

Public Financial Management and Economic Growth: Reimagining Accountability for Sustainable Socio- Economic Development.

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Abstract- Public financial management has become a central issue in the pursuit of economic growth and sustainable socio-economic development, particularly in developing economies where weak institutions, fiscal leakages, and poor accountability often undermine development outcomes. This paper examines the relationship between public financial management and economic growth, with emphasis on reimagining accountability as a strategic tool for promoting sustainable socio-economic development. Using annual secondary data and a modest empirical framework, the study focuses on key indicators such as government expenditure, fiscal balance, public debt, and inflation in explaining growth performance. The paper argues that effective public financial management requires more than routine budgeting and expenditure reporting; it demands transparency, fiscal discipline, institutional efficiency, and strong monitoring mechanisms. The analysis suggests that while public expenditure can stimulate growth, weak accountability systems, persistent deficits, and rising debt burdens may reduce the developmental value of fiscal operations. The paper concludes that accountability must be repositioned from a narrow administrative requirement to a broader governance instrument that promotes prudent resource allocation, macroeconomic stability, and long-term development outcomes. It recommends stronger fiscal transparency, improved expenditure tracking, and more credible debt oversight as necessary reforms for achieving sustainable socio-economic development.

Keywords: *Public Financial Management, Economic Growth, Accountability, Fiscal Discipline, Sustainable Development.*

I. INTRODUCTION

Public financial management has become one of the most important foundations for effective governance, macroeconomic stability, and sustainable socio-economic development in both developed and developing economies. It refers to the processes,

institutions, and systems through which governments mobilize revenue, allocate resources, manage expenditures, control debt, and ensure accountability in the use of public funds. In practical terms, public financial management determines whether government resources are used efficiently to deliver infrastructure, social services, employment opportunities, and long-term development outcomes. Where these systems are strong, public policy tends to translate more effectively into measurable welfare gains. Where they are weak, fiscal leakages, corruption, policy inconsistency, and inefficient spending often undermine economic progress.

In developing economies especially, the role of public financial management has become more critical because public resources are often limited relative to the scale of developmental needs. Governments are expected to provide roads, schools, hospitals, power infrastructure, security, and social protection, while at the same time maintaining fiscal discipline and macroeconomic stability. This makes accountability central to the management of public finance. Without transparency, monitoring, and responsible use of funds, even large public expenditures may fail to produce meaningful socio-economic benefits. Public financial management is therefore not merely an administrative exercise; it is a strategic mechanism for promoting development and building public trust.

The issue is especially relevant in contexts where economic growth remains fragile despite significant public spending efforts. In such situations, attention shifts from how much government spends to how well resources are planned, allocated, executed, and monitored. This broader concern provides the basis for examining the link between public financial

management and economic growth within the wider framework of sustainable socio-economic development.

The need to reimagine accountability has become even more pressing in the twenty-first century due to rising public expectations, digital transformation, and increasing concern for transparency in governance. Accountability in public financial management extends beyond the preparation of budgets and financial reports. It includes answerability, compliance, institutional responsibility, expenditure control, debt prudence, audit effectiveness, and public access to fiscal information. In this broader sense, accountability is closely tied to the capacity of the state to convert public resources into measurable development outcomes. Where it is weak, fiscal mismanagement, waste, and inefficiency become more likely. Where it is strong, public finance is more likely to support investment, productivity, and socio-economic progress.

This concern is especially relevant in countries where large public budgets have not consistently translated into improved infrastructure, employment creation, or welfare outcomes. The challenge is therefore not only one of fiscal size, but of fiscal quality. Public resources must be planned and managed in ways that align with development priorities and ensure that spending decisions are transparent, efficient, and sustainable. In this regard, the relationship between public financial management and economic growth is best understood through the lens of accountability, because accountability determines whether public finance contributes meaningfully to long-run development.

The objective of this paper is to examine the relationship between public financial management and economic growth, with emphasis on reimagining accountability as a strategic instrument for sustainable socio-economic development. The paper argues that stronger fiscal discipline, transparent expenditure management, prudent debt governance, and effective monitoring mechanisms are necessary for enhancing the growth effects of public finance. It also seeks to contribute to current policy discussions by showing that sustainable socio-economic development depends not merely on the availability

of public funds, but on how responsibly and effectively those funds are managed.

II. CONCEPTUAL AND EMPIRICAL LITERATURE

Public financial management refers to the framework through which governments mobilize revenue, allocate resources, execute expenditure, manage debt, and maintain oversight in the use of public funds. It is a core component of governance because it determines whether fiscal policy is translated into public services, infrastructure, and broader development outcomes. In development-oriented analysis, public financial management is not limited to accounting and budgeting; it also includes treasury operations, procurement control, internal audit, debt administration, fiscal reporting, and the institutional systems that sustain accountability. The strength of these systems often determines whether public spending produces meaningful economic and social returns.

Economic growth, on the other hand, refers to the sustained increase in output and productive capacity within an economy, commonly measured through the growth of real gross domestic product. Growth is influenced by a wide range of factors, including investment, labour productivity, technological progress, institutional quality, macroeconomic stability, and public policy. Public financial management affects growth through several channels. First, it influences the size, quality, and direction of government expenditure. Second, it shapes fiscal discipline by controlling deficits, debt accumulation, and revenue-expenditure balance. Third, it affects confidence in government and the wider investment climate through transparency and credibility. For this reason, the quality of public financial management is often regarded as a major determinant of how effectively fiscal operations contribute to sustainable socio-economic development.

The concept of accountability is central to this relationship. Accountability in public finance goes beyond routine record keeping and formal budget compliance. It involves transparency in fiscal decision-making, responsibility in expenditure execution, responsiveness to public priorities, and the

monitoring of whether public resources are actually used for intended purposes. In recent years, the idea of reimagining accountability has gained importance because traditional administrative controls alone are no longer sufficient. Modern fiscal governance increasingly demands digital oversight, open budgeting, performance measurement, public participation, and stronger follow-up on audit findings. This broader understanding of accountability makes it a strategic factor in assessing whether public financial management contributes positively to growth and development.

Empirical studies generally suggest that effective public expenditure management and stronger fiscal discipline are associated with better growth outcomes, while persistent deficits, inefficient spending, and weak institutional controls can undermine development performance. However, findings are often mixed in developing economies because large public expenditure does not always translate into corresponding gains in infrastructure, productivity, or welfare. This suggests that the developmental effect of public finance depends not only on the quantity of resources spent, but on the quality of institutions, transparency systems, and accountability mechanisms surrounding their use.

III. THEORETICAL FRAMEWORK AND METHODOLOGY

This paper is anchored on the fiscal governance perspective, which holds that the effectiveness of public finance depends not only on the size of government expenditure, but also on the quality of the institutions that plan, control, and monitor the use of public resources. From this perspective, public financial management becomes a critical link between fiscal policy and development outcomes because it determines whether revenue, expenditure, deficits, and debt are managed in a transparent, disciplined, and growth-supporting manner. The theory assumes that when fiscal institutions are credible and accountability systems are strong, public resources are more likely to be allocated efficiently and to generate positive socio-economic outcomes. Conversely, where fiscal systems are weak, public spending may be distorted by waste, leakages, poor prioritization, and low implementation quality.

The study adopts a quantitative ex post facto research design based on secondary annual time-series data. This design is appropriate because the variables of interest already exist as macroeconomic and fiscal records and cannot be manipulated by the researcher. It also fits the objective of examining how selected indicators of public financial management relate to economic growth over time. The study focuses on annual data so as to provide a modest but policy-relevant empirical basis for discussing accountability and sustainable socio-economic development.

The dependent variable is GDP growth rate, which serves as the proxy for economic growth. The explanatory variables are government expenditure, fiscal balance, gross public debt, and inflation rate. Government expenditure reflects the scale of fiscal operations and the capacity of the state to influence economic activity through spending. Fiscal balance captures the degree of budgetary discipline, while gross public debt reflects the sustainability of government borrowing. Inflation is included as a control variable because macroeconomic instability can affect the real impact of fiscal operations and weaken the growth effect of public spending.

The functional relationship is expressed as:
 $GDPG = f(GEXP, FBAL, DEBT, INF)$

The econometric model is specified as:
 $GDPG_t = \beta_0 + \beta_1 GEXP_t + \beta_2 FBAL_t + \beta_3 DEBT_t + \beta_4 INF_t + \mu_t$

where GDPG represents GDP growth rate, GEXP denotes government expenditure, FBAL is fiscal balance, DEBT is gross public debt, INF is inflation rate, β_0 is the intercept, β_1 to β_4 are the slope coefficients, and μ_t is the random error term. A parsimonious specification is preferred because it is suitable for a conference paper and helps maintain clarity, focus, and interpretability within the modest sample size.

IV. DATA PRESENTATION AND DESCRIPTIVE ANALYSIS

The study uses annual secondary time-series data covering the period 2000 to 2024. The dataset was selected to reflect key dimensions of public financial

management and macroeconomic performance. The variables include GDP growth rate, government expenditure, fiscal balance, gross public debt, and inflation rate. Together, these indicators provide a modest but useful basis for examining how fiscal operations and accountability-related outcomes relate to economic growth.

A preliminary review of the data shows that economic growth over the study period was unstable. Nigeria recorded periods of relatively strong growth in the early part of the series, followed by slower growth in later years and episodes of economic contraction during periods of macroeconomic stress. This pattern suggests that growth performance has been vulnerable to changes in fiscal conditions, debt pressures, inflationary trends, and wider structural disturbances. The implication is that public financial management must be assessed not merely by the size of expenditure, but by the extent to which fiscal decisions support resilience, efficiency, and long-term development.

The descriptive pattern also reveals recurring fiscal pressure. Fiscal balance remained weak in many years, indicating repeated budget deficits and continued strain on public finance. At the same time, public debt showed an upward trend, especially in the later years of the period. Although borrowing can contribute to development where resources are tied to productive investment, sustained increases in debt under weak accountability conditions may reduce fiscal space and weaken future growth prospects. This gives further support to the argument that accountability in public financial management must include prudent borrowing, effective monitoring, and stronger expenditure discipline.

Inflation also remained a persistent feature of the macroeconomic environment. High inflation reduces the real value of public expenditure, complicates fiscal planning, and can weaken the developmental effect of government spending. Thus, even when nominal public expenditure rises, the real impact on socio-economic welfare may be limited if inflation is not effectively controlled. Overall, the descriptive evidence suggests that Nigeria's growth experience has been shaped not only by fiscal activity, but by the quality of fiscal management and the broader stability

of the macroeconomic environment. The next section presents the regression results and discusses their implications for accountability and sustainable socio-economic development.

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Next is Page 6: Data Presentation and Descriptive Analysis.

The parsimonious nature of the model is appropriate because it preserves clarity while still capturing the major public finance channels through which accountability and macroeconomic outcomes interact.

Table 4.1: OLS Regression Results

Variable	Coefficient	Std. Error
Constant	-1.777	2.991
Inflation Rate (INF)	0.092	0.145
Govt Expenditure (GEXP)	0.838	0.257
Fiscal Balance (FBAL)	0.395	0.252
Gross Public Debt (DEBT)	-0.173	0.088

The result shows that government expenditure has a positive and statistically significant effect on GDP growth. This implies that an increase in government expenditure is associated with an increase in economic growth, holding other variables constant. The finding supports the view that public spending

can stimulate productive activity when performance over the study period. The parsimonious nature of the model is appropriate because it preserves clarity while still capturing the major public finance channels through which accountability and macroeconomic outcomes interact.

Table 4.1: OLS Regression Results

Coefficient	Std. Error	t-Statistic	Prob.
-1.777	2.991	-0.594	0.559
0.092	0.145	0.636	0.532
0.838	0.257	3.265	0.004
0.395	0.252	1.566	0.133
-0.173	0.088	-1.965	0.063

The result shows that government expenditure has a positive and statistically significant effect on GDP growth. This implies that an increase in government expenditure is associated with an increase in economic growth, holding other variables constant. The finding supports the view that public spending can stimulate productive activity when The coefficient of fiscal balance is positive, though statistically insignificant. This sign is consistent with theoretical expectation because an improved fiscal balance reflects stronger budget discipline and may support macroeconomic stability. In principle, healthier fiscal outcomes should enhance policy credibility, reduce excessive borrowing pressures, and create a more stable environment for growth. However, the lack of statistical significance suggests that the effect of fiscal balance is not sufficiently strong on its own within the estimated model. This may be because Nigeria's growth path has also been shaped by external shocks, revenue volatility, institutional weaknesses, and structural constraints beyond the direct effect of budget balance alone.

The result for gross public debt is negative and close to conventional significance levels. This indicates that rising public debt tends to weaken economic growth. The implication is that while borrowing may be necessary for financing development, its growth effect depends on how prudently it is managed and whether borrowed resources are tied to productive investment. Where public debt rises without strong accountability, transparent monitoring, and effective

project execution, the burden of repayment may outweigh the developmental gains. This finding therefore strengthens the argument that accountability in public financial management must include prudent debt governance, stronger fiscal oversight, and more credible monitoring of public investment outcomes.

Table 4.2: Summary Statistics of the Regression Model

Statistic	Value
R-squared	0.497
Adjusted R-squared	0.397
F-statistic	4.942
Prob(F-statistic)	0.006
Durbin-Watson	2.005
No. of Observations	25

The overall model statistics indicate that the equation performs reasonably well for a conference paper based on a modest annual sample. The R-squared value of 0.497 shows that about 49.7 percent of the variation in GDP growth is explained by the included variables. This is sufficient to show that selected indicators of public financial management have meaningful explanatory power in relation to economic growth. The adjusted R-squared of 0.397 also confirms that the model retains explanatory relevance after adjusting for the number of regressors.

The F-statistic probability of 0.006 indicates that the model is jointly significant, meaning that the explanatory variables, taken together, are relevant in explaining Nigeria's growth performance. The Durbin-Watson statistic of 2.005 suggests the absence of serious first-order autocorrelation, which supports the basic reliability of the model. Overall, the regression results support the broader position of this paper that public financial management matters for economic growth, but its developmental value depends heavily on the quality of accountability embedded in fiscal operations.

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V. CONCLUSION AND POLICY IMPLICATIONS

This paper examined the relationship between public financial management and economic growth, with emphasis on reimagining accountability as a strategic instrument for sustainable socio-economic development. Using annual secondary time-series data and a parsimonious regression framework, the study assessed the influence of government expenditure, fiscal balance, gross public debt, and inflation on GDP growth. The results show that government expenditure has a positive and statistically significant effect on growth, while public debt exerts a negative effect that is close to statistical significance. Fiscal balance and inflation were positive but statistically insignificant within the model. These findings suggest that public financial management remains an important channel through which economic growth can be influenced.

The paper reinforces the argument that the developmental effect of public finance does not depend solely on the amount of money spent, but on the quality of the institutions and accountability systems that govern fiscal operations. Productive expenditure can support growth when it is well planned, transparently managed, and effectively monitored. In contrast, rising debt without

corresponding accountability and productive returns can weaken fiscal sustainability and reduce the growth effect of public finance. The study therefore shows that accountability is not merely an administrative issue, but a strategic factor in promoting development-oriented fiscal governance. The policy implication is that governments should strengthen fiscal institutions in order to improve the efficiency and developmental impact of public finance. This requires better expenditure tracking, improved budget discipline, prudent debt management, stronger transparency mechanisms, and more effective monitoring of project implementation. Reimagining accountability in this way would enhance public trust, improve resource allocation, and increase the capacity of fiscal policy to support sustainable socio-economic development.

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