

Public Financial Management Reforms and Economic Development in Nigeria's Fourth Republic

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Article DOI: 10.48028/iiprds/ijsrssms.v5.i1.04

Abstract

Poor public expenditure management has undermined economic development in Nigeria's Fourth Republic. In a bid to finding solution to the poor economic management situation and other developmental challenges, the federal government of Nigeria in 1999 began public finance management reforms to address the challenges of transparency, accountability, high-level of corruption and poor service delivery. Therefore, the objective of this study is to examine the impact of the reforms on the economic development of Nigeria since 1999 to 2019 democratic governance. The study employed survey research design. Three hypotheses were tested at 0.05% degree of significance. The findings revealed that despite these reforms undertaken in Nigeria, corruption and misappropriation of public funds remain the major factor that undermine economic development in Nigeria. It was also revealed among others that weak institutional framework; lack of political leadership commitment, delay in budgetary process and policy implementation failure marred economic development in Nigeria. Based on these, it was recommended among others that Central Bank of Nigeria (CBN) as a regulator should enforce compliance on fiscal and monetary policies implementation. The National Assembly, in its oversight responsibility should ensure adequate budget discipline and budget implementation. The federal government should urgently establish and enforce external monitoring audit mechanism at all levels of government; strengthen institutional frameworks responsible in implementing public finance management reform policies.

Keywords: Public finance, Corruption, Reforms, Financial management, Economic development, Nigeria.

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Background to the Study

The public sector accounting and finance has experienced several reforms within Nigeria's Fourth Republic. The need for these reforms arises from the fact that Nigeria desires to be among the comity of nations globally who wants to achieve transparency and accountability in her public finance space. The advent of the World Bank Reports on developing economics of the world has helped developing nations like Nigeria to be whipped into line, in considering the use of public financial management to drive development and eradicate poverty (World Bank, 2008).

Hopelain (2004), recognized the fact that government may be too involved in seeing to good governance, and reforming basic administrative functions, but may not have the capacity to make policies that could drive positive changes in governance if public financial management is not strengthened. For a county in need of adequate infrastructural development and accountability, constant review of financial management policies focused on the need to develop strategic plans must be done from time to time.

As indicated by Kinyau (2003), if the review of financial information is made timely, it could form the basis for improving control of expenditure against budget. The host of financial management reforms in Nigeria is based on computerization, so as to generate accurate and reliable financial statements. Kearney (2004) further asserts that the old accounting system lacked timeliness, accuracy and transparency, therefore having the need for reforms. Ogbonna and Ogeabuni (2015) assert that the introduction of financial management reforms is aimed at the promotion of efficiency, effectiveness, accountability, transparency, security of data management and comprehensive financial reporting. This reporting system now helps in the mitigation of fraudulent practices in financial management, such as the ghost workers syndrome and others.

The Treasury Single Account operations, as a financial management strategy works in line with section 80(1) of the 1999 constitution as amended. This section states "All revenues or other money raised or received by the federation (not being revenues or other money payable under this constitution or any Act of National Assembly into any other public fund of the federation established for a specific purpose) shall be paid into and form one consolidated revenue fund of the federation". This provision by the 1999 Constitution provided the enablement for enforcing the TAS as a reform, which has paid off in accountability and transparency of public finance accounting. These trends are what successive governments should do from time to time to ensure review of existing laws and making policies that would drive positive financial reforms to achieve economic development in Nigeria.

Objectives of the Study

The main objective of this study is to examine the impact of public financial management reforms and economic development in Nigeria's Fourth Republic. Specific attention is to:

1. Examine the extent to which introduction of integrated personnel payroll information system (IPPIS) enhances youth employment in Nigeria's Fourth Republic.
2. Examine the extent to which introduction of government integrated financial management system enhances service delivery in Nigeria's Fourth Republic.
3. Examine the extent to which introduction of treasury single account enhances infrastructural development in Nigeria's Fourth Republic.

Hypotheses

1. There is no significant relationship between the introduction of IPPIS and youth employment in Nigeria's Fourth Republic.
2. There is no significant relationship between GIFMIS and quality service delivery in Nigeria's Fourth Republic.
3. There is no significant relationship between the operation of TSA and infrastructural development in Nigeria's Fourth Republic?

Literature Review

In the context of this study, we reviewed related literature on integrated personnel payroll information system (IPPIS) and youth employment, Government integrated financial management information system and service delivery, and treasury single account and infrastructural development.

(1) Integrated Personnel Payroll Information System (IPPIS) and Youth Employment: Leyira and Temple (2018), conducted a study on IPPIS and the Ghost Workers' Syndrome in Nigeria's Public Sector. They examined if the introduction of integrated personnel payroll information system (IPPIS) could eradicate ghost worker from the payroll in Nigeria's public service. The historical research method was adopted based on the findings, it was concluded that the implementation and deployment of integrated personnel and payroll management system (IPPIS) have to a great extent reduced the incentive, capacity and opportunity of fraudulent individuals to perpetrate payroll fraud at all levels. However, there are some challenges: The study revealed that as there are technological barriers as most of the IPPIS staff has not been exposed to oracle training. Major MDA's are yet to connect to the IPPIS platform over a virtual private network. Thus, it is recommended that MDAs at all levels should key into the IPPIS platform in line with the Federal Government Public sector reform agenda to minimize payroll fraud in Nigeria.

Ikechukwu and Chikwe (2015), focused on ghost workers syndrome and electronic human resource management in local government areas in Imo state. The study took a descriptive survey approach and data was sourced from the 164 completed and returned using five point Likert scale questionnaire administered on the senior human resource management staff of sixteen selected local government areas in Imo state. The data was analyzed with Mann Whitney test (U) and the result revealed that the maladies that have infested the Nigerian local government system can be tackled through the effective deployment of electronic human

resources management tools and that this will result in the reduction in the personnel cost which will help position the LGAs for effective and efficient grassroots service delivery.

Oguzierem and Sofiri (2017) assert that ghost workers and related payroll fraud have persisted in public service in Nigeria due to its multifarious nature and dimensions. Thus, their paper examined unauthorized employment as an emerging dimension of ghost workers and payroll fraud and how it affects wage bills of Local Government Areas (LGAs) and Rural Development Areas (RDAs) in Bayelsa State. The study adopted ex post-facto research design and collected data through secondary sources. The research findings revealed that for pecuniary and other reasons, public office holders in LGAs and RDAs in Bayelsa State were involved in continuous unauthorized employment that have bloated the wage bill and diverted funds meant for development of local areas. The study among other measures, recommended that matters relating to employment should not be decentralized, but handled by the Local Government Service Commission, under strict guideline that will be issued by the Governor.

(2) Government Integrated Financial Management Information System and Service Delivery

Oyinlola, Folajin and Balogun (2017) conducted a study on government integrated financial management information system and service delivery (GIFMIS) on performance of public sector in Nigeria. Descriptive and inferential statistics were used. The sample size was drawn from the sections of finance department that includes, budgeting, procurement and internal audits, and at public works department where the financial systems are applied. The study revealed that there was a positive relationship between the effectiveness of GIFMIS on public financial management and the independent variables; financial reporting, budgeting, internal controls and projects as was revealed in the regression analysis. The study concluded that there was a relationship between GIFMIS in public finance and financial reporting, budgeting, internal control and government projects as 72.4% of the effectiveness of IFMIS was accounted for by the study independent variables. The relationship gave 95% confidence level of effectiveness. The study recommended that the IFMIS be enhanced and improved at system development level so that it gives real figure and factor in more functions of operation linked to financial service for better service delivery.

According to Kinyua (2003), the government had consistently experienced misappropriation of funds and lacks appropriate control mechanisms in public financial management (PFM) of funds which leads to poor service delivery and overspending. According to USAID (2008) report, integrated financial management information system GIFMIS is an information system that tracks financial events and summarizes financial information. Generally it refers to the use of information and communication technology ICT in financial operations to support management and budget decisions, fiduciary responsibilities and the preparations of financial reports and statements.

Jack and Khemani (2005) opine that the introduction of GIFMIS system should not just be seen as a technology fix, since simply automating tasks that did not need to be carried out in

the first place rather IFMIS implementation should be seen as a public financial reform that affects how things are done across government ministries and parastatals. Ogronna and Ojeaburij (2015) conducted a study on the Impact of Government Integrated Financial Management Information System (GIFMIS) on Economic Development of Nigeria. Secondary data was collected from the Budget Office of the Federation, Office of the Accountant-General of the Federation, National Bureau of Statistics and United Nations Development Programme and analyzed with the use of statistical package lot social science (SPSS) and t-test to test the significant difference in independent and dependent variables. The empirical findings revealed among other things, that GIFMIS have impacted positively on Nigeria's economic development. It was concluded from the study that GIFMIS adopted by Federal Government of Nigeria (FGN) has impacted positively on its economic development through the budgeting and budgetary system, payroll management system, cash management reforms, expenditure ceiling for MDA's in Nigeria within the time under review. The study recommends, among others, that the government should strengthen GIFMIS module and cover other area of interest in the national budget to achieve more on human capital development.

(3) Treasury Single Account and Infrastructural Development

Oguntodu and Alalade, Adekunle and Adegbe (2016) conducted a study on Treasury Single Account and Nigeria's Economy Between 1999 and 2015: An Assessment. Central Bank of Nigeria (CBN) Statistical Bulletin (1999-2015) was analyzed using the OLS estimator. To this effect, an empirical analysis of the relationship between Treasury Single Account and economic performance in Nigeria was carried out. The result shows that the Treasury Single Account has a positive significant impact on the country's economic growth but this impact is limited by various factors, one of them being the recent implementation of the policy in Nigeria which made the discovery of historical data difficult. The recommendation of this study was that the federal government of Nigeria should initiate policies and various means to make sure that there are proper accountings of the funds entering into the Treasury Single Account, and that such fund should follow due process. Also, that any subsequent foul play by any agencies, or even the CBN is duly prosecuted.

Festus and Olajide (2017) conducted a study on An Evaluation of Treasury Single Account (TSA) Effectiveness in Selected Federal Institutions, and examined the efficacy of treasury single account in curbing corruption in the selected institutions. The study made use of survey research design of the cross-sectional type, evaluating treasury single account in the context of selected federal institutions in Ekiti state. Purposive sampling technique were used to select federal institutions including Federal University of Technology Akure (FUTA), Federal Polytechnic Ado Ekiti, Federal University Oye, and Federal Medical Centre, Ido, while random sampling was used to select representatives from each of the institution 30 respondents were sampled from each of the institutions with focus on staffs working out of Audit and Bursary Departments, thus making a total number of 120 respondents sampled for the study. Data were collected using self-structured questionnaire and responses were analyzed using frequency count and percentage analysis. Result showed that implementation

of treasury single account is considerably effective among federal institutions, fostering better financial management, accountability and transparency, elimination of operational inefficiencies and consistency over time. In the same vein the study established that treasury single account is efficacious in curbing corruption among federal institutions, facilitation of cash management and reduction of the incidence of public fund misappropriation, which had hitherto bolstered transparency and accountability of federal institutions in the country. Hence government further harness every aspect of the policy, creating convenience through technological improved, and balancing of interest of participants in the transaction process in order to help sustain the effectiveness of the policy in the country.

Ekubiat and Edet (2016) carried out a research on the adoption of treasury Single Account (TSA) by State Governments of Nigeria. Descriptive cross-sectional survey design was adopted for the study. The population for the study consisted of 200 Professional Accountants in Akwa Ibom State. Taro Yamane's statistical formula was used to select sample size of 133. Data obtained from questionnaire administration were analyzed using descriptive statistics and t-test statistics. Finding revealed that TSA adoption and full implementation by the state governments will be of greatest benefit as showed in the weighted means scores of 4.20 and tcal of 24.87; there will be challenges in a short-run but the benefits at a long-run will definitely out-weight the challenges. It was concluded that TSA adoption and full implementation by the state governments will be of greatest benefits as showed in the weighted means scores of 4.20 and tcal of 24.87; though there will be challenges in a short-run but the benefits at a long-run will definitely out-weight the challenges.

Methodology

From the model, $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$

Where α is the intercept, $\beta_1, \beta_2, \beta_3$ are the coefficients of variables X_1, X_2, X_3 respectively, which show the kind of relationship between dependent and independent variables, and ϵ known as the error term.

Here, X = Public financial management reforms
 Y = Economic development

Using the above model $Y = f(X)$

Economic development f (public financial management)

Public financial management reforms, as an independent variable is proxied by introduction of Integrated Payroll Personnel Information System (PIS), Government Integrated Financial Management Information System (GIF) and Treasury Single Account (TSA).

The dependent variable, Economic Development is proxied by Youth Employment (YEM), Quality Service Delivery (QSD) and Infrastructural Development (IFD).

Therefore,

$$\begin{aligned}
 YEM &= \alpha + \beta_1 + PIS + \beta_2 GIF + \beta_3 + TSA + \epsilon \\
 QSD &= \alpha + \beta_1 + PIS + \beta_2 GIF + \beta_3 + TSA + \epsilon \\
 IFD &= \alpha + \beta_1 + PIS + \beta_2 GIF + \beta_3 + TSA + \epsilon
 \end{aligned}$$

Table 1: Data Presentation and Analysis

Respondents	Questionnaire Distributed		Percentage of Retrieval (%)
	Sent Out	Retrieved	
Office of Accountant General of the Federation	75	70	93
Bureau of Public Procurement	85	82	96
National Assembly committee on Finance	40	38	95
Ministry of Finance incorporated	195	194	99
Total	395	384	97

Data Analysis

Research Question One:

To what extent does the introduction of IPPIS relate with youth employment in Nigeria?

Hypothesis One:

There is no significant relationship between the introduction of IPPIS and youth employment in Nigeria.

Table 2: Pearson product moment correlation analysis of relationship between introduction of IPPIS and youth employment

Variables	N	Df	R	r ²	α	Sig.	Result
Introduction of IPPIS	384	382	0.38	0.14	0.05	0.021	Significant (Reject H ₀)
Youth employment	384						

Source: SPSS Analysis, 2021.

From the analysis in table 2, the sample size (N) for both introduction of IPPIS and youth employment is 384. Calculated relationship is 0.38. The square value of the coefficient is 0.14. From these values, there is an indication that the introduction of IPPIS as one of the financial management reforms has a relationship of 0.38 with youth employment in Nigeria. The r² value also indicates that IPPIS introduction in Nigeria has a relationship of about 14% with youth employment. The calculated significance value is 0.021. Hence, since significant value ($p = 0.021 < 0.05$) is less than the alpha level of 0.05 at 382 degrees of freedom, the null hypothesis is rejected. This analysis indicates that there is a significant relationship between the introduction of IPPIS as a reform and youth employment in Nigeria's Fourth Republic.

Research Question Two:

To what extent does the introduction of government integrated financial management system (GIFMIS) relate with quality service delivery (QSD) in Nigeria?

Hypothesis Two:

There is no significant relationship between GIFMIS and quality service delivery in Nigeria.

Table 3: Pearson product moment correlation analysis of relationship between introduction of GIFMIS and quality service delivery in Nigeria

Variables	N	Df	R	r ²	α	Sig.	Result
Introduction of GIFMIS	384						
		382	0.55	0.30	0.05	0.038	Significant (Reject H ₀)
Quality service delivery	384						

Source: SPSS Analysis, 2021.

From table 3 above, the number of respondents (N) is 384. The calculated relationship coefficient is 0.55, while the square value of the coefficient is 0.30. These values have an indication that the introduction of GIFMIS has a relationship of 0.55 with the quality of service delivery in the Nigerian public service. The r² value also indicates that the introduction of GIFMIS has a relationship of about 30% with quality service delivery in the Nigeria public service. The calculated significant value is 0.38. Therefore, since the significant value (p=0.38 < 0.05) is less than the alpha level of 0.05 at 382 df, the hypothesis is rejected. This implies that there is a significant relationship between government reforms on the introduction of GIFMIS and quality service delivery of government machineries in Nigeria's Fourth Republic.

Research Question Three

To what extent does the introduction of treasury single account (TSA) in Nigeria relate with infrastructural development in Nigeria's Fourth Republic?

Hypothesis Three

There is no significant relationship between the operation of TSA and infrastructural development in Nigeria's Fourth Republic?

Table 4: Pearson product moment correlation analysis of relationship between treasury single account operation and infrastructural development

Variables	N	Df	R	r ²	α	Sig.	Result
Treasury single account	384						
		382	0.89	0.79	0.05	0.000	Significant (Reject H ₀)
Infrastructural development	384						

Source: SPSS Analysis, 2021.

Table 4 shows that N is still 384. The relationship coefficient calculated is 0.89, and the square value of the coefficient is 0.79. These calculated values indicated that TSA has a relationship of 0.89 with infrastructural development in Nigeria's fourth Republic. The value of r² also

indicates that TSA has a high relationship of about 79% with infrastructural development. The calculated significant value is 0.000. Therefore, since the significant value ($p = 0.000 < 0.05$) is less than the alpha value of 0.05 at 382 degrees of freedom, the hypothesis is rejected. This shows that there is a significant relationship between the introduction and operation of TSA and infrastructural development in Nigeria's Fourth Republic.

Discussion of Findings

Three hypotheses were used in testing the relationship between the independent and dependent variables in this study. The independent variable (public financial management) was proxied by the introduction and operation of integrated payroll personnel information system (IPPIS); introduction and operation of government integrated financial management information system (GIFMIS); and the introduction and operation of the treasury single account (TSA). The dependent variable, Nigeria's economic development was proxied by youth employment, quality service delivery in Nigeria's public service and using the internal generated revenue of the country for infrastructural development.

In hypothesis one, the relationship between the introduction and operation of IPPIS in Nigeria was seen to be positive in relationship with youth employment. This could stem from the fact that the IPPIS is used to checkmate the manipulation of workers' retirement age and ghost workers in the government employ. With these vices abated, there is creation of more room for youth employment, which hitherto were flooding the labour market in the numbers.

This submission is in line with the study conducted in 2018. According to Micah and Moses (2018), the implementation of IPPIS since its introduction in 2006 has helped in manpower planning and elimination of payroll fraud. The relationship between GIFMIS and quality service provision indicated a significant value as shown in hypothesis two. In the study conducted by Ogbonna and Ojeaburu (2015) on the impact of government integrated financial management information system, it was found out that prior to the introduction of GIFMIS, Ministries, Departments and Agencies (MDAs), government operated fragmented bank account, totaling 12,622 and scattered in commercial banks.

This structure did not allow for planning, which hindered quality service delivery. Hypothesis two, so analyzed has supported the assertion that there is a high correlation between the two variables. This is why quality service delivery depends on the operation of GIFMIS, as they are significantly and positively related. The result of the findings is in line with the findings of Oyinoba, Folajrn and Balogun (2017) which showed that through the application of GIFMIS, a number of projects initiated in the public service were completed and on time.

The findings from hypothesis three show that treasury single account and infrastructural development are significantly related. The empirical study of Olaoye and Adebawale (2017) revealed a similar result when they found out that TSA exerted positive significant impact on Nigeria's economic growth through utilization of funds pooled together and appropriated for use in infrastructural development in the country. This findings was equally shown in other studies (Oguntodu, Alalade, Adekunle and Adgbite, 2016).

Conclusion

The literature reviewed on empirical studies and the results obtained from the analysis of data in this study indicate that a significant relationship exists between public financial management reforms and economic development in Nigeria's fourth Republic. The proxies of the main variables in this study all had a positive significant relationship with each other.

Recommendation

The following recommendations were deduced from the findings: since these policies have been adopted, the Central Bank of Nigeria as a major monetary and fiscal policies regulator should enforce adequate compliance on these policies of reforms. In addition, the National Assembly, in its oversight function should ensure adequate budget discipline and implementation. More so, the Federal Executive Council should establish and enforce external audit mechanism, aside from the statutory ones, to strengthen institutional frameworks responsible for implementing public financial management reform policies of government at all levels in Nigeria.

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