

## ASSESSMENT OF FINANCIAL MANAGEMENT CHALLENGES IN LOCAL GOVERNMENT

Ufi, Helen Victor<sup>1</sup> & Amba, Esu Amba<sup>2</sup>

Department of Business Administration Akwa Ibom State Polytechnic, Ikot Ekepe, Nigeria

Corresponding Email: [helenreel@yahoo.com](mailto:helenreel@yahoo.com)<sup>1</sup>; [esuamba4@gmail.com](mailto:esuamba4@gmail.com)<sup>2</sup>

### ARTICLE INFORMATION

Received: 10th May, 2024  
Accepted: 12th May, 2024  
Published: 26th June, 2024

**KEYWORDS:** Financial management, local government, Finance, financial resources

**JOURNAL** **URL:**  
<https://ijois.com/index.php/jobpef>

Editor-in-chief: Assist. Prof. Dr (C) Ari Riswanto

**PUBLISHER:** Empirical Studies and Communication - (A Research Center)  
Website: [www.cescd.com.ng](http://www.cescd.com.ng)

### ABSTRACT

*This research work examined the contributions of Assessment of Financial Management in Local Government: Problems and Prospects (A CASE Study of Ikot Ekpene Local Government Council). In order to achieve the objectives of this study, the survey research method was adopted, while convenience sampling technique was used to select fifty (50) respondents as sample size for the study. Instrument for data collection was a self-developed questionnaire. Method of data analysis employed was the percentage analysis. The study revealed that the problems assessment of financial management in local government include; proper accountability from the higher level to the lower level in the local government that statutory allocation is a source of funds, and that inadequate formed personnel is a problem in local government finance. The study recommended that local government should show serious capacity to generate their internally generated revenue and employ competent staff to manage local government funds.*

### 1.0 INTRODUCTION

Financial management constitutes the most crucial and central aspect in the administrative process of the local government system. This is due largely to the fact that finance determines the number of services, development and quality of personnel provided by the local government.

However, the amount of revenue available to the local government and its accountability makes for efficient and effective local government system. Financial and its management is a sensitive area in governments and its strictly governed and guided by the elaborate rules, regulations and guidelines. Apparently budgeting in the central activity in financial management, it includes the details of the government anticipated revenue and expenditure for a fixed period machinery for development and total governance in the local government administration. It equally in skills a level of financial display on the leadership, executive and performance evaluation.

Furthermore, it is believed that financial management holds the project of activities. In addition, and embezzlement associated with the local government system. Equally, financial management induces the demand for policy, expenditure in the planning and policy adjustment in local government.

Undoubtedly, Finance and its prudent management are the bedrock of effective functioning of local government. It is against this backdrop that Tonwe (1995, cited in Ojo 2009: 37) argues that local government requires finance to perform their statutory functions. The ability of the local government to do this is largely dependent on availability of fund, coupled with efficient management which constitutes the required catalyst necessary for timely execution and completion of their development projects. Tonwe (1995), however expresses some reservations. For instance, he notes: In recent time, lack of funds has often been attributed as the major problem which had hindered effective and successful execution and completion of many projects at the local government level. However, experience has shown the contrary that poor finance management, rather inadequate finance is the bane of local governments' inability to achieve substantial development in their domain (1995, Cited I Ojo, 2009: 37).

It is clear that almost every local government system possesses weak financial base. Actually, the local government requires huge financial resources in order to provide its finances, amplifies their problems. Thus, the low internal revenue generation in our government appears to be a very wide problem. Local government accounts are not to mobilize effective revenue and led to poor implementation of the budget deficit and debt burden.

### **1.1 OBJECTIVES OF THE STUDY**

1. To determine the extent to which the local government council (Ikot Ekpene) has prudently managed the resources at its disposal.
2. To examine the extent to which the local government has generated and utilized the funds from its statutory sources of funds.

### **1.2 RESEARCH QUESTIONS**

1. What are the strategies needed for proper financial management in local government?
2. What are the sources of funds that accrues to the local government?

### **1.3 RESEARCH HYPOTHESIS**

1. There is no significant effect of the strategies needed for proper financial management in local government.

2. There is no significant effect of the sources of funds that accrues to the local government.

## 2.0 CONCEPT OF FINANCIAL MANAGEMENT

Financial management according to Akinsuli (2002) states that financial management connotes responsibility for obtaining and effectively utilizing the funds necessary for the operation of an enterprise. He went ahead by saying that financial function centres around the management of funds Specific purpose of assisting management in its function of financial planning and control. In conclusion, the financial manager needs to have a good knowledge of financial accounting, management accounting, law and economics in order to discharge his functions as required effectively.

Ojo (2009) posits that the funds of local government councils are managed by the key officers of respective councils. Financial management has to do with the efficient use of funds. It is a method of showing and ascertaining the financial position of government or business over a period of time. According to him financial management can be perceived to consist of a cycle of activities as shown in Figure 1 below. The aim of this cycle of activities is to ensure that resources are allocated and monitored in such a manner that they have the greatest beneficial impact on the overall service objectives (Lawson, 1999 cited in Ojo 2009: 39).

According to Oye (2002) there are core decision areas in financial management which are investment decision, financing decision and dividend decision.

- **Investment Decision:** It involves and identification of viable projects i.e. it used to finance the projects. Like cost associated with each source, the characteristics of each source.
- **Dividend Decision:** In this case, the attention is focused on the compensation required by the providers of funds, i.e this is the determination of the appropriate amount to be paid as dividend and the profit that could be ploughed back to finance in the local government.

## 2.1 THE STRUCTURE OF FINANCIAL MANAGEMENT IN LOCAL GOVERNMENT LEVEL

Basically, the decisions that financial management face at the operational level are due and to take purchase discounts whenever they are offered. James (2008), the problem faced by the director of finance is structured to determine the payment date given to the preceding rules.

He further says that, others structured decision problems are faced by middle and top management but these comes from the higher levels.

Etuk (2003), says that before a researcher can succeed in researching of the structure of type of decision do they make which are shown in this research work below.

## 2.2 FUNCTION OF A TREASURER

- A treasurer is the chief and adviser to the local government on financial matters.
- He is responsible to collect and custodies funds of the local government.
- He is a signatory to the local government account.
- He custody the financial document of the council.
- He is the person to ensure that the account policies, regulations and instructions relating to the local government finances are complied with. Local government spent their funds by approving an annual estimate (budget).

Local governments are headed by two arms, which are the executive and provides information used by clerical and managerial personnel at the operational level, Udom (2009). Lastly by aligning the responsibility reporting system that summarizes historical data on a periodic basis and provides the bottom-up information flows. It is an example of top, structured information system that is useful for financial management control.

Udom (2009) in financial management we have two structures that can affect financial management in the local government which are:

- Internal structure which is the legislature, because they are the people that will approve the estimate, (i.e. you cannot spend money that was not estimated for).
- Seconded by finance and general-purpose committee (F. G. P. C) they are the state house of assembly. They are the people over sighting function in the management of the local government funds.
- Seconded by the state government they extant circulars that is by directing the local government on how to use their funds.

Basically, to understand how information flows in financial management in local government, it is necessary to know how important is structured and operate, Essien (2003). Information flows horizontally between the drawing the hierarchy of formal relationships among local government employees:

- **Top Executive:** its concern with all about the long range or strategic planning and decisions.
- **Middle Level Director:** he makes tactical decisions to implement the strategic goals of the local government.
- **Supervisory/Adviser:** they make operational decisions that can be made by following a well-defined set of routine procedures.

Udom (2009) says that the budgeting of financial management is the system that allows the top management to communicate corporate objectives to all in the local government. He went ahead by saying that budgeting and external data, it is predictive in nature and involves estimate that frequently imprecise. It is used in semi- structure decision process involving.

### **2.3 PROBLEMS OF FINANCIAL MANAGEMENT AT THE LOCAL GOVERNMENT LEVEL**

According to Adams (2007), financial management of the local government level includes:

- i. Inadequate at qualified staff to local government finances.
- ii. Treasurers of local government finance.
- iv. Lack of good management (that is if the funds of the local government is not well managed).
- v. Even political intrigues at the local government level affect financial management at the local government level negatively. For instance, the relationship between the chairman of local government council and his treasurer needs to be cordial before any proper financial management could be achieved.

Constitutions state that the problem of financial management in the local government is its inability to attract suitable and professional staff. Local governments have attempted to reconcile participation of indigenious people in level to one that would involve the participation

of all the stakeholders in the mobilization of human and material resources in order to bring about development at the local government level.

Between 1974 and present time, financial management function in the local level have declined in relations to state and national financial management have also lost a lot of staff to state and the national management (Still, 1974).

The main problems of financial management in the local government is trusting of an individual, ignoring of qualified staff, because why saying this is because individuals in the local government council, sometimes trusted their indigenes too much, they refuse to give the work to the qualified person (non-indigenes), (Udoh, 2007).

Lack of managerial knowledge about their roles and responsibilities within financial management arrangement (CIPFA, 2005). Inadequate planning, management of services and budget (1996). Lack of encouragement to councilors and officers in reviewing their corporate governance procedures in relation to their account audit where non-financial level. Poor financial management suffer limited resources in deploying effectively.

## 2.4 SUGGESTION FOR IMPROVING FINANCIAL MANAGEMENT

According to Udom (2009), there are various ways of improving financial management in the local government which are;

- **Performance Breakthrough:** Building a culture of continuous improvement, discussing this culture, values and vision in an open and that resources are always available to address key local issues.
- **Good Financial Budgeting:** When budgets are set, it is essential that there is a report. Budget preparation timetable that links to financial plans and reflect organizational objectives. All available information about future development must be taken to account in setting budget. The budget holder must have budget setting process and provide monitoring and reporting of budgets, there must be need for timetable for budget monitoring to be set and met. It requires systems in ensuring that data (both financial and activity) will be up to date and provide on time, budget reports are made available to managers by finance support staff on time and aggregated reports are made available to senior managers on time and also frequent reporting to councilors, meeting the requirements of executives and scrutiny for both budget and service performance.
- **Treasury Management:** This requires that income is collected as promptly as possible and arrears will be monitored and action taken to recover outstanding amounts promptly.
- **Roles and Responsibilities, Skills and Competencies:** Some guidelines are clear with managers.
- About what their roles you know your role does not mean everyone else knows his or hers. Don't just because it is documented do not suppose different officers and members know their role, if in doubt, provide some training.
- **Improvement for Individual through Training and Development:** To improve financial management with a local government authority is crucial to identify and improve the skills and competencies of different sta, chief officers, heads of services lastly service managers.

## 3.0 RESEARCH DESIGN AND METHODOLOGY

### 3.1 RESEARCH DESIGN

The study was designed to use survey research method which involves seeking the views of respondents drawn from the population of Ikot Ekpene Local Government Council on Assessment of Financial Management in Local Government: Problems and Prospects.

The survey research method was considered appropriate because of its cross-sectional approach that entails seeking the views of Local Government Council Staffers on Assessment of Financial Management in Local Government: Problems and Prospects.

### 3.2 POPULATION OF THE STUDY

The population of this study was made up of staffs of Ikot Ekpene Local Government Council.

### 3.3 SAMPLE AND SAMPLING TECHNIQUE

The sample of fifty (50) respondents was drawn from the population using convenience sampling techniques for the purpose of administering questionnaire.

**Table 1: Distribution of Respondents by sex**

Sex	No. of Respondents	% of Respondents
MALE	32	64
FEMALE	18	36
<b>Total</b>	<b>50</b>	<b>100</b>

Source, field Survey 2022

Table 1 shows that thirty-two (32) respondents representing 64% of the sample population were male while eighteen (18) respondents representing 36% of the population were female.

**Table 2: Age Distribution**

Age	No. of respondents	% of Percentage
20 – 25	8	16
26 – 30	12	24
31 – 35	11	22
36 – 40	10	20
41 – Above	9	18
<b>Total</b>	<b>50</b>	<b>100</b>

Source, field Survey 2022

Table 2 shows that eight (8) respondents representing 16% of the sample were between the age bracket of 20 – 25 years, twelve (12) respondents each representing 24% were between the age bracket of 26 – 30 years, eleven(11) of the respondents representing 22% were were 31 – 35 years respectively, also ten (10) respondents representing 20% of the sample were between the age limit of 36 – 40 years and nine (9) respondents representing 18% were within the age limit of 41 and above years.

**Table 3: Marital Status Distribution**

Status	No. of Respondents	% of Respondents
Single	15	30
Married	12	24
Divorced	11	22
Widow/Widowers	12	24
<b>Total</b>	<b>50</b>	<b>100</b>

Source, field Survey 2022

Table 3 above shows that fifteen (15) respondents representing 30% of the sample were single, twelve (12) respondents representing 24% of the sample were married, only eleven (11) respondents representing 22% of the sample were divorced as well as only twelve (12) respondents representing 24%

**Table 4: Educational Qualification Distribution**

Qualification respondents	No. of Respondents	% of Respondents
WAEC/NECO	12	24
OND	12	24
HND/BSC	11	22
MSC	9	18
PHD	6	12
<b>Total</b>	<b>50</b>	<b>100</b>

Source, field Survey 2022

Table 4 shows that twelve (12) respondents representing 24% of the sample were WAEC/NECO holders, twelve (12) respondents representing 24% were OND/NCE certificate holders; eleven (11) respondents representing 22% were holders of HND/BSC certificates holders, while nine (9) respondents representing 18% were MSC certificate holders and only six (6) respondents representing 12% of the population were PHD holders.

Table 5 displays sample selection used in this study.

**Table5: Sample Selection**

S/N	Departments	No. of Respondents	Percentage (%)
1.	Financial Department	25	50
2.	Administration Department	15	30

3.	Works Department	10	20
	<b>Total</b>	<b>50</b>	<b>100%</b>

**Source:** Field survey, 2022

From the table above, fifty (50) questionnaire forms were distributed to the respondents. Out of fifty (50) respondents, twenty five (25) respondents representing 50% were in Finance Department, fifteen (15) respondents representing 30% were in Administration Department, while ten (10) respondents representing 20% were in Works Department.

### 3.4 INSTRUMENTATION

The major instrument used for collection of primary data was a self developed questionnaire which were in two (2) parts. The first part focused on questions relating to respondents bio-data which the second part of the questionnaire focuses on question bordering on the research questions earlier set in chapter one. Secondary data were also obtained from existing materials whose sources were textbooks, journals, newspapers, internet, etc. These sources provided sufficient information for literature review in chapter two.

### 4.0 METHOD/PLAN FOR DATA ANALYSIS

The techniques employed for the data analysis include descriptive statistics involving frequency tables and percentages and test of hypotheses using chi-square ( $\chi^2$ ) statistical tools is generally used when testing or evaluating the frequency obtained from the data as they would vary from those which would be expected.

### ANALYSIS

#### 4.1 RESEARCH QUESTION ONE

What are the strategies needed for proper financial management in local government?

**Table 1: Responses to Research Question One**

Variables	No. of Respondents	Percent age (%)
Using appropriate organizational structure to run local government.	5	10
Identification of the actual need and taking action on projected plans.	10	20
Proper accountability from the higher level to the lower level staff in the local government.	5	10
All of the above	30	60
<b>Total</b>	<b>50</b>	<b>100</b>

**Source:** Field survey, 2022

From the table 1 above, five (5) respondents representing 10% agreed on using appropriate organizational structure to run local government. Ten (10) respondents representing 20% accepted identification of the actual need and taking action on projected plans. Five (5) respondents representing 10% ticked proper accountability from the higher level to the lower-level staff in the local government. While thirty (30) respondents representing 60% accepted all of the above variables. On the basis of this analysis, it could be concluded that the strategies needed for proper financial management in local government include:

- ❖ Using appropriate organizational structure to run local government.
- ❖ Identification of the actual need and taking action on projected plans.
- ❖ Proper accountability from the higher level to the lower level from staff in the local government.

#### 4.2 RESEARCH QUESTION TWO

What are the sources of funds that accrues to the local government?

**Table 2: Responses to Research Question Two**

Variables	No. of Respondents	Percentage (%)
Statutory allocations	2	4
Value added tax (VATs)	10	20
Internal revenue generated	5	10
All of the above	44	88
<b>Total</b>	<b>50</b>	<b>100</b>

**Source:** Field survey, 2022

From table 2 above, two (2) respondents representing 4% agreed on statutory allocations, one (1) respondent representing 2% accepted value added tax (VATs), three (3) respondents representing 6% agreed internal revenue generated, while forty four (44) respondents representing 88% accepted all of the above variables. On the basis of this analysis, it could be concluded that then sources of funds that accrues to the local government include:

- ❖ Statutory allocations
- ❖ Value added tax (VATs)
- ❖ Internal revenue grant

#### 4.3 RESEARCH HYPOTHESES ONE

There is no significant effect of the strategies needed for proper financial management in local government.

In-order to test the research hypotheses independent t-test analysis was used in comparing the mean score of the two groups.

#### TABLE 1

**Independent t-test analysis of the strategies needed for proper financial management in local government.**

Variable	N	X	SD	t
High	32	12.01	1.30	21.45*
Low	18	15.15	0.71	

Source, field Survey 2022

\*Significant at 0.05 level; df= 381; N= 383; critical t-value = 1.96

The above table 1 presents the obtained t-value as (21.45). This value was tested for significance by comparing it with the critical t-value (1.96) at 0.05 level with 381 degree of freedom. The obtained t-value (21.45) was greater than the critical t-value (1.96). Hence, the result was significant. The result therefore means that there is significant effect of the strategies needed for proper financial management in local government.

Based on the result of the hypothesis analysis above it shows that there is need for strategies for proper financial management in the local government.

**4.4 RESEARCH HYPOTHESES TWO**

There is no significant effect of sources of funds that accrues to the local government.

In-order to test the research question independent t-test analysis was used in comparing the mean score of the two groups.

**TABLE 2**

**Independent t-test analysis of sources of funds that accrues to the local government.**

Variable	N	X	SD	t
High	29	12.07	1.34	18.31*
Low	21	15.00	1.09	

Source, field Survey 2022

\*Significant at 0.05 level; df= 381; N= 383; critical t-value = 1.96

The above table 2 presents the obtained t-value as (18.31). This value was tested for significance by comparing it with the critical t-value (1.96) at 0.05 level with 381 degree of freedom. The obtained t-value (18.31) was greater than the critical t-value (1.96). Hence, the result was significant. The result therefore means that there is significant effect of sources of funds that accrues to the local government.

Based on the result of the hypothesis analysis above it shows that there the sources of funds, like levies, fine, allocation, etc that accrues will enhance the performance in the local government.

## 5.0 CONCLUSION

Local government finances have undergone some changes and in particular the structural financial insolvency of local government has at general level been compounded by their inability to improve on their capacities. Local effort to increase their internally generated revenues than on the statutory allocation from the state/federal government.

## 5.1 RECOMMENDATIONS

Based on the findings, the following recommendations were made:

- ❖ Local government should show serious capacity to generate their internally managed local government funds.
- ❖ Local government should not depend mostly on the statutory allocation from the federal and state government.
- ❖ Lastly, the relationship between the chairman of the local government council and his treasurer must be cordial.

## REFERENCES

- Adams, B. (2007). *Lessons for Local Governments*. Afri Toware Ltd., Aba.
- Agbakosa, O. (2004). *Local Government Administration in Nigeria*. Wolsax Printers Limited, Kaduna.
- Akai, A. (2005). *Grassroot Development in a Democracy*. Minder International Publishers, Uyo.
- Akinsula, O. (2002). *An Insight into Management Accounting*. Ec-Toda Ventures Ltd, Lagos.
- Asuquo, P. (2006). *Question and Answers on Financial Management 4<sup>th</sup> Edition*. Peta-Grace Publishers, Uyo.
- CIPFA, (2005). *Financing Small and Medium Enterprises*. Scopy Press, Kaduna.
- Effiong, S. (2008). *Public Finance in Nigeria*. Pita Grace Publishers, Uyo.
- Ekpo, M. (2006). *Sources of Business Finance in Nigeria*. Emekan Publishing Corporation, Uyo.

- Essien, A. (2003). *Management Accounting, Theory and Practical*. Modern Business Press Ltd, Uyo.
- Etuk, A. (2003). *Local Government Finances*. Grass Hill Publishers, Uyo.
- Ibanga, E. (2005). *Firm Size and Business Environment*. Ema and Son Publishing Co., Calabar.
- James, A. (2008). *Management Information System*. Croatia Zrinsk Ibadan.
- Oye, R. (2008). *Local Government System in Nigeria*. Tonem Publishers, Abuja.
- Still (1974). *Accounting for Banking Student Achievers Group Bankers of Financial*. Tutors Publication, Ibadan.
- Udeme, V. (2008). *National and Local Government*. Pita Grace Publisher, Uyo.
- Udom, J. (2009). *Challenges in Budget/Implementation in Nigeria*, the Section, "Growth Industry Services and Trade Services. 261: 1-158.
- Udom, R. (2009). *Local Government Accounts 2<sup>nd</sup> Edition*. MEF Nigeria Ltd., Uyo.
- Udoh, I. (2007). *Introduction to Business Finance*. Golden Publication, Calabar.
- Ugoj, T. (1994). *Advanced Financial Accounting 2<sup>nd</sup> Edition*. Master Stroke Consulting Publishers Lagos p.48-50.
- Umoren, S. (2009). *Finance and Accounts for Management*. Ema and Sons Publishers. Uyo.
- Victor (2008). *Financial Management*. New Delhi Vikas Publishing House Lagos.