

# Budgetary Practices and Performance of Private Educational Institutions in Rivers State, Nigeria

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## Abstract

This study investigated budgetary control: A key enabler of performance of private educational institutions in Rivers State, Nigeria. The study adopted the descriptive survey research design; both primary and secondary method of data collection were employed to obtain relevant data for analysis. The instrument of data collection was the questionnaire. The study population comprised the 163 registered private secondary schools operating in Rivers State as enlisted in the Manual, Rivers State Ministry of Education (2017). A total of 116 copies of the questionnaire were distributed to the study respondents. However, only 91 copies of the questionnaire were retrieved and used in the analysis. The data was analyzed using the Pearson product moment correlation statistics through the aid of statistical package for social science (SPSS) version 22.0. The results of the finding reveals that there is a strong and positive relationship between budgetary practices and performance of private educational institutions in Rivers State. The study further concludes that budgetary practices and policies are pivotal for achieving high performance among private educational institutions in Rivers State. It therefore recommends that schools' proprietors and principals should adopt budgetary practices to enhance their institutions performance.

**Keywords:** Budgetary Practice, Budgetary Control, Performance, Liquidity, Return on Assets.

**DOI:** 10.7176/RJFA/11-18-04

**Publication date:** September 30<sup>th</sup> 2020

## 1. Introduction

The importance of private business ownership in Nigeria cannot be over emphasized and cannot be anytime more important than now. This is due to the current economic disposition which has compelled most legitimate people to seek legitimate ways of earning a living and impact the country positively. Lawal and Wahab (2011) identifies private educational institutions as major economic player with direct impact on revenue generation and multiplier effects on education, transportation, tourism among other sectors in the country. According to Manuel (2000) as adopted in Lawal and Wahab (2011), the success of private educational operation at any level, lies greatly on the adoption and implementation of budgetary control by the schools' administrators.

Most business firms recognize the need to have a developed and comprehensive budgetary system in order to minimize budget variances, costs and maximize efficiency (Alesina & Perotti, 1996). Alesina and Perotti, (1996) advance that the process of managing is facilitated when management charts its future course of certain objectives in advance and takes decision in a professional manner, utilizing the

Individual and group efforts in a coordinated rational manner. One systematic approach for attaining effective management performance is budgeting. Budgets are monetary expressions of target to be accomplished in a given year by an individual, organization or nation. It is a deliberate attempt to achieve superior targets over time with available and expected resources. Such targets are influenced by the experiences of the past and expectation of the future (Atkinson, Banker Kaplan & Young, 2001; Carr, 2000).

Basically, an effective budgetary practice enables management more effectively to plan, coordinate, control and evaluates its activities. It is a device intended to provide greater effectiveness in achieving organizational efficiency (Chenhall & Langfield, 1998). Financial Management in organizations, firms and institutions had been a sensitive issue over the years. This is because the government and the public are interested on how funds are planned, controlled, and applied for specific assignment to achieve specific objectives. In educational institutions, the realization of desired educational goals and objectives depend largely on the efficient planning and management of school funds by the school administrators.

Amuseghan (2010) lamented negative standpoint of Nigeria where little resources available are not effectively managed in the schools. One thing is to raise fund, but the other is to ensure that the fund raised is well utilized by the school managers. In response to this fact, Ogbonnaya (2000) emphasized that resources are scarce and optimal utilization of the available resources is expedient. However, to ensure judicious application of funds and accountability, school administrators (principals) plan and prepare budget for their schools. Budgeting according to Olufidipe (2003) is a process of preparing and using budgets to achieve management objectives. Ihedioha (2003) stated that budgeting is a systematic and formalized approach for stating and communicating the firm's expectations and accomplishing the planning, coordinating and controlling responsibilities of management in such a way as to minimize the use of given resources to achieve maximum results. The broad objective of this study is to ascertain the impact of corporate budgetary practices on performance of private educational institutions in Rivers State.

## 2. Literature Review

Ekwelem (1990) carried out a study on budget and budgetary control in performance of academic libraries in the context of University of Nigeria, Nsukka. The study focused on some of the faults in the budget and budgetary control process as employed in the University of Nigeria Nsukka Library system. Descriptive survey research design was adopted. The questionnaire was used to collect data while regression analysis was used to measure the level of significance between the hypothesized variables and it was found that there is a statistically significant relationship between budgetary control and performance of academic libraries in Nigeria University, Nsukka. The study further revealed that budgetary control is an essential tool for setting standards towards actual accomplishment as against set objectives in the organization. Similarly, Obayi (1996) investigated budgeting in secondary schools in Enugu South Local Government Area (L.G.A). The researcher used survey design. They adopted questionnaire as the instrument for data collection. The study revealed that tuition fees, caution fees, equipment fees, Parent/Teachers Association (PTA) levies and examination fees were major sources of revenue for private business secondary schools while school business, donations and borrowing were only minor sources, no revenue was derived from government. The result made it clear that incremental budgeting is the most popular budgeting techniques used in the private secondary school. Budgeting was the main bases.

Ogbonnaya (2001) conducted a research on budgetary practices of secondary school principals in Enugu Education Zone. The descriptive survey research design was adopted to study a population of eighty one (81) principals and one hundred and two (102) bursars. Mean scores were used to answer the research questions and z-test statistics was used to test the hypotheses. The results of the study showed that budget controls the financial behaviour of educational administrators. It prevents waste and reckless spending of funds. It reported also that secondary School principals do not request their heads of department to provide information on items of their needs which shows that these principals do not encourage the participation of the other staff in budget preparations. The findings further revealed that budgets are often prepared hurriedly such that important issues are not taken into consideration.

Further, Nzekwe (2007) empirically examined budgetary practice of secondary school principals and bursars in Enugu State. The research design was descriptive survey. The population of the study comprised of all the male and female secondary school principals, bursars and financial officers in Enugu Education Zone. Twenty Eight (28) principals and twenty eight (28) bursars making a total population of fifty six (56) were used and it was revealed that budgetary control has a standard format in the zone and should be prepared every academic year. Also, Maritim (2013) determined the effects of budgeting on the financial performance of manufacturing and commercial Parastatals in Kenya. A descriptive research design was adopted and data was collected by use of a questionnaire. Findings were that the budgeting practices that are common among the firms are budget planning, budget participation and budgetary sophistication.

The highlighted tentative assertions were formulated in the null form:

- i.  $H_{01}$ : There is no significant relationship between budgetary control and the liquidity of private educational institutions in Rivers state.
- ii.  $H_{02}$ : There is no significant relationship between budgetary control and the Return on assets of private educational institutions in Rivers state.
- iii.  $H_{03}$ : There is no significant relationship between budget implementation and liquidity of private educational institutions in Rivers state.
- iv.  $H_{04}$ : There is no significant relationship between budget implementation and Return on Assets of private educational institutions in Rivers state.

## 3. Methodology

The study adopted the descriptive survey research design with a population of one hundred and sixty three (163) registered private secondary schools operating in Rivers State as enlisted in the Manual of Rivers State Ministry of Education (2017). However, one hundred and sixteen (116) copies of structured questionnaire were administered to the respondents. After data cleaning only 91 copies of questionnaire were usable for the data analysis. Pearson Product Moment Correlation technique was used in testing the various hypotheses in order to determine the conjectural relationship between the predictor variable (budgetary control) and the criterion variable (private educational institutions performance) with the help of the Statistical Packages for Social Sciences (SPSS version, 22.0)

#### 4. Results

##### Test of Hypothesis One and Three

Table 1: Regression Analysis Summary on the Effect of Budgetary control and Budget implementation on Liquidity

Variables	Coef	t-cal	t-tab (0.05,90)	sig. T	R	R <sup>2</sup>	F-cal	F-tab (0.05,2,88)	sig f
Constants	- 0.111	-0.314		0.754					
BC	0.717	9.347	1.66	0.000	0.802	0.643	79.368	3.10	0.000
BI	0.262	3.049		0.003					

Dependent Variable: Liquidity

$$L = f(BC, BI) \dots\dots\dots 2a$$

$$L = b_0 + b_1BC + b_2BI + U_1 \dots\dots\dots 2b$$

$$L = -0.111 + 0.717BC + 0.262BI$$

t – values in bracket (-0.314)(9.347) (3.049)

Table 1 above, shows the regression analysis summary on the effect of budgetary control and budget implementation on liquidity. The indication is that the Pearson’s correlation coefficient of 0.802 on the relationship between the predictor variables and the dependent variable. The value of r is very high indicating that a very strong relationship between the predictor variables and the dependent variable. The coefficient of determination (R<sup>2</sup>) = 0.643, this implies that 64.3% variation of liquidity is explained by the changes in the predictor variables, thus the remaining 35.7% is explained by other variables not included

in the model. The F-calculated of 3.10 had a significant F-value 0.000 which indicate the usefulness of the model.

Conventionally, F-cal = 79.368 > F-tab (0.05,2,88) = 3.10 hence the conclusion of a good model utility is upheld.

Budgetary control had a calculated t-value of |9.347| > t-tab (0.05,90) = 1.66 and a corresponding significant probability Value (PV) of 0.00 < 0.05 level of significance, hence the researcher conclude that budgetary control statistically affect liquidity.

Budget implementation had a calculated t-value of |3.049| > t-tab (0.05,90) = 1.66 and a corresponding significant probability value (PV) of 0.003 < 0.05 level of significance, hence the researcher conclude that budget implementation statistically affect liquidity.

##### Test of Hypotheses Two and Four

Table 2; Regression Analysis Summary on the Effect of budgetary control and budget implementation on Return on Assets

Variables	Coef	t-cal	t-tab (0.05,90)	sig. T	R	R <sup>2</sup>	F-cal	F-tab (0.05,2,88)	sig f
Constants	0.492	1.447		0.151					
BC	0.361	4.874	1.66	0.000	0.762	0.580	60.860	3.10	0.000
BI	0.535	6.434		0.000					

Dependent Variable: Return on Assets

$$RA = f(BC, BI) \dots\dots\dots 3a$$

$$RA = c_0 + c_1BC + c_2BI + U_1 \dots\dots\dots 2b$$

$$RA = 0.492 + 0.361BC + 0.535BI$$

t – values in bracket (1.447)(4.874) (6.434)

Table 2 above, shows the regression analysis summary on the effect of budgetary control and budget implementation on Return on Assets which indicates that the Pearson’s correlation coefficient of 0.762 on the relationship between the predictor variables and the dependent variable. The value of r is very high indicating that a very strong relationship between the predictor variables and the dependent variable. The coefficient of determination (R<sup>2</sup>) = 0.580, this implies that 58.0% variation of dividend policy is explained by the changes in the predictor variables, thus the remaining 42.0% is explained by other variables not included in the model. The F-calculated of 3.10 had a significant F-value 0.000 which indicate the usefulness of the model. Conventionally, F-cal = 60.860 > F-tab (0.05,2,88) = 3.10 hence the conclusion of a good model utility is upheld.

Budgetary control had a calculated t-value of |4.874| > t-tab (0.05,90) = 1.66 and a corresponding significant probability Value (PV) of 0.00 < 0.05 level of significance, hence the researcher conclude that budgetary control statistically affect Return on Assets.

Budget implementation had a calculated t-value of |6.434| > t-tab (0.05,90) = 1.66 and a corresponding significant probability value (PV) of 0.000 < 0.05 level of significance, hence the researcher conclude that budget implementation statistically affect Return on Assets.

#### 4.1 Discussion of Findings

The survey elicited evidence from the findings of tested hypothesis. (i) There is a strong and positive relationship between budgetary control and liquidity of private educational institutions in Rivers state, (ii) There is a strong and positive relationship between budgetary control and return on assets of private educational institutions in Rivers state, (iii) There is a strong and positive relationship between budget implementation and liquidity of private educational institutions in Rivers state and (iv) There is a strong and positive relationship between budget implementation and return on assets of private educational institutions in Rivers state

The findings of the study conforms with the findings of other studies. For instance, Ekwelem (1990) carried out a study on budget and budgetary control and performance of academic libraries in the context of University of Nigeria, Nsukka. The questionnaire was used to collect data while regression analysis was used to measure the level of significance between the hypothesized variables and it was found that there is a statistically significant relationship between budgetary control and performance of academic libraries in Nigeria University, Nsukka. The study further revealed that budgetary control is an essential tool for setting standards towards actual accomplishment as against set objectives in the organization. Similarly, the findings are in tandem with the empirical views of Obayi (1996), who investigated budgeting in private business schools in Enugu South Local Government Area. The descriptive survey research found that there is a positive significant relationship between budgetary control and private business education budgetary practice.

#### 5. Conclusion

From the findings of the study, it can be inferred that there is a significant positive relationship between budgetary practices and liquidity. Again, it can be deduced that there is a significant positive relationship between budgetary practices and performance of private educational institutions meaning that budgetary practices and policies are pivotal to performance in the private educational stratum particularly in Rivers State. In line with the findings of this study and to the extent of its consistency with the empirical views of other studies, the study recommends that schools' proprietors and principals should adopt effective budgetary practices to enhance their institutions performance.

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