HUMANITIES MANAGEMENT, ARTS EDUCATION & THE SOCIAL SCIENCES Research Journal

Vol 12, No. 2, 2024

Management Process and Cost Effective Management of Finance In Public Organizations: A Case Study Of Aniocha North Local Government Area Of Delta State, Nigeria

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ABSTRACT

This paper focuses on management process and how public organizations such as local government can be cost effective in managing finances with particular reference to Delta state. Since 1999 till date, Delta state has received funds from the Federal Allocation Commission (FAC) as well as the local governments on a monthly basis which amounts to millions of naira. However, the state and its citizens have not been positively impacted by the huge allocations that come to the local governments in the state in addition to the internal generated revenue in the state as well. Delta state gets 75 percent of its revenue from FAC to manage its state affairs and despite this huge sum made available to various governors and its local government Chairmen in the past and present, the state still lacks educational and health infrastructures, good road network, portable drinking water etc. This is owing to the fact that the management of the funds in Delta state are not effective as well as the management of such finances too due to factors such as corruption and greed. Thus, this paper identified the problem of ineffective management of finance which is responsible for the underdevelopment across the state and in particular Aniocha north local government, owing to some factors mentioned above. Therefore this paper seeks to provide solutions to these issues by relying heavily on secondary source of information and methodology to analyse and draw rational conclusion to this discourse. This paper conclusively recommend ways such as maintaining a balance on how resources are used, using information to improve efficiency and effectiveness and avoiding waste of resources as some of the ways to be efficient in management of public finances the grassroots and LGAs in delta state.

Keywords: efficient management, management process, financial control, government.

JournalReferenceFormat:
Onuh, G, Mokwunyei, V.N. & Chukwusa, M.U. (2024): Management Process and Cost Effective Management Of Finance In Public Organizations: A Case Study Of Aniocha North Local Government Area Of Delta State, Nigeria. Humanities, Management, Arts, Education & the Social Sciences Journal. Vol. 12. No. 2, Pp 57-66. www.isteams.net/humanitiesjournal.
dx.doi.org/10.22624/AIMS/HUMANITIES/V12N2P7

1. INTRODUCTION

The performance of any government administration is subject to the availability of adequate funds which it can use to finance its ever increasing responsibilities, faced with the challenges of managing available government finance. Finance remains vital in the realization of the developmental road map of every government in a polity (Ugwu, 2000).Government finance is deals with the income and expenditure of local government in relation to planning the income, financial record keeping and budgeting for economic, social and political development (Njoku, 2009).

It entails budgeting for the general growth and development of the local government. Thus an effective management of local government finance will enhance rural development thereby ensuring progressive socio-political development. Since 1976, the role of local government as a necessary instrument to ensure rapid development of the rural area has taken a central theme without necessary corresponding access to prerequisite financial resources to meet their expectation. Interestingly, the sources of fund these tiers of government have continued to divinely over the years with the ascendancy of both the federal and state governments as the key actors in Nigeria political economy (Ademolekun, 2001). Orena and Adewuimi (1992), clearly made this situation evident by observing that the federal structure of Nigeria constraints local government ability to mobilize and use revenue to meet their obligation in a sustainable manner.

He opines that one of the recurrent problems of the three tier system in the country is the dividing revenue generation as characterized by annual deficits and insufficient fund for meaningful growth and viable project development. Local governments are the nearest government to the people at the grassroots in Nigeria and such, and as such, if the meagre financial resources could be properly and effectively harnessed, it would enable the local government implement their constitutionally assigned discharge its statutory functions effectively in order to attain great developmental strides it, should not only be adequately funded but such fund should be efficiently applied.

Statement of the Problem

It is a known fact that local government authorities get allocations that may not be sufficient to cater for its goals and objectives at the grassroots level, however it is also evident that the substantial amounts provided are not effectively and efficiently utilised hence the reasons for the underdevelopment at the grassroots level.

Background to the Study

It is against the backdrop that the research embarked on the study of funding and performance of local government authorities in Delta State: A study of Aniocha North Local Government Area between 2010 - 2020. Over the years, there have been a lot of controversies as regards to the inadequate funding and its effects on the performance of local government in the country. While some view the poor performances of local authorities as being the direct outcome of lack of finances and low revenue capacity, others have also argued that the problem of the local government is inadequate funding and misappropriation. It has been argued that most council especially in the rural area relies on the statutory allocation as their major source of revenue.

They are viewed as not being viable in the sense that they cannot generate revenue internally to enable them executes some of their projects and policies. The revenue yielding machinery and system of revenue allocation have been flawed on the ground of availability of qualified manpower, lack of public enlightenment over ambitious and corrupt revenue officers. In addition is lack of proper planning and budgeting which would have helped councils to operate sound financial system. The above factors have always resulted to lack of finance as there is not appropriate procedures to collect revenue from various source, thereby leading to a situation whereby the bulk of internally generated revenue is usually been wasted.

Objective Of The Study

Theobjective of this study is to identify the factors responsible for the ineffectiveness and inefficiency in the management of finance at the local government levels.

METHODOLOGY

The method adopted to achieve the objectives of this study is by using secondary data materials such as journal publications, newspapers, textbooks, and government documents were explored. However, the means of analyzing the data is deductive reasoning.

Conceptualizations

Financial Control

Financial control can be defined as a process of ensuring that financial assets or resources are acquired legitimately and used efficiently and effectively in order to achieve organizational goals. However, there are numerous problems associated with financial control, which may affect the different organization, these limitations or problems include accounting failures, budgeting, and budgetary control failure, auditing failure, difficulty and rigidity of setting standards, difficulty in implementing control measures, and high costs and difficulty in identifying deviation.Financial control is generally concerned with the appropriate use of financial assets in line with relevant regulation, accounting standards, and organizational policies (Adams, 2013), which aim preventing mismanagement of financial assets (Adams, 2013). The current financial control framework in the Nigerian public sector is still tailored towards the installed British colonial administration. The majority of these regulations, “which include the 1979 Constitution of the Federal Republic of Nigeria, which covers the operation of the fund, external controls for operating the accounting system in terms of audit and investigations, and, final- ly, the appropriation procedure,” needs to be amended. Others include the “Finance (Control and Management) Act No. 33, 1958, the Audit Act No. 38, 1956 (Anyafo, 2002), the annual and supplementary Appropriation Acts, Financial Regulations and Treasury and Finance Circulars and circular letters” (Daniel, 2002).

Financial Control System

Financial control system can be related to the procedure employed by organization management to enforce financial control and accountability. These procedures include recording, verifying, as well as prompt reporting of transaction that relates to revenue, expenditures, assets, and liabilities. Financial control is an assurance process; hence, it includes part of financial decision-making. It covers the whole process of tracking activities emerging from the decision. It also involves part of planning, budgeting, accounting, reporting, and reviews.

Financial control contributes to the progress and expansion of any organization. It is defined as the circulatory system of co-operation between different units of activity. Therefore, the constituents of financial control system are as follows: financial planning, financial controlling, and coordination of financial matters.

Financial Planning

The complex nature of organizations demands that management should focus more on financial planning to serve and efficiently employ capital resources in all the activities of the organization. The second step in financial planning is the guides to the business in achieving its primary objectives. In this connection, the following policies are relevant for most organizations in public and private sectors:

1) Determination of capital and recurrent expenditure;
2) Evaluation of capital and recurrent expenditure;
3) Composition of capital structure, source, and uses of such funds.

Financial Controlling

Planning must, however, be complemented by control. The result must be measured concurrently against projection. Control is the financial management foundation, which must be exercised by executive personnel of the business organization; this is to achieve the goals established by the planning functions. The control function is composed of five distinct phases, which are comparison of actual performance with predetermined objectives plans and standard, communication of result of appropriate people or group of people, the deviation of analysis to determine underlying causes of variance, consideration of alternative causes of action to correct differences, choice, and implementation of best alternative and follow-up action by executive personnel to ascertain whether the corrective action is effective.

Coordination of Financial Matters

Since finance touches almost every aspect of an organization, the coordination of various decisions taken within an organization so that they are mutually consistent and also in line with the financial goals and restrictions is a vital function of financial control. Hence, the exercise of this function is possibly obviously noticed in formulating a financial plan, which involves the merging of estimates from each department into the budget for the whole organization.

MANAGEMENT PROCESS AND EFFECTIVE FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT AUTHORITIES

Over the years, cases of fraud, embezzlement, misappropriation of funds, inflation of contract prices, payment of salaries to ghost workers, among others, have been a burning issue in the country (Appah& Appiah, 2010; Okpala, 2012). According to the 2019 Transparency International Global Corruption Perception Index survey which was released in January 2020, Nigeria was ranked as the 140th (compared to 134th in 2010, 130th in 2009 and 121st in 2008) most corrupt country out of the 180 countries surveyed. Nigeria scored a total of 26 percent of the possible 100 percent (Transparency International, 2020; Akor, 2014). This is because the public sector lacks accountability and efficient financial control. The public sector is exposed to certain threats as a result of ineffective and inadequate financial control measures.

These threats include inaccurate financial statements, misplacement of government assets, and application of accounting policies that are not in accord with the relevant law enactment.
It is believed that the implementation of effective financial control systems may result in better performance, accountability, and better reporting process in the public sector. The efficient management of financial resources is sacrosanct to the achievement of institutional goals and objectives (Rosen & Gayer, 2010).

This stance was stressed by the study of Prowle (2010) who asserted that the public sector institution transacts with large sums of public resources. Therefore, proper management and accountability are essential for all stakeholders. In this respect, the findings of this study are of immense benefit to policymakers in terms of improving the level of financial control within the financial sector, as well as the achievement of organizational goals. The findings of this study also help in identifying and addressing the loopholes in the public sector's financial system.In Nigeria, it has been largely established that local government depends heavily on external source of funding especially form the federation account. This must informed submission by Mbanefo and Bello- Imam (2010:180) submission that, -if the instability in federal government revenue as a result of the changing fortunes of oil price in the international market is not to be allowed to introduce greater instability in the budgetary process of the local governments, then there is an urgent need for the local governments to explore and exploit their own independent revenue sources. Moreover, Ajayi (2000), argues that the 1999 constitution of the federal republic of Nigeria provides for statutory allocations of public revenue to local government councils within the state.

For instance sections 7 (6a-b) of the constitution provides that the federal and state governments are requires by law to provide funds to local governments for developmental purpose and administration of good governance. To Ajayi (2000), the local governance. To Ajayi (200), the local government still performs poorly despite their receipt of N3, 313, 534, 856,541.8 from the federation account from 1999-2007 to provide social service to the people in their jurisdiction. According to Obasanjo (2003), statutory allocations have always been a major source of political debate as they have been persistent agitations for more allocations from the federation account. The federal government on its own part has always fulfilled its obligation of releasing funds to local governments through statutory allocations.

For local government to serve as a powerful instrument for rapid community and rural development it must possess a solid and sound financial base. To ensure that local government performs the numerous functions assigned to it (Section 7, Schedule 4, 1999 Constitution of Nigeria), the Constitution makes provision for funding of local government. Specifically, Section 7(1) mandates the government of every state to make provisions for the financing of local government councils in the state.

Key provisions of this section are:
(a) The National Assembly shall make provisions for statutory allocation of public revenue to local government councils in the Federation; and (b) The House of Assembly of a state shall make provisions for statutory allocation of public revenue to local government councils within the state. In addition, section 162 states that: (c) Any amount standing to the credit of the Federation Account shall be distributed among the Federal and State Governments and the local

government councils in each state on such terms and in such manner as may be prescribed by the National Assembly. (d) The amount standing to the credit of local government councils in the Federation Account shall also be allocated to the states for the benefit of their local government councils on such terms and in such manner as may be prescribed by the National Assembly. (e) Each state shall pay to local government councils in its area of jurisdiction such proportion of its total revenue on such terms and in such manner as may be prescribed by the National Assembly.

To give effect to the above provisions for funding of local governments, 20% of the amount standing in the Federation Account is paid to them on a monthly basis, while 10% of each state's internally generated revenue is also paid to the local government councils in the state. It must be noted that the percentage allocations to local government councils are not quantitatively certain. They depend at any given time on the amount standing in the Federation Account and the amount internally generated by each state respectively. The bulk of the revenues of most local government councils in Nigeria come from the federal government. In some cases, especially in rural local governments, the grant constitutes as much as 80% of their revenue (Obi, 2001). The state statutory allocation to local government councils is usually small and in most cases but can be utilized to some extent.

PROBLEMS OF MANAGEMENT PROCESS AND EFFECTIVE FINANCIAL MANAGEMENT

Heavy Reliance on Federal Allocations

It has been argued that most council especially in the rural area relies on the statutory allocation as their major source of revenue. They are viewed as not being viable in the sense that they cannot generate revenue internally to enable them executes some of their projects and policies. The revenue yielding machinery and system of revenue allocation have been flawed on the ground of availability of qualified manpower, lack of public enlightenment over ambitious and corrupt revenue officers.

Poor Planning and Lack of Foresight

In addition is lack of proper planning and budgeting which would have helped councils to operate sound financial system.

Wastage of Resources

Another factor that have always resulted to lack of financial management is inappropriate procedures to collect revenue from various source, thereby leading to a situation whereby the bulk of internally generated revenue is usually been wasted.

RECOMENDATION AND CONCLUSION

Maintaining a Balance on How Resources Are Used

Some public organizations do not have enough resources to cover normal operating costs; this may be as a result of over budgeting which supersedes the allocations meant for such local authority. Hence it would be profitable to fashion the objectives and plan of such local government to suit the allocations that comes to it on a monthly bases or its internally generated revenue.

Decentralizing the Decision Making Process

The purpose of division of powers is to deliver practical problem solving programmes direct to the grassroots level via the local government authority. Hence it would be a defeated objective if State governments constantly intrudes and makes decisions for the local government authority and also interfere in the income of local authority. Thus, decentralizing the decision making process is a factor that can deliver on the dividends on democracy at the grassroots level.

Using Information to Improve Efficiency

There has been much discussion in literature about whether the division of powers and extension of responsibility to local governments is a vehicle to propagate agricultural development, and improve the lives of the people through close monitoring and feedback system of local government administration. It is pertinent to note that smooth communication between the local authority and the indigenes could necessitate and engender good development where the authorities have first hand information on how to go about their development strides at the grassroots levels.

Using Information to Increase Effectiveness

Information they say is power and a tool for any endeavour to be achieved. Hence government duty and responsibility would be effective if open communication is made available between the local indigenes and the government.

Wasting Recourses

Wasting of resources is one factor that has hindered the achievement of effective financial management of public finance at the local levels because of the presence of corruption and godfathers as well the influence of state over the local authority. Hence it would be beneficial to avoid wastages in other to meet up with development objectives in terms of prudent financial spending at this level of governance.

Misappropriating Resources

It is no gain saying that misappropriation of resources is the order of the day at all levels of government including the local government. Thus it would be necessary to eliminate this factor in other to promote effectiveness in financial management at this level and enhance good management process as well.

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