

# Budgeting Techniques and Practices in Nigeria University Libraries.

"...In budgeting we should be doing a better job each successive year...we have to review periodically what we are doing." Lawrence Mathews."

The importance of budgeting as a major means of procuring financial resources cannot be over-emphasized. Next to human resources, finance is most important for the procurement of the other resources necessary for the accomplishment of the organisational goals objectives. The method of procuring funds (budgeting) cannot, but be given the much desired attention.

This paper is therefore focused on budgeting and budgeting techniques available for Nigerian university libraries, through which they can improve their revenue-base in the midst of competing demands on the limited funds. The following assumptions would be used as guidelines:

- (i) The way and manner budgets are prepared and submitted has a significant impact on the outcome of the budgets;
- (ii) that a well prepared budget, employing the most appropriate - budgeting techniques and based on well established principles of budgeting is most likely to succeed in its requests.
- (iii) that librarians are not availing themselves of the tremendous possibilities the 'never' or more innovative techniques can offer in attracting more funds; and
- (iv) that the traditional/incremental budgeting techniques have become inadequate for the needs of our libraries.

## Present Study:

Based on these assumptions this paper was designed; to explore the literature of the budgeting techniques and survey the existing budgeting practices and procedures in some selected university libraries in Nigeria. This approach was aimed at providing a brief description of the budgeting techniques, and establishing the need for the knowledge and application of the relevant budgeting techniques by Librarians in the university system.

## Definitions:

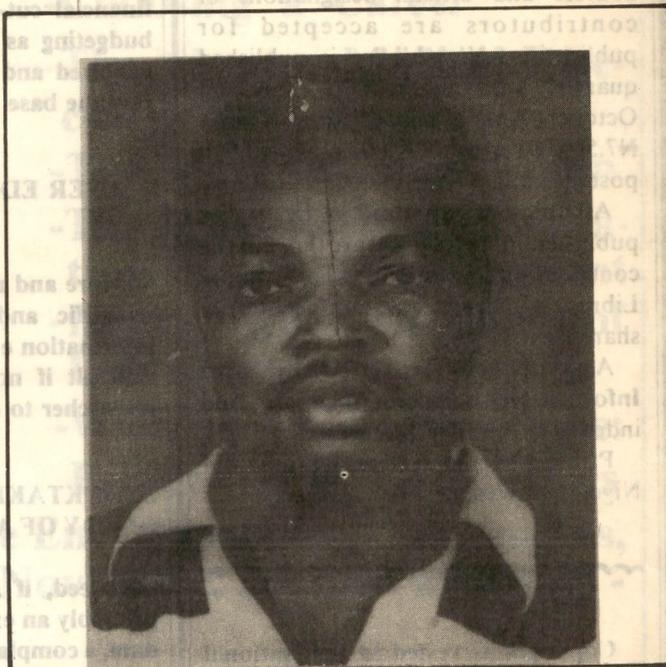
Budgeting has been defined variously by the many writers. Sills (1968) defined it as the "art of living within limited resources".<sup>1</sup> Wholey (1978) has also defined it as "a management science technique of allocating resources among man's various needs"<sup>2</sup>. Bittel (1978) defined it as "the Process by which costs are assigned to specific functions within a designated up-coming period (usually 12 months)."<sup>3</sup>

The Encyclopaedia of the social sciences (1968) defines budgeting as "a mechanism for the allocation of resources (scarce); and an instrument for pursuing efficiency and for the translation of financial resources into human purposes."<sup>4</sup> The Oxford Dictionary (1974) sees a budget as "a statement of the probable revenue and expenditure for the ensuing year, with financial proposals founded there on, annually."<sup>5</sup>

Within the context of the above definitions, it is clear that a budget is not only a most important financial document for planning and control purposes, but an important instrument of communication with an accompanying informative and supporting statement.

Summers (1971)<sup>6</sup> traced the emergency of budgets to the need to cut the excesses of spending agencies, especially governments as worsening economic conditions necessitate a better way of allocating limited resources to the various functions that have to be carried out.

As observed by Forwdor (1971)<sup>7</sup> budgets, regardless of their method of preparation, usually, consist of two main parts: *The Recurrent*, which takes care of continual expenses of the organisation for the fiscal year, and the *Capital Budget*, which takes care of projects (long range plan items) whose life-span may extend beyond the current fiscal year. The two component parts are aimed at meeting the current and future needs of the organisation each fiscal year.



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## The Budgeting Environment of Nigerian Universities:

To give some picture of the budgeting environment of the Nigerian university system, a description of the budgeting processes and procedures in the Ahmadu Bello University is given here, as this is typical of the Nigerian university system (with some minor variations).

In the Ahmadu Bello University, (1983)<sup>8</sup> annual budgets are informed/ determined by:

- (i) the teaching and research programmes;
- (ii) the needs of supporting services; and
- (iii) the limit of financial resources.

The development of the budget is the joint responsibility of departmental heads, the administration, the estimates committee, the financial and General Purposes Committee and the University Council. The annual budgets are usually part of longer term budgets, usually referred to as

Quinquennial Plans (5 - years plans) which are derived from two sources:

- (i) the Academic Plan; and
- (ii) the Financial Plan.

The Academic Plan, which is later translated into the financial plan entails:

- (i) developing new academic programmes;
- (ii) growth in student enrolment;
- (iii) expansion of physical facilities;
- (iv) expansion of existing teaching and research programmes;
- (v) increase of staff - teaching, research, administrative, technical, etc.; and
- (vi) determination of staff/student ratio.

The above items are then costed and developed into a financial plan, setting out the level of financial support required year by year, over the quinquennium period, and the annual budgets become the prime mechanism for the realisation of the objectives of the plan period through efficient and judicious allocation of the available resources between competing areas of university operation.

#### The budget Cycle:

The budget cycle in the Ahmadu Bello University is about seven months, and begins in November, when the Bursar issues a *Call Circular* to Departmental Heads and others responsible for submitting estimates. Departmental submissions are expected to reach the Bursar's office not later than 31st of December.

Processing of budget proposals begins early in the new year and this entails consultations with departmental heads, evaluation of departmental requests, in terms of workload or staff/student ratio; checking the arithmetical accuracy of submissions, etc.

The requests are compiled for submission to the Estimates Committee (a committee constituted by Senate) in February/March, at which point, departmental heads are required to justify (defend) their requests. A Draft Estimate is then prepared and submitted to the finance and General Purposes Committee (a committee constituted by Council) in April for consideration and appropriate recommendations to Senate in May/June.

The budget, as appropriated by Senate, is then presented to Council for its approval after which the budget as approved by Council becomes binding on the departmental heads, directors, etc., and spending is strictly within the approved allocation.

Perhaps, it remains to be mentioned, that all federally owned universities in Nigeria receive their annual subventions from the National Universities Commission (NUC). The universities submit their budgets to the NUC which submits them (including its own) to the Federal Ministry of Education, from where the budget requests would be sent to the Federal Executive Council and the Armed Forces Ruling Council (AFRC) for appropriation.

The environment described above is such a tedious one that only well informed budgets, both in content and style, can survive the axe of the Federal government through the bureaucratic channels which the budget proposals must pass.

Summers (1971)<sup>9</sup> has cautioned that with the emergence of budget analysts, who seek to know the contents and objects of the budget, the era of budget presentation as a routine matter is gone: that the Librarian is no longer the only expert in

library budgets while some of the humanistic premises upon which libraries claim to operate are being rejected by budget experts.

#### Budgeting Techniques:

In this section of the paper a brief description of both the traditional and the 'newer' budgeting techniques is presented. Historical details, applications and examples are excluded in these descriptions as these can be read up in the references cited.

Library budgeting techniques, according to Omoniwa (1984)<sup>10</sup> can be divided broadly into two categories.

- (i) the traditional/incremental techniques; and
- (ii) the 'Newer' and more innovative techniques; the traditional approaches include; Line-item budgeting Lump-sum budgeting; and the formulae budgeting. The newer and more innovative techniques on the other include; programme budgeting; performance budgeting; planning, programming and budgeting system (PPBS); and Zero Base Budgeting (ZBB)

The descriptions below are a summary of Stueart (1977)<sup>11</sup>, Summers (1975)<sup>12</sup>, Burton (1975)<sup>13</sup>, McAnally (1963)<sup>14</sup>, Summers (1971)<sup>5</sup>, Vogt (1978)<sup>16</sup>, Hayton (1980)<sup>17</sup> and Sarndal (1979)<sup>pw</sup>.

#### The Traditional/Incremental Budgeting System:

In this system, the budget of the previous year is taken as basic: only increases or decreases to the entire size of the budget are closely scrutinised. The basic objectives and structure of the budget are not reviewed. It is an appropriation rather than policy-making; it is non-programmatic, non-scientific and an inefficient system of budgeting. The only way any meaningful and rational decision can be made is to relate the claims in the budget to those of other claimants. The techniques in this group include:

(a) **The Line-item budgeting:** This is the most common type of budgeting, it enumerates and classifies items and services for which expenditures are to be made. Its overriding objective is to control the in-put resources and provide a basis for detailed accounting statements.

Its advantages are that it is easily prepared, understood and accounted for and it is easy to administer and control. Its defects are that it may not have any relationship with the organizational objectives; it is inflexible; it merely projects the past into the present; it lacks accountability for performance and, because it is easy to understand, its review can be excessively critical.

(b) **The Lump-sum budgeting:** This technique is most appropriate where the funding authority's interest is peripheral, or where there is need to remove a programme from politics. It is also used where the actual cost of programmes, cannot be ascertained. The lump-sum allocation is usually disbursed along line-item budgeting.

#### Advantages:

The advantages of lump-sum budgeting are that it is flexible and simple to operate, it allows its operators maximum freedom and it is cheap to maintain. While its defects are that it offers the least accountability of funds and

performance, its use is restricted to major projects and programmes; it usually suffers cuts across the board in times of austerity; it is not based on actual needs and it is prone to mismanagement and abuse.

**(c) The formulae budgeting:** The allocation of resources is based on some known or assumed relationships between two or more variables which are pertinent to the service to be rendered, e.g. a fixed amount per full-time student enrolment, and a ratio of library staff to enrolment and some professionally derived standards; for instance, the ALA's standard that 5% of recurrent estimates of colleges and universities should be allocated to their libraries (which has been accepted by the National University Commission).

Its advantages includes the following:

- (i) it uses some pre-determined standards to allocate monetary resources;
- (ii) it relates budget needs to other aspects of institutional growth and change;
- (iii) it facilitates the budgeting process;
- (iv) it has wide acceptability for resulting figure.
- (v) It connotes an air of mathematical infallibility.
- (vi) the actual cost of providing services is unknown;
- (vii) the Technique lacks any logical justification for preparing budgets.

#### **Defects:**

- (i) Formulae are based on experience, thus they are projections of a current programme ;
- (ii) Formulae inherently assume a relationship between quantity and quality;
- (iii) Formulae ignore the political and other factors of budgeting;
- (iv) State-wide application of the system ignores the peculiar circumstances, which determine the cost of library services;
- (v) May be unrealistic during periods of financial stringency;
- (vi) The actual cost of providing services is unknown;
- (vii) The Technique lacks any logical justification for preparing budgets.

#### **The Newer or more innovative techniques:**

The main focus of these techniques is performance, planning, programming, systematic analysis of objectives, efficiency and the effectiveness of operations. These techniques apply performance and other criteria to yearly budgetary requests, and this had made budgeting more than a mere "shopping list". Searching questions are raised about how well the requesting departments have met their objectives with the previous year's allocation, and they have to demonstrate the relationship between expenditures and programme objectives. These Newer Techniques include:

**(a) Programme Budgeting:** In this technique programmes are identified; the objectives of each programme or service are identified and the total cost of achieving the objectives is computed. While the Traditional Techniques classify expenditures in terms of items to be purchased, the Programme Technique places more emphasis on the end-product of each programme (i.e. end-result).

#### **Advantages:**

- (i) Programme remain the focal point in fund allocation.
- (ii) The system is flexible to draw up and administer.
- (iii) Programmes can be modified, suspended, or deleted based on the exigencies of the moment.
- (iv) Cuts across-the-board can easily be absorbed.

Below are some of its defects:

- (i) The Technique is not accompanied with performance measures;
- (ii) It lacks accountability of how previous allocation was utilized;
- (iii) It is an ambitious budgeting method;
- (iv) The system faces many unforeseen constraints during implementation, which can make its success difficult.

#### **(b) Performance Budgeting:**

This technique is similar to Programme Budgeting except that expenditure is based on performance and efficiency of operations. It is sometimes called *Function Budgeting*, because costs are estimated in terms of work-programmes to be accomplished. It uses established work-standards and measurements. All activities to be carried out are enumerated and grouped into units or programmes, with unit and total costs of achieving the objectives of the services/programmes.

#### **Advantages:**

- (i) It uses established work-standards and measurements to cost each service, activity or programme;
- (ii) It applies quantitative data and techniques of cost-benefit analysis to measure performance;
- (iii) Fixed-costs can be easily identified and added to final cost;
- (iv) Performance can be measured easily and decision can be reached easily on whether to fund or not to fund a programme based on performance.

#### **Defects:**

- (i) It places more emphasis on efficiency rather than service (effectiveness);
- (ii) It measures only quantity and not quality;
- (iii) It may collect and use dubious and bogus statistics to achieve more funds.

#### **(c) Planning, Programming Budgeting System (PRESS)**

The emphasis of this technique is on planning and programming: It formulates goals and objectives, and establishes criteria for measuring performance. The technique also incorporates estimates/costs of accomplishing the identified goals and objectives. It is a tool for allocating resources, rather than controlling operations. It is a technique that relates policy-planning to resources-utilization. Under it, the budget becomes an instrument for implementing policy and programme decisions, produced through analytical efforts.

#### **Advantages:**

- (i) It is a scientific method that can improve decision-making process;

- (ii) It provides appropriate criteria for the evaluation of the achievements of the fiscal year;
- (iii) It combines planning, programming and finance together as a budgetary technique; and
- (iv) Effects of budgetary cuts can be evaluated easily.

#### Defects:

- (1) PPBS is a highly technical and complex budgetary process;
- (ii) It requires a lot of paper work;
- (iii) It requires skilled and experienced budgetary practitioners with sound analytical background;
- (iv) It under-estimates the impact of instability in public policy and political conflicts, which are not easily resolved.

#### (d) Zero Base Budgeting (ZBB)

The ZBB is "a Planning and Budgeting Process which requires each manager to justify his entire budget requests from the scratch (hence Zero base).

It requires all activities to be analysed in decision-packages, which are evaluated, through systematic analysis and ranked in order of importance or priority." The main concern of the technique is that programmes are not entitled to automatic and continuing funding, once they are created; a case must be made each fiscal year for continued funding, and if a programme fails to meet the test of re-authorisation, it can be dropped. The technique attempts to answer four basic questions:

- (i) Does the activity/programme/service, contribute efficiently to the organisation's goals and objectives?
- (ii) Can the activity/programme or service be suspended, eliminated without any serious implications?
- (iii) Are there alternative methods for accomplishing the objectives of the activity/programme or service?
- (iv) Will the goals of the organisation be better served by allocating more or less funds to the activity/programme or service?

To answer these questions Management must develop Decision-packages (Programmes) and rank them in their order of importance or priority to the organisation.

#### Advantages:

- (i) It can eliminate duplicative and overlapping programmes;
- (ii) It engenders public confidence in the programmes since both the base and increments are justified;
- (iii) It offers the greatest opportunity to prioritize programmes in the light of available funds;
- (iv) It encourages participation of the middle level managers and make them cost-conscious;
- (v) It shows clearly the consequences and implications of financial cutbacks

#### Defects:

- (i) It is not a panacea for reducing costs.
- (ii) It is always faced with bureaucratic resistance.
- (iii) It cannot be adopted whole-sale by big and multi-purpose organisations;
- (iv) It is a highly technical and sophisticated budgeting system;

- (v) It entails a lot of committee and paper work;
- (vi) Evaluation of programme-objects can be very expensive, especially in large, multi-purpose organisations.

#### Budgeting in Nigerian University Libraries:

This section of the paper contains the report of a Survey of selected University Libraries in Nigeria which was aimed at establishing existing budgeting practices and procedures, and to establish the need for the adoption of the newer and more innovative budgeting techniques as described above.

#### Methodology:

Twelve university libraries were selected for the survey; four from the universities located in the Northern part of the country, three from the East, and five from Western part of the country. Using certain variables such as age, size, geographical location, the experience of the Chief Executives of the libraries, etc. the following libraries were selected for inclusion in the sample.

1. The University of Ibadan
2. The University of Nigeria, Nsukka
3. The University of Lagos.
4. The Ahmadu Bello University, Zaria.
5. Obafemi Awolowo University, Ile-Ife
6. The University of Jos
7. The University of Calabar
8. The University of Port-Harcourt
9. The University of Ilorin
10. The University of Maiduguri
11. The University of Benin, Benin City
12. The Bendel State University, Ekpoma.

#### Data Collection:

An Instrument entitled *Budgeting Techniques for University Libraries in Nigeria*, containing fourteen questions was developed and mailed to the University Librarians with a covering letter explaining the object of the survey, and soliciting their co-operation. To facilitate quick return, a self-addressed and stamped envelope was enclosed. The questions were also framed in such a way as to make them easy to fill-without any recourse to files. At the end of December 1986 nine of the twelve libraries had returned their completed questionnaires, duly filled, thus giving the survey a return rate of 75%, which by any standard is not bad to work with.

#### Analysis:

This section contains the analyses of the responses given to the questions posed in the questionnaire.

#### Response Rate:

Out of the twelve libraries sampled, only the University of Ibadan, Obafemi Awolowo University, Ile-Ife and the University of Nigeria, Nsukka, did not return their completed questionnaires, hence the 75% response rate.

On how long the Chief Executives have been University Librarian, the survey showed that over 55% of the respondents have been University Librarian for over ten years, while about 33% have been in that position for less than

five years. This shows that the majority of Nigerian University Librarians are experienced professionals and financial managers.

To find out whether the respondents have any budgeting experience before becoming university librarian, the survey revealed that 89% of the respondents have been exposed to budgeting before assuming the post of university librarian. This claim, seems to dismiss the notion in certain quarters that the Chief Executive of Nigerian University Libraries do not share responsibility in the area of budgeting with their deputies and top librarians.

To find out whether a sound knowledge of budgeting and budgeting techniques was desirable for librarians, the survey revealed that 78% responded that this was desirable. Since the budget is the single most important instrument for procuring funds, there is, no doubt, that the best way to make the best out of the bad job (of budgeting) is to acquire both the knowledge and the technology of budget-making.

On whether the application of modern or newer and more innovative budgeting techniques could improve the revenue base of university libraries, the survey showed that 89% responded in the affirmative. There was a general belief among respondents that budgeting has moved beyond the presentation of a "shopping list".

To find out the budgeting techniques being employed by the respondents, the survey showed that all the respondents (100%) used a combination of Line-item, Lump-sum and Formulae Budgeting Techniques (all traditional methods). Since they could choose more than one Technique, 44% of them indicated that they used Programme Budgeting, while only 22% claimed they used PPBS. None of the respondents indicated they used Performance and ZBB Budgeting Techniques.

It must be noted that since none of the techniques is pure, naturally, whatever technique is used can be a hybrid of techniques. What is important here, is the gap between the ideal and practice; while virtually all of the respondents recognised the need to know and apply sound budgeting principles and techniques, yet the practice is that the respondents are still sticking to the traditional techniques.

To find out whether there was a need to overhaul the existing budgeting techniques being used, the survey showed that 44% of respondents claimed that there was no need, while 33% agreed there was a need. Some of the reasons given were that the system they used was the same as the one being used by the parent organisation, and that, as long as the parent organisation continued to get less and less funds from the government, their own problem did not lie in changing their budgeting techniques. This, of course, is not true.

On whether the respondents have introduced any budgeting techniques other than the one they inherited, the survey showed that 78% of the university librarians have never introduced any new technique into their budgeting system. This tends to agree with the findings in 7 above.

To find out whether the librarians shared responsibility in budget preparation with their deputies and top librarians, the survey revealed that 78% shared responsibility. This agrees perfectly well with the findings of (3) above, where 89% of the respondents claimed that they have had some budgeting experience before becoming university librarian.

In view of the complex process and procedures being followed in budget preparation, it would have been surprising if the Chief Executives did not share responsibility for budgeting with their deputies. Significantly surprising is the

22% of the respondents who felt that there was no need to share responsibility, because they felt financial matters rested squarely on the Chief Executive.

On whether the quality of the budget does affect the allocation of funds in their institutions, 56% of the respondents claimed 'No' while 44% said 'yes'. This finding is quite surprising. If allocation is based on available funds, naturally, one would have thought that the quality of the Budget should influence allocation of funds, more significantly. This factor, is, however, significant in that it shows that there are many other factors taken into consideration by the appropriating body; and that allocation of scarce resources is an economic as well as a political decision. To find out how the austere times have affected their annual budgets in the past five years, the survey showed that all the Libraries (100%) have suffered budget cut-backs consistently in the past five years. The implications of this trend on library operations are quite obvious: cutback in Library Services, shortage of staff, equipment and facilities both for users and staff.

#### Significant Findings:

Some of the significant findings of this survey could be summarised as follows:

- (1) Most of university librarians (89%) in Nigeria have had some experience in budgeting before assuming their posts.
- (2) A little above half (55%) of the university librarians have had ten years experience on the post.
- (3) Many (89%) of the university librarians agreed that a sound knowledge of budgeting principles and techniques is desirable for librarians.
- (4) Almost all (99%) the university librarians still use essentially the traditional budgeting techniques in the preparation of their budgets.
- (5) Seventy eight percent of the university librarians continued to use the budgeting techniques they inherited over ten years ago.
- (6) The same percentage as above (78%) of the librarians share responsibility in budget preparation with their deputies and top librarians.
- (7) Many, (89%) of the librarians agreed that the application of more innovative budgeting techniques could improve their revenue base.
- (8) All the libraries surveyed have suffered financial cut-backs consistently in the last five years; and
- (9) Since budgetary allocation is based on available funds, over 55% of the respondents reported that the problem of financial cutbacks stems from less and less funds being allocated to their parent organisation by the Federal Government.

#### Conclusion:

From the results of this survey, and the description of the budgeting techniques given, it can be concluded that Nigerian university librarians have continued to draw largely on the traditional budgeting techniques, because of their ease of preparation and administration. Since whatever knowledge of budgeting the librarians possess, have been acquired on the job. It is clear why they stick to the traditional techniques which lend themselves more easily to continuity from one Librarian to another. The more innovative techniques require some basic training in financial management.

This paper, has highlighted some of the weaknesses inherent in the present budgeting practices in our university libraries. It remains for the Committee of University Librarians, the Library Schools, the Nigerian Library Association and other related organisations/institutions to organise seminars/workshops to raise the level of knowledge of librarians in financial management, with special emphasis on budgeting, (Budgeting Techniques, Processes and Procedures) with particular reference to the Nigerian situation.

This writer is of the opinion that the fact that the universities are getting less funds year in, year out, is not an

excuse for librarians to accept as a "fait accompli" the yearly financial cut-backs on their budgets. Librarians must see budgeting as an art as well as a technology, which can be acquired and transferred, and can be used to improve the revenue base of their libraries.

Finally this paper recommends that as librarians move into twenty first century they should move gradually towards the adoption of the more scientific and innovative methods in the preparation of their budgets. This is the surest way, in spite of all odds, to attract more funds to our libraries. The advantages of the new techniques far outweigh those of the traditional techniques.

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