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Budgeting Participation, Goal Commitment and Accounting Performance of Nigerian Listed Banks

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Abstract: The behavioural aspect of budgeting has been on the front burners of academic discourse over the years. Recent shift in argument between budget participation and various elements of performance using indirect models which accommodate different moderators and mediators clearly stalled the growth of direct causality studies whose contents are not empirically exhausted. This study examines the direct link between budget participation on one hand and budget goals commitment on the other against financial performance. Both survey and *ex post facto* designs were used to draw both primary and secondary data for the study. Pearson Correlation and Regression were used to analyse the data obtained from 15 Nigerian listed banks. The results of the analysis reveal a strong and statistically significant link between both budget participation and goal commitment and performance. The former commands more robust positivity which is in consistent with extant studies. Top policy makers in the banking industry are encouraged by the outcome of this study to accommodate the input of tactical and operational personnel in budget designing and implementation process. Such action would further reduce policy resistance and drive up the key corporate bottom-line as this study found.

Keywords: Budget, Financial Performance, Goal Commitment.

INTRODUCTION

Budgeting is an essential financial planning exercise which allows firm to set up financial objective without which a firm hardly manages its resources adequately [1]. Maitland [2] sees budgeting as the process of preparing annual budgets and their subsequent implementation to the best of management's ability. Since budgeting is a process involving people and resources, it is clear that input from stakeholders is a key precondition for a successful budgeting. Where closed budgeting procedures exist, chances are that the main goal of good financial planning and controlls could be compromised due to lack of ownership.

Budgeting participation is a budgeting process which allows subordinates the opportunities to get involved in and influences on the outcome of a budget setting process [1]. As a result of participation in budgeting by lower ranking staff, subordinates often develop mental and professional capacity that provide them with the final output of the budgeting process [3]. The mere participation of the various stakeholders especially the middle and lower levels subordinates increase their sense of trust, control, and ego especially on matters of their individual and collective relevance to the organisation. Such psychological satisfaction often reduces the magnitude of resistance to change as a result of their ownership of corporate financial plans. The latter enhances their overall commitment towards the corporate goals of their firms viz a viz budget goals [4]. As such, subordinates participation in the budgeting process creates a conscious motivational effect on the subordinates which enhances their budget goal commitment**.**

Extant studies like Chong [5], Hollenbeck *et al*. [6] and Locke *et al*. [7] espoused that continues participation of subordinates in the budgeting process provides a psychological incentives to the staff to tenaciously held unto the budgeting goals of the organization. Where budgeting becomes organizational assets, collectivism in its success creates the best condition for its success.

Since budget participation and its effect is behavioural in its dimension and trend as espoused by extant studies [8-11]. It is therefore imperative to situate issues of participation in the context which allows for the understanding of what stimuli participation creates and other ancillary matters that pushes performance within the same behavioral postulation as argued.

Commitment in the context of this study is focused to Goal commitment which is literally referred to the determination to reach a given goal [12]. Goal commitment as a stand-alone concept referred by

Hollenbeck and Klaim [6] cited in [13] as a combination of effort and the used of internal human energy in a persistent manner towards achieving organizational goals.

It is therefore imperative to find the empirical nexus and connection among the various groups.

Nigerian banking Industry is the most vibrant sector in the Nigerian corporate sector measured by its relative returns, capital market performance, employment of labour and contribution to tax income to government. Since the sector is the main driver of the economy second only to the oil and gas industry in terms of capital assets [14]. It is imperative to further examine the forces that contribute to its superlative financial performance with the view to contributing to broader discourse on banks' performance on one hand and budget participation and goal commitment on the other. Therefore, the objectives of this paper are to examine the impact of budget participation, budget goal commitment on the financial performance of listed banks in Nigeria.

Literature Review

A good number of extant studies have provided an established connection between budget participation and goal commitment using expectancy and goal setting theories. The causality magnitude varies across different data periods, industry, data bases and the methodologies adopted. Using meta-synthesis review, previous research efforts were deconstructed in the context of cited criteria.

Early studies on budget participation could be attributed to the likes of Brownell [15], Hollenbeck [6] and Locke *et al*. [7]. The studies found strong link between Participation and goal commitments. Early tools for measuring participation were developed and earlier modified by these studies. Data period and inconsistent methodology and study constructs appeared to call for further improvements.

The development of wider databases and sophistication of analyses tools allow studies like Hung *et al*. [16], Chong *et al*. [5], Siegel [17] further expanded the arguments by incorporating various intermediating variables like information asymmetry, budget slacks, budget bullying and procedural fairness. Though these studies did not exert pressure on the direct relationship which earlier prominent, the intermediating variables further drifted attention from the direct causality which was not adequately explored.

Regarding the link between budget participation and goal commitments, studies like Stuart [18], Taggar [19]. Harvey *et al*. [20] echoed the effect of the psychological link between budget participation and goal commitment with indirect connection to either employees' performance or budget performance. As such, additional studies are required to separately investigate the possible relationship between goal commitment and overall financial performance of firms. The psychological edge created by the motivation derived from motivation creates cost effective motivation and inducement supporting budget goal's success which potentially translates into overall business success.

METHODOLOGY

The study's population consist of 15 listed Banks in Nigeria. The banks were selected based on age of listing and incorporation and capital market participation. As a result of such filtered, Nigerian Police Micro finance bank was isolated for failing to meet up with the primary filter. Also ten years annual report from 2006 to 2015 was required. Any bank that was unable to report was excluded. The paper adopted its working population as its sample due mainly on the study's desire to be representative and enhances its construct validity.

Survey research and ex post facto research designs were used. The latter to measure the independents variables while the dependent variable is measured by accounting measures of performance like the returns on assets, returns on equity, ebit, deposits and eps. Data collected through the use of questionnaires and the annual reports and accounts of listed banks were analysed using Pearson Correlations and structural equation model processed with SPSS application.

The study samples, variables measurement as cited by previous studies are presented hereunder:

The model provides modest and simplistic framework which brings together the effect of budget participation and rewards associated with such participation as succinctly captured by Tunji, Accounting, Remo, & State, [24]. A surge in the use of motivation in participative budget-performance studies as opined by Buck, Liu, & Skovoroda [25] posited that intrinsic valence of objectives would be enhanced, thereby improving motivation and overall corporate performance. Incentives on the hand are explained by subordinate participation and others could push-up the valence of objectives which eventually affect motivation.

Studies like De Baerdemaeker & Bruggeman [13]; Jermias & Setiawan [26]; King, Clarkson, & Wallace [27]; Magner, Welker, & Campbell [28]; Ogiedu & Odia [10]; were able to study the relationship between participative budgeting and performance with different levels of findings and theoretical modifications. Where some the studies revealed strong association, others revealed weak and no association between the phenomenons under investigation.

The major pitfall of the theory lies in the fact that studies involving organizational controls which reveals highly volatile outcome, as such, lack support for participative budgeting and performance constructs. However, the extended expectancy model which brought about three-causal hypotheses developed by earlier by Wu *et al*. [29] has addressed the earlier shortcomings highlighted due to the consistency of recent studies where similar moderators or mediators are applied in different data context.

Table-1: Working Population and Sample

	Banks
S/No	**Name**
1	Access Bank PLC
2	Diamond Bank PLC
3	Eco Bank PLC
4	Eco Bank Transnational PLC
5	Fidelity Bank PLC
6	First Bank of Nigeria PLC
7	FCMB Bank PLC
8	Guaranty Trust Bank PLC
9	Skye Bank PLC
10	Stanbic IBTC Bank PLC
11	Sterling Bank PLC
12	Union Bank PLC
13	United Bank for Africa PLC
14	Unity Bank PLC
15	Wema Bank PLC

Source: Prepared by the Researcher after Filtering

Table-2: Variable Measurement

Variable Type	**Variable Name**	**Measures and Citations**
DV	Financial Performance	Measured Returns on Assets, Returns on Equity, Deposit Streams, Earnings Per Share, Earning before Interests and Tax as used by Kurawa and Saidu (2014), Ishaq (2014)
IVs	Budget Participation	7 Items Scale developed by Milani [21] and further reduced scale to 5 by Hassel & Cunninghan [22] and Shields & Young [23]. Mean Cronbach alpha 0.86
	Goal Commitment	3 items scales developed by Hollenbeck *et al*. [6] and used by Chong & Chong [5]

Source: Developed by the researcher from Previous Studies

Theoretical Framework

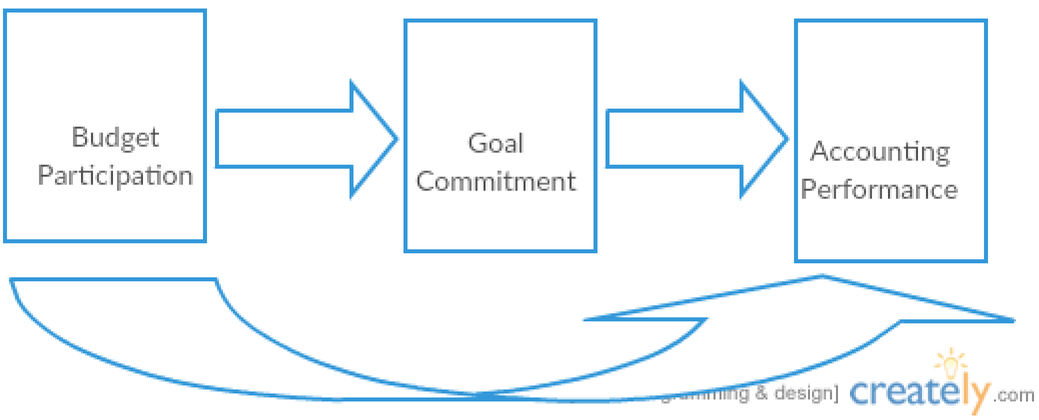

Fig-1: Relationship between Budget Participation, Goal Commitment and Accounting Performance.
Source: Adopted with modification from; Chong, Kar Ming [5]

RESULTS AND DISCUSSION

Based on correlation results presented in table, there is a significant positive relationship between budgeting participation and goal commitment among firms in the Nigerian banking industry evidence a correlation value 0.569 which more than half way to absolute relationship. .this signifies that the higher the level of subordinate participation in budgeting the higher the level of goal commitment of employees at tactical and operational levels of management.

Table-3: Pearson Correlation Result

		BP	GC	FP
Budget Participation	Pearson Correlation	1		
	Sig. (2-Tailed)	.	-	-
	N	116		
Goal Commitment	Pearson Correlation	.569**	1	
	Sig. (2-Tailed)	000	.	-
	N	116	116	
Financial Performance	Pearson Correlation	.080	.456**	1
	Sig. (2-Tailed)	.695	.000	.
	N	116	116	116

Source: Field Survey 2016 Analysed Using SPSS

The result equally found a strong link between Budget Planning and financial performance indicates strong link of almost 70% which is stronger than the link earlier expressed between BP and CG. Overall, GC and FP shows relatively lower but positive relations among the variables using direct and indirect constructs. Regression

The results of the OLS regression based on table 4 shows r^2 which is 27.3% and an adjusted r^2 of 23.3% of the combined impact of the independent variables (budget participation and goal commitment) on the financial performance of banks.

The regression result as par table 4 revealed statistically significant relationship between goal commitment and financial performance at 5% level of significance whereas budget participation and financial performance at 10% significant level. This finding is consistent with the work of Chong [5], Brownell [30] and Hollenbeck [6].

The results show that Budgeting participation and goal commitment on singular and collective basis do significantly influence financial performance represented by the return of assets of the banks under investigation.

Table-4: Regression Result

R^2 = 0.273 Adj. R^2 = 0.233		F= 18.135 Sig= 0.000		
Model	**B**	**Std Error**	**Beta**	**t**
Budget Participation	.162	0.87	.0182	1.960
Goal Commitment	.322	0.57	.0057	5.321
Constant	2.637	.292	-	7.321

Source: Analysed from field survey data using SPSS

CONCLUSIONS

This study concludes that extant studies on budget participation and goal commitment on various performance parameters are still relevant where such variables are situated in different data type, industry and economies. The study further confirms the relevance of the theoretical construct especially the plausibility of modified expectancy and goal setting theories. Policy makers at the strategic levels in the Nigeria banks should further entrench the practice of participative budgeting system owing to the fact that such practice minimises employees' resistance to management policies and promotes corporate well-being represented by profitability.

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