

CAPITAL BUDGETING PRACTICES AND PERFORMANCE OF LOCAL GOVERNMENTS IN NIGERIA

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ABSTRACT

This study examined the impact of capital budgeting on the effective performance of selected Local Governments in Nigeria. It adopted a survey research design and a structured instrument was used to elicit information from respondents. A total of one hundred and thirty-six (136) Local Governments in South Western constituted the population of the study. A pilot test was conducted on the questionnaire and a reliability co-efficient of 0.77 was obtained. Two hundred and fifty-three (253) copies of questionnaire were returned out of the three hundred (300) copies distributed to accounting officers of the selected Local Governments in Nigeria. A hypothesis was tested using Analysis of Variance (ANOVA), Regression Analysis (RA) at 5% level of significance. The hypothesis was tested to find out the relationship between capital budgeting techniques and Local Government performance in Nigeria. The findings revealed that there was a relationship between capital budgeting techniques and performance at the Local Government level in Nigeria. The study concluded that there was a relationship between the performance of Local Governments and their capital budgeting practices. It was recommended among others that all capital projects to be embarked upon should be supported with investment analysis showing project viability, feasibility and profitability. This would foster fund acquisition, utilization, and repayment. It will also ensure that funds will be available for the completion of the project and all debts incurred will be paid back as and when due. This study has therefore brought to limelight the practice of capital budgeting in the third tier of government in Nigeria and the effect it has on their performance.

Keywords: *Capital Budgeting; Local Government, Performance*