



PUBLIC FINANCIAL MANAGEMENT REFORMS IN NIGERIA: AN ASSESSMENT OF INFORMATION AND CASH MANAGEMENT SYSTEMS

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Abstract

The declining Nigerian economic growth has been blamed on factors like the cost of governance and a lack of transparency, accountability & fiscal discipline in the routine governance of the country. An improved public financial management system in the country can mitigate these factors. To achieve sustainable economic growth, the country would need a planned approach to financial discipline, targeted investment and economic diversification as opposed to an over dependence on oil revenue. In a bid to achieve fiscal discipline, public financial management reforms were adopted to reduce fiscal deficit and enhance the predictability of public expenditures. Consequently, this study entails a content analysis of the public financial management reforms used to promote the

country's financial management system and accountability. These reforms included integrated payment and financial management

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information systems and a treasury single account. The study concluded on the premise that proper implementation of fiscal discipline can serve as a measure for Nigerian public financial

management. The study further recommended an enhancement of capacity, commitment and political will alongside adequate funding be maintained in order to gain the benefits of fiscal discipline and improving public financial management while ultimately achieve sustainable economic growth.

INTRODUCTION

The achievement of sustainable economic growth is one of the major imperatives of any developing country. Nigeria had a deficit of more than one trillion naira between 2000 and 2005, resulting from all tiers of government in Nigeria spending far more than they earn (Soludo, 2003). While during the same period Soludo (2003) held that external and domestic debt amounted to 70% of Gross Domestic Product which meant that the national revenue obtained mainly from the sale of crude oil income was largely used to service debt. Nevertheless, even as the national debt grew, past governments did little or nothing to control public expenditure (Okafor, 2013).

In a bid to find solution to the poor economic management situation and other developmental challenges, the Obasanjo administration embarked on economic reforms. The entire economic management reform, which is an integrated package of various economic reforms, was started in 2004. Over the two decades immediately following that, Nigeria initiated and implemented series of economic policies to assist in the achievement of its constraints some of which were aimed at improving the quality of the nation's public financial management (PFM) systems (Okafor, 2013). Furthermore, the Federal Government of Nigeria (FGN) launched public finance management reforms to address the challenges of transparency, accountability, corruption, and poor service delivery. Conclusively, in 2004, the country embarked on Economic Reforms and Governance Project (ERGP) sponsored by the World Bank to address the country's financial and economic challenges such as a lack of database of civil servants, huge wage bill, tracking revenues and expenditures, low capital spending, transparency and accountability.

The growth and increasing awareness of new public management reforms for the recent years is still ongoing as government are constantly seeking reformation and restructuring to enable better delivery of public services. The pressure for sustainable public service because of increase in budget for security, infrastructure, financial difficulties and mismanagement, failures in government project execution, debt crisis, has brought to light like never before the need for financial reporting by government and better management of public sector resources.

A number of scholars have made efforts to study fiscal reforms particularly in the area of public financial management reforms and economic growth in Nigeria (Enofe, Afiangbe, & Agha, 2017; Thomas, Nadiyasu, & Baworo, 2017; Okoroafor, 2016; Zubairu, 2016). However, specific emphasis need to be placed on information and cash management systems reforms in the area of financial reporting and information systems to promote the country's financial management system, transparency and accountability. This paper seeks to bridge this gap. The study evaluates the public financial management reforms in Nigeria in the areas of information and cash management systems.

Following this introduction, the rest of this paper is structured into sections 2, 3, 4 & 5. Section 2 provides a conceptualization of the study involving a review of concepts used in the study while section 3 states the research design employed in the study and the technique of analysis. Section 4 affords a discussion of the findings of the study as it relates to information and cash management systems in Nigeria and the study is concluded with section 5, which concludes the study as well as provides necessary recommendations.

Conceptual Review

Fiscal Discipline

Herndon (2017) explained fiscal discipline as the act to show restraint in spending by developing a budget and not exceed its spending limits. While Hait (2017) defined it as the capacity of a government to maintain smooth financial operation and long-term fiscal health. It branches into firstly multi-

year perspective on budgeting and secondly mechanisms to maintain fiscal health and stability over business cycles. The measurement of fiscal discipline is carried out using a scale ranging from low to high. At present, the meaning of fiscal discipline is introducing measures that will ensure that public expenditures contributes to growth process as much as possible. In other words, it entails cutting down unproductive expenditures while maintaining productive ones. At the end of the day, fiscal discipline means putting forth clearly and credibly the will that public expenditures will be controlled and the composition of public expenditures will be changed (Sak 2009).

Public Financial Management

Public financial management (PFM) is an important way for the achievement of economic growth and development of every sovereign nation. Lawson (2015) defined PFM as the set of laws, rules, systems and processes used by sovereign nations (and sub-national governments), to mobilise revenue, allocate public funds, undertake public spending, account for funds and audit results. In this view, PFM is a system comprises of many processes, involve several government institutions, under the auspices of rules and laws that define functions, responsibilities and guide the relationships between or among the various parts of the system. The overall objective of PFM deduced from this view is to collect revenue for the government and allocate the revenue in form of expenditures for the economic benefits of all through a demonstrated transparent and accountable manner (Thomas et al., 2017).

The Chartered Institute of Public Finance and Accounting (CIPFA) (as seen in IFAC, 2012), defined PFM as the system by which financial management resources are planned, directed and controlled to enable and influence the efficient and effective delivery of public service goals. It is a system by which financial activities of public sectors are directly controlled and influenced to support the public sector goals of management in revenue collection and expenditure for sustainable economic growth and a healthy political environment. The goals are perceived as a consolidated sustainable social

benefit, grouped as funder results, public value, community value and individual value. This definition viewed PFM in the light of a single objective view, that is, social benefits. Unfortunately, PFM is wider and broader than the perspective perceived by CIPFA. This definition viewed PFM with a whole system approach. In the opinion of Parry (2010), PFM should be seen as an information and a purposive system with multiple objectives, which can usefully be viewed, as a series of dimensions working together to an aggregate result. This view is rather attractive and rhymes with the scope of International Public Sector Accounting Standards (IPSAS). In addition, the process must be purposive which is deliberately taken in strong political will by leaders and policy makers.

Founded on the CIPFA definition of PFM, the scope of public sector financial management could summarised to involve planning which encompasses the sources of funds and expenditure as identified public economic objectives. Direction entailing the allocation of the resources for specified economic objectives. As well as, control that is ensuring that government business are done in accordance with laws, rules, principles and standards and that evaluation is conducted to enable corrections and improvements in the future. The scope of PFM in Nigeria can also be viewed in this structure, which consist of several phases and participants. Successively, Okafor (2013) stated that a well-functioning PFM system is expected to provide the assurance that the funds released through revenue generation, appropriation processes and from debt forgiveness (cancelation) mechanism would be productively used in a transparent and effective manner. It would also improve the use of aid as well as overall budget performance, and thus contribute to macroeconomic stability and growth.

Management Information System (MIS)

A Management information system, or MIS, broadly refers to a computer-based system that provides managers with the tools to organize evaluate and efficiently manage departments within an organization (Beal, 2018). On the other hand, Wikipedia.org (2018) states that a management information system (MIS) is an information system used for decision-making, and for the

coordination, control, analysis, and visualization of information in an organisation; especially in a company. Whereas, an online encyclopaedia Inc.com (2018) explain it as a computerized database of financial information organized and programmed in such a way that it produces regular reports on operations for every level of management

According to Beal (2018), in order to provide past, present and prediction information, a management information system can include software that helps in decision-making, data resources such as databases, the hardware resources of a system, decision support systems, people management and project management applications, and any computerized processes that enable the department to run efficiently. Inc.com (2018) states the main purpose of a MIS is to give managers feedback about performance, providing an avenue for a holistic monitoring, and measure progress side by side with set goals. Conclusively, the study of management information systems examines people and technology in an organizational context.

Research Design

The study aims at investigating the public financial management in Nigeria in terms of the information and cash management systems reforms used to promote the country's public sector accounting techniques and ultimately its financial management system. This primary objective of the study identified the data needs of the research and the criterion used in selecting a data source depended upon the relevance and importance of the data as well as its reliability in terms of accuracy and timeliness. Owing to this, the data for the study were derived from secondary sources including journals, working papers, government reports, archives and information management websites. The scope of the study covered the period of the recent reforms started in 2004 dating back over two decades and which were still in effect during the period of the study. The qualitative approach of the study justified the use of a descriptive research design. Successively, a content analysis was carried out on the data obtained to evaluate the

information and cash management systems being implemented in Nigeria using a criterion of their achievements and challenges so far.

Findings and Discussion

This section presents the findings of the study thus; The Economic Reforms and Governance Project (ERGP) sponsored by the World Bank in 2004 led to the introduction and implementation of two key information systems that are currently in effect. Firstly the Government Integrated Financial Management Information System (GIFMIS) and secondly the Integrated Payroll and Personnel Information System (IPPIS). In relation to the cash management system, the findings revealed that in 2012, the Government partially implemented the treasury single account, which is a public accounting system to serve as an enhancement tool for efficient public financial management in terms of control. A discussion on the workings of each of these systems follows.

Integrated Personnel & Payroll Information Systems (IPPIS)

Ternenge (2014) stated that the Office of the Accountant General of the Federation (OAGF) is the custodian of the web-based Human Resources Management System (HRMS) that has personnel records and payroll administration modules. The HRMS runs on an internet that connects the data centres of the ministries, departments and agencies (MDAs) including the Nigeria Police Force to the main server at the Office of the Accountant General of the Federation (OAGF) system.

Integrated Personnel & Payroll Information system (IPPIS) covers the administration of Federal Government of Nigeria's human resource i.e. recruitment, promotion, discipline, transfers, career movements, training and development, performance management, disengagement and all the financial transactions related to personnel emoluments. It aims to promote the effectiveness and efficiency in storage of personnel records and administration of monthly payroll in such a way to enhance confidence in staff emolument costs and budgeting (Ternenge, 2014).

IPPIS has two major modules namely personnel records and payroll administration. A unique feature of the system is that third party payments

are effected simultaneously with the payment of salaries such that tax payments for example are remitted directly to the Federal Inland Revenue Service (FIRS) for Federal Capital Territory (FCT) staff and to the State Board of Inland Revenue for staff of the State.

Table 4.1 Achievements and Challenges of IPPIS

ACHIEVEMENTS	CHALLENGES
<i>A Streamlined payroll and personnel process</i>	Insufficiency of trained staff
<i>Personnel budget based on actual and not on estimates</i>	Constant movement/posting of trained IPPIS officers
<i>Confidence in payroll cost and actual nominal roll data</i>	Supply of in-accurate data by officers when filling IPPIS forms
<i>Prompt payment of staff salaries</i>	Lack of adequate sensitization and publicity
<i>Prompt deductions and remittances to all third party funds</i>	Lack of Strong Internal & external communication
<i>Savings to Government from “the ghost workers” syndrome</i>	Inadequate information technological infrastructure.
<i>Improvement in management reporting and information</i>	Data conversion management problems

Government Integrated Financial Management Information System (GIFMIS)

Government Integrated Financial Management Information System (GIFMIS) is a sub component of the ERGP (Economic Reform and Governance Project) which was designed to support the public resource management and targeted at anti-corruption initiatives through modernising fiscal processes using better methods, techniques and information technology. The Government Integrated Financial Management Information System (GIFMIS) is an IT based system for accounting and budget management implemented by the Federal

Government of Nigeria to improve public expenditure management processes, enhance greater accountability and transparency across Ministries, Departments and Agencies (MDAs). GIFMIS is designed to make use of modern information and communication technologies to help the Government of Nigeria to plan and use its financial resources more efficiently and effectively thereby promoting fiscal discipline through improving public financial management. Hence, an important purpose of introducing GIFMIS was to assist the FGN in improving the management, performance and outcomes of Public Financial Management (PFM).

Table 4.2 Achievements and Challenges of GIFMIS

ACHIEVEMENTS	CHALLENGES
<i>Increased central control and monitoring of expenditure and receipts in the MDAs.</i>	Inadequate Project Team Composition
<i>Increased information access on financial and operational performance</i>	Incomprehensive business process re-engineering
<i>Improved internal controls to help prevent and detect potential and actual fraud</i>	Lack of Strong Internal & external communication
<i>Improved information access on Government's cash position and economic performance</i>	Lack of adequate formalised training program
<i>Improvement in management reporting and information</i>	Data conversion management problems
<i>Enhanced medium term planning through a Medium Term Expenditure Framework (MTEF)</i>	In adequate information technological infrastructure
<i>Provides a demonstration of accountability and transparency to the public and cooperating partners</i>	Lack of adequate sensitization and publicity

Treasury Single Account (TSA)

In other to achieve a cash management system in Nigeria, the treasury single account (TSA) was introduced. The initiative started in 2012 under President Goodluck Jonathan but it was not fully implemented until 2015 when a full-fledged implementation of TSA took effect with all the Federal Government Ministries, Department and Agencies during the government of President Muhammadu Buhari. The main aim of the account was for it to bring an end to the fragmented multiple accounts kept by all Ministries, Departments and Agencies (MDAs). The TSA is a unified structure of government bank accounts that provide a consolidated view of government cash resources and position at any point in time. Is an essential tool for consolidating and managing governments’ cash resources, thus minimizing borrowing costs.

Table 4.3 Achievements and Challenges of TSA

<i>ACHIEVEMENTS</i>	<i>CHALLENGES</i>
<i>Improved budget control and monitoring.</i>	<i>In adequate information technological infrastructure.</i>
<i>Reduced corruption in the management of government resources.</i>	<i>Lack of well-trained Manpower.</i>
<i>Eliminated idle cash balances in bank accounts that fail to earn remuneration.</i>	<i>Coordinating stakeholders due to resistance based on limited understanding</i>
<i>Provided the Ministry of Finance/OAGF an oversight of all government cash flows.</i>	<i>Lack of adequate sensitization and publicity</i>
<i>Reduced borrowing costs on raising funds to cover a perceived cash shortage.</i>	<i>Non-enrolment of key arms of government</i>
<i>Consolidated government cash balances.</i>	<i>Lack of Legislation</i>

CONCLUSION

Nigeria paraded fragmented multiple banking systems for her inflows and outflows. There were unreasonable numbers of fragmented bank accounts in multiple banks with various Money Deposit Banks which made both the oversight function and the establishment of government consolidated cash position at any point impossible (Odewole, 2016). And the information regarding the nations human resource (personnel) was incomplete and wavering coupled with an impractical financial information management system. These were among some of the reasons an economic review was instigated and a public financial and information management system reform was established and is in operation.

In conclusion, the Government Integrated Financial Management Information System GIFMIS is an IT based system that drives the TSA and all other Financial Management System, while centralising all government transactions including payments and receipts into a single bank accounts. Furthermore, the Integrated Personnel & Payroll Information system (IPPIS) provides a complete framework for the administration of Federal Government of Nigeria's human resource base and is aimed at elimination of payroll fraud while ensuring data integrity on personnel information.

Recommendations based on the challenges of each of the system under review are; in terms of cash management reform (TSA); the coverage of the TSA should be comprehensive, encompassing all government cash, both budgetary and extra budgetary, which will ensure that no other MDAs will be allowed to operate bank accounts. This will ensure effective aggregate control over government funds. In addition, in relation to the cash management system, a provision of information technological infrastructure, adequate sensitization, publicity and training of personnel is recommended for the attainment of the paybacks. Lastly, in the terms of the personnel information system, there should be a requirement of sustained political will, commitments, capacity enhancement, and funding for the county to reap the full benefits of these reforms

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