary implementation issues. It would also take discussion on the theoretical framework, the conclusion and eventually make some recommendations.

#### *3.1 Discussion on Strategies*

The analysis of workings of poor accounting practices on budgetary implementation on Enugu State government owned industries revealed that much need to be done to evolve a reliable and acceptable accounting practices and budgetary implementation to satisfy the purpose for which they were established.

One of the identified ways through which the problem of poor accounting practices and slow budgetary implementation affect these numerous problems deteriorating state owned industries can be handled is by way of monitoring for efficiency and ensuring that budget is released on time. A thoughtful survey of poor accounting practices on budgetary implementation in those government industries revealed lapses which would make it

practically impossible for the industries to realize the constitutional objectives of establishing them. An empowering legislation is therefore important for the purpose of ending this problem of poor accounting practices, late release of budget that to poor implementation and appropriation provisions.

Rabu and Rao (1998) states that the causes of poor accounting practices and inadequate budgetary implementation in government industries were largely due to government interference, and should lead to poor finance performance. Rithenberg and Schwieger (1997) and Conrad (2003) outlined some of the reasons that have paralyzed the accounting practices and slow of budgetary implementation in government industries are; inadequate control in government companies, slow budgetary appropriation provisions, poor finance performance, poor profitability, unethical persons acting outside controls, ineffective control system, lack of focus on corporate governance.

Poor accounting and slow budgetary implementation is a big impediment facing government industries in developing economics which hinders often virtually aspects of administration in those industries. From the foregoing, government industries in Enugu State must comply with GAAP – in order to restore her accounting practices by so doing her budgets should be implemented appropriately.

The theory of control relationship of government and Board members is made clearer by the fact that periodic financial statement and budgetary appropriation provisions are properly used by both the government and governed. Where poor accounting practices and inadequate budgetary implementation continue in Enugu State government industries, it is a breach of theory of control which would affect the management of scarce resources in government industries in Enugu State.

However, there is a lot of laxity on the part of board members whose duty is to ensure that proper personnel are being interviewed and employed into those industries. The board needs not to employ on political settlement/compensation/quota system in order to overcome the ugly trend hindering progress of these industries. The board is yet to realize that these failures of Enugu State industries are their responsibility and not that of the state government who have appointed and entrusted the affairs of these industries under their reasonable care hence the relevance of theory of control to this study.

### *3.2 Discussion on Academic Review*

Several studies were cited in this research amongst which are Akinsanya (2009) which identified that in public organizations there is always high incidence of fraud, poor product, pervasive political affiliations defective appointment of board members, overstaffing, financial indiscipline and dishonesty which will lead to poor accounting practices and that will also affect proper budget implementation and appropriations. Babu and Roa (1998) averred that what causes this poor accounting and budgetary implementation problem in government industries is as a result of government interference, they added that it will lead to poor financial performance. Hence, the essence of this study.

### *3.3 Discussion on Theoretical Framework*

One possible explanation why Enugu State owned industries should ensure that poor accounting practices and inadequate budgetary implementation should come to an end has to do with the fact they are established to fast track development and create job opportunities in order to reduce level of poverty among the youths who constitute 70% of labour force. So, government should be able to discover failures in management control (Board) by ensuring that experts are appointed as board members and in the employment too where the problem of poor accounting practices and inadequate budgetary implementation portend according to the theory of control. The theory of control relationship of board members and government in power is made clearer by the fact acceptable accounting practices are restored and guaranteed.

Therefore appointment of board members should be free from bias of any kind and political interest, settlement etc to ensure up-to-date financial records, proper control and adequate budgetary appropriation provisions. Nevertheless where government continues to appoint board members and employ anyhow for selfish interest that will jeopardize the accounting practices and its budgetary implementation, it is a clear breach of theory of control which will expose both the workers and board members into financial instability and poor managerial control. In Enugu State Government in power is the regulator and watch dog of these government industries. However, it is unfortunate that

government has not been able to handle the poor accounting practices and inadequate budgetary implementation challenges facing government industries. Application of theory of control relationship between the government and board members, show that expectation of board members is her ability prosper the government interest at all times in order to avoid these industries from chronicles of poor managerial control and dilapidating conditions due to board's inability to discharge its assigned mandate in the light of agreed upon expectations.

The relevance of the theory of control of this study is to re-awaken the board members on their failed fiduciary obligation to government who appointed them by ensuring that challenges of poor accounting practices, late release of budget and inadequate budgetary appropriation provision has continued in the system contrary to their assigned mandate as agents of government.

#### 4. Conclusion

Efficient accounting practices and budgetary implementation are so vital that its role in the efficiency of any organization/establishment cannot be overlooked. For success of any business establishment, it must adopt a procedural method of estimating actions it intended to achieve in future ie budgeting and work persistently in line with budget implementation. Essentially, the method of putting down records of transactions, classifying, analyzing and summarizing it's transaction that will help to disclose the true and fairness of the business records must be put in place. Effort should also be made to ensure that experts are employed in various positions to restore the companies from dilapidating and chronicles conditions.

#### 5. Recommendations:

The following recommendations are made on this study:

1. Appointment into board members should not be defective. Rather people who are called to serve should be appointed irrespective of zone or local government to ensure success of government industries.
2. Government Should introduce policy where wrong appointee should be re-visited or cancelled if possible to ensure that correct personnel is employed for effective performance.
3. Study is recommending that national growth should be preferred by introducing measures that will motivate and increase individual representative willingness and performance through incentives and rewarding system.

#### References

- Abullahi, A. (1992). Evaluating the performance of Public Enterprises in a Changing Environment. *Nigerian Management Review*, 7 455-461
- Adejuwon, K.D. (2009). Political Violence in Nigeria: The Political Culture Perspective. *International Journal of Labour and Organizational Psychology*, 3; 150 – 167.
- Anthony, R. N & Recce, J. (1979). *Accounting Text and Cases*, Sixth Edition. 305P
- Braide, .J.M. (2002). *The Theory and Practice of Management Accounting*. Owerri: Spring Field Publishers. 3559
- Bubu, P.C.S. & RAD, K.V. (1998). *State Control an Effectiveness Study*. Public Enterprises, 16 (1&2):57 – 74.
- Bureau of Public Enterprises (BPE) 2003.
- Coural, C. (2003). Stemming the Tider: Corporate Discourage and Agenda Daniel in the 2002 Corporate Meltdown Organization 581P
- Dogo, I. (1990) Management of Cost and Prices in Nigerian Public Enterprises. *Nigerian Management Review*, 52-61-265
- European Journal of Economics, Finance and Administrative Sciences – Issues 36(2011)*.
- Financial Management and Control (2009:14), *A Public of the Association of National Accountants of Nigeria (ANAN) MCPD 2009*.

- 
- Hopwood, A.G. (1978). Towards an Organizational Perspective for the study of Accounting and information Systems, *Accounting Organizational and Society* 3769
- Kerr, S; On the Folly of Rewarding, *Academy of Management Journal* Dec. 2006.
- Mufti, M.H.A & Lyne, S.R (1999). *Further Evidence on the Effect of Involvement and Performance, Managerial Auditing Journal*: 738.
- Nweze A.U. (2011). *Profit Planning. A Quantitative Approach*: Spring Time Press Enugu Nigeria. 476P
- Okwzie, B.N. (2004). *Auditing and Investigations*. Owerri: Bon Publications.
- Rittenberg, I.E. & Schwieger, B.J. (1997). *Auditing: Concepts for a changing Environment*. New York: The Dryden Press.
- Russian Academy of Sciences (2006). *Russian Journal of Academy Sciences*.
- Shields, M & Young, S.M. (1993). Antecedents and Consequences of Participating Budgeting: Evidence on the Effects of Asymmetrical Information. *Journal of Management Accounting Research*, 5: 265 – 280.

This academic article was published by The International Institute for Science, Technology and Education (IISTE). The IISTE is a pioneer in the Open Access Publishing service based in the U.S. and Europe. The aim of the institute is Accelerating Global Knowledge Sharing.

More information about the publisher can be found in the IISTE's homepage:

<http://www.iiste.org>

## CALL FOR PAPERS

The IISTE is currently hosting more than 30 peer-reviewed academic journals and collaborating with academic institutions around the world. There's no deadline for submission. **Prospective authors of IISTE journals can find the submission instruction on the following page:** <http://www.iiste.org/Journals/>

The IISTE editorial team promises to review and publish all the qualified submissions in a **fast** manner. All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Printed version of the journals is also available upon request from readers and authors.

### IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

