

## Fiscal Administration Rules and Financial Efficiency in Public Universities in Cross River State, Nigeria

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### Abstract

*The purpose of this study was to find out the influence of fiscal administration rules on financial efficiency in public universities in Cross River State, Nigeria. Ex-post-facto design was adopted for this study. This study was delimited to public universities in Cross River State of Nigeria. The population of the study was 138 staff in the bursary departments in public universities in Cross River State of Nigeria. Census approach was used to sample the 138 respondents. The instrument for the study was Fiscal Administration Rule and Financial Efficiency Questionnaire (FARFEQ). The instrument after being developed by the researcher, was presented to the two experts in the departments of Public Administration of University of Calabar for face and content validation. The instrument was further administered on 30 respondents that formed an equivalent population to the study population in public universities in Akwa Ibom State and Cronbach Alpha Reliability Estimates was used to determine the reliability coefficient which ranged from .81 to .84, establishing that the instrument was reliable. Simple linear regression was used for testing the null hypothesis at .05 level of significance. The results showed that budgeting and auditing significantly influence financial efficiency in public universities in Cross River State, Nigeria. Based on the findings, it was recommended among others that the management of public universities in Cross River State should adopt a participative budgeting approach, involving all stakeholders, including faculty members, staff, and students, in the budgeting process to ensure that the budget is realistic, achievable, and aligned with the university's goals and objectives.*

**Keywords:** Financial efficiency, Fiscal administration rules, public universities

### Introduction

The fiscal administration rule is a crucial component of effective management in public universities, as it provides a framework for the allocation, management, and utilization of financial resources (Adeyemi, 2012). In Nigeria, public universities face significant challenges in managing their finances due to limited resources and inadequate funding from the government (Okojie, 2012). This has resulted in a decline in the quality of education and research, as well as a lack of infrastructure and facilities (Aina, 2017).

The importance of fiscal administration rules in public universities cannot be overstated. Effective fiscal administration enables universities to achieve financial efficiency, which is critical for the attainment of their academic and research objectives (Okebukola, 2016). Financial efficiency is achieved when universities are able to optimize their resource allocation, minimize waste, and maximize their revenue generation (Adeyemi, 2012).

In Nigeria, the Fiscal Responsibility Act of 2007 aimed to promote transparency and accountability in financial management in public institutions, including universities (Federal Republic of Nigeria, 2007). However, the implementation of this Act has been inconsistent, and many universities continue to struggle with financial mismanagement and inefficiency (Okoro,

2018). Furthermore, public universities in Nigeria face significant challenges in terms of funding. The government's allocation to education is often inadequate, and universities are forced to rely on other sources of funding, such as tuition fees and grants (Aina, 2017). This has resulted in a lack of financial autonomy for universities, making it difficult for them to achieve financial efficiency (Okebukola, 2016).

In addition, the lack of effective fiscal administration rules in public universities has resulted in a lack of transparency and accountability in financial management (Adeyemi, 2012). This has led to cases of financial mismanagement and corruption, which have undermined the integrity of the university system (Okoro, 2018; Auditor-General for the Federation. (2019). Conceptually, financial efficiency is a critical component of effective financial management in universities. Financial efficiency involves using financial resources to achieve academic and research objectives while minimizing waste and maximizing returns (Hansen et al., 2019). Financial efficiency is critical for universities because it enables them to achieve their academic and research objectives while minimizing costs and maximizing returns. This could be enhanced through budgeting and auditing.

Budgeting and financial efficiency are crucial components of effective financial management in organizations, including universities. A well-planned budget enables organizations to allocate resources efficiently, achieve their objectives, and make informed financial decisions (Horngren et al., 2015). Empirical studies have shown that effective budgeting is positively correlated with financial efficiency, as it enables organizations to optimize resource allocation, reduce waste, and improve overall financial performance (Cohen et al., 2017). Conceptually, budgeting involves the process of planning, allocating, and controlling financial resources to achieve organizational objectives (Drury, 2018). Effective budgeting requires a thorough understanding of the organization's financial situation, including its revenue streams, expenses, assets, and liabilities (Wahlen et al., 2020). Financial efficiency, on the other hand, refers to the ability of an organization to use its financial resources to achieve its objectives while minimizing waste and maximizing returns (Hansen et al., 2019).

Empirically, studies have shown that effective budgeting is a key driver of financial efficiency in organizations. For instance, a study by Cohen et al. (2017) found that organizations that use participative budgeting, which involves involving employees in the budgeting process, tend to have higher levels of financial efficiency than those that use top-down budgeting. Another study by Hansen et al. (2019) found that organizations that use flexible budgeting, which involves adjusting budgets in response to changes in the business environment, tend to have higher levels of financial efficiency than those that use fixed budgeting. In the context of universities, effective budgeting and financial efficiency are critical for achieving academic excellence, conducting research, and providing quality services to students and other stakeholders (Okebukola, 2016). Empirical studies have shown that universities that have effective budgeting systems tend to have higher levels of financial efficiency and academic performance than those that do not (Adeyemi, 2012).

Okoro (2018) and Adeyemi (2012) further found that universities that use zero-based budgeting, which involves justifying every expense from scratch, tend to have higher levels of financial efficiency than those that use traditional budgeting. Another study by Aina (2017) and Okebukola (2016) found that universities that have a high level of budgetary participation, which involves involving employees in the budgeting process, tend to have higher levels of financial efficiency than those that have a low level of budgetary participation.

In addition, a study by Cohen et al. (2017) found that universities that use participative budgeting tend to have higher levels of financial efficiency and academic performance than those that use top-down budgeting. Another study by Hansen et al. (2019) found that universities that use flexible budgeting tend to have higher levels of financial efficiency and academic performance than those that use fixed budgeting. Drury (2018) have also examined the relationship between budgeting

and financial efficiency in universities and found that effective budgeting is critical for achieving financial efficiency in universities. Horngren et al. (2015) found that budgeting is a key component of financial management in universities, and that effective budgeting is critical for achieving financial efficiency.

Auditing and financial efficiency are crucial components of effective financial management in organizations, including universities. Auditing involves the systematic examination and verification of an organization's financial records and statements to ensure accuracy, completeness, and compliance with relevant laws and regulations (Arens et al., 2018). Financial efficiency, on the other hand, refers to the ability of an organization to use its financial resources to achieve its objectives while minimizing waste and maximizing returns (Hansen et al., 2019). Auditing is essential for ensuring financial efficiency in organizations. Auditing helps to identify areas of inefficiency and waste, and provides recommendations for improvement (Cohen et al., 2017). Effective auditing also helps to ensure that financial statements are accurate and reliable, which is critical for making informed financial decisions (Wahlen et al., 2020).

Empirically, studies have shown that auditing is positively correlated with financial efficiency in organizations. For instance, a study by Okoro (2018) found that universities that have effective auditing systems tend to have higher levels of financial efficiency than those that do not. Another study by Aina (2017) found that auditing is a critical component of financial management in universities, and that effective auditing is essential for achieving financial efficiency. In addition, empirical studies have examined the impact of auditing on financial efficiency in universities. For instance, a study by Cohen et al. (2017) found that universities that use external auditors tend to have higher levels of financial efficiency than those that use internal auditors. Another study by Hansen et al. (2019) found that auditing is a key component of financial management in universities, and that effective auditing is critical for achieving financial efficiency. Arens et al. (2018) also found that auditing is essential for ensuring financial efficiency in universities. Another study by Wahlen et al. (2020) found that effective auditing is critical for achieving financial efficiency in universities. Cohen et al. (2017) found that universities that use external auditors tend to have higher levels of financial efficiency than those that use internal auditors. Another study by Hansen et al. (2019) found that auditing is a key component of financial management in universities, and that effective auditing is critical for achieving financial efficiency.

However, the fiscal administration rule is a critical component of effective management in public universities. Effective fiscal administration enables universities to achieve financial efficiency, which is critical for the attainment of their academic and research objectives. However, public universities in Nigeria face significant challenges in terms of funding, transparency, and accountability, which have undermined their ability to achieve financial efficiency.

### **Statement of the problem**

The fiscal administration rule in public universities in Nigeria has been a subject of concern in recent years. Despite the government's efforts to provide funding for public universities, the institutions continue to face significant financial challenges. The fiscal administration rule, which is supposed to guide the management of financial resources in public universities, has been ineffective in ensuring financial efficiency. The problem is multifaceted. On one hand, the government's funding for public universities has been inadequate, leading to a shortage of funds for essential expenses such as staff salaries, infrastructure development, and research. On the other hand, the university management has been criticized for its poor financial management practices, including a lack of transparency and accountability in the use of funds.

Despite the government's efforts to increase funding for public universities, the institutions continue to face financial challenges. For instance, the government's allocation to education in the 2020 budget was 7.5% of the total budget, which is lower than the 15% recommended by the United Nations Educational, Scientific and Cultural Organization (UNESCO) (National Assembly, 2020). Furthermore, the government's funding for public universities has been irregular, leading to a lack of predictability in the flow of funds. The university management has also been criticized for its poor financial management practices. For instance, a report by the Auditor-General for the Federation revealed that many public universities in Nigeria have poor accounting and financial reporting systems, which has led to a lack of transparency and accountability in the use of funds (Auditor-General for the Federation, 2019).

To sustain the tempo that has yielded no positive result, the government and university management have taken several steps. For instance, the government has established the Tertiary Education Trust Fund (TETFund) to provide additional funding for public universities (TETFund, 2020). The university management has also taken steps to improve its financial management practices, including the establishment of internal audit units and the implementation of accounting and financial reporting systems.

However, despite these efforts, the fiscal administration rule in public universities remains ineffective. The government's funding for public universities remains inadequate, and the university management's financial management practices remain poor. Therefore, there is a need for a more effective fiscal administration rule that can ensure financial efficiency in public universities in Cross River State, Nigeria.

### **Purpose of the study**

The purpose of this study was to find out the influence of fiscal administration rules on financial efficiency in public universities in Cross River State, Nigeria. Specifically, the study aimed at examining the influence of:

1. Budgeting on financial efficiency in public universities in Cross River State, Nigeria.
2. Auditing on financial efficiency in public universities in Cross River State, Nigeria.

### **Research questions**

1. To what extent does budgeting influence financial efficiency in public universities in Cross River State, Nigeria?
2. To what extent does auditing influence financial efficiency in public universities in Cross River State, Nigeria?

### **Statement of hypothesis**

1. There is no significant influence of budgeting on financial efficiency in public universities in Cross River State, Nigeria.
2. Auditing does not significantly influence financial efficiency in public universities in Cross River State, Nigeria.

### **Methodology**

Ex-post-facto design was adopted for this study. This design was preferred because the major variables in the study were fundamentally not manipulated. Isangedighi, Joshua, Asim and Ekuri (2004) stated that ex-post-facto research essentially studies phenomena after they have occurred. The variables budgeting and auditing (independent sub-variables) and financial efficiency in public

universities in Cross River State, Nigeria (dependent variable) had already interacted in the study area long before the researcher even thought of going to study them.

The researcher by this, merely determine the relationship that existed among these variables. This study was delimited to public universities in Cross River State of Nigeria. The population of the study was 138 staff in the bursary departments in public universities in Cross River State of Nigeria (University of Calabar, Calabar = 67; University of Cross River State, Calabar = 45; Cross River State College of education, Akamkpa = 26. Census approach was used to sample the 138 respondents.

The instrument for the study was Fiscal Administration Rule and Financial Efficiency Questionnaire (FARFEQ). The instrument contained 18 items (3 measured the demographic description of the respondents in terms of designation, years of service and age; 10 measured budgeting and auditing while 5 measured Financial Efficiency). The 15 items were developed based on Likert 4 points rating scale of Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD) with weight 4, 3, 2 and 1 for positively worded items and 1, 2, 3, and 4 for negatively worded items respectively.

The instrument after being developed by the researcher, was presented to the two experts in the departments of Public Administration of University of Calabar for face and content validation. The instrument was further administered on 30 respondents that formed an equivalent population to the study population in public universities in Akwa Ibom State. The responses were coded and prepared on a spread sheet as Cronbach Alpha Reliability Estimates was used to determine the reliability coefficient which ranged from .81 to .84, establishing that the instrument was reliable. Simple linear regression was used for testing the null hypothesis at .05 level of significance.

## Results

### Hypothesis one

There is no significant influence of budgeting on financial efficiency in public universities in Cross River State, Nigeria. To test this hypothesis, simple linear regression analysis was used with budgeting as independent variable and financial efficiency as dependent variable. The f-ratio was used to test the overall influence. The results are presented in Table 1. The results in Table 1 showed a regression coefficient (R) of .472 and a coefficient of determination ( $R^2$ ) of .222. This means that about 22.2% of the total variation in financial efficiency in public universities in Cross River State, Nigeria was attributed to the variation in budgeting while 77.8% was attributed to other variables considered in this study. The result of analysis of variance in the regression output produced the computed F-value of 38.913 ( $p < .05$ ) which is statistically significant at .05 probability level with 1:136 degrees of freedom. As a result, the null hypothesis was rejected.

There is significant influence of budgeting on financial efficiency in public universities in Cross River State, Nigeria.

The result of the regression weights of the predictor variable (budgeting) in Table 1 showed positive coefficients ( $B = .605$  and Beta = .472). This indicated that budgeting has a high positive influence on financial efficiency in public universities in Cross River State, Nigeria and a unit improvement in budgeting will lead to more than a unit improvement in financial efficiency in public universities in Cross River State, Nigeria. Furthermore, the P-values (.001 & .000) associated with the computed t-values (3.500 & 6.238) for the regression constant and budgeting are less than .05. This means that both the regression constant and budgeting made significant positive contributions to the prediction of financial efficiency in public universities in Cross River State, Nigeria. The regression equation is:  $y = 5.160 + .605x$ .

TABLE 1: Regression analysis of influence of budgeting on financial efficiency in public universities in Cross River State, Nigeria.

R – value = .472	Adj R – square = .217				
R – square = .222	Std. Error = 2.29284				
Source of variation	Sum of squares	Df	Mean square	F – value	P – value
Regression	204.569	1	204.569	38.913*	.000
Residual	714.967	136	5.257		
Total	919.536	137			
Predictor variable	Unstandardised coeff B	Std. Error	Std coeff Beta	t-value	P – value
Constant	5.160	1.474		3.500*	.001
Budgeting	.605	.097	.472	6.238*	.000

\*Significant at .05 level, P < .05

### Hypothesis two

Auditing does not significantly influence financial efficiency in public universities in Cross River State, Nigeria. To test this hypothesis, simple linear regression analysis was used with auditing as independent variable and financial efficiency as dependent variable. The f-ratio was used to test the overall influence. The results are presented in Table 2. The results in Table 2 showed a regression coefficient (R) of .306 and a coefficient of determination ( $R^2$ ) of .094. This means that about 9.4% of the total variation in financial efficiency in public universities in Cross River State, Nigeria was attributed to the variation in auditing while 90.6% was attributed to other variables considered in this study. The result of analysis of variance in the regression output produced the computed F-value of 14.047 ( $p < .05$ ) which is statistically significant at .05 probability level with 1:136 degrees of freedom. As a result, the null hypothesis was rejected. This means that auditing significantly influences financial efficiency in public universities in Cross River State, Nigeria.

The result of the regression weights of the predictor variable (auditing) in Table 2 showed positive coefficients ( $B = .363$  and Beta = .097). This indicated that auditing has a high positive influence on financial efficiency in public universities in Cross River State, Nigeria and a unit improvement in budgeting will lead to more than a unit improvement in financial efficiency in public universities in Cross River State, Nigeria. Furthermore, the P-values (.000) associated with the computed t-values (6.485 & 3.748) for the regression constant and auditing are less than .05. This means that both the regression constant and auditing made significant positive contributions to the prediction of financial efficiency in public universities in Cross River State, Nigeria. The regression equation is:  $y = 9.085 + .363x$ .

TABLE 2: Regression analysis of influence of auditing on financial efficiency in public universities in Cross River State, Nigeria

R – value = .306	Adj R – square = .087				
R – square = .094	Std. Error = 2.47554				
Source of variation	Sum of squares	Df	Mean square	F – value	P – value
Regression	86.085	1	86.085	14.047*	.000
Residual	833.452	136	6.128		
Total	919.536	137			
Predictor variable	Unstandardised coeff B	Std. Error	Std coeff Beta	t-value	P – value
Constant	9.085	1.401		6.485*	.000
Auditing	.363	.097	.306	3.748*	.000

\*Significant at .05 level, P < .05

## Discussion

The result of hypothesis one showed that there is significant influence of budgeting on financial efficiency in public universities in Cross River State, Nigeria. This result aligned with Horngren et al. (2015) who established that budgeting and financial efficiency are crucial components of effective financial management in organizations, including universities. A well-planned budget enables organizations to allocate resources efficiently, achieve their objectives, and make informed financial decisions. Cohen et al., (2017) also revealed that effective budgeting is positively correlated with financial efficiency, as it enables organizations to optimize resource allocation, reduce waste, and improve overall financial performance.

This result supported Cohen et al. (2017) who found that organizations that use participative budgeting, which involves involving employees in the budgeting process, tend to have higher levels of financial efficiency than those that use top-down budgeting. Another study by Hansen et al. (2019) found that organizations that use flexible budgeting, which involves adjusting budgets in response to changes in the business environment, tend to have higher levels of financial efficiency than those that use fixed budgeting. In the context of universities, effective budgeting and financial efficiency are critical for achieving academic excellence, conducting research, and providing quality services to students and other stakeholders (Okebukola, 2016). Empirical studies have shown that universities that have effective budgeting systems tend to have higher levels of financial efficiency and academic performance than those that do not (Adeyemi, 2012). Okoro (2018) and Adeyemi (2012) further found that universities that use zero-based budgeting, which involves justifying every expense from scratch, tend to have higher levels of financial efficiency than those that use traditional budgeting. Another study by Aina (2017) and Okebukola (2016) found that universities that have a high level of budgetary participation, which involves involving employees in the budgeting process, tend to have higher levels of financial efficiency than those that have a low level of budgetary participation.

The results of hypothesis two showed that auditing significantly influence financial efficiency in public universities in Cross River State, Nigeria. This result supported Cohen et al. (2017) who found that auditing is essential for ensuring financial efficiency in organizations. Auditing helps to identify areas of inefficiency and waste, and provides recommendations for improvement. Wahlen et al. (2020) established that effective auditing also helps to ensure that financial statements are accurate and reliable, which is critical for making informed financial decisions. Okoro (2018) found that universities that have effective auditing systems tend to have higher levels of financial efficiency than those that do not. Another study by Aina (2017) found that auditing is a critical component of financial management in universities, and that effective auditing is essential for achieving financial efficiency.

This result collaborated with Cohen et al. (2017) who found that universities that use external auditors tend to have higher levels of financial efficiency than those that use internal auditors. Hansen et al. (2019) also found that auditing is a key component of financial management in universities, and that effective auditing is critical for achieving financial efficiency. Arens et al. (2018) further found that auditing is essential for ensuring financial efficiency in universities. Another study by Wahlen et al. (2020) found that effective auditing is critical for achieving financial efficiency in universities.

## Conclusion

Budgeting and auditing significantly influence financial efficiency in public universities in Cross River State, Nigeria. Budgeting and auditing are critical components of effective financial management in universities. Effective budgeting enables universities to allocate resources efficiently, achieve their academic and research objectives, and make informed financial decisions. Financial

efficiency involves using financial resources to achieve academic and research objectives while minimizing waste and maximizing returns while auditing helps to ensure that financial statements are accurate and reliable, and provides recommendations for improving financial efficiency. Empirical studies have shown that auditing is positively correlated with financial efficiency in organizations, and that effective auditing is essential for achieving financial efficiency.

## Recommendations

Based on the findings, the following recommendations were made:

1. The management of public universities in Cross River State should adopt a participative budgeting approach, involving all stakeholders, including faculty members, staff, and students, in the budgeting process to ensure that the budget is realistic, achievable, and aligned with the university's goals and objectives.
2. The management of public universities in Cross River State should establish an internal audit unit that is independent, objective, and reporting directly to the university's governing council, to ensure that the university's financial transactions are transparent, accountable, and in compliance with relevant laws and regulations.

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