

# Financial Control System and Organizational Effectiveness of Colleges of Legal and Islamic Studies in Nigeria

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## Abstract

*This study was a correctional research which investigated the relationship between financial control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria. Purposive sampling technique was used to select eight out of the 12 Colleges of Legal and Islamic Studies that spread across three geopolitical zones of northern Nigeria. Simple random sampling techniques was used to choose 450 (84%) academic staff out of 536 in the institutions. Two researcher-designed instruments tagged “Financial Control System Questionnaire” (FCSQ) and “Organizational Effectiveness Questionnaire” (OEQ) were used to collect relevant data. The instruments were validated, while Pearson product-moment correlation was used to determine their reliability, with reliability co-efficients of 0.76 and 0.79 for FCSQ and OEQ respectively. Pearson product-moment correlation was also used to test the main hypothesis and three operational hypotheses at 0.05 level of significance. The findings revealed that there was a significant relationship between financial control system and organizational effectiveness in College of Legal and Islamic Studies in Nigeria. Based on the findings the study recommended that there is the need to improve on the present financial control system/mechanism which would ensure that actual results conform to planned results in the colleges.*

## Introduction

To ensure sound financial management there must be proper control system of educational finances so as to ensure that performance measures up to required standard are achieved. Datt and Macintosh (1984) opined that, to ensure an optimal use of resources there is the need for an efficient and honest collection of revenue and an effective and equally honest way of public expenditure control. Control system is an important aspect of management. This is because things often go wrong when there is no control system or when the existing control system is either inadequate or ineffective or both.

Omosidi (2007) citing Gaveni (1983) stated that financial control systems are concerned with monitoring the use of resources (money, labour, material and equipment) to assist in achieving organizational effectiveness and efficiency.

The function of financial control system, according to Abubakar (1989), is essentially designed to ensure that, the business of government organizations as reflected in their expenditures (both capital and recurrent) are carried out in accordance with the laid down procedures, rules and regulations, particularly as codified in the existing government financial guidelines. Thus, within any institution, competition for funds exists amongst the various spending units. This has perhaps necessitated a need to have good financial management for effective utilization of funds necessary for the efficient operation of the institution. Based on this background, this paper looked at the existing relationship between financial control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

### **Purpose of the Study**

The main purpose of this study was to investigate the relationship between financial control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria. Specifically, the study set out to examine the relationship between:

1. preliminary control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria;
2. concurrent control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria and
3. feedback control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria,

### **Scope and Delimitation of the Study**

This study covered the three geo-political zones of the Northern part of Nigeria. There are 12 Colleges of Legal and Islamic Studies in these zones, but the study was limited to only eight of these institutions. The study covered five academic sessions Viz-a-vis 2005/2006 – 2010/2011 in all the sampled institutions. Therefore, only the existing data within the period were considered.

### **Significance of the Study**

This study would assist educational managers to be acquainted with effective system of controlling the limited financial resources made available in institutions. It would also constitute a helpful resource to educational agencies and policy makers to adopt effective financial control system that are appropriate in achieving the desired organizational effectiveness.

## **Definition of Major Terms**

- i. Financial Control System: the process of ensuring that all financial resources made available for education are utilized for the purpose for which they are meant.
- ii. Preliminary Control System: the mechanisms that are put in place in the preparation of an annual budget by the decision makers in institutions.
- iii. Concurrent Control System: the process of ensuring checks and balances during the utilization of financial allocation in institutions. That is, actual utilization of the monetary allocation.
- iv. Feedback Control System: the method used by decision-makers to determine the relationship between the approved allocation and the level of actual performance. That is, evaluation of the monetary allocation.
- v. Organizational Effectiveness: the extent to which the desired levels of the college goals are achieved.

## **Literature Review**

Due to lack of adequate control system, one could readily point at the inefficient use of or the insufficient supply of financial resources to the schools as a major cause of the appalling academic situation in Nigeria. Bamiduro (1998) stressed that factors responsible for this are inadequate planning and control abound vis-à-vis the managerial competence of those in authority either within or outside the school system, and the community in which the school is situated. Also, the personal disposition of both the heads and the teachers, the educational awareness of the pupils due to their socio-economic background and so forth, could be responsible for the level of pupils performance.

According to Hartnett (2009), control system refers to all activities the managers undertakes in attempting to ensure that actual results conform with planned results. Babalola, Sikwibele and Suleiman (2000) believed that in administering the school budget, the primary concern is to ensure that the results achieved by the school system justify the financial outlay. Abubakar (1989) also opined that the control system is designed to ensure that the business of government as reflected in its expenditure (both capital and recurrent) is carried out in accordance with laid down procedures, rules and regulations particularly as codified in the existing government financial guidelines (instructions/regulations/memoranda).

In the views of Igboke (1997), financial control system should have some basic characteristics like:

- its focus is on the financial objectives (as stated in the financial budget);
- it compares actual with expected results, and explains any variations;
- it corrects weaknesses and errors; and
- it extends beyond the financial department.

To ensure effective financial control system, therefore, Igboke (1997) suggested the following techniques, which include (i) compliance with legislation, financial regulations and policies; (ii) budget discipline; (iii) well structured and staff finance department; and (iv) adequate accounting and internal control system.

In this regard, for any financial control system to be meaningful there must be check and balance, that is, efficient and effective control. This can therefore be achieved through proper mechanisms that must be put in place for funds made available to every aspect of the educational system from time to time.

### **Main Hypothesis**

There is no significant relationship between financial control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

### **Operational Hypotheses**

Ho<sub>1</sub>: There is no significant relationship between preliminary control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

Ho<sub>2</sub>: There is no significant relationship between concurrent control system and organizational effectiveness in Colleges of Legal and Studies in Nigeria.

Ho<sub>3</sub>: There is no significant relationship between feedback control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

### **Instrument**

Two researcher-designed questionnaires were used as instrument in this study. The first one titled “Financial Control System Questionnaire” (FCSQ) comprised items on preliminary control system, concurrent control system and feedback control system. On the other hand Organizational Effectiveness Questionnaire (OEQ) has two parts. Part is was on students' academic achievement while part two deals with research publications and community service of the academic staff.

The questionnaires were validated for face and content validities. A test re-test reliability technique yielded co-efficients of 0.76 and 0.79 for FCSQ and

OEQ respectively. The data collected were analysed with the use of Pearson product-moment correlation coefficient statistics at 0.05 level of significance.

## **Results and Discussion**

### **Main Hypothesis**

There is no significant relationship between financial control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

**Table 1**

### **Relationship between financial control system and organizational effectiveness**

Variables	N	Mean	S.D	df	Cal-r-value	Cri-r-value	Decision
Financial Control System	450	57.82	13.50	449	0.6495	0.195	H0:Rejected
Organizational Effectiveness	450	112.65	63.91				

As in table 1, the calculated r-value of ( 0.6495) is greater than the critical r-value of 0.195 at 0.05 level of significance and for 449 degrees of freedom. Hence, the null hypothesis is rejected. This shows that there is positive significant relationship between financial system and organizational effectiveness in Colleges of Legal Islamic Studies in Nigeria.

This implies that available funds were effectively controlled to produce the desired results in the sampled institutions. This funding is not at variance with the findings of Durosaro (2000) and Nadgi (1994) that showed that the success of educational system is hinged on proper planning, efficient administration and control of funds. The finding was also in line with Omosidi's (2007) study that showed that control of funds was positively related to the quality of education. However, the result here disagreed with that of Abdulkareem (1989) and Oyebanji (1991) whose studies showed that financial resources management practices had no significant impact on school effectiveness and that financial resources management is not a significant determinant of students' academic performance respectively.

Contrary to Abdulkareem's and Oyebanji's, the findings of Afolabi (2004) showed that financial resource utilization had a significant influence on teaching effectiveness in Kwara state government-owned tertiary institutions. Furthermore, Akinsolu's (2005), result tallies with the finding in this study. Akinsolu's (2005) study indicated that financial resources utility had a significant

effect on system efficiency. This implies that there is a link between funds available and the adopted financial control system in an organization.

### Operation Hypotheses

Ho<sub>1</sub>: There is no significant relationship between preliminary control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria

**Table 2**

### **Relationship between preliminary control system and organizational effectiveness**

Variables	N	Mean	S.D	df	Cal-r-value	Cri-r-value	Decision
Preliminary Control System	450	21.69	8.212	449	0.3761	0.195	H0:Rejected
Organizational Effectiveness	450	112.65	63.91				

Table 2 reveals that the calculated r-value of (0.3761) is greater than the critical r-value (0.195) at 0.05 level of significance and for 449 degrees of freedom. Thus, the null hypothesis is rejected. Therefore, there is significant relationship between preliminary control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

The implication of this result is that there is efficient use of preliminary control system in the sampled institutions that enhanced organizational effectiveness. Although, the correlation co-efficient is positive but weak, it still has considerable significant relationship on organizational effectiveness. The result disagreed with the finding in Giwa's (1993) study that there was high indication of internal inefficiency of college administration in the resource utilization in colleges of education in Oyo and Osun States.

However, the result agrees with Taylor's (1990) believed that preliminary control system begins with the determination of future objectives of an organization. This implies that the institutions applied the financial control system that can sustain the colleges in achieving the desired goals.

Ho<sub>2</sub>: There is no significant relationship between concurrent control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

**Table 3****Relationship between concurrent control system and organizational effectiveness**

Variables	N	Mean	S.D	df	Cal-r-value	Cri-r-value	Decision
Concurrent Control System	450	18.69	7.921	449	0.3779	0.195	H0:Rejected
Organizational Effectiveness	450	112.65	63.91				

Table 3 shows that the calculated r-value (0.3779) is greater than the critical r-value (0.195) at 0.05 level of significance and for 449 degrees of freedom. This shows that the null hypothesis is rejected. Therefore, there is significant relationship between concurrent control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

This study is in support of earlier findings of Okunamiri (1984) on the impact of resource on academic plan implementation strategies which had significant relationship with resource allocation in Nigerian universities. It was concluded that the strategies of implementing academic plan activities of Nigerian universities to a large extent, affect the utilization of resource allocation. Abdulkareem's (1989) study had earlier shown also supported this finding, that controlling, as a function of school resource management, had significant relationship with school effectiveness. This implies that financial resources are being spent in productive ways that contributed to a high standard in achieving organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

H<sub>03</sub>: There is no significant relationship between feedback control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria.

**Table 4****Relationship between feedback control system and organizational effectiveness**

Variables	N	Mean	S.D	df	Cal-r-value	Cri-r-value	Decision
Feedback Control System	450	19.61	8.689				
				449	0.2376	0.195	H0:Rejected
Organizational Effectiveness	450	112.65	63.91				

Table 4 shows that the calculated r-value (0.2376) is greater than the critical r-value (0.195) at 0.05 level of significance and for 449 degrees of freedom. Hence, the null hypothesis is rejected. Therefore, there is significant relationship between feedback control system and organizational effectiveness in Colleges of Legal and Islamic Studies in Nigeria. This is in line with Ogunsaju's (1983) ascertain that feedback is a method of assuring or knowing the outcome of management plans, because it helps the management to know whether the set down goals and objectives of the institution have been achieved or not. Ogunsaju believed that this shows the extent to which accurate financial forecasts have been made and can be seen when the budget is properly controlled through evaluation or auditing.

**Conclusion and Recommendations**

This study reveals that financial control system has significant relationship with organizational effectiveness in colleges of Legal and Islamic Studies in Nigeria . This conclusion is drawn probably because most Chief executives in the Institutions had indepth knowledge of intricacies of school financial control system in the administration of the school system thereby demonstarting high sense of financial management skills.

It is, therefore recommended that;

1. There is the need to improve on the present financial control system mechanism which would ensure that actual results conform to planned results in the colleges.



2. There is the need for controlling mechanism to be developed at the same time as the designing of operating systems. This must be integrated with the system of preliminary control. That is, it should be based on cybernetic principle where deviations are to be detected as soon as they occur and corrected automatically.
3. There must be inspection which would aim at maintaining checks and balances during implementation of plans and utilizations of financial resource. This could be in form of external auditing of the institutions' finances over a period of time.
4. There must be follow-up which is basically a watch dog to ensure that there is a feedback link between the approved budget + and the level of actual performance in the colleges.

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