GOVERNMENT BUDGET: A MAJOR TOOL FOR EFFICIENT ECONOMIC MANAGEMENT

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ABSTRACT
The ultimate aim of this paper is to offer and examine the role of government budget in economic management. Budget is the life blood of every government and what government ought to do is dependent on budget and through budget government economic action becomes clearer. Theoretically budget is ordinary statement of account of total revenue and expenditure but an instrument of economic policy and management. The aggregate account of house hold, business, government and foreign sector constitute the national economic budget.

INTRODUCTION
Importance of budget in the life of every government or administration and organization is as blood is important in the life of every human being. Thus, budget is the life blood of government. If we substitute the words, what the government ought to do for the words ought to be in the budget, the centrality of the budget of government itself becomes clearer. Beside, the idea of budget means different thing to different people. To some, it is an allocation mechanism whereby significant proportion of the nation’s resources are channelled into efforts decided upon in the government sector. While, others view it as a process that the organizes the appropriation of money by elected or selected (appointed) leaders for specific purposes. But government budget is a macro economic issue which involves national aggregates. It is the study of the economy as a whole and stresses “total” and their behaviours. It deals with inflation, unemployment, interest rate, budget deficits/ surplus, national debts, government spending, taxation and monetary policy. Its goals, therefore, are price stability, full employment, economic growth and balance of payment equilibrium (Iniodu, 1991: 3-4). It is through national economic budget that these macro economic objectives are attained. And the national economic budget income accounting system also affects these four distinct groups namely, the households, the business firm, the government and foreigners because of their involvement in receipts and expenditures. The national economic budget is the summation of the aggregate accounts of household, business firm, government and foreign sectors. All government revenue and public expenditure policies are reflected and recorded in the government budget. This paper is therefore an attempt to examine the importance and role of government budget as a tool for efficient economic management. The paper is partitioned into six parts. Part one is introduction. The second is the conceptual clarification of government budget. Part three examined the essential features of government budget. Systems of budgeting are discussed in part four. Part five examined the role of budgeting as a major tool for efficient economic management. The final part concludes the paper.

CONCEPTUAL CLARIFICATION
The concept of budget like other concepts in social and management sciences has attracted or elicited different definitions, opinions and reactions. Accordingly, “a budget is a financial and/or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that time for the purpose of attaining a giving objective” (Scott, 1961: 9). Simply put a budget is a formal plan of action expressed in quantitative terms. This definition as recorded by the Institute of Cost and Works in its booklet on “the terminology of Cost Accountancy” is applicable to the public as well as the private sectors. In his recent article entitled “Management Perspective: UBA Budget and budgetary control” Ayeni (1984:13) defines budget as “a planned estimate of revenue and expenditure for a specified period of time”. This implies the use of budget for planning for financial resources with less emphasis on the programmes and activities through which revenues are realized and expenditures made. Iwok (1980:38) writing on the subject “Zero Based Budgeting (ZBB) in the Public Service "define budget as “an instrument of authorization to appropriate funds for specific set of expenditure.” Here budget is used to allocate financial resources, but it is not usually automatic. Also the aspect of applying budget to generate and mobilize appears silent in the definition.
Mc Fadyen (1957) regards budget as "a coordinated business plan which sets out certain objectives and provides the basis for their accomplishment". This definition pays attention to the objective on target, but at the expense of means and time which are crucial to attainment of any desired objectives. For definition of budget to be accurate it must describe its essential characteristics and uses, rather than slanted version for single purpose. Such attempts are to be seen in the subsequent definitions. Professor O. Aboyele, for example is credited as saying that "a budget is a kind of a financial master plan of a government, depicting a unified view of the scope and character of its administration and policies" (Adejugbe and Fashola, 1989:20). This definition has placed our understanding of budget on a governmental perspective, but gives undue emphasis to budgetary implementation through administration at the expense of estimated incomes and expenditures. Professor Llyod Reynolds defines budget "as a financial plan for a specific period of time. A government budget, therefore, is a statement of proposed expenditures and expected revenue for the coming period, together with data of actual expenditure and revenue for current and past periods" (Adejugbe and Fashola, 1989:20). This is a comprehensive definition of the budget within the context of public financial administration, although the objective to which the financial data is tied is subsumed. Carr, Benstein, and Murphy (1966:365) see a budget as an important fiscal instrument for establishing a scale of national priorities and marshalling resources in accordance with the stated priorities. A budget is an itemized estimate of expected revenue and planned expenditure for a given period in the future. There are budgets for individuals, households or families, community, Local and State Governments and for National Government (Inodu, 1997:32) A household budget is a formal statement itemizing the family’s income sources and showing how this income will be spent. Government Budget in Nigeria usually covers one financial year beginning on the first day of January and ends on the last day of December of that year. Like every other budget, government budget consists of two parts, with one part showing the sources of money (where the money comes from) and the other part showing the use of the money (where the money goes) or allocated to various government activities such as defense, agriculture, education, transportation and information. Budget may therefore, be seen as a device for annual planning of government programmes, a medium of restrict and control government spending and a technique for appraising, evaluating, and auditing past performance. It can be said that all the definitions of budget attempts to focus on the functions of budgets from various angles with the central idea of planning for revenue and expenditure in a measurable period of time. Thus some definitions are nearly more accurate than others. Bearing the key function of budget in mind, we define "a budget as a comprehensive plan of objectives and programmes in a specified period of time expressed in estimated amount of expenditure and revenue in prospect" (Linch 1994:39). This definition considers the fact that budget is applicable to the public and private sectors, although the impact of public budget overrides that of private ones.

**Essential Features of Government Budget**

The main features to be found in a government budget are as follows: estimates of revenue and expenditures, recurrent and capital items, budget deficit or surplus, balance budget. In describing each of these terms we shall relate them to Nigerian Government and as much as possible take care of the State and Local Governments.

**REVENUE ESTIMATES**

This consists of the various sources of revenue generation. The programmes and activities through which the Federal Government derives revenue are spelt out in the Exclusive list in the schedule two, part one of the Nigeria Constitution 1999. The main sources of revenue in Nigeria are Oil sources, Custom and Excise duties and Company tax amongst others. As distinct for the above sources of revenue for Federal Government, the State Governments generate their revenue from the following sources; Federal revenue allocation, Federal government grants, Federal loans (if any) External loans (under written by Federal government) if any, Motor Vehicle licenses, Vehicle registration, Personal income tax, Capital gains tax, Estate duties, Entrainment tax, Sale and Purchase taxes and miscellaneous. The Local Government sources of revenue are derived from the Residual Legislative List of matter, which include amongst others the following items: Federal revenue allocation, State allocation, State grant (if any) State loans (if any) Local rates, Developmental levies, Vehicles (excluding automobile) licenses, i.e. bicycles, boats, trucks and carts, Radio and Television licenses, Tenement rates, Water rates, Motor park tariff, Market tolls, Abattoir/Slaughter house tolls, Restaurant permit and miscellaneous.
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EXPENDITURE ESTIMATES
This comprises of the programmes, activities, investments and assets through which public funds are spent. Just as several sources of revenue could be lumped into a single budgetary head so can expenditure. The Federal Government expenditure estimates are always as follows:
Federal Government allocation
State Government allocation
Local Government allocation
Oil/Mineral producing areas and
Ecological disaster fund
These block expenditure estimate areas are sub-aggregate of expenditure headings showing, how the Federal finance is spent.

c. Recurrent Estimates
Items of recurrent revenue consists of those activities and programmes through which revenue is accumulated on regular basis e.g. daily, weekly or monthly, such as proceeds from oil sales. Similarly, recurrent expenditure items are those upon which funds are spent on regular basis, such as administrative and overhead costs, salaries, loan repayments, interest on loans, pensions and gratuities, maintenance of buildings, repairs of highways etc.

d. Capital Estimates
Capital estimates comprises proposal for public investment in industrial, economic and social sectors. For instance, the proposed Niger Delta Area Development Master Plan and the expansion of East-West road. Any amount of money allocated for these projects implementation forms part of the capital expenditure.

e. Balance Budget
This refers to a budget in which the proposed expenditure equals to the expected revenue. This implies that the amounts accruing as income will be used to finance the items of expenditure without balance.

f. Budget Surplus
This is a budget with provision for expected revenue far exceeding the proposed expenditure. The excess of revenue over expenditure is the surplus. This is usually applied to moderate the effects of inflations.

e. Budget Deficit
This is a budget with the proposed expenditure outmatching the expected revenue, such that government pumps more money into the economy by spending more than it receives. When an economy is controlled with deficit budgeting, the result is a rise in the liquidity level aimed at stimulating productivity, economic growth, more employment, and a corresponding moderation of deflation. Under deficit financing, an economy is said to undergoing reflation. One of the ways, the technique of budgetary deficit is introduced is to relax taxes, and increase wages, thereby expecting increase in aggregate demand and a corresponding supply.

SYSTEMS OF BUDGETING
There are various systems of budgets, namely, (i) the line-item or the item of expenditure budget, (ii) The Programmed budget, (iii) the Performance budget and (iv) the Zero-based budget. They are briefly discussed or considered below:

i. Line-item/Item of Expenditure Budget
The line-item budget classifies expenditures according to types of purchases and control is secured by accounting for each item of expenditure. Under this system, estimates for the coming year are based on the actual expenditures of the preceding year’s budget. At the end of the budget cycle auditors merely determine whether the expenditures have followed the authorized spending plan. This emphasis on control rather than on accomplishment places the line-item budget almost wholly within the province of the accountant. It is important to note however, that while the task of the accountant is to record past transactions in meticulous details, budgeting usually involve estimates of an uncertain future. Line-item budget is useful for budgetary control purpose with the historical concern for strict accountability, line-item budgeting facilitates expenditure control and accountability. It is also easy to prepare and to understand. With its emphasis on specific detail, a casual
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observer can easily pick the appropriate item of expenditure and consider its vote of expenditure. With its emphasis on expenditure control, it tends to ignore or underrate the evaluation of unit costs and programme accomplishment. Besides, it does not show the existing personnel situation and management condition. Consequently it has no educative value to citizens. Moreso, it does not show the relationship between programme inputs or between and outputs or between annual and long-term budgets, it conceals issues rather than clarifies them. In this respect, it is virtually useless as a guide to choosing between alternative lines of action or identifying the relative costs and benefits of each alternative action.

ii. The Programme Budget
The programme budget evolved after the line-item had been in use for some time. Unlike the line-term budget, the programme budget emphasizes programme results. It also places emphasis on whole instead of details. For example, programme budget not only specify the particular project such as school or public library and its total cost, but it also indicate the time-span involved, i.e., the period it will take to fully implement the programme. A programme budget organizes a mass of detail into terms of understandable issues and tangible plans. It encourages multi-year planning and the period re-evaluation of accomplishments. Finally, by starting in the various operating departments, it has a management point of view, and constitutes a safeguard against over centralization at the higher levels of management. In spite of the above, Programme Budget while emphasizing objectives and plans, tends to pay less attention to a conscious consideration of alternatives, the short and long-term costing of projects and to the impacts of the projects on the economy.

The Performance Budget: Advocated by the first Hoover Commission and introduced in the US federal government in 1949, performance budget has much to recommend it to all levels of governments. As the name implies the emphasis is on results rather than details. Under performance budget procedure each programme is broken into work loads or units of performance thereby creating units of measurement which are then used to calculate the labour and material inputs required to achieve the objectives of a given programme. Once these objectives and units have been clarified, it is relatively easy to exercise effective control through accounting and auditing. Consequently, a performance budget is a management tool which helps to identify the unit cost of programme results while at the same time securing data concerning most of the detailed items usually found in the line-item budget. The obvious defects of the performance budget are its requirements of elaborate accounts and data processing equipment, which make it expensive for small establishments.

The Zero-Based Budgeting (ZBB): The idea of ZBB is that instead of preparing the budget for the financial year (FY) 2000 on the basis of forecasts derived from the 1999 expenditures, an agency should identify its objectives for 2000 and cost them as realistically as possible. This exercise should have nothing to do with what happened in 1999. It is the idea of starting from the scratch (zero) that gives the term zero-base budgeting. In practice, any organization of some size cannot really pose the question about the totality of objective every year. In some areas, the previous year’s budget can be reasonably adjusted to reflect the expectations for the following year. However, if ZBB cannot be practiced on an annual basis, it would be done periodically, and one possible positive result is that some activities and programmes that are no longer necessary can be abandoned.

Government Budget and Economic Management: Government express its public budget policy choices and others through budget as a tool for economic management in that the impact of government on the economy can be assessed by the magnitude and composition of government spending as presented in the budgets. Fiscal policy is concerned with the impact of government taxation and spending on the economy generally. Through this medium government can influence the economy generally by sampling and varying its own spending, or some what more indirectly by raising or lowering taxes. Thus the capacity of government spending pattern on the economy can then be easily notice dramatically as to recognize the enormous role of government in the economy. The Gross National Product (GNP), the rate of inflation and the rate of unemployment are the key indicators of economic health. The GNP, therefore, a measure of total spending in the economy, comprises personal consumption, private investment, and government purchases. The key relationship are thus, if the economy is experiencing rapid growth with high inflation and low unemployment, then the government might seek to "cool off" the economy by taking money out of the economy through lowering spending, raising taxes or both. These actions have the effect of limiting private demand and slowing economic growth. On the other hand, if the economy is experiencing recession or depression with falling prices and high unemployment then the
government might want to stimulate the economy by putting more money into circulation through increasing spending, lowering taxes or both. These actions have the effect of stimulating private demand and increasing economic growth. Creating a surplus might occur in the first case, would help restrain private spending during prosperity, creating a deficit, as in the second case might stimulate spending during a recession (Denhardt & Grubbs, 1999:151). A government budget also deals comprehensively with economic planning and exerts much influence on the activities of individuals and organizations to the extent that the impact is felt internally and externally. The following, however, summarizes the various role of government budget in efficient economic management.

1. It is fiscal instrument defining the categories of taxation and measuring in advance estimated revenue and expenditure as well as determining the rates of exchange, interests, and aggregate economic growth. 2. It is development plan stipulating the key areas of public investment, identifying investable infrastructure, industrial, economic and social investments and the means of accomplishing the identified objectives. A government budget is an instrument of accountability inasmuch as it indicates quantifiable objectives, programmes and allows for evaluation of budgetary implementation, and achievements. Analysis of public policy making, fund in the budgetary process an excellent laboratory for the investigation of government policies because of the stability of the participants, the similarity of the problems, and the regularity of the procedures. Government budgets also provide information needed by legislators to carry out their duties of overseeing governmental bureaucracies. The budgetary process offers an excellent arena in which to examine executive/legislative relations i.e., the formulation and execution of budget takes place in the executive branch while the approval and review occurs in the legislative branch of government, and A government budget is an important instrument of financial and economic analyses in the hands of students of financial management in the schools of business and public administration.

CONCLUSION
From the foregoing, tax reduction through budgeting has been proved to be an effective instrument for stimulating not only consumption but investment as well. And there exists a strong link between government budgets and fiscal policy. There is therefore need to develop effective policy guidelines for the formulation and implementation of government budgets to serve as an economic management tool. Consequently, a policy suggestion as making budget implementation always conforming with budgetary provisions. To realize this possibility, budget estimates must be based on facts and on accurate forecasts. Quantitative projections of revenues and expenditures should be as objective and as realistic as possible. Fiscal policy, debt management and monetary policy must be properly linked. The wide rage of activities regarded as appropriate for government to support must be linked with a similar broadening of opportunities on the expenditure side.

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