



## Trends analysis of budgetary provision for construction projects in Gombe state, Nigeria

Abdulkadir Sani<sup>1</sup>, Mohammed Sani<sup>2</sup>, Sani Usman Kunya<sup>3</sup>, Umar Musa Shehu<sup>4</sup>

<sup>1</sup>Department of Building Technology, Abubakar Tafawa Balewa University Bauchi, Nigeria.

<sup>2</sup>Department of Building Technology, Abubakar Tafawa Balewa University Bauchi, Nigeria.

<sup>3</sup>Department of Building Technology, Abubakar Tafawa Balewa University Bauchi, Nigeria.

<sup>4</sup>Ashaka Cement, Gombe, Nigeria.

### Abstract

Construction activities depend on budgetary allocation made by government for the intended work. Construction work suffers administrative and budgetary allocation deficiencies because of lack of a sound framework of the institution in the form of model prediction. This leads to problems of escalation in contract sum and unnecessary allocation of budget to the non-priority sector. The study aimed at analyzing budgetary allocation trends to the construction sector in Gombe state to establish a relationship between construction budget allocation, state budget size and capital expenditure budgets. Data collected for construction budget allocation from the period of 2004 to 2013 through secondary data using a documented analysis of Gombe state approved budget estimate obtained at the bureau of statistic office. Data was analysed with SPSS. The findings shows that an increase in total budget size and capital expenditure budget allocation lead to an increase in amount of construction budget allocation in various ministries, but recorded an impartial stability in proportional percentage changes to construction budgets allocation. The study established that total state budget and capital expenditure budget allocation strongly influence construction budget allocation and there exist a strong positive correlation between construction sector budget and capital budget allocation and between total budget size and construction budget allocation. Therefore, the study recommend that Government should ensure stability in the proportional share percentage of allocation to construction sector to promote growth and development of the sector and also ensure proper monitoring and effective service delivery with regards to allocations to the construction sector.

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*Key words:* Allocation, Budget, Construction, Contract

### 1. Introduction

#### 1.1 Background of the Study

The construction industry is an essential contributor to the process of development of a nation in which development efforts and improved living standards are established (Isah, 1999). Nigeria's economic growth over the last decade is high and the contribution of the construction sector, along agriculture and manufacturing has been on a steady raise, and construction sector plays an increasingly important role in the nation's drive for adiversified economy that can lead to true sustainability (Isa, Jimoh & Achuenu, 2013). In the public sector the construction activities mostly depend base on the budgetary allocation made by the government for the intended

work to be done, therefore, budget allocation is a paramount part of realizing any work activities under construction industry.

The term budget as described by Jhingan in 2004 is derived from the French word "Brunette" which means a leather bag or a wallet that used to carry financial proposal for the year. In addition, A budget is defined as a plan quantified in monetary terms, prepared and approved prior to a defined period of time usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objectives. Furthermore, a budget is an organizational plan stated in monetary terms (Oseni, 2012). In addition, a budget is always in respect of a period of time and it may be yearly, quarterly, monthly, weekly, daily or another period (Lucey, 1996). Despite that, in

developing countries like Nigeria, construction work suffers from administrative and budgetary allocation deficiencies because of lack of a sound framework of the institution in the form of model prediction tools and legal arrangement, especially those affecting public sector procurement (Oseni,2012).One of the setbacks in lacking a sound cost predictive models is that it could lead to problems of escalation in contract sum and unnecessary allocation of budget to non-priority sector, especially in public government budget allocation (Isah *et al.*, 2013; Akinlo, 2012; Adenikinju, 2005). In addition, Achuen (1997) revealed that cost prediction models is one of the ways of minimizing such problems. In a related development, Isah (1999) revealed that most of the allocation to construction sectors from budgets were not given their due shares allocation, plan which in turn the projects tend to take far longer than expected and not executed in construction standard. Moreover, Akin (2012) argued that fluctuation prices of materials and other inputs tends to cause allocative inefficiencies which make works in hand economically more costly. Therefore in view of that, there's need to finance many competing developmental projects among various sectors of the economy in Gombe State. Government ministries & parastatals are demanding more money than available from the allocation. These provide the basis for the study which would attempt to study the trends allocation to construction sectors as well as develop an effective predictive model that can be used to forecast long-term budgetary allocation from ministries budgets and state budget at large.

### 1.2 Aim and Objectives

The aim of the study is to assess into the budgetary allocation trend in the Gombe State of Nigeria. In order to achieve that, the followings are the objective of the study;

- i. To examine the trend of budgetary allocations to construction sectors from total budget size and capital budget expenditures in Gombe State.
- ii. To determine whether or not, there is a relationship between budget allocation to construction work by the total state budget and capital expenditure budgets in Gombe State.

## 2. Methodology

This study adopted a descriptive and diagnostic design. According to Donald and Pamela (1998), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research portrays an accurate profile of persons, events or satiations (Kothari, 2004). Therefore, the descriptive survey deemed the best strategy to fulfil the objective of this study since data are already available for

various ministries as outlined in the analytical Model variable. For the purpose of this study, the populations of the study are 20 state government Ministries in Gombe State, where a census conducted. Therefore, the focused target populations are allocation budgets to construction sectors in all the ministries in Gombe state. The secondary data collected from the bureau of statistics of Gombe State base on the documented information of the ministries. Data collected for the period of ten years ranging from (2004 -2013) for comparative purposes. This duration (2004 – 2013) was choosing because, since the creation of Gombe state, the state experiences a high number of building construction activities within these periods. Quantitative data analysed using Statistical Package for Social Sciences (SPSS) program and Pearson product correlation coefficient used to determine the strength of the relationship between budget allocation to construction sector (dependent variable) and state budget/capital expenditure budget (independent variable).

## 3. Result and Discussion

### 3.1 Statistic for Budget Information

The study use documented data for Gombe State approved estimates budgets for consecutive ten years from the year 2004 to 2013 obtained from the Bureau of statistic office Gombe state. Table 1 below shows the data obtained in Naira that comprises of total state budget size, capital budget expenditures and construction budgets allocation. The data indicates that state budget size, capital budget and construction budget allocation were highest in the financial year 2013 in the sum of 108.10, 66.1245 and 10.2815billionnaira respectively. The data also indicates that the construction budgets sizes seem to increase as the amount of state budget size and capital budget expenditure increases.

Table 1: Budget Statistic Information For Gombe State

Years	State budget sizes	Capital budgets expenditure	Construction budget size
2004	22,768,776,755	12,505,718,030	1,009,299,920
2005	26,408,340,133	12,616,249,000	1,293,100,000
2006	31,070,814,660	16,051,485,000	1,673,500,000
2007	39,130,178,927	21,357,573,030	1,788,500,000
2008	50,259,883,000	26,421,650,000	2,305,200,100
2009	51,874,515,000	30,871,750,000	2,715,000,000
2010	55,612,105,000	31,391,623,000	4,756,000,000
2011	59,957,320,000	32,189,650,000	7,174,000,000
2012	93,535,150,000	55,135,650,000	9,661,000,000
2013	108,095,925,000	66,124,500,000	10,281,500,000
Total	N538,713,008,475	N304,665,848,060	N42,657,100,020

Source: Gombe State Statistic Office, 2015

Table 2: Construction Budget Allocation to Ministries From 2004-2013

Year	Total Construction Budget (N)	Education Construction Budget (N)	Health Construction Budget (N)	Housing Construction Budget (N)
2004	1,009,299,920	272510978	494556961	60557995
2005	1,293,100,000	400861000	737067000	103448000
2006	1,673,500,000	485315000	920425000	100410000
2007	1,788,500,000	500780000	983675000	894425000
2008	2,305,200,100	700000000	1310000000	170000000
2009	2,715,000,000	841650000	1547550000	217200000
2010	4,756,000,000	1759720000	3043840000	665840000
2011	7,174,000,000	3750000000	3550000000	1520000000
2012	9,661,000,000	4154230000	3864400000	1932200000
2013	10,281,500,000	3701340000	2056300000	1028150000
	N42,657,100,020	N16,600,000,000	N9,980,000,000	N2,660,000,000

Source: Gombe State Statistic Office, 2015

### 3.2 Trends Analysis for Construction Sector Allocation Budgets

Objective 1 aimed at evaluating the trend of budgetary allocations to construction sectors from the total budget size and capital budgets in Gombe state. The study used documented analysis in sourcing of the data obtained and it analysed the result through a simple percentage. The trend analysis was carried out from two perspectives as total state budget size and capital budget expenditure.

#### 3.2.1 Construction Budget Trends from Total Budget Size

Table 3 below indicates the annual Percentage change and

proportion of budgetary allocations to construction budget trends from the total state budget sizes by Gombe state government between 2004 and 2013 respectively. The percentages were determined base on the allocation of construction budget from the budget size of that particular year in view. The result shows that the share (proportion) of allocations by the state government budget to the construction sector increased from 4.43% in 2004 to 5.39% in 2006. It then decreased with as low as -0.82% in 2007 and then further increased from 4.59% in 2008 to 11.97% in 2011 respectively. It then decreases with as low as -1.64% in 2012 and -0.82% in 2013 as shown in Table 4 below.

Table 3: Percentage Change and Proportion of Budgetary Allocations to Construction from Total State Budget Size (2004 - 2013)

Years	State budget sizes	Construction budget size	Trends (%) from budgets sizes	Changes in trends percentage (%)
2004	22,768,776,755	1,009,299,920	4.43	-
2005	26,408,340,133	1,293,100,000	4.90	0.46
2006	31,070,814,660	1,673,500,000	5.39	0.49
2007	39,130,178,927	1,788,500,000	4.57	-0.82
2008	50,259,883,000	2,305,200,100	4.59	0.02
2009	51,874,515,000	2,715,000,000	5.23	0.64
2010	55,612,105,000	4,756,000,000	8.55	3.32
2011	59,957,320,000	7,174,000,000	11.97	3.42
2012	93,535,150,000	9,661,000,000	10.33	-1.64
2013	108,095,925,000	10,281,500,000	9.51	-0.82
Total	538,713,008,475	42,657,100,020		

Source: Gombe State Statistic Office, 2015

#### 3.2.2 Construction Budget Trends from Capital Budget Expenditures

Table 4 below indicates the annual Percentage change and proportion of budgetary allocations to construction budget trends from the total capital budget sizes by Gombe state

government between 2004 and 2013 respectively. The percentages were determined base on the allocation of construction budget from the capital expenditure budget size of that particular year in view. The result shows that the proportion of allocations from the state capital budget to the construction sector increased from 8.07% in 2004 to 10.43%

in 2006. It then decreased with as low as -2.06% in 2007 and then further increased from 8.37% in 2008 to 22.29% in 2011

respectively. It then decreases with as low as -4.77% in 2012 and -1.97% in 2013 as shown in Table 4 below.

Table 4: Percentage Change and Proportion of Budgetary Allocations to Construction from Total Capital Expenditure Budget (2004 - 2013)

Years	Capital budgets expenditure	Construction budget size	Trends (%) from capital budgets sizes	Changes in trends (%)
2004	12,505,718,030	1,009,299,920	8.07	-
2005	12,616,249,000	1,293,100,000	10.25	2.18
2006	16,051,485,000	1,673,500,000	10.43	0.18
2007	21,357,573,030	1,788,500,000	8.37	-2.06
2008	26,421,650,000	2,305,200,100	8.72	0.35
2009	30,871,750,000	2,715,000,000	8.79	0.07
2010	31,391,623,000	4,756,000,000	15.15	6.36
2011	32,189,650,000	7,174,000,000	22.29	7.14
2012	55,135,650,000	9,661,000,000	17.52	-4.77
2013	66,124,500,000	10,281,500,000	15.55	-1.97
Total	N304,665,848,060	N42,657,100,020		

The finding shows that allocation to construction sector tends to increase as the amount of budget size and capital expenditure increases and the implication of this finding shows that the state witness high concentration of construction activities from the year 2011 and above, this vindicate reason behind the finding of Usman *et al.*, (2012) stated that Gombe State has high concentration of projects works as compared with other states in north-eastern Nigeria. Moreover, the finding is in line with the study of Margaret *et al.*, (2013) reported instability in the allocation of budget to agricultural budget in Cross River state of Nigeria.

### 3.3 Relationship Between Total Budget Size, Capital Budget Expenditure and Construction Budget Allocations

Objectives 2 aimed at determining whether or not there exist a relationship between the total budget size and construction budget allocation in Gombe state and also between capital budget expenditure with construction budgets allocation. The study used a secondary data through documented analysis of the pass record of Gombe state approved estimate from 2004-13. The data obtained were analysed using Pearson correlation

value (r) which revealed the kind of relationship that existed base on the recorded data. According to Pallant, (2011) Correlation coefficients provide a numerical summary of the direction and the strength of the linear relationship between two variables. The significant indicates whether there is a positive correlation (as one variable increases, so too does the other) or a negative correlation (as one variable increases, the other decreases).

The study findings in Table 5 below show a significantly strong positive correlation between state budget size and construction budget allocation (Pearson correlation coefficient  $r = 0.930$ ; Sig. = 0.000). Moreover, the study shown a significantly strong positive correlation also exist between capital expenditure budget and construction budget allocation ( $r = 0.930$ ; Sig. = 0.000). This shows that there exist a strong and positive association between the allocation budget to construction sector derived from either total state budget size or capital expenditure budget in Gombe state, Nigeria. The finding is in line with the study of (Lawrence, 2014) which reported a strong and positive relationship between budget sizes and allocation to the various sector in Kenya.

Table 5: Pearson Product-Moment Correlation

		State Budget Size	Capital Budget expenditure	State Construction Budget
State Budget Size	Pearson Correlation	1	.995**	.930**
	Sig. (2-tailed)		.000	.000
	N	10	10	10
Capital Budget expenditure	Pearson Correlation	.995**	1	.930**
	Sig. (2-tailed)	.000		.000
	N	10	10	10
State Construction Budget	Pearson Correlation	.930**	.930**	1
	Sig. (2-tailed)	.000	.000	
	N	10	10	10
**. Correlation is significant at the 0.05 level (2-tailed).				

## 4. Conclusion

### 4.1 Summary

The aim of the study is to appraise into the budgetary allocation trend analysis in Gombe state ministries of Nigeria. The study used descriptive and diagnostic research design approach and the data collected through the documented analysis of the pass record of the Gombe State approved estimate obtained at Gombe State bureau of statistic office. Data analysis through descriptive and inferential analysis using SPSS version 16.0, the major findings shown a significantly strong positive correlation between capital expenditure budget, total budget size and construction budget allocation ( $r= 0.930$ ; Sig. = 0.000). this vindicates that there exist a strong and positive association between the allocation budget to construction sector derived from either total state budget size or capital expenditure budget in Gombe state, Nigeria.

### 4.2 Conclusion

The study established that total State budget and capital expenditure budget allocation strongly influence construction budget allocation. A significantly strong positive correlation exists between construction sector budget and capital budget allocation and between total budget size and construction budget allocation. The increase in total budget size and capital expenditure budget allocation lead to an increase in construction budget allocation in various ministries. However, the findings show a partial instability in percentage changes in allocation to construction sector as it recorded a negative and positive trend changes in moving changes percentage of allocations to construction sector from either total budget size or capital expenditure budget allocation in Gombe State.

### 4.3 Recommendations

(i) The government should ensure stability in the percentage of allocation to construction sector from the

capital expenditure budgets as well as an increment in allocation to the construction sector to promote growth and development of the sector.

(ii) A further study is carried to ascertain the levels of implementation the budget allocated to the construction sector in Gombe State and its impacts on the development of the state.

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