International Journal of Intellectual Discourse (IJID)
ISSN: 2636-4832 Volume 4, Issue 3. September, 2021

Incidence of monetization policy and the performance of the public sector in Nigeria: A Pre and Post analysis

OSUJI, Casmir Chinemerem[1] and Okoh Ezekiel Oghenetega[2]

[1&2]*Department of Accounting, Banking and Finance*
Faculty of Management Sciences, Delta State University, Asaba – Nigeria.

Abstract
There have been conflicting views on the extent to which monetisation policy has achieved the initial objectives for which it was formulated and implemented in 2003. Public servants had to adapt to receiving monetary values termed as allowances for direct services they had received previously. This study assessed the Nigerian public sector performance in the pre-monetisation and post monetisation era to ascertain whether the implementation of monetisation policy significantly caused alterations in these measures. The study employed secondary data that spanned from 1987 to 2019. Specific variables assessed were government recurrent expenditure as a percentage of government total expenditure, government effectiveness, accountability and control of corruption. Data were sourced from Worldwide Governance Indicators and the 2019 CBN statistical bulletins. The paired samples t test statistic was used for data analysis and hypotheses testing. The study recommends reforms in remuneration of public and civil servants that would take cognisance of prevalent inflation and leave the middle and lower cadres better satisfied.

Key words: Accountability, control of corruption, inflation, monetization, public sector.

1. Introduction

The Nigerian public sector is known to have a very large workforce. Prior to 2002, the federal government besides monthly salaries, provided fringe benefits such as transport benefits, free residentials, water, electricity, medicals and other things related to living and maintenance to public and civil servants. This mixed pattern of remuneration skyrocketed cost of governance and placed a great financial burden on the government (Alegbeleye & Ojeifo, 2015). More discouraging was the constant decline in performance of these employees or 'servants' resulting in low physical and human infrastructure (Ukwandu & Onyema, 2019). In other words, the rising government expenditure was in no way corresponding with economic performance in the public sector.

In an effort to bring lasting solution the plethora of problems that bedevilled the Nigerian state ranging from political, social, industrial and economic malaise, the Obasanjo administration in 2003 introduced the monetization policy. In November 11, 2002, Chief Olusegun Obasanjo [the incumbent president at the time] had set up a committee on the monetization of fringe benefits in the public service to develop modalities to cut the cost of governance especially as it relates to the burden of providing basic amenities to public servants by the government such as residential accommodation, transport facilities, medical services, and sundry utilities. The president had on June 18th 2003 made an address which he presented at the inauguration of the National Assembly on June 5, 2003. The address drew attention to various facets of the nation's structural and institutional problems that must be addressed to foster national growth and development (Eme & Ogbochie, 2013).

> *The main objectives of the Monetisation Policy are to address the ever-rising cost of governance in the country, to curtail the flagrant waste and abuse of government resources, to enhance employee morale and to improve employee performance (Office of the Head of Civil Services of the Federation [OHCSF] 2012:7.*

Okafor (2014) suggests that the policy was formulated and implemented as part of deliberate move to liberate the Nigerian economy especially in the public service from identified bottlenecks and other hindrances that impede the growth of the economy and promote growth, transformation and national development.

Despite the good motives of the monetization policy and its enabling Act, it has also generated some problems such as retrenchment of workers and the inability of the public sector workers to save sufficient funds to enable them buy or build their own houses because the benefits are paid in piecemeal. Okoye, Anazodo, Izueke and Eze (2012) suggest that the policy is designed mainly for the elites as evidenced in the hasty payment for houses marked for sale by ruling elites and the subsequent mismanagement or embezzlement of proceeds. The monetization policy was originally expected to improve the quality of work environment and in turn improve output and public sector performance, however this motive may not be easily attained in practice.

Related existing studies (Ukwandu & Onyema, 2019; Eme & Ogbochie 2013; Okafor, 2014) have employed qualitative research techniques in determining the influence of monetisation policy on public sector performance. Others have examined the effect of the same policy on public servants or employees directly. In all surveys and empirical reviews have been the pattern of study and thus creates a gap of empirical evidences. Thus, this study fills the gap identified in literature by employing secondary verifiable data in investigating monetisation policy and the public sector.

Objectives of the Study

This study seeks to examine the effect of monetisation policy on public sector performance. Specifically, it draws on specific public sector performance indicators and patterns in which these indicators have been influenced after the introduction of the monetisation policy.

1. To determine whether monetisation policy causes a significant difference in government effectiveness.
2. To identify whether there is a significant difference in control of corruption before and in the period of monetisation policy.
3. To ascertain whether monetisation policy has influenced accountability in the public sector.

Research Hypotheses

1. There is a significant difference between recurrent expenditure before and after the implementation of monetary policy.
2. Government effectiveness has improved with the introduction of monetisation policy in Nigeria.
3. There has been a significant change in control of corruption in Nigeria

after the implementation of the monetisation policy.

4. The monetisation policy has caused an improvement in accountability in the public sector.

The remainder of the paper is grouped into three sections- literature review which contains theories, concepts and previous related works; methodology; results and the conclusion sections.

2. Literature Review

Monetization Policy in Nigerian Public Sector

Monetization involves the conversion of non-monetary tangibles into money. Ayapere (2015) defines it as converting remuneration-based fringe benefits enjoyed by government workers into cash. This practice in the Nigeria public service can be traced to the colonial administration during the pre-independence era. The colonial civil service structure was made up of two grade level – upper grade and lower grade occupied by the colonial administrators and the indigenous staffs respectively. There was no middle cadre in the public service at the time (Bakare, 2011).

Immediately after the Second World-War, employment opportunities became more attractive in Europe and this led the colonial officials to demand to be incentivised for serving in a less attractive base. Due to their strategic role in supporting and building the economies of the west, their request was granted. Afterwards in the 1950s, transition from colonial to indigenization commenced and more Nigerians began to dominate the civil service and they subsequently adopted the remuneration system of the colonial administration even though it lacked sufficient justification. To this end, the Gorsuch commission in 1954 proposed the restructuring of the remuneration system of the Nigeria Public Service to align with the Nigerian condition as the blanket adoption of the former system was grossly abused and cannot be is not sustainable for national development. Bakare (2011) noted that it was common practice at that time to present inflated non-existent medical bills to be defrayed, annual repair of official residence and maintenance of vehicles at exorbitant costs. This led to very high government recurrent spending of over 80% of total government spending from the 1980s up to year 2000.

In an attempt to restructure the system and find lasting solution to this recurrent problem, the sitting president at the time, Chief Olusegun Obasanjo inaugurated a committee for the monetization of fringe benefits and subsequently issued a circular with reference no. SGF/19/S47/C.1/11/371 on June 27, 2003 adopting the implementation of a new monetization policy regime effective from July 1, 2003. The policy which stipulated the remuneration of public officers in Nigeria came into effect with the passage into law of certain Political and Judicial Office Holders Act 2002 and was subsequently amended in 2008. The Act provides guidance on the monetization of salaries and allowances of all categories of Federal Public Servants and that the fringe benefits which were hitherto paid in kinds will now be paid in cash by the salary and wage commission (Jimoh, 2007).

Expectations of policy makers after the passing into law, the policy was that the policy will improve the standard of living and economic status of public and civil servants; promote private resourcefulness and; enhance creativity while eliminating wastes thereby improving the public service through quality output, increased patriotism and proficiency among the public sector staff (Okoye et al, 2012). The policy contained distinct benefits for which qualified persons were to be paid allowances in exchange according to the policy.

S/No	Benefits	Level 01-06	Level 07-10	Level 11-14	Level 15-17	Federal Permanent Secretaries	Heads of Service
1	Housing Allowance	50	60		75		
2	Utility Allowance	15	15		20		
3	Meal Subsidy	N6,000 per annum 16,200 per annum	N8,400 per annum	N9,600 per annum	N10,800 per annum	N16,200 per annum	N16,200 per annum
4	Leave Allowance	10 percent of annual basic salary					
5	Medical Allowance	10 percent of annual basic salary to National Health Insurance Scheme (NHIS).					
6	Furniture Allowance	Not Applicable	200 percent of Annual Basic Salary spread over a period of five (5) years with payment of 40 percent annually				
7	Drivers' and Domestic Help Allowance (*Level 03 step 8*)	Not Applicable			N119,586 per annum- 1 each	N119,586 per annum- 1 each	N239,172 per annum- 2 each

Source: Researcher's Compilation of Monetary policy elements

In addition to the highlights above, the policy contained a few things that was to aid its commencement:

The policy caused a number of drivers to be redundant. As a result, the ones with relevant qualifications were retained and redeployed to other areas of work; those without were either redeployed to drive staff buses or asked to leave with support from the National Poverty Eradication Programme (NAPEP) (Muktar, 2011).

A committee [that comprised the Federal Ministry of Housing and Urban and the Federal Housing Authority] was set up to re-value government-owned/maintained buildings according to present conditions. These buildings were subsequently disposed within a year by auction. Residential buildings were also sold giving preference to occupiers at the price of the highest bidder.

The monetisation policy was implemented to: eradicate wastefulness and abuse associated with public resources; alter budget composition by reducing overheads and increasing capital expenditure; reduce cost of purchase of capital items and other accruing maintenance costs; to take off rental costs of public sector employees borne by government; drive the housing sector through house ownership of public servants and; boost the low maintenance culture that characterises public resources (Okoye, 2014).

Aftermath of the Monetisation policy

Alegbeleye and Ojeifo (2015) as well as Okoye (2012) claims that the monetisation policy truly reduced recurrent expenditure of government using opinions of civil servants in a survey. Ukwandu and Onyema (2019) asserts that though the monetisation policy was targeted at a reduction in cost of governance, recent times have negated this as government's recurrent costs are taking an upward turn rather than a downward one. He also states that no significant change has been recorded in the performance of employees in the sector, neither has there been changes in development infrastructure which savings were to be diverted to. Chunna (2018) supports the preceding statement adding that the monetisation failure failed to achieve stipulated objectives due to its unequal and rather partial form of rewards to employees within the sector. The feelings elicited by these unequal rewards created negative attitude towards work (Fayomi, 2013) that has caused inefficiency. Fayomi (2013) also attributed inflation to the implementation of the monetisation policy. The inflation in turn reduced neutralised the benefits these extra incomes was to bring by reducing the purchasing power of the employees.

The public sector is simply the government and all public enterprises and institutions. For the purpose of this study, the public sector will be examined using the following parameters:

- Government Recurrent expenditure: this is the total amount spent on non-capital items by government in a fiscal year. It is expected that after monetary policy, the proportion of this would be lower in total expenditure.
- Government effectiveness: this reflects perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (WGI report, 2020).
- Control of corruption: Reflects perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests (WGI report, 2020).
- Accountability: Reflects perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media (WGI report, 2020).

Theoretical Framework

Social Exchange Theory

The social exchange theory proposes that social behaviour stems from exchanges that occur. Postulated by P.M. Blau, G.C. Homans and C. Levi-Strauss, the theory suggests that relationships are a function of costs and benefits that exist as well as a comparison of expectations and potential alternatives (Cherry, 2016). The social exchange theory assumes that reciprocity comes to play in a relationship between two parties. It assumes that persons who feel properly treated are more likely to respond in the same manner to others. The monetisation policy was implemented to reduce running costs of governance while ensuring that public sector employees continue to enjoy these benefits, however, in monetary forms. The policy was thus to act as a cooperative exchange (Dabos and Rosseau, 2004) to boost efficiency in the sector in both cost (employer-side) and employee performance spheres. Public and civil servants were expected to respond to monetisation policy implementation in the form of changes in attitudes such as improvement of maintenance culture.

Another assumption on which the social exchange lies is fairness. Greenberg (1990) posits that perceived fairness is necessary in the manner in which employees respond to employers' offers in terms of satisfaction and contribution to organisational performance. In relation to this study, only top officials have been found to benefit immensely from the policy and this has created perceived unfair treatments in the middle and lower cadres hampering efficiency and improved performance of these workers that monetisation policy was supposed to achieve. Ukwandu and Onyema (2019) opine that it is likely that these civil servants in the lower cadres find the monetisation policy as a withdrawal of support from them and display lack of commitment and sub-optimal performance causing the policy to fail.

Empirical Review

Okoye et al (2012) examined monetisation policy in Nigeria. The study employed qualitative data got from administered questionnaires. Analysis of data was through chi-square. Findings showed that the running cost of the federal government has reduced and improved the living conditions of workers. It was recommended that allowances on personal capital expenditures such as motor vehicles and residences should be paid en bloc instead of shared across four years.

Alegbeleye and Ojeifo (2015) evaluated the effect of the monetisation policy adopted by the federal government in 2003 on the efficiency and effectiveness of the Nigerian public sector. Secondary sources of data were used analysed through a qualitative approach. It was revealed that running costs of government had reduced and national productivity improved. The policy is faulted to be inconsistent due to reversal of some parts and also tailored to favour officials at the top. It was recommended that all aspects of the policy be implemented and should be done across all interest groups too.

Aduma and Eneh (2016) studied the extent to which monetisation policy had been implemented using a survey of civil servants in Abuja. From chi square and percentage analyses of distributed questionnaires, it was revealed there is a low implementation of the policy. Workers are also yet to perform better from its implementation. It was recommended that a special task force is set up for proper implementation of the monetisation policy for improved productivity of public sector workers.

Ukwandu and Onyema (2019) questioned the effects of the monetisation of fringe benefits policy from 2003 to 2007 with special focus on the Federal Civil Service Secretariat in Imo State. Questionnaires were administered to 1007 federal civil servants. Research hypotheses were tested using chi-square statistics and Pearson's product–moment correlation statistic on survey data. Monetisation policy was found to have improved employee welfare and performance too implying efficiency of the policy.

Chunnah (2018) employed content analysis from documented literature and publications to examine the monetisation policy adopted by the federal government in Nigeria. It was found that the policy was ill formulated and implemented hastily which led to its failure both at the institutional level and the individual level. Additionally, only top officials benefitted from the scheme though majority of civil and public servants were within the middle and low hierarchical levels.

3. Methodology

The study adopted the *ex-post facto* research design to answer research questions. The population of the study comprised all ministries, departments, parastatals, agencies and public corporations in the Nigerian Public Sector. Aggregate data were employed. The Paired Samples T test was used to test the collated data for study variables.

Table 1: Operational Variables

S/no	Variables	Sources	Measurement	Apriori Expectation
1	Government Recurrent Expenditure as a percentage of government total expenditure	2019 CBN Statistical bulletins- Public Finance	(recurrent expenditure ÷total expenditure) * 100	-
2	Government Effectiveness	Worldwide Governance Indicators	-2.5 (weak performance) to 2.5 (strong performance)	+
3	Control of Corruption	Worldwide Governance Indicators	-2.5 (weak performance) to 2.5 (strong performance)	+
4	Accountability	Worldwide Governance Indicators	-2.5 (weak performance) to 2.5 (strong performance)	+

Ho1: *There is no significant difference between recurrent expenditure before and after the implementation of monetisation policy.*

Table 2: t-Test: Paired Two Sample for Means on Government Recurrent Expenditure

	0.710587	*0.724092*
Mean	0.557196	0.703044
Variance	0.013997	0.001836
Observations	15	15
t Stat	-4.08191	
P(T<=t) one-tail	0.000561	
t Critical one-tail	1.76131	
P(T<=t) two-tail	0.001121	
t Critical two-tail	2.144787	

Source: Excel 2019 Output

The study examined government recurrent expenditure under which staff welfare falls as a percentage of total Government expenditure before (1987-2002) and after the implementation of monetisation policy (2004 to 2019). The pre-monetisation period showed that the average percentage of total expenditure was 55.7% of total expenditure. On the other hand, post-implementation period had an average proportion of 70.3% implying recurrent expenditure after monetisation policy rose to over two-thirds of total expenditure. T statistic is -4.0819 (p=0.00<.05).

Decision: Since p<0.05, the null hypothesis is rejected and the alternate accepted. Thus, there is a significant difference between recurrent expenditure before and after the implementation of monetisation policy.

Ho2: *Government effectiveness has not improved with the introduction of monetisation policy in Nigeria.*

Table 3: t-Test: Paired Two Sample for Means on Government Effectiveness

	-0.92364	*-0.93938*
Mean	-1.03573	-1.03778
Variance	0.005862	0.012172
t Stat	0.024972	
P(T<=t) one-tail	0.491172	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.982345	
t Critical two-tail	4.302653	

Source: Excel 2019 Output

Government effectiveness from 1996 to 2002 had a mean value of -1. 03573; 2004 to 2010 had a mean value of -1.03778 showing very minimal differences in both periods. Nigeria is also found to be less than average in government effectiveness (average of -2.5 and +2.5 being 0). T statistic is 0.0249 (p=0.49>.05).

Decision: Since p>0.05, the null hypothesis is accepted and the alternate rejected. Thus, government effectiveness has not improved with the introduction of monetisation policy in Nigeria.

Ho3: *The monetisation policy has not caused an improvement in accountability in the public sector.*

t-Test: Paired Two Sample for Means on Accountability

	-1.5537	*-0.79676*
Mean	-0.73203	-0.712
Variance	0.096973	0.006331
t Stat	-0.09064	
P(T<=t) one-tail	0.468018	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.936036	
t Critical two-tail	4.302653	

Source: Excel 2019 Output

Accountability in governance from 1996 to 2002 had a mean value of -0.73203; 2004 to 2010 had a mean value of -0.712 showing minimal differences in both periods. Nigeria is also found to be less than average in accountability of public officials (average of -2.5 and +2.5 being 0). T statistic is 0.0249 (p=0.46>.05).

Decision: Since p>0.05, the null hypothesis is accepted and the alternate rejected. Thus, the monetisation policy has not caused an improvement in accountability in the public sector.

Ho4: *Monetisation policy had no significant influence on control of corruption.*

Table 5: t-Test: Paired Two Sample for Means on Control of Corruption

	-1.18901	*-1.34182*
Mean	-1.26922	-1.02148
Variance	0.020613	0.013992
t Stat	-2.29374	
P(T<=t) one-tail	0.074393	
t Critical one-tail	2.919986	
P(T<=t) two-tail	0.148786	
t Critical two-tail	4.302653	

Source: Excel 2019 Output

Control of corruption from 1996 to 2002 had a mean value of -1.26922; 2004 to 2010 had a mean value of -1.02148 showing minimal differences in both periods. Nigeria is also found to be less than average in accountability of public officials (average of -2.5 and +2.5 being 0). T statistic is 0.0249 (p=0.07>.05).

Decision: Since p>0.05, the null hypothesis is accepted and the alternate rejected. There is no significant difference in the control of corruption after the implementation of the monetisation policy. In other words, monetisation policy had no significant influence on control of corruption.

4. Discussion of Findings

Monetisation policy was implemented to reduce the running cost (recurrent expenditure) of the government. However, we find increased recurrent expenditure from 2004 till date and less proportion of capital expenditure. This is a major evidence that the monetisation policy did not cause government to save cost in nominal terms. This is consistent with the findings of Chunna (2018) and Ukwandu and Onyema (2019) that revealed that the policy has failed to achieve its objectives with rising recurrent expenditure. Alegbeleye and Ojeifo (2015) and Okoye et al (2012) however had conflicting findings. They found that monetisation policy caused reduced running costs.

Other measures of public sector performance were not found to change significantly after the implementation of the monetisation policy. Accountability, control of corruption and government effectiveness remained below average even after policy implementation. This is consistent with Fayomi (2013) and Chunna (2018) that confirmed inefficiency remained in the public sector despite the monetisation policy. This can be attributed to the nonchalance exhibited by public sector workers from dissatisfaction on the unequal benefits meted to different categories. The inefficiency can also be attributed to inflation in the country that has reduced the purchasing power of civil servants despite allowances.

5. Conclusion and Recommendations

The monetisation policy was formulated and implemented with a number of expectations held by government and public servants. However, its implementation rather proved that it was focused on improving the lives of only top officials. In line with the social exchange theory which the study was anchored on, inefficiency in the public sector is the response of public sector workers to unfair patterns of the monetisation policy. Summarily, monetisation policy has not been found to improve public sector performance in terms of reduction in public expenditure and effectiveness of governance.

In line with study findings, it is recommended that there should be reforms in remuneration of public and civil servants that would take cognisance of prevalent inflation and leave the middle and lower cadres better satisfied. The study employs aggregate data and examines public sector indicators therefore, findings should be generalised with requisite prudence. Findings are significant to policy makers, the government and public workers that occupy directorial and managerial capacities. This study contributes to knowledge by examining the direction of public sector performance before and after the implementation of monetisation policy using secondary/certified publications rather than subjective opinions.

References

Aduma, T.A. & Eneh, M. (2016). Monetization policy and productivity of civil servants in Nigeria federal ministries, Abuja. *NG-Journal of Social Development, 5*(2), 84-94

Alegbeleye, G. I. & Ojeifo, A. (2016). Monetization in the Nigeria public service: Issues, challenge and way forward. *International Journal of Development and Management Review, 10,* 176-187

Ayapere, P. (2015). The effect of monetization on federal civil servants in Nigeria. *Public Policy and Administration Research, 5*(1),103-135.

Bakare, A.S (2011). The economic implications of monetization policy in Nigeria. *Journal of Economics and Sustainable Development, 2*(3), 60 – 71.

Cherry, K. (2016). What is social exchange theory? How does social exchange theory influence relationships? https://www.verywell.com/what-is-social-exchange-2795882

Chunna, C. (2018). An appraisal of monetization policy under President Olusegun Obasanjo administration (1999-2007). *Journal of Political Science and Leadership Research, 4*(4), 2-10

Dabos, G.E. & Rouseau, D.M. (2004). Mutuality and reciprocity in the psychological contract of employees and employers. *Journal of Applied Psychology 89*(1), 52–71

Eme, O.I. & Ogbochie A. (2013) Civil service and cost of governance in Nigeria. *International Journal of Accounting Research 1*(2), 27-48

Fayomi, O. (2013). Monetization policy in Nigeria public service: The perspective and challenge: *International Journal of Education and Research and Development 2*(5),105-113.

Federal Government Circular (2003) Approval rates for monetization of fringe benefit in the Federal Civil Service Nigeria Presidency.

Greenberg, J. (1990). Organizational justice: Yesterday, today and tomorrow. *Journal of Management 16*(2), 399–432

Jimoh, A. (2007). Monetization of fringe benefits of public servants. In H. Saliu (Ed.), *Nigeria's Reform Programme: Issues and Challenges.* Ibadan: Vantage Publishers Ltd.

Muktar, M. (2011). Monetization of fringe benefits in Nigerian public sector: Which way? https://www.researchgate.net/publication/228301249_Monetization_of_Fringe_Benefits_in_Nigerian_Public_Sector_Which_Way

Okafor, L.C. (2014). The monetization policy and organizational citizenship behaviour in Nigeria: A situation analysis. *International Journal of Arts and Commerce 3*(9) December, 2014

Okoye, J.C., Anazodo, R.O., Izueke, E.M. & Eze, S.C. (2012). Monetization of workers fringe benefits: The journey so far in Nigeria federal civil service. *Public Administration Research 1*(1) 2012

Ukwandu, D.C. & Onyema, C. (2019). Effects of the monetisation policy on employee performance in the Nigerian civil service. Africa's Public Service Delivery & Performance Review 7(1). Accessed Online at https://doi.org/10.4102/apsdpr.v7i1.271