

UNIVERSITY OF CAPE COAST

PUBLIC FINANCIAL MANAGEMENT AND SERVICE DELIVERY AT  
THE LOCAL GOVERNMENT LEVEL: A CASE OF EJURA  
SEKYEDUMASE MUNICIPAL ASSEMBLY IN THE ASHANTI REGION  
OF GHANA

SIMON OFFEH KWARTENG

2017

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OF GHANA

BY

SIMON OFFEH KWARTENG

Thesis submitted to the Department of Accounting of the School of Business,  
College of Humanities and Legal Studies, University of Cape Coast, in partial  
fulfillment of the requirements for the award of Master of Commerce Degree  
in Accounting

FEBRUARY 2017

DECLARATION

**Candidate's Declaration**

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Signature: .....Date:.....

Name: .....

**Supervisor's Declaration**

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor's Signature:.....Date: .....

Name: .....

Co-Supervisor's Signature:.....Date: .....

Name: .....

## ABSTRACT

Public financial management concerns the efficiency and effectiveness of the use of public resources based on approved budgets. The purpose of this study was to assess the influence of public financial management and service delivery at the local government level using Ejura Sekyedumase Municipal Assembly in the Ashanti region of Ghana as a case. The specific objectives were to establish the relationship between policy based budgeting and service delivery; determine the extent to which budget credibility support service delivery; and the influence of revenue generation and allocation on service delivery.

A descriptive study design and census method was used. Data was collected not only from the budget and financial reports of the Assembly but also by administering questionnaires to 11 senior staff and their assistants and 62 assembly members in the Municipality. The data was analysed using descriptive statistics, correlation, paired sample t-test and regression.

The study found that there was a strong relationship between policy based budgeting and service delivery at the Assembly. The credibility of the Assembly's budget in terms of fiscal discipline was strong but weak when actual budgetary releases were matched to the voted budgets. The Assembly was not able to meet its budgeted revenue. The study also realised that positive direct relationships exist between revenue allocation and service delivery. The study therefore recommends that the Assembly strengthens its internal control mechanisms and look inwardly to improve its internally generated fund collection to support service delivery at the local level.

## ACKNOWLEDGEMENTS

I wish to express my sincere gratitude and appreciation to my principal supervisor, Prof. E. Marfo-Yiadom, for his guidance, constructive comments, corrections and suggestions towards the success of this work. I also appreciate the guidance and suggestions of my co-supervisor, Mr. Seyram Kawor of the Department of Accounting and Finance, University of Cape Coast.

I am also particularly grateful to Mr. Patrick Akorsu a senior lecturer at the Department of Accounting and Finance, University of Cape Coast for his words of encouragement and Prof. Francis Enu-Kwesi of the Institute for Development Studies, University of Cape Coast for his suggestions towards the success of this study.

Moreover, I wish to express my gratitude to Ejura Sekyedumase Municipal Finance Officer, Planning Officer and Treasury Department for the information given for the purpose of the study. Similarly, another thanks to Mr. Jamilu Mohammed, Bio-statistics assistant at St Luke Hospital, Kasei who assisted me greatly with the collection or gathering of data from assembly staff, men and women in the Municipality.

Last but not the least, my gratitude goes to my friend Mr. Godfred Addai at Ejisu in the Ashanti region for his special support to the study and all other personalities who helped in diverse ways in bringing this work to a successful end.

## DEDICATION

This work is dedicated to my wife, Patience Baah and my son, Jullien Akwasi Kwarteng and my mother Philomena Adjei Kwarteng.

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## ACRONYMS

ACCA	Association of Certified Chartered Accountants
CIPFA	Chartered Institute of Public Finance and Accountancy
DACF	District Assembly Common Fund
GPP	Government Performance Project
IGF	Internally Generated Fund
IFAC	International Federation of Accountants
NASBO	National Association of State Budget Officers
NDPC	National Development Planning Commission
NGA	Non Governors Association
NGO	Non Governmental Organisation
MTEF	Medium Term Expenditure Framework
MMDA	Ministries Metropolitans Departments and Agency
OECD	Organisation of Economic Cooperation and Development
PRSP	Poverty Reduction Strategy Paper
PAC	Public Accountant Committee
PEFA	Public Expenditure Financial Accountability
PFM	Public Financial Management
RGDP	Real Gross Domestic Product
UNDP	United Nation Development Programme

## **CHAPTER ONE**

### **INTRODUCTION**

#### **Background to the study**

In recent years, governments all over the world have embarked on a wide range of financial and administrative reforms as a result of social, political, economic and technological pressures on them to become more effective, efficient and accountable for the use of public resources (Hoque & Moll, 2001). It is opined that governments are pressured from increased globalization, scarcity of resources, dissatisfaction of citizens with the current management, and curtailing of the budget spending (Wensing, 1997).

There is an increasing focus on improving the quality of public financial management around the globe, with many countries in both the developed and developing world making important and impressive achievements in strengthening public financial management and governance (ACCA, 2010). Large part of developments depends on the efficiency, integrity, and effectiveness with which the state raises, manages, and expends its resources on achieving the objectives of government (OECD, 2009). Therefore, improving the formal and informal rules and institutions that govern these activities, and strengthening the related human and technological capacities should be a major component of any development approach.

Public sector landscape is rapidly changing with an increasing emphasis on fiscal management and discipline, prioritisation of expenditure and value for money (Burger, 2008). As a result, it is even more important that

governments, national and local institutions including regulators and professional accountancy bodies, work together in partnership to achieve long-lasting improvements, transparency and accountability in public financial management. In February 2009, the Eastern and South African Association of Accountants (ESAA) conference recognised the urgent and vital need to develop and improve public financial management in Africa.

Similarly, in July 2009, the International Federation of Accountants (IFAC) G20 Summit in London and the World Bank emphasised the need to develop and strengthen the finance profession in developing and emerging economies to achieve stable and stronger financial management. Again, donors, lenders and multinational institutions such as the World Bank, International Monetary Fund (IMF), Department of International Development UK (DFID), European Commission (EC) and Cultural Industries Development Agency (CIDA) of the United Kingdom continue to make funds available to build public financial management capacity and curriculum development in financial training in a number of under-developed countries and emerging economies (ACCA, 2010).

Public financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operation. Public financial management involves all components of a country's budget process both upstream and downstream. The upstream includes strategic planning, medium-term expenditure framework, annual budgeting and the downstream which includes revenue management, procurement, internal control, accounting and financial reporting, monitoring and evaluation and audit (Burger, 2008). It supports aggregate control,

prioritization, accountability and efficiency in the management of public resource and delivery of services, which are critical to the achievement of public policy objectives for the local community development (OECD, 2009).

Public financial management is absolutely critical to improving the quality of public service outcomes. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public services. In addition, the general public will have greater trust in public sector organisations if there is strong financial stewardship, accountability and transparency in the use of public funds. Public financial information is often used as the mechanism to support decision making. It is concerned with improving resource management and budgeting, responding to changes in financial accounting and reporting, securing better regulation, strengthening institutions, improving risk management and governance, and eradicating fraud and corruption (ACCA, 2010).

Both the developed and the developing countries continue to struggle with the increasing complexities of public financial management and the pace of change. Following developments in many other countries, several financial reforms were carried out in the Ghanaian public financial management to achieve two main themes: promote culture of performance and to make the public sector more responsive, accountable, efficient and effective to the needs of the public (Hoque& Moll, 2001).

Over the last few years, the Government of Ghana has accelerated its development and implementation of public financial management reforms through a number of measures intended to strengthen the legislation framework and improve oversight of the use of public resources (World Bank,



2006). Many of such reforms have occurred in the area of decentralization, budgeting, financial administration, personnel emolument and pension administration, procurement, expenditure management and internationalization of financial reporting (World Bank, 2006).

Some specific reforms in recent years are the adoption of the medium term expenditure framework of budgeting in 1999, financial administration reforms through the passage of the financial administration Act (Act 654) in 2003 and financial administration regulations (L.I 1802) in 2004, public procurement reforms in 2003, national pension reforms in 2008, the restructuring of the revenue collection agencies in 2009, the budget and public expenditure management system (BPEMS) and most recently, the Ghana integrated financial management information system (GIFMIS). Government recognised that the efficient use of public funds depended on the availability of timely and relevant financial management information and the adoption of internationally accepted financial reporting, accounting and auditing principles, best practices and standards (OECD, 2009).

With resources becoming more finite and population growth increases, emphasis are now being placed by Ghana government on local resources to improve service delivery. In order to improve service delivery, the government of Ghana has noted that deliberate and concerted efforts must be made to eradicate the economic, social, cultural, and political factors that contribute to mass poverty in the country (Mensah, Domfeh, Ahenkan&Bawole, 2013).

EjuraSekyedumase Municipal Assembly is facilitating and executing this agenda in its municipality (Ejura Sekyedumase Municipal Assembly, 2013). Its mandate and authority are captured in the 1992 constitution and the

Local Government Act 462, 1993. The Assembly's mandate include legislative, administrative, development planning, service delivery as well as budgeting. The Assembly is responsible for the implementation of government programmes and projects in their areas of jurisdiction (Republic of Ghana constitution, 1992: Republic of Ghana Local Government Act, 1993). This is done by identifying and using primarily local resources, ideas and skills to stimulate economic growth and development, with the aim of creating employment opportunities, reducing poverty, and redistributing resources and opportunities to the benefit of local communities.

In this sense, the International Labour Organisation (2006) maintains that, development projects empowers local societies and is founded on the belief that problems facing communities such as unemployment, poverty, job loss, environmental degradation and loss of community control can best be addressed by community-led, grass-root, integrated approach.

### **Problem statement**

Public financial management is increasingly getting attention around the globe with many countries making conscious and important efforts in strengthening public financial management application. The standard interventions have focused on improving the comprehensiveness of budget operations, building better links between annual allocations and medium-term policy objectives, introducing performance indicators and management systems and computerising budget management and expenditure control. These reforms have changed the traditional role of public financial management to one that is more focused on accountability, output,

performance measurement, efficiency, cost savings and productivity (Hedger &Renzio, 2010).

In Ghana, studies done on public financial management have been focused more on revenue mobilization and allocation, internal controls, procurement and internal and external audit system. Studies related to public financial management done by the Ministry of Finance and Economic Planning and German Technical Cooperation (2010) and De-Renzio and Smith (2005) were focused at the national level with different methodological approach. At the local government level, public financial management in terms of policy based budgeting, credibility of budget and revenue generation and allocation and its influences on service delivery has not received much attention.

The Ministry of Finance and Economic Planning and German Technical Cooperation (2010) argue that budget for programmes and projects in the district medium term development plans far exceeded the financial resources of the district assemblies and are unable to implement barely 50% of planned programmes and projects. Resource utilisation by the assemblies was not linked to their annual action plans and district medium term development plans. In addition, district assemblies had to contend with huge deductions and delay in disbursement of funds from District Assembly Common Fund to meet programmes and projects.

According to Simson and Welham (2014), budget credibility supports service delivery and indicated that in developing countries, compensation expenditure (wages) is the most credible expenditure with five percent (5%) variance or below. Goods and services expenditure is less credible with a variance of twenty percent (20%), while the assets or capital projects is the

least credible by far, fluctuating hugely with a variance of eighty percent (80%) affecting service delivery.

The Public Accounts Committee of the Ghanaian Parliament continuously identifies poor accounting practices, internal control failure and incompetent financial decisions as the main threat to public financial management (PAC Report, 2006-2009). Notwithstanding these, the Auditor-General's report on the management and utilization of District Assemblies Common Fund (DACF) for 2011 has revealed that metropolitan, municipal and district assemblies across the country misappropriated a total of GH¢43,975,431 (GH¢44 million) of the District Assembly Common Fund meant to improve projects and programmes at the various districts (Auditor General report, 2011). This reports noted that deficiencies found in the financial operations of the district assemblies, created the avenue for some officials of the assemblies to mismanage public funds and resources in transactions such as cash management, which recorded massive irregularities, unsubstantiated payments, misappropriation and misapplication of earmarked funds for development programmes.

Similarly, Ejura Sekyedumase Municipal Assembly report (2012) indicated that funds from central government and donor sources to meet capital expenditure in the Municipality have been very erratic over the years and this was impacting negatively on the assembly's programme of activities slated for execution in a particular period. Monitoring of projects and programmes are irregular and the revenue mobilisation is not encouraging. The Municipality can boast of one of the biggest markets in the country, but this market is not well developed to attract traders (merchants) as in the

Techimanand Yeji markets (Ejura Sekyedumase Municipal Assembly, 2012).

Public financial management is now considered critical in combating corruption, alleviating poverty, and ensuring the effective use of internal and external resources and financial accounting and reporting (Burger, 2008). In the light of this, the study seeks to assess public financial management influence on service delivery at the local government level. As a result, it will influence international donors, government, and local institutions to work together to achieve long-lasting improvements in the localities.

### **Objectives of the study**

The main objective of the study is to assess public financial management and service delivery at EjuraSekyedumase Municipal Assembly.

The Specific Objectives are to:

- (a) assess the relationship between policy based budgeting and the service delivery;
- (b) examine the extent to which credibility of the budget supports service delivery; and
- (c) evaluate the influence of revenue generation and allocation on service delivery.

### **Research questions**

- (a) What is the relationship between policy based budgeting and the service delivery?
- (b) How is the credibility of the budget support service delivery?
- (c) What is the level of influence of revenue generation and allocation onthe service delivery?

(d) What is the internally generated fund contribution to service delivery?

### **Significance of the study**

The study would provide an insight into the factors that influence public financial management on service delivery. This would be useful to management of all district and municipal assemblies to guide them in their planning towards programmes and projects. It would make the assembly equally pay attention and better look inward to generate revenue to support programmes and projects. Similarly, it would assist the Assembly to prepare its budget for programmes and projects in the district medium term development plan with recourse to the financial resources of the assembly to avoid abandoned and rollover of projects to subsequent years.

The study would further add to existing literature on public financial management and service delivery at the local government level. It would also serve as a reference point to other researchers who may like to research in similar or related fields.

### **Organization of the study**

The content of the study is in a logical sequence and will consist of the following five chapters. The first chapter discusses the background of the study, problem statement, the objectives and the research questions. The significance and the organisation of the study are catered for as well. Chapter two contains literature review. The various theories and concepts of the public financial management at the local government level have been reviewed including review of empirical evidence to the study. The next chapter which is the chapter three discusses the methodological approach adopted for the study.

Chapter four presents the results and discussion while chapter five summarizes, concludes and provides recommendations for public financial management and service delivery at the local government level and provides suggestions for future studies.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **Introduction**

This section of the study reviews literature that relates to the public financial management and service delivery at the local government level. In addition, the various theories that underpin the concept of public financial management and service delivery are discussed after which empirical evidence on policy based budget, budget credibility and resource generation and allocation are reviewed.

#### **Theoretical framework**

This section reviews the theoretical perspectives of public financial management that are relevant for this study. Fiscal decentralization and resource dependency theories were chosen as its theoretical framework to guide the study.

#### **Fiscal decentralization theory**

Fiscal decentralization is increasingly becoming a popular strategy to improve public sector efficiency, effectiveness, and accountability (Bahl & Linn, 1992). Generally, there are many kinds of decentralization such as political decentralization, administrative decentralization, fiscal decentralization and among others (Vu, Le, & Vo, 2007). This study focuses on fiscal decentralization. Fiscal decentralization entails shifting some



responsibilities for expenditure and revenues to lower levels of government. A UNDP (2005) report explained fiscal decentralization as local governments given more power to have authority and control in the use and management of their financial resources. This is the extent to which sub-national entities are given autonomy to determine the allocation of their expenditures (Osoro, 2003).

Fiscal decentralization has become the main issue in the decentralization process of which Ghana is no exception and it includes externally and internally generated sources of revenue and utilization of expenditure. It has become very important for government in their quest to achieve their desired development goals and objectives at the local level (Dick-Sagoe, 2012). Genuinely to be supportive of a decentralization process, the basic characteristics of a system for decentralized financial management should include: (a) transparency of allocation, (b) predictability of the amounts available to local institutions and (c) local autonomy of decision making on resource utilization (Dick-Sagoe, 2012).

Fiscal decentralization is considered to be better equipped to provide a more adequate service to the local population than central government (Ebel&Yilmaz, 2002). According to Ezcurra and Pascual (2008), decentralization may improve not only as potential for achieving Pareto efficiency, but also for achieving greater economic equality across territories. Many authors have indicated that fiscal decentralization is frequently seen as a means of increasing democratic participation in the decision-making process and allowing for greater transparency and accountability (Ebel&Yilmaz, 2002; Dabla-Norris, 2006).

Despite this dominant view, there is, however, little empirical support to substantiate the claims of the economic benefits of fiscal decentralization at the local level (Rodríguez-Pose & Bwire, 2004). Overall, the literature on decentralization and economic growth in the context of development is still in its infancy (Bardhan, 2002). This scepticism is fuelled by problems often associated with decentralization, such as increasing deficits, lower quality of government decisions, corruption, increased influence of interest groups, and greater interregional and inter-district inequalities, which may result in lower overall local economic growth (Prud'Homme, 1995). Rodden(2002) even considers it harmful, especially in the case of developing and transition economies.

Ghana's decentralization process provides a framework for a system of locally-controlled development and planning. By this process, district assemblies were established and charged as the local planning authorities with responsibility for the overall development and governance of their district and municipal assemblies (Dick-Sago, 2012). This has made the municipal and district assemblies to be at the centre in the provision of service delivery at the local government level in Ghana.

### **Resource dependency theory**

Resource dependency theory explains that all organizations rely on resources from their environment (Fadare, 2013). These resources are in the hands of other organizations within the environment. This theory suggests that the holders of these resources are able to exert power and control over organizations that require the resources. Thus, organizations' survival and

success are contingent on the ability to control the flow of resources (Fadare, 2013). The resource dependency theory is attributed to Pfeffer (1973); Pfeffer and Salancik (1978). According to Pfeffer and Salancik (1978), resource dependency theory argues that “the key to organizational survival is the ability to acquire and maintain resources. In addition, Hatch (2013) expands on this definition by explaining that the district’s reliance on its environment is a function of its need to acquire resources to meet the service delivery.

In a work by Hillman, Canella and Paetzold (2000), the resource dependency theory is seen to focus on the role that assemblies play in providing or securing essential resources to the district through their linkages to the external environment. The growth and development of the district is to large extent, dependent on the amount of resources available to it. This theory rests on a few straightforward principles. First, the district needs resources to pursue its goals for development. Second, the district can obtain resources from its environment or, more simply, from other organizations. Resource dependency theory provides assemblies with a perspective for comparing different strategies, emphasizing the short-term coordination costs as well as the long-term prospects of the district growth and development (Hillman, Canella & Paetzold, 2000).

However, Fadare (2013), suggests that the district cannot develop if it is unable to guarantee the continuous supply of resources critical for its development. Using a predictive model of resource dependency, Sheppard (1995) found significant, consistent positive relationships between district development and the present level of the district’s resources, influence with critical resource providers, and the stability of the district environment. In

view of this, vigorous efforts are made to ensure the availability of resources necessary for the growth and development of the district.

Resource dependency theory provides valuable guidance for managers in making decisions. The fiscal landscape is changing and continues to challenge public managers (Malatesta & Smith, 2014). National Governors Association (NGA) and National Association of State Budget Officers (NASBO) (2012) reports drastic reductions in state and local government revenues and collections. The assumption in this theory is that district assemblies apart from their local revenue are also funded from a central source of government funds, where the constraints create competition with other government agencies for funding. Assemblies must have resources and capabilities and must take into account their environment and negotiate with relevant resources and exploit its opportunities (Matthews & Shulman, 2005).

### **Concept of public financial management**

A country's development is influenced, in part, by how effectively its government raises, manages, and expends public resources (Burger, 2008). There is wide agreement that effective institutions and systems of public financial management have a critical role to play in supporting implementation of policies of national development and poverty reduction (Public Expenditure Financial Accountability (PEFA), 2005). A review of literature on public financial management shows that there are many ways to define public financial management (Pretorius & Pretorius, 2008). It has been defined by the Chartered Institute of Public Finance and Accountancy (CIPFA, 2010) 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. This definition of public financial management applies to how to deal with the pressures of balancing limited resources with expanding demands and expectations, and with their obligation to spend the taxpayer funds carefully.

Alternatively, Simson, Sharma and Aziz (2011), define public financial management as the mobilisation of revenue, the allocation of these funds to various activities; expenditure and accounting for spent funds. This means that public financial management has to do with efficient use of funds. They further submit that it is about taxing (raising revenue) and spending by the government, and the impacts this has on resource allocation and income distribution. Beyond this however, Task Force on Public Financial management, (2009-2011) submit that public expenditure should link more closely with the revenue side of the budget (especially taxation). Better resource mobilization can create a culture of government accountability to the citizen-taxpayer, diversify and make more effective public finance, enable long-term financial commitments to citizens, and reduce dependence on aid flows.

According to CIPFA (2010), local governments contend with greater demands and fewer resources. They must increasingly look to new and creative business models to generate revenue to meet service delivery in their localities. It further states that local governments deserve the trust that goes with exacting standards of probity and accountability in the use of public resources. Langlois and Beschel (1998) indicate that sound public financial management systems are potentially powerful instruments for preventing,

discovering or facilitating the punishment of fraud and corruption. There is the need to ensure inclusiveness in decision-making around the use of funds, transparency in allocations and procurement, regular monitoring and independent audits and a rolling programme of reporting and evaluation.

Furthermore, the Department of Budget and Management (2012), stress that public financial management encourage the local government to generate its own sources of revenues and ensure availability of resources to meet the people's priority needs. At the same time, it encourages public sector to manage limited financial resources to ensure economy and efficiency in the delivery of outputs required to achieve desired outcomes that will serve the needs of the community (International Federation of Accountants (IFAC), 2012). It is through the public financial management system that national and district policies are transformed into actions and services are delivered. It provides for collective decision-making, for citizens to express their preferences and fiscal transparency.

### **Objective of public financial management**

The World Bank's Handbook (World Bank, 1998); Sjolander, Hedvall, Salomonsson and Andersson (2007) as cited in Department of Budget and Management (2012) outline the three main objectives of public financial management. Firstly, aggregate fiscal discipline (expenditure control): According to World Bank (1998) and Sjolander *et al* (2007), aggregate fiscal discipline ensures that public spending is in line with available resources. They argue that budget totals should be the result of explicit enforced decisions. Budget should not merely accommodate spending demands. Failure

to achieve this objective will endanger macroeconomic stability. These totals should be set before individuals spending decisions are made and should be sustainable over the medium term and beyond.

Secondly, allocation of resources in accordance with strategic priorities (Strategic allocation): Expenditure should be based on government policy priorities and on effectiveness of public programmes (World Bank, 1998). It is about allocating resources effectively between different expenditure areas in pursuit of the desired development objectives. It entails the strategic shifting of resources from less effective uses to more effective uses. Finally, efficient and effective use of resources in the implementation of strategic priorities: World Bank (1998) and Sjolander*et al* (2007), stressed that resources are used in such a way to maximise value for money. There should be operational management to ensure both efficiency (minimizing cost per unit of output) and effectiveness (achieving the outcome for which the output is intended) in the use of resources (Schick, 1998).

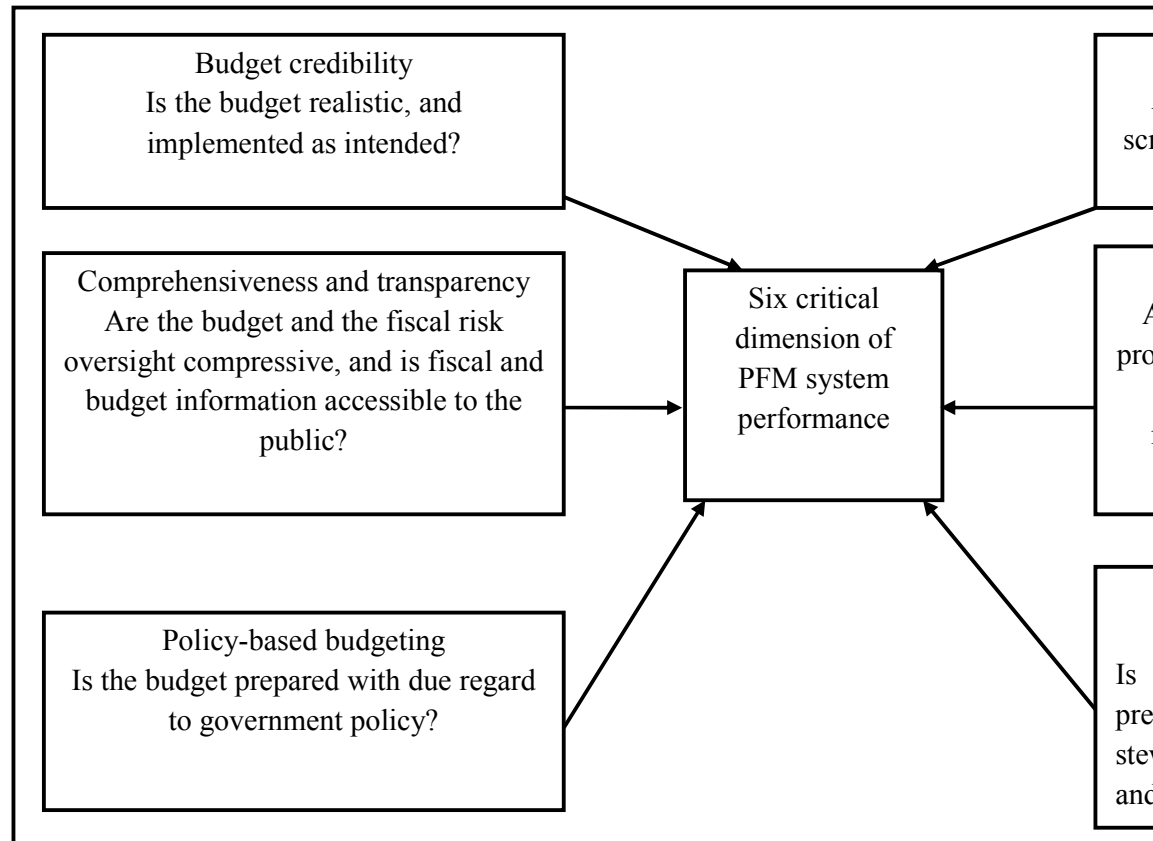


Figure 1: Public financial management measurement framework

Source: Adopted from Public expenditure financial accountability secretariat

(PEFA, 2005), World Bank and IMF, Washington DC.



### **Concept of local government**

Local government is a government at the grassroots level. It is defined as a political sub-division of a nation or a country which is constituted by law and has substantial control of local affairs including the power to impose taxes or to demand labour for prescribed purposes (Ojo, 2009). According to Ojofeitimi (2000), the word “local” connotes that councils are meant for small communities and the word “government” means that they have certain attributes of government. He further posited that an essential feature of local government is autonomy, thus, the amount of responsibility devolved, the size and elasticity of resources assigned, and the degree of discretion conferred. Ojo (2009) as also cited in Akudugu (2013) state that local governments have a responsibility for mobilizing local resources, promoting social and economic improvement and development, ameliorate unemployment as well as national unity.

Tonwe (1995) argues that local governments require finance to perform these statutory provisions which border on provision of services and bringing about development in their area of jurisdiction. In the same vein, Yilmaz, Beris and Serrano-Berthet (2008) point out that the ability of local governments to effectively carry out their functions is largely dependent on the availability of adequate fund, coupled with efficient financial management which constitutes the required catalyst necessary for timely execution and completion of development projects.

### **Concepts and variables of the study**

This study focuses more on some key concepts that form the basis of the objectives. However, this section discusses these concepts in details. The key study variables include: policy based budgeting, credibility of the budget, and resource (revenue) generation and allocation on service delivery.

### **The dependent variable of the study**

Service delivery as the dependent variable can be influenced by so many players including state (district assembly), private organisations and individuals, NGOs and others (Eigeman, 2007). This study determines how public financial management influences or supports service delivery at the local level. Service delivery in this study is defined as things provided by the local governments for and to citizens (Eigeman, 2007). In other words, dependent variable is the respondents' level of satisfaction when matched with programmes and projects with the resources generated by the district assembly.

### **The independent variable of the study**

This independent variable in the study consists of public financial management factors that influence service delivery in the Ejura Sekyedumase Municipal Assembly. These factors include policy based budgeting, credibility of the budget and resource (revenue) generation and allocation.

### **Policy based budgeting**

The budget process starts with planning. According to Jones and George (2011), planning is defined as a process of setting objectives and making plans to accomplish them. Plans are action statements that describe how the objectives will be accomplished. Linking policy, planning and budgeting is essential to Medium Term Expenditure Framework (MTEF). World Bank report (1988) as also cited in Le Houerou and Taliercio (2002), emphasise that failure to link policy, planning and budgeting amounts to system fragmentation thereby contributing to poor budgeting outcomes at the macro, strategic and local levels in developing countries. They also noted that when policy, planning and budgeting take place independent of one another, annual budget expenditure is made on an ad hoc basis because even small discretionary allocations are not predictable. Unpredictability of revenue from one year to the next and within the budget year is a common problem for developing countries (World Bank, 1998). The World Bank report argues that predictability allows local authorities to plan and manage resources more efficiently within the time frame of the annual budget cycle and over the longer term to meet service delivery. The result is better control of public expenditures and better value for money within a hard constraint environment.

Similarly, Okpala (2014) states that policy based budgeting avoids poor implementation of the capital budget, unsustainable spending, poorly conceived projects and programs and spending not properly linked to developmental priorities. According to Danish Institute for International Studies (2015), revenue and expenditure assignments need to be in balance and funds must be provided in a timely fashion and with a degree of

predictability that goes beyond just one or two years. They emphasise that the linkage between policy, planning and budgeting provide the leverage for making the local government accountable to its mandates, citizens and to those who act as representatives of citizens and their communities, stand for and act for their interests and rights.

### **Credibility of the budget**

Public financial management processes are structured around the budget cycle. In many countries particularly low-income and fragile states, national budgets are often poor predictors of revenue and expenditure (Simson&Welham, 2014). There are many ways of approaching and determining whether a budget is ‘credible’ or not. The term could refer to the legitimacy of the process by which a budget has been created. In the same vein, budget credibility could refer to whether the allocations within the budget under consideration are technically appropriate to its stated goals. This means that a government whose stated priorities are to deliver a number of specific infrastructure projects might be accused of delivering a ‘non-credible’ budget if the spending allocations were focused on different infrastructure projects. Finally, a budget may be considered as credible even if its allocations are technically appropriate to stated government policy, and its overall revenue and expenditure forecasts fall within the limits of reasonable judgments and simply adhered to plan (outturns will match plan).

In this context, credibility is used to mean the degree of deviation between planned and actual spending over a twelve-month period rather than relating it to the concepts of legitimacy or technical appropriateness (Simson

&Welham, 2014). A credible budget would have no deviation from plan over the course of a year. According to PEFA (2005), non-credible budget may lead to short falls in the funding of priority expenditures. This may arise from expenditure ceiling cuts resulting from revenue shortfalls, under-estimation of the costs of the policy priorities or the non-compliance in the use of resources.

Budgets where outturns deviate considerably from plan will be poor guides resulting in less effective delivery of public services and other desired outcomes (Simon &Welham, 2014). On the contrary, Aborisade (2008), indicate that budgets may not be implemented exactly as agreed in the annual budget. He argues, deviation of actual spending from the budget could arise as a result of executive abuse, conscious change of policy direction or fundamental economic or other changes beyond the control of the executive. Therefore, the degree of deviation should fall within reasonable limit.

### **Revenue generation and allocation**

A sound revenue system for local governments is an essential and serves as a crucial tool for the successful running of local government (Oluwu&Wunsch, 2003). Local government revenue mobilisation has the potential to foster political and administrative accountability by empowering communities (Shah, 1998; Oates, 1998). However, prescriptions deriving from the theory and from good international practice impose huge constraints on the choice of revenue instruments for local governments.

Revenue mobilization is the act of marshaling, assembling, and organizing financial contributions from all incomes accruing from identifiable sources in an economic setting. In Articles 245 and 252 of the 1992

Constitution and section 34, part vii, part viii, part ix and part x of the Local Government Act, 1993, Act 462, revenues from those sources may be classified: as the District Assemblies Common Fund, ceded revenue, and their own revenue-raising powers through local taxation. Bahl and Smoke (2003) also classify local government revenue into two main categories for local authorities namely, internal and external sources. Internally generated fund includes taxes, user fees, and various licenses at the district jurisdiction. The external sources of revenue to the assembly include central government transfers usually in the form of grants, revenue sharing and donor funds for specific projects.

The central government transfer that constitutes the major revenue component of district assemblies in Ghana is the District Assemblies' Common Fund (DACF). The setting up of the District Assemblies' Common Fund is provided for by article 252 of the 1992 Constitution of the Republic of Ghana. Article 252 (2) states, subject to the provision of this constitution, parliament shall annually make provision for the allocation of not less than five percent (5%) of the total revenues of Ghana to the district assemblies for development; and the amount shall be paid into the District Assemblies Common Fund in quarterly instalments". Further, article 252 (3) provides that this fund must be shared among all the district assemblies in the country using a formula approved by the Parliament of the Republic of Ghana. The District Assemblies' Common Fund has been increased from five percent (5%) to seven and half percent (7.5%) (Ahwoi, 2010). The District Assembly Common Fund is used for capital investments in infrastructure.

The financing that comes through transfers leaves little room for local

decision-making and priority setting, and it is often insufficient to meet all expenditure needs (Yilmaz, Beris& Serrano-Berthet, 2008). According to Yilmaz et al (2008) in Uganda, this situation is revealed in the uniformly run-down urban infrastructure, poorly maintained rural roads, and the feeling that people's taxes are largely covering the salaries of the local administration. This situation generates a widespread unwillingness to pay taxes, making service delivery even worse a vicious circle of non-compliance. Similarly, Khemani (2006) notes that in Nigeria, local government overdependence on intergovernmental transfer revenues, coupled with uncertainty about the amount and timing has resulted in a failure to deliver services and facilitated local evasion of responsibility.

Circumstances mentioned above are not different in Ghana. Many local government authorities are financially weak and rely on financial transfers and assistance from central government (Brosio, 2000). The local government tax administrations are often inefficient and large amounts of revenues are left uncollected while those collected are sometimes inappropriately managed (Fjeldstad, 2006). Local revenue base has been limited to low yielding taxes such as basic rates and market tolls while the lucrative tax fields have been centralised by the government.

Furthermore, Botchie (2000) reveals that people are unwilling to pay their taxes due to the inability of the assemblies to account properly or justify the use of the taxes collected from them. These problems stem from factors such as the collusion of some revenue collectors and tax payers to underpay levies imposed issuance of fake receipts, direct diversion of revenue by some revenue collectors for personal benefit and the inadequate requisite expertise

or qualification for effective revenue collection. Similarly, National Development Planning Commission (NDPC) (2009) attributes low internally generated fund to inadequate public sensitisation, inadequate and inaccurate data on taxable items as well as narrow economic activities in respective district of the assemblies. If the local governments are able to generate a lot of revenue internally, some of the funds can be used to undertake development projects in their respective assemblies instead of relying solely on the central government for capital projects. There is, therefore, the need to improve the internal revenue mobilization in order to meet targets set.

### **Review of empirical literature**

A government budget (budget vote) should reflect what it says it will do (government policies). This section seeks to review some of the studies conducted in respects of policy based budgeting, credibility of the budgeting and strategic revenue generation and allocation.

### **Policy based budgeting**

Linking policy, planning and budgeting are necessary for developing country to use limited resources efficiently and effectively. The planning and budgeting cycles at the national, regional and district levels are expected to be linked. A study to review MMDA development, planning, budgeting, MTEF and capital budgeting processes was conducted by the Ministry of Finance and Economic Planning and German Technical Cooperation (2010). The study aimed at identifying gaps within national and local planning and budgeting systems and also propose measures to harmonize the processes for a more



effective and integrated planning and budgeting processes in the decentralized governance system. The methodology entailed reviewing relevant literature on planning and budgeting in Ghana. Key informant interviews were held with representatives of selected ministries, departments and agencies. Discussions were held with core members of the regional planning coordinating unit in all regions and district level as well as development partners' sector lead and officials. The mixed approach was adopted.

Following this study, it was found that the National Development Planning Commission is expected to co-ordinate the preparation and implementation of plans at the national, regional and district levels but the commission has virtually no control in the allocation and disbursement of funds to the ministries, departments and agencies and district assemblies. It undermines the coordinating capacity of National Development Planning Commission and reduces the plan preparation process to a mere theoretical exercise. It also revealed that majority of district assemblies did not give due consideration to assessing the financial resource potential of their respective districts. As a result, the budget for programmes and projects in the district medium term development plans far exceeded the financial resources of the district assemblies and were unable to implement barely 50% of planned programmes and projects. Similarly, it further revealed that funding for proposed projects were not disaggregated according to the various funding sources.

In addition, it was also reported that resource utilization by the assemblies was not linked to their annual action plans and district medium term development plans. The assemblies had to contend with huge deductions

and delay in disbursement of funds from the District Assembly Common Fund. Therefore, the overhang of outstanding payments undermined the implementation of existing and future projects and reduced the flexibility to respond to local priorities in the annual action plans and district medium term development projects. Central government determined sectoral priorities for spending although district assemblies had the option to shift resources within the approved sector, which most at times, is contrary to the local needs. In the same vein, it was further found that district assemblies had over five (5) different plans in addition to their district medium term development plan. The multiplicity of these plans compounds the ability of district assemblies to link their plans to their budgets as well as various plans competing with the limited resources for implementation at the districts.

In order to link plans and budgets of the district assemblies, the authors recommend that budget volumes should contain an outline of performance indicators which are linked to ministry, department and agency and district assembly plans. Internal auditors at the ministry, department and agency and district assemblies' levels should be mandated and trained to audit financials in relation to the performance indicators outlined in the plans and budgets of ministry, department and agency and district assemblies. Similarly, the study recommended that in preparing district medium term development plans, National Development Planning Commission should ensure that district assemblies give due consideration to assessing the financial resource potential of assemblies. Funding sources for district medium term development plans should be disaggregated to enable all stakeholders including assemblies establish their respective cost in implementing the district medium term

development plan. Lastly the authors recommended that the District Assemblies' Common Fund should be disbursed on time to avoid delays in completion of work as well as informing the Ministry of Finance and Economic Planning of all-off budget interventions in their jurisdictions.

Another study done by De-Renzio and Smith (2005) investigated linking policies and budgets: implementing medium term expenditure frameworks in a Poverty Reduction Strategy Papers (PRSP) context using case studies approach and qualitative assessment. A medium term perspective to budgeting can be useful in this process to link the often competing short-term imperatives of macroeconomic stabilisation with medium and longer term demands on budget resources, thereby contributing to improved policy making and planning and more efficient and effective service delivery. It stresses that planning and budgeting linked is important in improving public financial management system in developing countries.

The case study suggests that a Medium Term Expenditure Framework (MTEF) can be a valuable catalyst for building basic budget conditions that improves fiscal stability and expenditure control. The key point of intersection between an MTEF and the PRSP is at the stage of priority setting and resource allocation. The country studies suggest that where the MTEF has focused on providing a disciplined framework for decision making about strategic resource allocation, it has forced attention onto policy priorities. However, on the contrary the same authors indicate that there are risks of focusing too much on priority programmes and expenditures, leading to unbalanced allocations. For example, in Tanzania, non-wage recurrent expenditures are prioritised to the Poverty Reduction Strategy Paper (PRSP) priority sectors and

programmes. This leads to increased uncertainty over whether and when non-priority programmes will receive funding, with resultant risks to efficiency and effectiveness in these programmes. Measures need to be in place to reduce the uncertainty faced by non-priority sectors in the release of funds.

Fiscal stability is of fundamental importance to the implementation of an MTEF. Apart from linking to macroeconomic stability, fiscal stability plays a critical role for the MTEF and the budget process. It also improves the predictability of funding and its subsequent positive implications for rational and efficient budget implementation. Evidence from the case studies indicates that honesty and realism in setting the aggregate resource constraint are key factors for achieving predictability. The authors recommended that there is the need to continue to focus on developing a coherent and integrated process of policy making, planning and budgeting. In addition, realistic and honest estimates for both likely revenues and expenditures are vital if the aggregate resource constraint is to be credible. The efficiency and effectiveness of resource use must receive more attention. There is the need to manage expectations and this includes managing expectations about additional funding as well as expectations as to the rate of progress in improving budgetary outcomes.

### **Credibility of the budget**

A budget may be considered as a credible if it simply adheres to plan (outturns will match plan). Budget credibility in theory and practice was assessed by (Simson&Welham, 2014). A case study method of budget credibility problems was drawn from Liberia, Tanzania and Uganda. It was

purposefully selected among these countries which have instituted various reforms designed to improve budget credibility. The study used international Public Financial Management (PFM) performance measurement framework indicators to measure the variance (PEFA, 2011). A quantitative analysis and discussion were used. Secondary data was collected due to the availability of budget data in the public domain allowing for detailed analysis.

Related findings were that the first point of possible divergence between plan and execution was in the collection of revenue. Collected revenues may diverge from that specified in the budget because of poor revenue predictions, unanticipated economic volatility or weak tax administration capacity or because the government actively chooses to over or understate its revenue estimates in order to intentionally mislead in the budget approval process. Over-optimistic revenue forecasts will tend to result in lower expenditure as less money than expected is raised. The study further indicated that in all three countries (Uganda, Tanzania and Liberia), compensation expenditure (wages) is the category with the most credible expenditure with the variance of 5% or below its budget across the governments. Goods and services (often called recurrent) expenditure is less credible with a variation between twenty percent plus or minus (-20% to +20%), while the assets or development category is the least credible by far, fluctuating hugely with a variance of sixty percent and eighty percent (-60% and 80%). In addition, these countries used supplementary budgets to manage volatility. Supplementary budget and contingency budget are a sensible emergency measure to cater for unanticipated shocks and significant uncertainty. Off-budget spending also accounted for deviations between planned and actual

expenditure in the countries under study.

The authors recommend that governments can seek to reduce uncertainty at the planning stage by investing in their capacity to forecast revenue and expenditure. Typical measures include improving revenue forecasting models and strengthening the expenditure execution process. Government can also manage uncertainty by building in buffers in case of revenue or expenditure shocks (contingency budgets), or by reducing the forecast period by budgeting frequently when it arises (supplementary budgets). Simson and Welham (2014) concluded that public financial management systems have a strong focus on the aggregate macro-fiscal side of budget credibility.

In the work of Hou (2003) on fiscal discipline as a capacity measure of financial management by sub national governments, the study showed that public management literature has not adequately covered specific capacity measures of financial management in sub national governments. Using data from four national surveys of American state, metropolitan and county governments conducted by the Government Performance Project (GPP) at Syracuse University from 1998 to 2001, the paper attempted to fill in the niche by developing a conceptual framework that builds toward future sub national financial governance. The measure is a scale ranging from low to high. The paper holds that strong fiscal discipline builds up financial management capacity which contributes to sound governance at sub national levels for economic development.

## **Revenue generation and allocation**

The issue of revenue allocation remains very volatile and constitutes a major source of political and governmental tension in Nigeria. According to Iliyasu (2011), revenue allocation appears to be more political in nature than technical. In Kazeem and Oluyemi's (2013) paper, the objective of the paper was to strongly advocate for a direct revenue allocation to Nigerian local governments. It also identified roles and functions capable of playing by local governments in national development and showcased the operational and tactical roles of local government in enhancing national development. Typology of their research work was basically descriptive. Its research method was qualitative and the data for the study came primarily from secondary sources. The contents of numerous data gathered were fittingly analyzed.

The paper found that joining local governments with their state governments on revenue allocation brings inefficiency to the local government system, obstructs local governments from taking quick decisions, and disallows them from embarking on useful development. To them, local governments were key initiators, actors and best executors of developmental programmes. As Eckardt (2008) also noted that local governments were, thus, facilitators of local development. In addition, the study revealed that there is low internal revenue base which was the result of the types of taxes assigned to local governments. It agreed with distinguished eminent scholars' view that local governments should better look inward to generate revenue so as to enjoy autonomy (Kazeem&Oluyemi, 2013). The study stressed that the low internal revenue had tended to depend largely on the federation account for its capital projects. The internally generated revenue of local government

wasthirty percent (30%) as compared with their revenue allocated from the federation account of seventy percent (70%).

A position which was confirmed by the Ministry of Finance and Economic Planning and German Technical Cooperation (2010) was that the District Assemblies Common Fund in Ghana is also a major source of development funding to district assemblies and accounts for over sixty five percent (65%) of funding to district assemblies. According to Steiner (2008) and Akudugu (2012), finance is the life wire of local governments, poor funding affects their capacity to effectively perform their expected functions. Poorly articulated roles and resource deficiencies have crippled local governments and undermine incentives for local officials and elected representatives to perform effectively (Smoke, 2003). This has led to calls on central governments to give more meaning to the decentralisation process by promoting authentic fiscal decentralisation or financially empower the local government units.

It concluded that direct allocation of funds to local governments would facilitate promotion of economic development, good governance, political accountability and transparency, accessibility to local needs, responsiveness to local wishes and initiatives, rural transformation and overall national development (Kazeem&Oluyemi, 2013). In the same vein, Dang (2013) examined the impact of revenue allocation on economic development in Nigeria. The study looked at how the various revenue allocations to the three tiers of government affected Real Gross Domestic Product (RGDP) in Nigeria using econometric techniques to analyze time series data for the period 1993 to 2012. Data source was secondary data. The study findings showed that revenue allocations had significant causal relationship with economic



development in Nigeria, with only revenue allocation to states having significant negative relationship. The study recommended among others that more financial control and value for money audit should be carried out to minimize wastages and corruption in the states of the federation, so as to change the direction of influence of states' revenue allocation on economic development.

On the contrary, Akudugu (2013) in his paper explored the use of financial resources to induce the performance of district assemblies in Ghana. Using three basic methods of data collection: in-depth interviews, review of relevant documents and participation in a district budget forum, the paper explored the role of the district development facility in improving the performance of district assemblies in the country. The paper argued that although the transfer of financial resources to the district assemblies is necessary, it is not a sufficient condition in addressing their numerous structural challenges and improving performance. Therefore, in his conclusion, the paper recommended that efforts aimed at improving the performance of district assemblies should go beyond the provision of financial resources and incentives.

### **Conceptual framework**

Figure 2 shows how the study is conceptualized. The model shows that public financial management is the independent variable while service delivery becomes the dependent variable. Public financial management dimension are classified as policy based budgeting, credibility of the budget and revenue generation and allocation. These three variables underpin the service delivery at the district level. Service delivery is the provision of social

or public goods that will promote socio-economic well-being of the citizens. Article 245 of the 1992 Constitution of the Republic of Ghana and section 10 of the Local Government Act 1993, Act 462 assign service delivery responsibilities to the local government through metropolitan, municipal and district assemblies. As a result, the fiscal decentralization theory has given more powers and authority to the assemblies in the use and management of their financial resources (UNDP, 2005). Some of the service responsibilities assigned to and provided by the assemblies to the public include construction of roads, markets, health centres, drainages, lorry parks, building schools among others. The resources acquired and controlled by the Assembly as stated by the resource dependency theory determines the level of developmental programmes and projects.

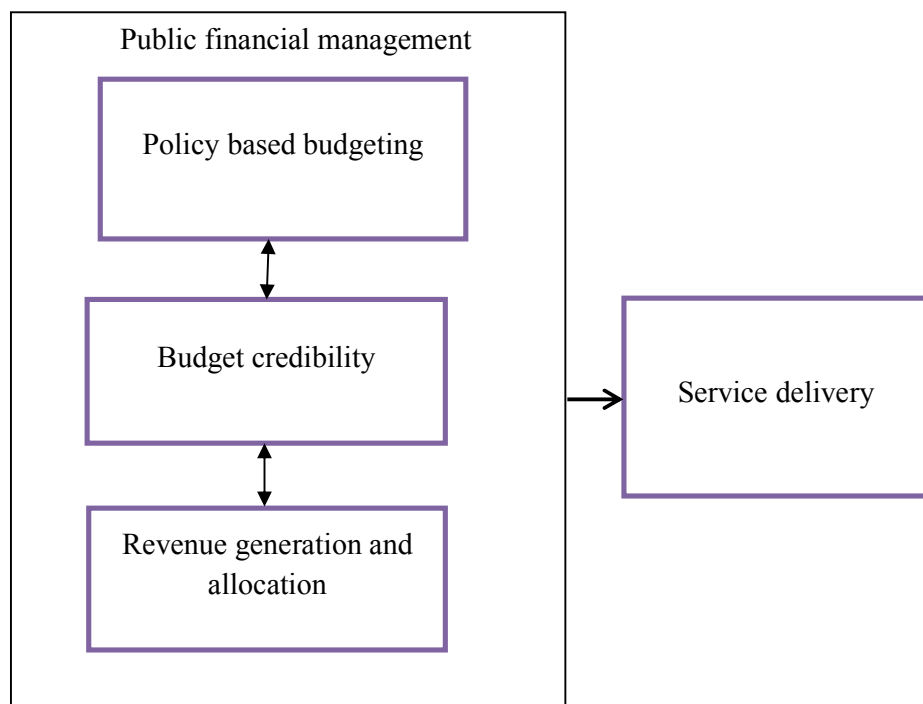


Figure 2: Conceptual framework

Source: Author's construct

These programmes and projects are implemented through the public financial management system. The policy based budgeting determines a district's medium term development plan. This plan determines the policy direction of the assembly and has a direct influence on the service delivery. The policy based budgeting shapes the annual action plan and budget and determines the investment drive of the revenue generation. Credibility of the budget brings transparency and openness to the service delivery (Simson & Welham, 2014). It makes the assembly more accountable to the citizenry on the use of the resources which has an impact on service delivery. The revenue generation and allocation actualizes programmes and projects to effective service delivery at the district level.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **Introduction**

This chapter of the study discusses the methodological approach used for the study. It also covers the philosophical position, research paradigm, research design, study approaches, study area, method of collecting data, study population and sample, field challenges, ethical consideration and data analysis.

#### **Philosophical position**

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. There are four philosophical positions in research namely, positivism/postpositivism, interpretivism or social constructivist, advocacy, and pragmatic position (Creswell, 2009). This study is situated within the pragmatic worldview that believes it is not necessary to adopt one particular approach to research either qualitative or quantitative but rather, to focus on the research problem and combine all methods to understand the problem and develop new knowledge from the problem (Creswell, 2009).

#### **Research paradigm**

A paradigm is a basic set of beliefs that guide action (Creswell, 2011). Research paradigm can be grouped as qualitative, quantitative and mixed

method designs that provide specific direction to conduct a study (Creswell, 2011). This study used the mixed method which combines both qualitative and quantitative study. The mixed method approach is constructed within the pragmatic research paradigm. The study used mixed method in order to adopt multiple methods, diverse paradigms and different data collection methods and analysis (Creswell, 2009). Using the mixed method, the study was able to assess the relationship between policy based budgeting and service delivery, examined the extent to which credibility of the budget supports service delivery and evaluated the influence of revenue generation and allocation on service delivery at the local government level.

### **Study approach**

This study used the mixed approach that is both qualitative and quantitative techniques. This approach uses different types of data to help in better answering the study questions (Quinlan, 2011). It has been proposed that using a mixed approach is best fitted to exploratory and evaluative designs research (Creswell, 2003). A mixed method approach imparts a credibility of outcomes as the quantitative data is supported by qualitative data (Creswell, 2003). The author argues that using mixed approach can present a perspicuous picture and may provide clear answers to the study questions

### **Study design**

This study used a descriptive research design to assess how public financial management influence service delivery at the local level. Descriptive research design is used to describe a situation, phenomenon, attitudes,

behaviour, beliefs as well as opinions of people (Saunders, Levis & Thornhill, 2000). This research design was considered appropriate because it is the best method to describe the characteristics of the variable under study (Saunders, Levis & Thornhill, 2000). It can be used as a pre-cursor to more quantitative research design with the general overview giving some valuable pointer. In addition, descriptive design can yield a rich data that lead to important recommendation in practice and can be a useful tool in developing a more focus study (Anastas, 1999).

### **Study area**

The study was conducted in the EjuraSekyedumase Municipal Assembly in the Ashanti region. The EjuraSekyedumase Municipal Assembly was established in 1988, and in 2012 elevated to municipality by the Local Government (establishment) Instrument (L.I. 2098). The Municipal Assembly is composed of 62 members and 11 decentralized departments. The Assembly has five sub-district structures and forty-three (43) unit committees. The population of the Municipality is estimated 101,826 (Ghana Statistical Service, 2010). With an annual growth rate of 1.8%, the 2013 population is projected at 109,014.

The vision of the Assembly is to become a modern municipality of harmonious communities with improved living standards. The mission of the Municipal Assembly is to facilitate implementation in the quality of life of the people within its jurisdiction through equitable provision of services and infrastructure for the development of the municipality within the context of good governance and equal opportunity for all (Ejura Sekyedumase Municipal

Assembly, 2013). The development goal of the Municipal Assembly is to attain a socially and economically empowered society, through modernized agriculture, rural industrialization, ICT, commerce and human resource development in a sustainable environment with full participation of the citizenry(Ejura Sekyedumase Municipal Assembly, 2013).

The Municipality is located in the northern part of the Ashanti region. It has a large land size of about 1,782.2sq.km (690.781sq.miles), out of which 1,335sq.km is arable and is the fifth largest district in Ashanti region. The Municipality has 130 settlements of which the major ones include Ejura, Sekyedumase, Anyinasu, Bonyon, Dromankuma, Ejura-Nkwanta, Kasei and Aframso. The Municipality was carved out of the erstwhile Sekyere and Offinso Districts. Ejura is the administrative capital.

It constitutes about 7.3% of the region's total land area with about one third of its land area lying in the Afram plains. This Municipality shares boundaries in the north with Atebubu and Nkoranza Districts (both in the BrongAhafo region), on the west with Offinso District, on the East with Sekyere East District and the south with Sekyere West and AfigyaSekyere District. The structure of the economy remains an agrarian economy. Therefore, most inhabitants in the municipality depend on the agriculture and agro economic related activities for their living (EjuraSekyedumase Municipal Assembly, 2013).

### **Study population**

The population of the study covered senior officers and their assistants and all the assembly men and women of EjuraSekyedumase Municipal

Assembly. Census was used because of the nature of the study. Specifically, the population included Municipal Chief Executive, Coordinating Director, Deputy Director, Budget Officer and two assistants, Planning Officer, Finance Officer, Internal Audit Officer and two assistants and sixty two (62) assembly members made up of seven (7) Planning Committee, twelve (12) Finance and Administration Committee, five (5) Micro Finance Committee and thirty eight (38) members in other committees. These are stakeholders of interest in this study.

Table 1 shows the number of years assembly members have served in the Assembly. Majority of assembly members (44.44%) have served up to four years. Also, about (37.04%) of them have served the Assembly between 5-8 years whilst about (18.52%) have spent more than 8 years. The numbers of years assembly members have served the Assembly implies that the members are experienced.



Table 1-*Number of year's assembly members served in the Municipality*

Years	Frequency	Percent	Valid Percent	Cum. Percent
Up to 4 years	24	44.44	44.44	44.44
5-8 years	20	37.04	37.04	81.48
Above 8 years	10	18.52	18.52	100.00
Total	54	100.0	100.0	

Source: Field survey, Kwarteng(2015)

### **Data and sources**

The study used primary data and secondary data. The primary data was collected through self-administered questionnaires to seventy three (73) staff and assembly members in the Municipality. The secondary data used five (5) years data spanning from 2009 to 2013 in the estimation. The use of a five year (5) data was purely due to availability of data. The main source of the data is the assembly's budget documents and financial statements and reports.

### **Study instruments**

Based on the specific objectives of the study, questionnaires were used to collect the primary data. Generally, the questions in the questionnaire were carefully framed, since answers given to questions depended on how the

questions were asked. In designing the questionnaire, adequate attention was paid to ensuring that the objectives of the research were covered. The questionnaire was developed mainly through a review of relevant literature. The questions were mostly close-ended with few open-ended ones. While the open-ended questions enabled the respondents to give elaborate responses and express themselves better, the close-ended questions enabled the researcher to guide the respondents to answer the questions correctly.

The questionnaire was designed in four sections and contained nineteen questions (19) in all. Section "A" solicited for information on preliminary issues of the respondents; section "B" contained questions on policy based budgeting; section "C" was made of credibility of the budget while section "D" solicited for revenue generation and allocation. According to Kothari (2004), there is no special way to administer questionnaire. The questionnaires were administered to the respondents through face-to-face and it was collected after a month.

### **Reliability test**

According to Pavot, Diener, Colvin and Sandvik (1991), a cronbach alpha of more than or equal to .7 are considered acceptable. However, it did not tell the magnitude of the difference in the alpha value which is supposed to be more than .7. In this case, the reported alpha value of .753 which is more than .7 is acceptable (Table 2).

Table 2-Reliability test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.749	.753	13

Source: Field survey, Kwarteng (2015)

### **Pre-testing of research instrument**

The research instrument was pre-tested and carried out at Sekyere West Municipal Assembly – Mampong in Ashanti region in the month of March, 2015. The District was chosen because it had characteristics similar to Ejura Sekyedumase District. Twenty (20) respondents were chosen and made up of three staff and seventeen assembly men and women in the Municipality. After the pre-test, some questions were ambiguous so they were modified to make it clearer to the respondents.

### **Field challenges**

The study encountered some difficulties in the process. It was faced with a number of challenges and hardships including the busy work schedules of the targeted senior assembly staff and assistants, bad road networks to the electoral areas of the assembly men and women and difficulty of getting them. A list of names and contacts of assembly men and women were obtained from the Assembly. Several phone calls were made to book an appointment with them. One assistant was contracted to take the researcher to the various unmotorable electoral areas for the questionnaires administration with a motor bike. Collection started from 1<sup>st</sup> April, 2015 and ended 30<sup>th</sup> April, 2015.

### **Ethical considerations**

The study considered all the ethical dimensions especially in the data collection process. The necessary procedures and administrative processes were duly followed in administering the questionnaires so as to prevent administrative setbacks. The study sought the consent of the respondents and the purpose of the study was clearly explained to them. All respondents including treasury office were assured of confidentiality, non-disclosure and anonymity of filling the questionnaires and providing information on the secondary data.

### **Data analysis**

The Statistical Product for Service Solutions (SPSS) version 21 software was used to analyse the data. Descriptive statistics such as means, skewness, kurtosis, standard deviation and percentages were used to analyse the data. Inferential statistics such as correlation, regression and paired sample t-test were also used to analyse research objectives one, two and three. Therefore considering the research objectives, the study adopted both descriptive and inferential statistics to analyse the data. Objective one; to determine the relationship between policy based budgeting and service delivery was analysed using descriptive statistics and Spearman correlation.

Objective two, which deals with credibility of the budget used descriptive statistics and paired sample t-test to test significance of difference between budgeted cost and actual cost (variance). Objective three, the influence of revenue generation and allocation on the service delivery was analysed using descriptive statistics, paired sample t-test and regression. An

error margin of 5% was used for all inferential analysis. These were measured using an instrument developed on a five point Likert scales measuring from not at all as response 1 to very much agree as response 5.

## **CHAPTER FOUR**

### **RESULTS AND DISCUSSION**

#### **Introduction**

This chapter presents the results of the study and their discussions. The chapter is organised in line with the study objectives. It also covers the characteristics of respondents. The discussion basically centres on explaining the findings, comparing the findings with both theoretical and empirical evidences and the relevant implications.

#### **Characteristics of the respondents**

Out of 63 respondents, 14 percent were employees of the Assembly and the remaining 86 percent were assembly members (Table 3). Out of the nine (9) respondents who were employees of the Assembly, three were from the Budget Department, three from the Internal Audit Department, the Planning Officer, Deputy Director and Finance Officer.

Table 3-*Respondents relationship with the municipal assembly*

Respondents	Frequency	Percent
Employees	9	14
Assembly members	54	86
Total	63	100.0

Source: Field survey, Kwarteng(2015)

### **Policy based budgeting and service delivery**

Respondents were asked to give their views concerning policy based budgeting and service delivery. Under the policy base budgeting, five questions were asked. These included respondents' assessment of the Assembly's budget preparation with regards to government policy and development interests or needs of its stakeholders. This was proceeded by the Assembly's ability or effort to make budget predictions, the link between the Medium Term Development Plan (MTDP) and budget, the availability of multiple plans and budgets running concurrently with various projects and finally, on the implementation gap between policy, budget and projects or programmes. The responses are discussed below.

### **Budget preparation with regards to government policy**

As depicted in Table 4, majority of respondents (94%) agreed that the Assembly prepares budget with due regard to government policy and development interests or needs of its stakeholders. This response consists of 94percent of assembly members. However, five percent not really agreed whilst two percent not agreed to the statement.

Table 4-Response of policy based budgeting and service delivery

		Perception on policy based budgeting				
		Not at all	Not really agree	Undecided	Agree	Very much agree
Budget preparation with regard to government policy		1 (1.6%)	3 (4.8%)	0 (-)	40 (63.5%)	19 (30.2%)
Prediction of direct budget support to service delivery		1 (1.6%)	8 (12.7%)	9 (14.3%)	39 (61.9%)	6 (9.5%)
Linking MTDP to budget and service delivery		3 (4.8%)	2 (3.2%)	1 (1.6%)	43 (69.4%)	13 (21%)
Multiple plans and budget for service delivery		2 (3.2%)	29 (46%)	6 (9.5%)	21 (33.3%)	5 (7.9%)
Implementation gap between policy, budget an project		2 (3.2%)	13 (20.6%)	4 (6.3%)	32 (50.8%)	12 (19%)

Source: Field survey, Kwarteng (2015)



From Table 5, a mean of 4.16 and a standard deviation of .787 indicates that the Assembly prepares budget with due regard to government policy and development interests of its stakeholders. Skewness value of (-1.726) indicates a clustering of scores at the high end whilst a positive Kurtosis value of (4.915) indicates that the distribution is peaked (cluster in the center) which implies that there is normal distribution of the population.

Fiscal decentralization theory suggests that the central government has given some responsibilities for expenditure and revenues to lower levels of government (UNDP, 2005). With this, municipal assemblies are given autonomy to determine the allocation of their expenditures (Osoro, 2003). This is for the reason that the assembly's prepares the budget and link it to government policies. Thus, the national policy issues are integrated into the local plans to achieve service delivery. This implies that the nation is also achieving development since the policies and plans are integrated.

Table 5-Descriptive statistics of policy based budgeting and service delivery

	N	Min	Max	Mea	S.D	Varian	Skewness	Kurtosis		
	Stat	Stat	Stat	n	Stat	ce	Stat	S.E	Stat	S.E
Assembly prepares budget with regard to government policy	63	1	5	4.16	.787	.620	-1.726	.302	4.915	.595
Link of MTDP to budget and service delivery	62	1	5	3.98	.896	.803	-1.945	.304	4.802	.599
Multiple plans and budget concurrently for various projects	63	1	5	2.97	1.121	1.257	.277	.302	-1.301	.595
Existence of implementation gap between policy, budget and project	63	1	5	3.62	1.113	1.240	-.708	.302	-.511	.595
Assembly predicts direct budget support to service delivery	63	1	5	3.65	.883	.779	-.985	.302	.678	.595

Source: Field survey, Kwarteng (2015)

### **Prediction of direct budget support to service delivery**

From Table 4, the study found that 62 percent of the respondents replied that the Assembly predict direct budget support to service delivery in the Municipality. This consists of more than two-thirds (67%) of the assembly members and all the employees of the Assembly. About one-tenth (10%) very much agreed to it. Not all the respondents accepted that the Assembly is able to predict direct budget support to service delivery. However, small number (2%) of the respondents raised the concern that the Assembly could not predict direct budget support to service delivery while 13 percent not really agreed. Again, 14 percent remained neutral or could not decide whether the Assembly predict direct budget support to service delivery.

A mean of 3.65 and a standard deviation of .883 indicate that the Assembly predicts direct budget support to service delivery. Skewness value of (-.985) indicates a clustering of scores at the high end whilst a positive Kurtosis value of (.678) indicates that the distribution is peaked (cluster in the center) which implies that there is normal distribution of the population (Table 5).

Jones and George (2011) defined planning as a process of setting objectives and making plans to accomplish them. Therefore, planning as a process of ensuring development is not seen from the perspective of the present alone, but for the future as well. The capacity of an assembly to make budget predictions into the future helps to make effective planning to allocate resources effectively and efficiently (World Bank, 1998). The World Bank argues that predictability allows local authorities to plan and manage resources more efficiently within the time frame of the annual budget cycle and over the

longer term to meet service delivery. The result is better control of public expenditures and better value for money within a hard constraint environment.

### **Link of the MTDP to budget and service delivery**

Table 4 shows that majority (69%) of respondents agreed to it that the Assembly's Medium Term Development Plan (MTDP) has direct link to service delivery. This consists of 74 percent of the assembly members. On the other hand, only 8 percent did not accept that the Assembly's MTDP is linked to the budget and service delivery. This implies that activities that are planned to be implemented in the MTDP are linked to budget and service delivery. According to Danish Institute for International Studies (2015), the linkage between policy, planning and budgeting provide the leverage for making the local government accountable to its mandates, citizens and to those who act as representatives of citizens and their communities, stand for and act for their interests and rights. According to Okpala (2014), the linkage avoids poor implementation of the capital budget, unsustainable spending, poorly conceived projects and programmes and spending not properly linked to developmental priorities.

A mean of 3.98 and a standard deviation of .896 indicate that the Assembly's MTDP is linked to budget and service delivery. Skewness value of -1.945 indicates a clustering of scores at the high end whilst a positive Kurtosis value of 4.802 indicates that the distribution is peaked (cluster in the center) which implies that there is normal distribution of the population (Table 5).

### **Availability of multiple plans and budgets running concurrently for various projects**

The concept of financial management requires that assembly's financial resources are planned to ensure effective provisions of services (see the CIPFA, 2010; Simson, Sharma & Aziz, 2011). In order to ensure effective planning of the resources, it becomes important for assemblies to prepare plan and budget to guide the usage of resources for the various projects. However, regarding whether the Assembly has multiple plans and budgets running concurrently for various projects, the response in Table 4 is different. Nearly half (49%) of the respondents mentioned that the Assembly has no multiple plans and budgets running concurrently for various projects which is more than those who accepted that the Assembly have those multiple plans and budgets. Four (44%) out of the nine employees of the Assembly and 27 (50%) out of the 54 assembly members mentioned that the Assembly has no multiple plans and budgets in place. Only about one-tenth (10%) remained neutral or undecided. The finding from this study do not support the study conducted by the Ministry of Finance and Economic Planning and German Technical Cooperation (2010) that district assemblies had over five (5) different plans in addition to their district Medium Term Development Plan. The multiplicity of these plans compounds the ability of district assemblies to link their plans to their budgets as well as various plans competing with the limited resources for implementation at the districts.

From Table 5, a mean of 2.97 and a standard deviation of 1.121 indicate that there are variations in the responses. A mean of 2.97 is approximately 3 which fall into the rating scale of neutrality of the respondents. This could be possibly due to the fact that the difference between the response of those who not really agreed and those who agreed is minimal (1.257) thus, compensating for the neutrality. Skewness value of .277 indicates that the scores are positively skewed (scores clustered to the left at the low values). A Kurtosis value of -1.301 indicates that the distribution is relatively flat meaning there are many cases in the extreme). This implies that the distribution is not that normal (Table 5).

#### **Implementation gap between policy, budget and projects**

Majority (69.8%) of the respondents (Table 4) mentioned that there is a gap in the implementation of policy, budget and projects. This consists of 40 (74%) of assembly members and 4 (44%) of employees with the Assembly. This was confirmed by the Ministry of Finance and Economic Planning and German Technical Cooperation (2010) study that majority of district assemblies did not give due consideration to assessing the financial resource potential of their respective districts. As a result, the budget for programmes and projects in the District Medium Term Development Plans far exceeded the financial resources of the district assemblies and unable to implement barely 50% of planned programmes and projects. They further stated that district assemblies had to contend with huge deductions and delay in disbursement of funds from District Assembly Common Fund. Therefore, the overhang of outstanding payments undermined the implementation of existing and future

projects and reduced the flexibility to respond to local priorities in the annual action plans and district medium term development projects. This could be one of the numerous reasons the assemblies are not able to complete projects as the stipulated time which invariably influence service delivery. However, one-fifth (21%) of them believed that the assembly has less or no gap in policy, budget and project implementation. Also, only three percent of the respondents did not accept that gap exists between project implementations, policy and budget.

A mean of 3.62 and a standard deviation 1.113 in Table 5 indicate that the Assembly experienced implementation gaps between policy, budget and programmes or projects. Skewness value of -.708 indicates a clustering of scores at the high end whilst a negative Kurtosis value of -.511 indicates that the distribution is relatively flat meaning, there are many cases in the extreme).

### **Status of projects and programmes from 2009-2013**

Table 6 shows the number of projects implemented by the Assembly from 2009 to 2013. The Assembly implemented 60 physical projects within the four year period. Moreover, the Assembly supplied 102 equipments to the municipal office and the community. The project areas covered education, health, water, sanitation, road, market, administration, recreation and security.

Table 6-Projects implemented by the assembly (2009-2013)

Sector	Project Details	Number of Projects	Completed (Supplied)	Not Completed
Education	Construction of school building	24	7	17
	Construction of teacher bungalow	1	-	1
Health	Procurement of computers, LCD	10	10	-
	Construction of staff bungalow	1	-	1
	Construction of health facility	1	-	1
	Health extension work	1	-	1
Water	Provision of boreholes and small town water system	10	1	9
Sanitation	Construction of toilet facility	3	2	1
	Evacuation of refuse	1	1	-
Road	Reshaping of roads	13	-	13
	Construction of culvert	1	-	1
Market	Construction of industrial centre	1	-	1
	Construction of stores	2	-	2
Central Administration	Construction of resident accommodation for staff	1	-	1
Recreation	Construction of community resource centre	1	-	1
Security	Procurement of light poles	100	12	88

Source: Field survey, Kwarteng (2015)



Within the education sector, 25 projects were started. These included the construction of 24 school blocks and 1 teacher bungalow. However, only 28 percent of the projects have been completed and in use. The remaining projects have not been completed. With the health sector, nurses bungalow and health facility were started, but none of them had been completed and handed over. With water, the Assembly decided to provide 10 boreholes to communities. Nonetheless, only one has been completed and in use. The remaining boreholes had not been completed. Regarding sanitation, three projects were started. Two of the projects (toilet facilities) have been completed. Concerning road projects, 13 farm tracks were rehabilitated and completed. With market development, three projects were started. These included construction of stores and industrial centre. None of the projects has been completed. The construction of resident accommodation for staff and community resource centre has not been completed.

The Assembly could not achieve the completion status of majority of the physical projects. Out of the 60 physical projects, only 11 of them had reached the completion stage. The remaining 49 representing about 82 percent of them had not reached completion stage. This shows the less capacity of the Assembly to meet project schedules. The plan period (2009-2013) has suffered difficulties regarding improvement in access to facilities. However, with soft projects (procurement of computer accessories and supply of light poles) the assembly achieved 79 percent.

The findings support the fiscal decentralization theory. The fiscal decentralization theory notes that local governments are, thus, facilitators of local development (Eckardt, 2008). Steiner (2008) and Akudugu (2012)

also indicated that finance is the life wire of local governments, poor funding affects their capacity to effectively perform their expected functions. Respondents indicated that the inability of the Assembly to complete greater proportion of the physical projects was attributed to the erratic flow of external source of funding. Similarly, overdependence on intergovernmental transfer revenues, coupled with uncertainty about the amount and timing has resulted in a failure to deliver services and facilitated local evasion of responsibility.

This affected the project completion stage. The implication is that projects that seek to address immediate problems in a society could not be completed. The delay in the provision of the projects leads to another problem. Uncompleted projects were rolled over to the 2014-2017 Medium Term Development Plan. This also has implications on development priorities. This means that projects stipulated in the 2014-2017 may suffer delay in its implementations. The Assembly may not achieve its development projects within the plan period (2014-2017) if the trend remains the same. This reinforces the point made by Kazeem and Oluyemi (2013) that the Assembly should better look inward to generate revenue so as to meet service delivery.

### **Relationship between policy based budgeting and service delivery**

A correlation analysis was performed to assess the relationship between policy based budgeting and the service delivery. The Spearman results indicated in Table 7 gives the correlation coefficients between each pair of the variables listed, the significance level and the number of cases. The Spearman rho value 0.262 and 0.304 indicates a positive correlation between policy based budgeting and the service delivery. The strongest correlation with

service delivery is the Assembly's ability to predict direct budget support with a Spearman correlation coefficient of 0.262 (p-value= 0.038). The Assembly's link of Medium Term Development Plan to budget are also correlated with service delivery with a Spearman correlation coefficient of 0.304 (p-value= 0.016). Thus, as one variable increases so does the others since the Spearman correlation coefficients are positive.

It can therefore be concluded that there is a strong correlation between policy based budgeting and service delivery. This means that the Assembly is doing well with respect to policy based budgeting and the service delivery. The findings of this study confirm the fiscal decentralization theory. The theory indicates that district assemblies were established and charged as the local planning authorities with responsibility for the overall development of their district and municipal assemblies (Dick-Sageo, 2012).

Similarly, according to World Bank (1998) the ability of the assembly to predict direct budget support to service delivery allows local authorities to plan and manage resources efficiently within the expected time frame of the annual budget cycle. This confirms the empirical findings of De-Renzio and Smith (2005). They argue that strong relationship between policy based budgeting and service delivery improves the predictability of funding and its subsequent positive implications for rationale and efficient budget implication. Therefore, planning and budgeting linked is important to public financial management leading to an improved service delivery.

Table 7-Spearman's rho correlations results

		Service Delivery	Predict direct support to service delivery	Link of MTD P to budget and service delivery	Multiple plans and budget running concurrently for projects	Implementation gap b/n policy, budget and project	Budget Preparation with regard to government policy
Service Delivery	Correlation Coefficient	1.000	.262	.304	.172	-.214	0.133
	Sig. (2-tailed)	.	.038	.016	.178	.092	0.317
	N	63	63	62	63	63	63
Predict direct budget support to service delivery	Correlation Coefficient	.262	1.000	.198	.124	-.206	-.64
	Sig. (2-tailed)	.038	.	.123	.334	.106	.630
	N	63	63	62	63	63	63
Link of MTD P to budget and service delivery	Correlation Coefficient	.304	.198	1.000	.059	-.191	-.125
	Sig. (2-tailed)	.016	.123	.	.648	.137	.345
	N	62	62	62	62	62	63

Table 7 continues

Multiple plans and budget	Correlation Coefficient	.172	.124	.059	1.000	.242	.300
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concurrently for various projects	Sig. (2- tailed)	.178	.334	.648	.	.056	.021
	N	63	63	62	63	63	63
Existence of implementation gap b/n policy, budget and project	Correlation Coefficient	-.214	-	-	.242	1.000	-.226
	Sig. (2- tailed)	.092	.106	.137	.056	.	.085
	N	63	63	62	63	63	63
Budget Preparation with regard to gov't policy	Correlation Coefficient	0.133	-.64	-	.300	-.226	1
	Sig. (2- tailed)	0.317	.630	.345	.021	.085	-
	N	63	63	63	63	63	63

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Correlation is significant at the 0.05 level (2-tailed).  
Source: Field survey, Kwarteng(2015)

### **Credibility of the budget and service delivery**

Respondents were asked to give their views concerning credibility of the budget and service delivery. Under this, five questions were asked. They include the Assembly's budget maintain fiscal discipline to investment projects, timely completion of capital projects, comprehensiveness and transparency of the budget, stakeholders' access to information on programmes and projects and monitoring of capital projects by the Assembly.

### **Fiscal discipline of the budget to investment programmes and projects**

As shown in Table 8, more than half (56%) of the respondents accepted that the Assembly maintains fiscal discipline to investment programmes and projects. This consists of 27 (50%) of assembly members and 8 (89%) of employees of the Assembly. However, 40 percent of them did not accept that the Assembly maintains fiscal discipline whilst five percent remained undecided. The reason for not accepting that the Assembly maintains fiscal discipline is because of the numerous transfers (virement) between budget categories.

A mean of 3.21 and a standard deviation of 1.285 indicate that there are variations in the responses. A mean of 3.21 is approximately 3 which fall into the rating scale of neutrality of the respondents. But the variance between the response of those who disagreed and those who agreed is less minimal (1.650) thus, compensating for the neutrality (Table 9). Further, the negative Skewness value (-.258) indicates a clustering of scores at the high end. A Kurtosis value of (-1.286) indicates that the distribution is relatively flat meaning there are many cases in the extreme (Table 9).

Table 8-Credibility of the budget and service delivery

	Perception				
	Not at all	Not really agree	Undecided	Agree	Very much agree
Maintains fiscal discipline of the budget	6 (9.5%)	19 (30.2%)	3 (4.8%)	26 (41.3%)	9 (14.3%)
Timely completion of capital projects	14 (22.2%)	33 (52.40%)	3 (3.2%)	14 (22.2%)	0 (0%)
Comprehensive and transparency of the budget	11 (17.5%)	15 (23.8%)	4 (6.3%)	30 (47.6%)	3 (4.8%)
Access to information on capital projects	8 (12.9%)	13 (21.0%)	4 (6.5%)	32 (51.6%)	5 (8.1%)
Monitoring of capital projects	0 (0%)	9 (14.3%)	2 (3.2%)	32 (50.8%)	20 (31.7%)

Source: Field survey, Kwarteng(2015)

### **Timely completion of capital projects**

As depicted in Table 8, more than half (52%) not really agreed to the statement that the Assembly complete capital projects within stipulated time frame. This is supported by about 22 percent who believed that the Assembly does not at all complete capital projects on stipulated time frame. This consists of 39 (72%) of assembly members and 8 (89%) of employees of the Assembly.

Yilmaz, Beris and Serrano-Berthet (2008) argued that the availability of adequate fund, coupled with efficient financial management constitutes the required catalyst necessary for timely execution and completion of development projects by local government. Empirically, the results of the study confirm the position of Ministry of Finance and Economic Planning and German Technical Cooperation (2010). It was revealed in their study that the huge deductions and delay in disbursement of funds from District Assembly Common Fund make the Assembly unable to complete capital projects on schedule. This has implications on service delivery since every project has its objective to achieve. Thus, the failure to complete such projects on time implies that the intended benefit could not be derived to solve the immediate problem thereby, affecting the beneficiaries or service delivery.

A mean of 2.25 and a standard deviation of 1.047 as shown in Table 9 indicate that the Assembly is not able to complete most of its capital projects on time. Skewness value of .686 indicates a clustering of scores to the left at low value whilst a negative Kurtosis value of -.702 indicates that the distribution is relatively flat (Table 9) meaning that too many cases are in extreme or going beyond reasonable.



Table 9-Descriptive statistics of budget credibility and service delivery

	N	Mi n	Max	Mean Stat	S.D Stat	Variance Stat	Skewness Stat	S.E	Kurtosis Statistic	S.E
Maintaining fiscal discipline of the budget	63	1	5	3.21	1.285	1.650	-.258	.302	-1.286	.595
Timely completion of capital projects	63	1	4	2.25	1.047	1.096	.686	.302	-.702	.595
Budget comprehensiveness and transparency	63	1	5	2.98	1.276	1.629	-.354	.302	-1.369	.595
Access to information on capital projects	62	1	5	3.21	1.243	1.545	-.572	.304	-1.015	.599
Monitoring capital projects	63	2	5	4.00	.967	.935	-.994	.302	.220	.595

Source: Field survey, Kwarteng(2015)

### **Comprehensiveness and transparency of budget on capital projects**

As indicated in Table 8, more than half (52%) of the respondents believed that the Assembly makes comprehensive and transparent budget for capital projects. This consist of 27 (50%) of assembly members and 6 (67%) of employees of the Assembly. However, 41 percent of them did not accept that the Assembly makes capital projects budget comprehensive and transparent whilst six percent remained neutral.

A mean of 2.98 and a standard deviation of 1.276 indicate that there are variations in the responses. A mean of 2.98 is approximately 3 which fall into the rating scale of neutrality (undecided) from the respondents. The variance between the response of those who did not really agree and those who agreed is less minimal (1.629) thus, compensating for the neutrality (Table 9). However, the negative Skewness value (-.354) indicates a clustering of scores at the high end. A Kurtosis value of (-1.369) indicates that the distribution is relatively flat meaning that too many cases are in extreme or going beyond reasonable. From the responses, it can be inferred that the Assembly does not often make budget comprehensive and transparent for capital projects. In the situation where it is transparent, not all the stakeholders are involved. This is supported with 25 (46%) of assembly members who did not agree that the Assembly makes budget transparent.

#### **Stakeholder's access to capital projects information**

As shown in Table 8, 52 percent of the respondents mentioned that stakeholders have access to information and knowledge on capital projects implementation within their localities. That is, there are no restrictions on access to project information. This was said by 31 (57%) of assembly members supported by 6 (67%) of employees of the Assembly. The principle of financial management requires all assemblies to make relevant information on projects available for accessibility (World Bank, 1998). Public Expenditure and Financial Accountability (PEFA), (2005) indicated that one of the key issues of financial accountability is to make information available to the public. In effect, the Assembly is implementing some aspect of transparency

and accountability.

A mean of 3.21 and a standard deviation 1.243 indicate that there are variations in the responses. The mean is approximately 3 which fall into the rating scale of neutrality (undecided) from the respondents. The variance between the response of those who do not really agree and those who agreed is 1.545. The negative Skewness value (-.572) indicates a clustering of scores at the high end. A Kurtosis value of (-1.015) indicates that the distribution is relatively flat meaning that too many cases are in extreme or going beyond reasonable (Table 9). This accounts for the variations in the responses.

### **Monitoring capital projects**

As depicted in Table 8, majority (83%) of the respondents mentioned that the Assembly undertakes frequent monitoring on capital projects in the Municipality. This consists of 43 (80%) of assembly members and also supported by all the nine employees of the Assembly. Only 14 percent of them did not really agree. The Assembly has demonstrated a good attitude towards ensuring that capital projects are monitored. There is a strong link between monitoring of capital projects and performance of the assembly to ensure service delivery (Simson, Sharma & Aziz 2011). According to Langlois and Beschel (1998), there is the need to ensure inclusiveness in decision-making around the use of funds, transparency in allocations and procurement, regular monitoring and independent audits and a rolling programme of reporting and evaluation. An effective monitoring team is a panacea for project delays and slow achievement of service delivery.

A mean of 4.00 and a standard deviation .967 and a variance value of

.935 in Table 9 indicate that the Assembly frequently monitors capital projects said by the respondents. Skewness value of ( -.994) indicates a clustering of scores at the high end whilst a positive Kurtosis value of .220 indicates that the distribution is peaked that is, clustered in the center (Table 9).

### **Budgeted and actual expenditure on capital assets**

The credibility of the budget of an assembly depends on the degree of deviations between budgeted expenditure and expected or actual expenditure (Simson&Welham, 2014). A critical review and assessment of expenditure on investment projects of the EjuraSekyedumase Municipal indicates that the Assembly's spending on capital project is within its budgeted expenditure. Table 10 indicates the budgeted expenditure and the actual expenditure from 2009 to 2013. In each of the years, the actual amount invested in capital projects did not exceed the budgeted expenditure. The largest reduction in investment was recorded in 2009. This is followed by the year 2010 and 2013.

The Assembly budgeted to spend GH 1,105,783.86. At the end of the year 2013, an amount of GH 920,059.14 was rather invested in capital projects. This leaves a difference of GH 185,724.72. This means that the Assembly was unable to realize about 17 percent of its budgeted expenditure to support service delivery.

Table 10-Expenditure on investment projects (2009-2013)

	Budgeted (GH )	Actual (GH )	Variance (GH )	Percentage
2009	150,013.43	80,757.71	69,255.72	(46.2%)
2010	439,580.78	36,2043.78	77,537	(17.6%)
2011	153,797.22	148,631.22	5,166	(3.4%)
2012	162,485.00	150,567.76	11,917.24	(7.3%)
2013	199,907.43	178,058.67	21,848.76	(11%)
Total	1,105,783.86	920,059.14	185,724.72	(16.8%)

Source: Field survey, Kwarteng(2015)

The paired sample t-test was performed to evaluate the significant differences in the mean of the budgeted and actual expenditure of the Assembly. The results show a statistically significant deviation in the amount of the budgeted expenditure with the actual expenditure raised by the Assembly from 2009 to 2013 (Table 11). The mean score for the budgeted expenditure at Time 1 is 88462.7088 and the mean score for actual expenditure at Time 2 is 73604.7312 which shows a mean difference of GH 14857.98 (Table 12). Therefore, it can be concluded that there was a significant deviation in budgeted expenditure with actual expenditure on capital assets. According to Simson and Welham (2014), a larger deviation from the budgeted expenditure over the actual expenditure implies poor financial management which can result to less effective service delivery on capital projects.

Table 11-*Paired sample statistics of budgeted capital expenditure and actual capital expenditure (Ghana Cedis)*

EXPENDITURE ON ASSETS	Mean	N	Std. Deviation	Std. Error Mean	
BUDGET	88462.7088	25	90715.80397	18143.16079	9
ACTUAL	73604.7312	25	77704.70964	15540.94193	

Source: Field survey, Kwarteng(2015)

Though the results presented above tell us that the difference obtained in the two sets of scores was unlikely to occur by chance, it does not tell us much about the magnitude of the intervention's effect. The effective size was calculated to examine the magnitude of the interventions effect.

$$\text{Eta squared} = \frac{t^2}{t^2 + (N-1)}$$

$$\text{Eta squared} = \frac{(2.716)^2}{(2.716)^2 + (25-1)}$$

$$\text{Eta squared} = \underline{7.376656}$$

$$31.376656$$

$$\text{Eta squared} = 0.24$$

Using the guidelines proposed by Cohen (1998:284) for interpreting this value for (.01=small effect; .06=moderate effect; .14=large effect), Eta squared value of 0.24 implies that the model has a large effect. It can, therefore, be concluded that there is substantial difference in the budgeted and

actual expenditure on assets. In sum, a paired sample t-test was conducted to evaluate the mean difference between budgeted expenditure and actual expenditure on capital projects. There was a statistically significant decrease in scores from Time 1 (budgeted expenditure) with (M=552892.4, S.D=781906.56) to Time 2 (actual expenditure) with (M=88462.7088, S.D=90715.80397), at  $t(24) = 2.716$ ,  $p < .05$  (two-tailed). The mean decrease in budget expenditure was GH 14857.98 with a 95% confident interval ranging from GH 3568.01777 to GH 26147.93743. The Eta squared statistic (0.24) indicates a large effect size.

Table 12-*Paired sample t-test of differences between budgeted capital expenditure and actual capital expenditure (Ghana Cedis)*

EXPENDITURE ON ASSETS	Paired Differences					t
	Mean	Std. Dev	Std. Error Mean	95% Confidence Interval of the Difference		
				Lower	Upper	
BUDGET – ACTUAL	14857.9776	27351.0530	5470.21062	3568.01777	26147.93743	2.716

Source: Field survey, Kwarteng (2015)

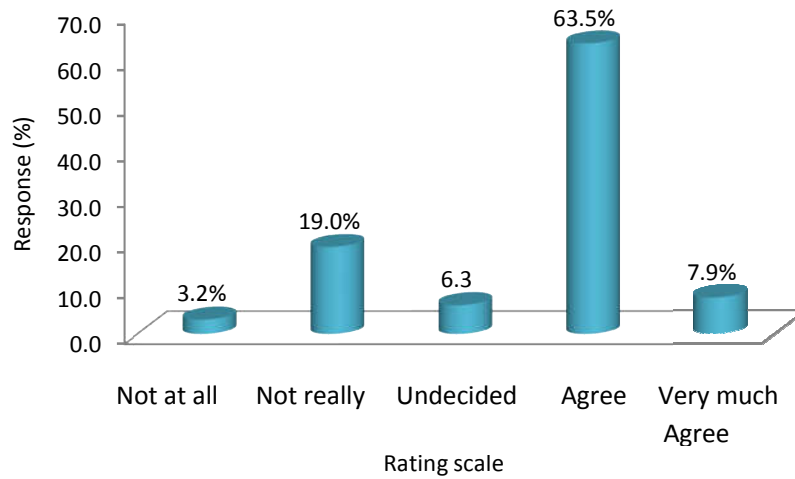


### **Revenue generation and allocation to service delivery**

Respondents were asked to tell if the revenue allocation for capital expenditure is disaggregated to tie fund for a particular capital project. They were also asked to tell whether the Assembly has the capacity to generate substantial revenue to cover capital projects and whether off budget financing or unplanned activity in the Assembly affects capital projects than compensation and goods and services.

### **Revenue allocation disaggregation for capital projects**

As depicted in Figure 3, 71 percent of the respondents mentioned that the Assembly's revenue allocation for capital expenditure is disaggregated to tie a particular fund to a particular capital project. This consists of 39 (72%) of assembly members and 6 (67%) of employees with the Assembly. Their response means that funding for the Assembly is disaggregated for the various capital projects. This contradicted the findings of Ministry of Finance and Economic Planning and German Technical Cooperation (2010) study that funding for proposed projects in the district assemblies were not disaggregated according to the various funding sources.



*Figure 3: Response on revenue allocation disaggregation for capital projects*

Source: Field survey, Kwarteng(2015)

Table 13 shows a mean of 3.4 and a standard deviation .997 which indicate that the Assembly's revenue allocations for capital projects are disaggregated to tie a particular fund to a particular capital project. Skewness value of (-.970) indicates a clustering of scores at the high end. Kurtosis value of .003 indicates that the distribution is perfectly normal.

Table 13-Descriptive statistics of revenue generation and allocation to service delivery

	N	Min	Max	Mean	Std. Deviation	Variance	Skewness	Kurtosis		
Revenue allocation for projects are disaggregated to a particular capital project	63	1	5	3.54	.997	.994	-.970	.302	.003	.595
Capacity to generate substantial revenue	63	1	5	3.65	1.095	1.199	-.552	.302	-.752	.595
Unplanned activity affects capital projects	63	1	5	3.89	1.259	1.584	-1.138	.302	.213	.595
Valid N (listwise)	63									

Source: Field survey, Kwarteng (2015)

### **Capacity of the assembly to generate revenue**

As illustrated in Figure 4, two-thirds (67%) of the respondents mentioned that they believe the Assembly has the capacity to generate substantial revenue to support service delivery in the Municipality. This was said by 36 (67%) of assembly members supported by six out of the nine employees of the Assembly. However, 22 percent of the respondents said that the Assembly is not capable of generating revenue to support service delivery in the Municipality.

A mean of 3.65 and a standard deviation 1.095 indicate that the Assembly has the capacity to generate substantial revenue. Skewness value of (-.552) indicates a clustering of scores at the high end. Kurtosis value of -.752 indicates that the distribution relatively flat. That is there are too many cases in the extremes.

The capacity of any assembly to generate substantial revenue to support service delivery is depended on its resources. Thus, the findings confirm the results of resource dependency theory. This theory argues that the key to organizational survival is the ability to acquire and maintain resources (Pfeffer & Salancik, 1978). Therefore, the growth and development of the district, is to large extent, dependent on the amount of resources available to it (Hillman, Canella & Paetzold, 2000).

A follow-up question was posed to solicit views on revenue potentials of the Municipality and the response indicated that almost all the respondents (95%) mentioned that there are potentials in the Municipality that the Assembly can utilize to increase revenue to support capital projects so as to improve service delivery. This response was said by 51 (94%) of the assembly

members supported by the entire nine employees of the Assembly. According to fiscal decentralization theory, local governments have a responsibility for mobilizing local resources, promoting social and economic improvement and development, ameliorate unemployment as well as national unity. Aside the theoretical confirmation, the results are similar to some empirical evidences (Ojo, 2009; Akudugu, 2013). The Assembly has to identify and mobilize all the potential resources to support service delivery.

According to responses, some of the potential areas available in the Municipality which the Assembly can utilize effectively to overcome its challenges and threats include the following; availability of the NCCE and the Information Service Department to assist the Assembly embark on revenue sensitization, development of the market places, strengthening agricultural production, development of the tourism sites, preparation of fee-fixing resolution which can be increased to improve revenue collections and deployment of service personnel to assist in revenue mobilization. The ability of an assembly to utilize the potential or opportunity by looking inward to generate revenue is seen as a sustainable means to enhance service delivery (Kazeem & Oluyemi, 2013).

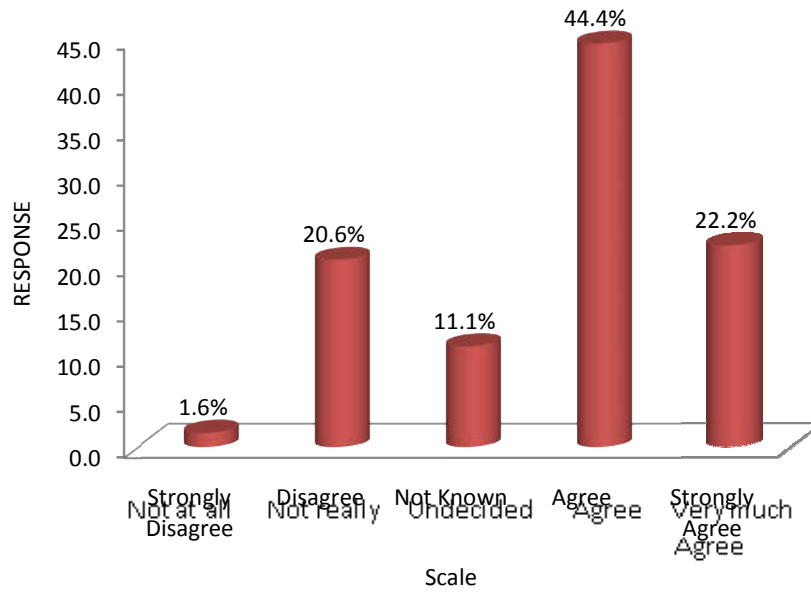


Figure 4: Response on Assembly's capacity to generate revenue

Source: Field survey, Kwarteng(2015)

#### Sources of revenue to EjuraSekyedumase municipal assembly

Table 14 shows the sources of revenue to the Assembly. The Assembly generated a total revenue of GH¢7,891,753.14 from 2009 to 2013. The source of the revenue was from the Internally Generated Fund (IGF), District Assembly Common Fund (DACF), donor funds and other income.

Table 14-*Sources of revenue from 2009 to 2013*

Revenue	2009	Per cent	2010	Per cent	2011	Per cent	2012	Per cent	2013	Per cent
IGF	229,7	18.42	292,9	15.46	280,6	16.27	285,4	14.07	347,9	35.01
DA	369,7	29.71	598,1	31.46	517,4	29.78	479,1	23.51	24,73	2.49
CF	70.21	63.57	69.00	57.48	21.60	98.38	92.15	61.71	8.50	932.5
Donor	632,8	50.72	920,0	48.56	670,5	38.85	1,252,	61.5	539,8	54.32
Fun	85.36	72.5	21.78	56.5	63.16	85.5	407.3	71.5	73.20	32.5
Oth										
er	13,46	1.0	81,58	4.3	254,9	14.14	10,38	0.5	79,35	7.9
inco	7.04	8	3.13	1	72.02	78	5.79	1	8.31	8
me										
Tot	1,247,	100	1,894,	100	1,725,	100	2,029,	100	993,9	100
al	913.0	.0	739.6	.0	665.3	.0	490.4	.0	44.66	.0
Perc	3		5		1		9		(12.5	
ent	(15.81		(24.01		(21.87		(25.72		9%)	
	%)		%)		%)		%)			

Source:Field survey, Kwarteng(2015)

The greatest source of income was from the donor funds. The amount generated from the fund was GH¢4,015,750.85. It contributed more than half (50.89) to the total revenue for the planned period (2009-2013). The District Assembly Common Fund contributed one-fourth (25.21%) to the total revenue which was GH¢1,989,291.46. The Assembly generated GH¢1,436,880.54 as the Internally Generated Fund (IGF). This means that it contributed 18.21 percent to the total revenue for the planned period. Revenue from other income (unbudgeted revenue) contributed the least (5.69%) to the total revenue. The aggregate of external sources of income was 81.79 (GH¢6,454,863.60) percent as compared to 18.21 percent internally generated fund. This shows that revenue from IGF was insignificant to support service delivery in the Municipality. According to Kazeem and Oluyemi (2013), local government low internal revenue has tended to depend largely on the federation account for its capital projects. It was further revealed that the internally generated revenue of local government is thirty percent (30%) as compared with their revenue allocated from the federation account of seventy percent (70%).

This confirms a study conducted by the Ministry of Finance and Economic Planning and German Technical Cooperation (2010) that the District Assemblies' Common Fund in Ghana is also a major source of development funding to district assemblies and accounts for over sixty five percent (65%) of funding to district assemblies. This implies that without the external revenue, the Assembly could not have implemented majority of the programmes and projects. Even, with the external source of funds, the Assembly implemented 28 percent of the physical projects. This view is



shared by Yilmaz, Beris& Serrano-Berthet (2008), when they noted that financing that comes through transfers, leaves little room for local decision-making and priority setting, and it is often insufficient to meet all expenditure needs.

Significant amount of revenue was generated in 2012. The Assembly generated GH¢2,029,490.49 (25.72%) as total revenue in 2012. The highest was from donor funds (61.71) followed by DACF (23.6%) and IGF (14.07%). Revenue from IGF had been very low compared with the other sources of funding for the planned period. However, in 2013 the trend changed. Out of the total amount of GH¢993,944.66 generated in that year, IGF contributed 35.01 percent. This was higher than revenue from DACF (2.49%) and other income sources (7.98%). The Assembly could not receive much from the DACF. Revenue from DACF reduced from 2011 to 2013. This implies that the DACF is not reliable for the Assembly to provide services in the Municipality. Thus, it is important for the IGF to receive much attention since it is the reliable source of revenue. This reinforces the point made by distinguished eminent scholars' view that local governments should better look inward to generate revenue so as to enjoy autonomy (Eckardt, 2008).

### **Budgeted financial resources and actual financial resources**

A paired-sample t-test was conducted to compare the values of the budgeted financial resources and the actual financial resources of the Assembly. The results show a statistically significant deviation in the amount of the budgeted to the actual revenue generated by the Assembly from 2009 to 2013. The results in Table 15 shows a significant difference of 420,801.612 at  $p=0.004$ .

Table 15-*Paired sample statistics of budgeted revenue and actual revenue (Ghana Cedis)*

	Mean	N	Std. Deviation	Std. Error Mean
Budgeted	814886.5095	20	747596.83709	167167.73475
Actual	394084.8970	20	319647.59779	71475.37575

Source: Field survey, Kwarteng (2015)

Though the results presented above tell us that the difference obtained in the two sets of scores was unlikely to occur by chance, it does not tell us much about the magnitude of the intervention's effect. The effective size was calculated to examine the magnitude of the interventions effect.

$$\text{Eta squared} = \frac{t^2}{t^2 + (N-1)}$$

$$\text{Eta squared} = \frac{(3.281)^2}{(3.281)^2 + (20-1)}$$

$$\text{Eta squared} = 0.36$$

Using the guidelines proposed by Cohen (1998:284) for interpreting this value for (.01=small effect; .06=moderate effect; .14=large effect), Eta squared value of 0.36 implies that the model has a large effect. It can therefore be concluded that there is substantial difference in the budgeted and actual revenue of the Assembly.

In conclusion, there was a statistically significant decrease in scores from Time 1 (budgeted revenue) with (M=814886.5095, S.D=747596.83709) to Time 2 (actual revenue) with (M=394084.8970 S.D=319647.59779), at  $t(19) = 3.8, p < .05$  (two-tailed). The mean decrease in budgeted revenue was 420,801.612 with a 95% confident interval ranging from 152326.81 to 689276.408. The Eta squared statistic (.36) indicates a large effect size.

Table 16-*Paired sample t-test of differences between budgeted revenue and actual revenue (Ghana Cedis)*

	Paired Differences					T	df	Sig.
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Financial resources	420801.61	573646.4	128271.2	152326.8	689276.40	3.28	19	.004
Budgeted - Actual								

Source: Field survey, Kwarteng(2015)

The implication of the results is that averagely, the Assembly's estimated financial resources far exceeded the actual revenue generated. The Assembly's local revenue has been limited to low yielding taxes such as basic rates and market tolls while the lucrative tax fields have been centralised by the government (Fjeldstad, 2006). This further supports the assertion by Botchie (2000) that people are unwilling to pay their taxes due to the inability of the assemblies to account properly or justify the use of the taxes collected from them. According to Botchie, these problem stems from factors such as the collusion of some revenue collectors and tax payers to underpay levies imposed, issuance of fake receipts, direct diversion of revenue by some revenue collectors for personal benefit and the inadequate requisite expertise or qualification for effective revenue collection. This view is also held by NDPC (2009) which attributes low internally generated fund to inadequate public sensitisation, inadequate and inaccurate data on taxable items as well as narrow economic activities in respective district of the assemblies.

The presence of these problems makes the assembly less capable of controlling its financial resources and inability to meet its budgeted revenue. However, the acquisition and maintenance of these resources which are restricted at the district levels can be linked with resource dependency theory as discussed by Pfeffer and Salancik (1978). The theory posits that assemblies must have the capacity to acquire and maintain resource. The survival of an organization is dependent on its capacity to control the flow of resources within its jurisdiction (Fadare, 2013). He further suggests that the district cannot develop if it is unable to guarantee the continuous supply of resources critical for its development. In view of this, the budgeted revenue should be

closed with the actual revenue and link more closely with the actual expenditure before individuals spending decisions are made and should be sustainable over the medium term and beyond.

### **Off-budget financing/unplanned activity affects capital projects**

As shown in Figure 5, 78 percent of the respondents mentioned that unplanned activities in the Assembly affected capital project than compensation and goods and services. This was said by 43 (80%) of assembly members and six out of the nine employees in the Assembly. Less than one-fifth (19%) of the respondents were of the view that unplanned activities in the Assembly did not affect capital project than compensation and goods and services whilst about three percent remained undecided.

A mean of 3.89 and a standard deviation 1.259 indicate that the Assembly's unplanned activities affect capital projects. Skewness value of (-1.138) indicates a clustering of scores at the high end. Kurtosis value of (.213) indicates that the distribution rather peaked (cluster in the center) (Table 13).

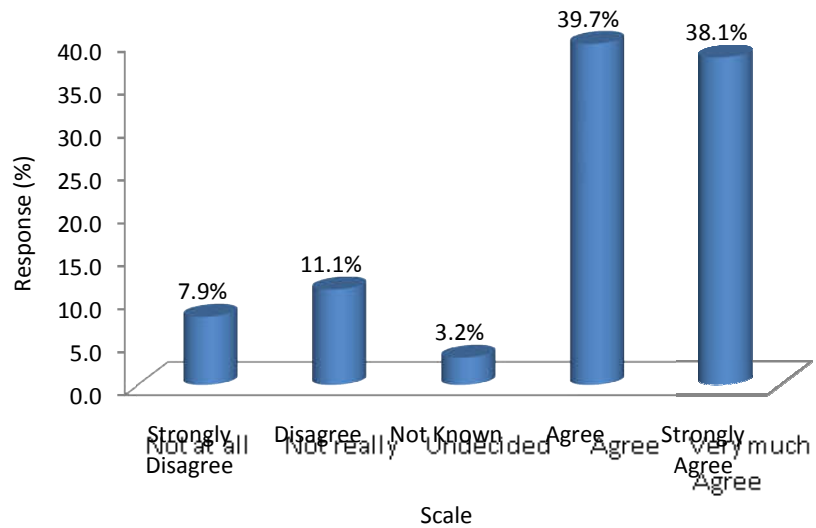


Figure 5: Response on off-budget financing

Source: Fieldsurvey, Kwarteng(2015)

**Influence of revenue allocation to service delivery**

More than two-thirds (68%) of the respondents were not satisfied with the level of development in the Municipality. This was said by 40 (74%) of assembly members supported with six out of the nine employees (Table 17). The Skewness value of negative .240 is an indication that the scores are normally distributed.

Table 17-*Respondents' satisfaction with the level of development with revenue allocation*

	Frequency	Percent	Valid Percent	Cumulative Percent
Yes (satisfaction with service delivery)	17	27.0	27.0	27.0
N0 (Unsatisfied with service delivery)	43	68.3	68.3	95.2
Can't tell	3	4.8	4.8	100.0
Total	63	100.0	100.0	

Mean =1.78

Std. Deviation =.522

Skewness =-.240

(S.E=.302)

Source: Field survey, Kwarteng (2015)

The satisfaction level of respondents on service delivery is influenced by the allocation of revenue by the assembly (Dang, 2013). The successful achievement of development depends on the extent to which revenue is allocated in the implementation of capital or physical projects. Data from the survey indicates that the Assembly allocates more Internally Generated Fund (IGF) to revenue expenditure more than capital expenditure (Table 18). About 68 percent of the respondents comprising 37(69%) of assembly members and 6(67%) of workers of the Assembly said that they are not satisfied with the level of service delivery when matched or compared with revenue. Only 27

percent of them registered their satisfaction with the level of service delivery whilst the remaining five percent could not tell.

Table 18-*Revenue allocation*

Revenue allocation	Yes	No
Allocation of revenue (IGF) to support revenue expenditure more than capital expenditure	84.1%	15.9%

Source: Field survey, Kwarteng (2015)

A regression analysis was conducted to explore the influence of revenue allocation to service delivery. Respondent's satisfaction about the level of service delivery was used as the dependent variable. Revenue allocation disaggregation to tie fund for a particular capital project, capacity to generate enough revenue and off-budget financing of the assembly were used as the independent variables. The outputs from the linear regression are shown below. Before reporting the regression result, multicollinearity (assumptions) were checked. In this case, the scales (revenue allocation for capital expenditure are disaggregated to tie fund to a particular capital project, capacity of the assembly to generate substantial revenue, and off-budget financing) correlate substantially with service delivery (.917, .923 and .900 respectively) as depicted in Table 19. According to Pallant (2011), the independent variable should show at least some relationship with the dependent variable (above .3 preferably).



Table 19-Relationships between the independent and dependent variables  
(Correlations)

		Service delivery	Revenue disaggregated for capital expenditure	Capacity to generate revenue	Off-budget financing
	Service delivery	1.000	.917	.923	.900
Std. Cross-product	Revenue disaggregated to tie fund to a particular capital project	.917	1.000	.924	.935
	Capacity to generate revenue to support capital projects	.923	.924	1.000	.923
	Off-budget financing	.900	.935	.923	1.000
Sig. (1-tailed)	Service delivery	.000	.000	.000	.000
	Revenue disaggregated to tie fund to a particular capital project	.000	.000	.000	.000
	Capacity to generate revenue to support capital projects	.000	.000	.000	.000
	Off-budget financing	.000	.000	.000	.000
N	Service delivery	63	63	63	63
	Revenue disaggregated to tie fund to a particular capital project	63	63	63	63
	Capacity to generate revenue to support capital projects	63	63	63	63
	Off-budget financing	63	63	63	63

a. Coefficients have been calculated through the origin.

Source: Field survey, Kwarteng(2015)

The R-squared tells how much of the variations in the dependent variable are explained by the model (independent variables). As depicted in Table 20, the value for the R-square is .881 (88.1%). This means that the model (independent variables) explains about 88% of the variance in the dependent variable (service delivery). The AdjR<sup>2</sup> indicates that about 87% of the variability service delivery is accounted for by the model after taking into accounts the number of predictor variables in the model.

Table 20-Model Summary

Model	R	R Square(R <sup>2</sup> )	Adjusted R Square (Adj R <sup>2</sup> )	Std. Error of the Estimate
1	.939 <sup>a</sup>	.881	.875	.654

Source: Field survey, Kwarteng (2015)

Snedecor's F-Test of Significance value of 148.116 (Table 21) indicates that all the independent variables in the model are statistically significant (p=.000).

Table 21-*Analysis of Variance (ANOVA)*

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	190.303	3	63.434	148.116	.000
1	Residual	25.697	60	.428		
	Total	216.000 <sup>d</sup>	63			

Source: Field survey, Kwarteng (2015)

In checking for assumptions (multicollinearity), the tolerance values for each independent variable as depicted in Table 22 are not less than .10 ( for example, .118, .102, .101) indicating that the multicollinearity assumption is not violated in the model. This is supported by Variance Inflation Factor (VIF) which is not more than the cut-off of 10 (for example, 9.898, 8.480, and 9.807). The largest beta coefficient is (.467), which is for capacity to generate revenue to support capital projects (Table 22). This means that this variable makes the strongest unique contribution (sig=.001) to explaining the dependent variable (service delivery) when the variance explained by all other variables in the model is controlled for. The Beta value for revenue allocation for capital expenditure disaggregation to tie fund to a particular capital project was slightly lower (.368) at a significance value of (.011) meaning that the variable makes less significant unique contribution to the prediction of the dependent variable (service delivery). Again, the Beta value for off-budget financing was the lowest (.125) at a significance value of (.375) meaning that it makes no significant unique contribution to the prediction of the dependent variable (service delivery).

The coefficient results for each of the variables indicates the amount of change expected in the dependent variable (service delivery) given a one-unit change in the value of the independent variables. For every one unit standard deviation increase in revenue allocation to disaggregate fund to a particular capital project, it is expected that there would be standard deviation increase of (.368) in service delivery holding all other variables constant. Likewise, it is expected that there will be a standard deviation increase of (.467) in service delivery for one unit standard deviation increase in the capacity to raise

revenue (Table 22). In sum, the regression analysis showed that the capacity of the Assembly's to generate revenue to support capital projects and allocation of revenue disaggregation to tie fund for a particular capital project have a strong and direct relationship with service delivery. The Multiple Correlation Coefficient (R), Coefficient of Multiple Determination ( $R^2$ ) and adjusted Coefficient of Multiple Determination (Adj.  $R^2$ ) shown in Table 20) indicate that put together, the correlation between all the predictor variables (capacity of the Assembly to generate revenue to support capital projects, and allocation of revenue disaggregation to tie fund for a particular capital project) and the criterion variable (satisfaction of service delivery) is strong, with about 88% of variation. The ability or capacity of the Assembly to maximize revenue collection to support service delivery depends on its financial, human resource and logistic capacity as pointed out by Pfeffer and Salancik (1978) resource dependency theory. They stated that the key to organizational survival is the ability to acquire and maintain resources. Though, Internally Generated Fund (IGF) is rarely used in implementing capital projects like schools, hospitals, road construction and many more, it can be used to support it. The ability of the Assembly to utilise the potentials and opportunities in the Municipality to overcome the threat and weakness becomes a strategy to help in achieving service delivery. It is, therefore, concluded that a positive direct relationship exist between revenue allocation and service delivery in Ejura Sekyedumase Municipal Assembly. The findings from this study support previous studies such as Dang (2013).

Table 22-Coefficients results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Partial	Tolerance	VIF
Revenue disaggregated to tie fund to a particular project	.186	.071	.368	2.629	.011	.044	.327	.917	.321	.117	.101	9.898
Capacity to generate revenue to support projects	.227	.063	.467	3.605	.001	.101	.353	.923	.422	.161	.118	8.480
Off-budget financing	.056	.063	.125	.893	.375	-.070	.183	.900	.115	.040	.102	9.807

a. Dependent Variable: Are you satisfied with the level of the development when matched with revenue generations?

b. Linear Regression through the Origin

Source: Field survey, Kwarteng (2015)

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

This chapter gives the summary of the study, conclusions drawn from the major finding and makes the necessary recommendations. The chapter is divided into three main parts. The first part presents the summary and the key results of the study. The next section contains conclusions from the key findings. It is then followed by the recommendations of the study.

#### Summary

The purpose of the study was to assess the influence of public financial management on service delivery at the local government level. The study reviewed relevant literature on the concept of public financial management and service delivery at the local government level. The study used descriptive design and data was collected using questionnaires. Secondary data was used to augment the primary data in the study. The study population was made up of staff and assembly men and women in the Municipality. The main findings of the study are as follows;

- The study found that the relationship between policy based budgeting and service delivery was weak. There is a gap between project implementations, policy and budget.
- The study revealed that the Assembly's budget was compatible with national policies which indicated a good performance. Thus, the

national policy issues were integrated into the local plans which aimed at achieving result on service delivery.

- It was also found that the Assembly maintained some level of fiscal discipline in terms of spending with respect to investment programmes and projects.
- The paired sample t-test performed shown significant deviation between amounts invested in budgeted expenditure and the actual expenditure of the assembly. This implies poor financial management which can result in less effective delivery of capital projects which has negative implications on service delivery.
- The paired sample t-test performed also shown significant deviation between budgeted financial resources and actual resources of the Assembly. It performed poorly in raising revenue to meet the budgeted revenue. Actual mobilization of revenue was below expectations. The Internally Generated Fund was used to finance recurrent expenditure and not capital expenditure.
- It was further revealed that the Assembly has the capacity to generate revenue. Almost all the respondents (95%) mentioned that there were potentials in the municipality that the Assembly can utilize to increase revenue to support service delivery.

The study found that the capacity to generate revenue and allocation of revenue to disaggregate a particular fund for a particular project have more influence on service delivery than off-budgeting financing in the Assembly.



## **Conclusions**

Public financial management concerns the efficiency and effectiveness of the use of public resources. This study has highlighted and emphasized the key role it plays in the service delivery. The result of the study indicated that there is a strong relationship between policy based budgeting and the service delivery at the Municipal Assembly. Despite this, the Assembly could not implement majority of its programmes and projects. Medium Term Development Plans and budgets were prepared without recourse to financial resources of the Assembly. This situation was attributed to several on-going projects which had to be completed before new programmes and projects in the Assembly's Medium Term Development Plan could be started.

In addition, the huge deductions and delays in the release of the District Assembly Common Fund distorted the link between the District Medium Term Development Plan and annual action plan which eventually affects programmes and projects in the district. The Assembly ought to budget with recourse to the availability of financial resources to implement programmes and policies on due time to meet the aspiration of the local people.

Public financial management emphasises the importance of the budget being credible so that planned government or assembly policies can be achieved. On the second objective, the study concludes that the Assembly's budget is credible in terms of fiscal discipline. Greater comprehensiveness and transparency of budget as well as consistent monitoring capital projects were done by the Assembly. The paired sample t-test concludes that the Assembly has weak budget credibility when matched actual budgetary releases to the

voted budgets. In aggregate, the actual primary asset expenditures have differed by less than 17 percent from the overall planned asset expenditure in five years under review. Realistic and honest estimates for both likely revenues and expenditures are vital if the aggregate resource constraint is to be credible.

Revenue generation and allocation has a strong influence on the service delivery. The capacity to generate revenue and the need to disaggregate revenue allocation to tie a particular fund to a particular capital project has an influence on service delivery than off budget financing. The paired sample t-test concludes that the Assembly has the capacity to generate substantial revenue. Capital projects intervention in the district were done with the support of central government transfers, District Assembly Common Fund and donors. Internally Generated Fund (IGF) was used to meet the commitment of compensation and goods and services expenditure. There were no available guidelines on the utilization of funds from IGF sources. The Assembly should strengthen its internal control mechanism and look inwardly to improve IGF collection to support service delivery for the realization of fiscal decentralization at the local level.

### **Recommendations**

From the key findings and conclusions from the study, the following recommendations are made. EjuraSekyedumase Municipal Assembly should exploit the identified potential financial resources within the municipality to augment Internally Generated Fund as well as reactivate and ensure constant function of the task force to supervise and monitor revenue generation

particularly on market days. The members in the task force should be periodically changed and reconstituted in order not to make them susceptible to fraud and bribery. The Assembly should also continuously educate their local residents on the need to honour and pay their local taxes to the Assembly.

Huge deductions of District Assembly Common Fund at source should be halted as this normally distorts the Assembly's budget figures and also most often items supplied from the national level do not meet the development interest of the Assembly. In addition, clear modalities should be outlined on the utilization of funds from the Internally Generated Fund in the Assembly or a Legislative Instrument should be issued by the government that a certain percentage of internally generated funds should be assigned and channeled to capital projects and programmes.

Furthermore, award of contract at the external level on behalf of the Assembly should stop as this hinders the development process at the district level. The Assembly should be allowed to award any contract within their district and the contract sum should be transferred to the Assembly for onward transfer to the contractor. Apart from deepening the principles of fiscal decentralization, it will also make the Assembly monitor the contractor and put the contractor on his toes to prevent uncompleted capital projects in the district.

Lastly, the Assembly should liaise with the Ministry of Local Government and Rural Development to use subsequent financial inflows to complete valuable abandoned projects that will serve the interest of the local people before new ones are commenced.

### **Suggestions for further study**

This study has concentrated on the EjuraSekyedumase Municipal Assembly and it is suggested that a replica of the study should be conducted in most district assemblies to give more national outlook for generalization.

The study could be also extended to cover other public financial management indicators such as value for money. Since the influence of public financial management on service delivery can be realized but may not achieve value for money at the local level and therefore, hindering development.

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## **APPENDICES**



**APPENDIX A**

QUESTIONNAIRE ON ASSESSMENT OF PUBLIC FINANCIAL  
MANAGEMENT AND SERVICE DELIVERY AT THE LOCAL  
GOVERNMENT LEVEL: A CASE OF EJURA SEKYEDUMASE  
MUNICIPAL ASSEMBLY IN THE ASHANTI REGION OF GHANA

The purpose of this questionnaire is to collect data for an academic exercise in partial fulfillment of the requirements for the award of degree in Master of Commerce (Accounting). The objective of the study is to assess how public financial management has influenced service delivery in the EjuraSekyedumase Municipality. Your candid opinions and views on the subject would be very essential and useful for this study. However, you are assured that your information gathered would be treated with utmost confidentiality.

Thank you.

SECTION A: PRELIMINARY ISSUES

1. What is your relationship with the municipal assembly?

Employee

Assembly man or woman

2. (a) If employee what is your rank? .....

(b) If assembly man or woman number of years served in the  
assembly?

Up to four years

Five to eight years

Above eight years

SECTION B: RELATIONSHIP BETWEEN POLICY BASED BUDGETING  
AND THE SERVICE DELIVERY

Please, tick in the appropriate box against the statements as defined below; 1= Not at all, 2 = Not really, 3 = undecided, 4 = Agree and 5 = Very much agree.

		<b>Not at all</b>	<b>Not really</b>	<b>Undecided</b>	<b>Agree</b>	<b>Very much agree</b>
1	The assembly prepares budget with due regard to government policy and development interests or needs of its stakeholders					
2	The assembly able to predict direct budget support to service delivery					
3	The assembly medium term development plan is linked to the budget and service delivery					

4	The assembly has multiple plan and budget running concurrently for various projects.					
5	There is an implementation gap between policy, budget and projects and programmes					

SECTION C: CREDIBILITY OF THE BUDGET TO SUPPORT SERVICE DELIVERY

		<b>Not at all</b>	<b>Not really</b>	<b>Undecided</b>	<b>Agree</b>	<b>Very much agree</b>
1	The assembly budget maintain fiscal discipline to investment projects and programmes					
2	The assembly is able to complete capital projects within stipulated time frames					
3	The assembly budget comprehensive and transparent for					

	capital projects					
4	Stakeholders have access to information and knowledge to the kind of capital projects going on within their localities					
5	The assembly monitors capital projects and programmes regularly					

SECTION D: INFLUENCE OF REVENUE GENERATION AND ALLOCATION ON SERVICE DELIVERY

		Not at all	Not really	Undecided	Agree	Very much agree
1	Revenue allocation for capital expenditure are disaggregated to tie a particular fund to a particular capital project					
2	The assembly have the capacity to generate substantial revenue to cover capital projects					
3	Off - budget financing or unplanned activity affect capital projects than compensation and goods and services					

4. Please tick one of the following statements;

i). The assembly allocates resources (IGF) to support capital expenditure more than recurrent expenditure

ii). The assembly allocates resources (IGF) to support revenue expenditure more than capital expenditure

5. Is there potential for the assembly to increase its IGF to cover capital projects?

Yes

No

If yes by what means:.....

If no why:.....

6. Are you satisfied with the level of the development when match with revenue generation?

Yes

**APPENDIX B**

**Expenditure on assets (investment projects) of EjuraSekyedumase**

**Municipal Assembly(Ghana Cedis)**

Sector	2009		2010		2011		2012		2013	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Education	61,58	21,3	105,1	60,67	92,86	84,18	50,00	92,56	47,88	29,76
	5.00	77.47	30.00	8.94	2.08	3.24	0.00	9.41	8.75	1.60
Health	58,48	27,5	76,32	85,60	10,43	6,869	10,00	9,130	25,99	32,75
	5.83	92.74	1.16	9.62	3.00	.68	0.00	.95	2.80	9.86
Market	10,00	1473	128,4	134,5	42,76	4792	44,00	29,98	62,35	77,65
	0.00	6.50	50.12	31.58	0.00	8.40	0.00	9.40	3.80	0.35
Roads	19,94	17,0	129,6	81,22	7,742	9,649	58,48	18,87	63,67	37,88
	2.60	51.00	79.50	3.64	.14	.90	5.00	8.00	2.08	6.86
Total	150,0	80,7	439,5	362,0	153,7	148,6	162,4	1505	199,9	178,0
	13.43	57.71	80.78	43.78	97.22	31.22	85.00	67.76	07.43	58.67

**Financial resources (revenue) of EjuraSekyidumase Municipal Assembly  
(Ghana Cedis)**

Item(s)	2009		2010		2011		2012		2013	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
IGF	204,489.00	229,781.42	274,000.00	292,955.74	379,030.00	280,697.53	427,019.00	285,493.20	478,986.00	347,961.65
DACF	1,459,943.82	369,770.21	1,570,000.00	598,169.00	1,800,000.00	517,421.60	2,100,000.00	479,192.15	58,485.53	24,738.50
Donor Fund	991,345.40	632,885.36	1,458,000.00	920,021.78	1,328,000.00	670,563.16	1,288,000.00	1,252,407.35	2,100,000.00	539,873.20
Other income	14,800.00	13,467.04	75,300.00	81,583.13	55,831.44	254,972.02	129,000.00	10,385.79	105,500.00	79,358.31
Total	2,670,578.22	1,245,904.03	3,377,300.00	1,892,729.65	3,562,861.44	1,723,654.31	3,944,019.00	2,027,478.49	2,742,971.53	991,931.66