DOI:10.37899/journallabisecoman.v2i6.546

Public Sector and Economic Growth; a Paradological Analysis of Fiscal Functions And Sustainability in Nigeria

Nye Oruwari

[1]*Department of Banking and Finance, Ignatius Ajuru University of Education, Rivers State, Nigeria*

Article Info

Keywords:
Public Sector
Economic Growth
Sustainability

Abstract

The Nigerian experience with public sector finance management demonstrates fiscal irresponsibility. In Nigeria, the public sector is comprised of the Federal, State, and Local governments, as well as parastatals and organizations that provide public goods and services. Nigeria's public sector, with its diverse financing sources, plays a critical role in economic management via the creation and execution of economic policies, efficient budgeting and planning targeted at attaining domestic and external balancing goals. The purpose of this research was to determine the influence of public sector financial management on the sustainability of economic development in Nigeria. The research examined the influence on real gross domestic product of total federally collected income and total government spending. The Autoregressive Distributive Lag (ARDL) technique was used to analyze data spanning the years 1986 to 2020. To begin, the findings indicate that there is no long-run association between public sector financial management and the sustainability of economic development in Nigeria. Second, overall federal revenue was shown to have a positive association with real gross domestic product. Thirdly, public sector financial management has no discernible influence on the sustainability of economic development in Nigeria. This report recommends that the ideal of sound public sector financial management be embraced in order to strengthen the sustainability of economic development in Nigeria via an effective, efficient, and transparent public account management system.

Introduction

The Nigerian experience with public sector finance management demonstrates fiscal irresponsibility. In Nigeria, the public sector is comprised of the Federal, State, and Local governments, as well as parastatals and organizations that provide public goods and services. Nigeria's public sector, with its diverse financing sources, plays a critical role in economic management via the creation and execution of economic policies, efficient budgeting and planning targeted at attaining domestic and external balancing goals. The shift from Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs) raises questions regarding the degree to which poor nations achieved the MDGs and their preparedness to fulfill the SDG objectives (Abubakar & Aina, 2017). According to the United Nations (UN), achieving the SDGs' objectives requires grassroots mobilization and participation. In this respect, the UN recommended that a bottom-up strategy be used to thoroughly identify the important aspects necessary for success, which was included into the 2030 agenda for implementation. Nigeria's population was anticipated by the United Nations to be 206,139,589 people in 2020, corresponding to 2.64 percent of the world's population and making it Africa's most populated nation. By 2050, the UN anticipated that the population would reach over 400 million, making it the world's third biggest nation (Abubakar & Aina, 2017).

The critical role of real sector development in ensuring the sustainability of economic growth cannot be overstated. When all sectors get their required/proposed budgets in full and are properly executed, sustained economic development is secured. Governance and improving productivity growth, which stimulates savings and investment, have been recognized as aspects or policies that developing nations should embrace to achieve sustainable economic development. For example, if the manufacturing sector is well-diversified, it has the potential to grow product availability and its profits have the potential to increase capital accumulation. Additionally, it has the potential to provide employment, family income, and government revenue. However, the performance of the real sector in Nigeria has been mostly suboptimal throughout the years, and as a result, the nation has yet to fully exploit the potentials and benefits of the sources of sustainable economic development.

Nigeria's failure to achieve the SDGs' targets raises many concerns: Why are our indicators of macroeconomic factors slipping below the threshold? Why are public-private partnerships (PPPs) failing to achieve the objectives for which they were created? Why are drivers of depletion of Nigeria's external reserves who should be building international credibility and adhering to international obligations not brought to justice or put to good use, particularly given the country's weak infrastructure? Why is our government's spending disproportionately recurring in comparison to International Best Practices (IBP)? This research will examine the influence of public sector financial management on the sustainability of economic development in Nigeria from 1986 to 2020. This paper, which focuses on public sector financial management and the sustainability of economic development, serves as a blueprint for achieving a more equitable and sustainable economic future for everyone. This is because the SDGs define the dimensions and bundles necessary for our population to live in a sustainable future. To accomplish these aims, however, the government at all levels must play a role via a planned budget, a series of strategic actions, and interventions.

The first section discusses the context for this research, while the subsequent sections are structured as follows: The second portion examines pertinent literature, the third section describes the technique used, the fourth section analyzes the data and interprets the results, and the fifth section ends the research and makes some suggestions.

Literature Review

The issue of public sector financial management is the purchase and disposition of resources by government entities, whether federal, state, or local, as well as parastatals and organizations charged with the provision of public goods and services. Public sector financial management, in its simplest form or layman's English, is concerned with government income and spending. It is included into yearly budgets, which are statements about how a government intends to raise revenue and how it intends to spend that revenue during a specific fiscal year. Economic growth that is sustainable is development that meets current needs without jeopardizing the ability of future generations to meet their own. It is a kind of economic planning that aims to promote economic development while protecting the environment's quality for future generations.

Theoretical considerations have highlighted several ideas that have sought to draw a relationship between public sector financial management and the sustainability of economic development, particularly for emerging nations such as Nigeria. We did, however, explore the three primary theories in terms of theirrelevance to emerging nations. To begin, according to

Jeff-Anyeneh & Ibenta (2019), money is all that matters in terms of sustaining economic growth and development, and as such, it is the government that is capable of effectively and efficiently providing such magnitudes of money via public spending. Conventionally, this assertion appears to be correct, but it would be undermined by a country's environment characterized by nepotism, corruption, and embezzlement of public funds, as is the case in Nigeria, as evidenced by the Economic and Financial Crimes Commission's trial of several public officials (EFCC). Second, Wagner's rule of public expenditure supports the basics of Keynesian theory, arguing that budgetary restraint by any government accelerates growth and development. Finally, but certainly not least, is the Peacock and Wiseman's Hypothesis, which, according to Neog, Phukan, and Barthakur, as stated in Jeff-Anyeneh & Ibenta (2019), is composed of three primary concepts: displacement, inspection, and concentration effect. As a result of the displacement effect, the government may raise the tax paid by people in order to obtain more cash for defense spending. However, after the conflict, the tax rate may stay the same since the city will have become used to the tax system. If income continues to grow at a rapid pace, the government maybe pushed to raise expenditure.

Ikechi et al. (2021) explored the apparent mismatch between resource creation, resource distribution, and expenditure management in Nigeria succinctly and empirically. While the examination used an ex-post facto strategy, descriptive statistics and least square regression analysis were used to determine correlations between time series data. The dependent variable was real gross domestic product as a proxy for economic growth, whereas the independent variables were capital and recurrent expenditures. The study's findings reveal that the nation's financial strategy is tilted toward paying wages and emoluments to employees (recurrent expenditures) rather than investing in growth-oriented infrastructure (capital expenditures).

Between 1981 and 2019, Olufemi & Oladipo (2021) examined the link between governmental expenditure and economic development in Nigeria. The research used ARDL in conjunction with the Granger causality test to ascertain the direction and dynamic nature of the link. The findings indicated that social and community recurrent expenditures, as well as social and community services, are increasing. Nigeria's capital spending and administrative recurring expenditure are simulated. Economic growth is stimulated by economic service recurrent expenditure, economic service capital expenditure, transfer capital expenditure, and transfer recurrent expenditure, while economic service recurrent expenditure, economic service capital expenditure, transfer capital expenditure, and economic service recurrent expenditure restrain Nigeria's economic growth. Additionally, the data demonstrated a unidirectional causal relationship between administrative capital spending and administrative recurrent expenditure and economic development.

Popescu & Diaconu (2021) examine the nature of the relationship between government expenditure and economic development in Romania in order to evaluate Wagner's and Keynes' hypotheses. On the one hand, Keynes contends that government expenditure is a critical instrument for stimulating growth. Wagner, on the other hand, argues that greater government expenditure is a byproduct of economic expansion. The research examined the long-term dynamics of the two time series using Johansen's cointegration technique and the short-term dynamics using Granger's causality test. While the acquired findings do not support the presence of long-term co-integration vectors, they do support the short-term double causality connection. As a result, GDP not only serves as a Granger justification for government expenditure, but also serves as a justification for government spending. Our findings bolster liberal criticism of the state's role in economic assistance.

Olanrewaju & Funlayo (2021) established the validity of Wagner's theory and Keynes' hypothesis on the relationship between three major components of government spending (health care, education, and capital investment) and economic development in Nigeria and Angola. Johansen cointegration and pairwise granger causality are used as estimate approaches in this research. There was no indication of a long-run association between the components of government spending on health, education, and capital investment and economic development. The analysis also demonstrates the validity of Wagner's argument on the relationship between growth and health spending in both Nigeria and Angola. In Angola, evidence was discovered that supports both Wagner's theory and Keynes' hypothesis about the relationship between growth and education spending, but only Keynes' hypothesis was validated in Nigeria. Additionally, the analysis verifies Keynes' prediction about the relationship between government spending on capital investment and GDP in both Nigeria and Angola.

In Nigeria, Olonite et al. (2021) examined the link between government expenditure and economic development. The research analyzed secondary data from the CBN 2018 report. The dependent variable was Real Gross Domestic Product, whereas the independent variables were Capital Spending on Economic Services and Transfer Spending. The research applied a multivariate regression model and analyzed it using the Generalized Least Squares method (GLSs). The study's findings reveal that capital expenditure on economic services has a positive and substantial effect on economic growth, but transfer spending has a negative and minor effect.

Adetokunbo & Edioye (2020) explored the relationship between economic development and the service sector dynamics in Nigeria via the lens of governance indicators. The transportation and communication service subsector is important and positively associated to economic growth when yearly data series, an endogenous growth model, and an autoregressive distributed lag approach are used. When governance indicators are taken into consideration, the health service subsector and transportation and communication subsector are major and positively associated to economic growth. The interaction of sub-service sectors and governance indicators reveals that although none of the service subsectors were statistically significant,they were all favorably associated to economic growth. The analysis demonstrates that the education subsector's operations have had a negligible contribution to economic development. Thus, in order for education to contribute positively to economic development, the education subsector's financial allocation must be increased.

Evans (2020) used the ARDL bounds testing approach to examine the effects of fiscal discipline in the form of policy uncertainty, corruption, budgeting reforms, fiscal policy sustainability, and crowding-out on financial development and economic growth in Nigeria from 1980 to 2017. The research found that policy uncertainty, corruption, and fiscal deficits all have a detrimental effect on financial development and economic growth in both the short and long term. Uncertainty, corruption, and fiscal deficits all contribute to a decline in financial development and economic progress. Additionally, debt has a substantial negative link with financial development and economic growth over time, implying that unsustainable fiscal policies have a detrimental influence on financial development and economic growth overtime. Budget changes, on the other hand, have along-term favorable effect on financial development and economic growth.

Olaoye & Olaniyan (2019) examined the financial management of the Nigerian public sector and the country's economic growth from 1986 to 2016. Ex-post facto research was used in this study. The relevant data for the variables under study were extracted from the Central Bank of Nigeria's (CBN) statistical bulletin, and the data were analyzed using an error correction model.

The study discovered, among other things, that co-integration (long-run relationship) exists between the variables in the model, that actual public debt service and total public borrowing have a 0.815209 and 1.112798 percent (p=0.0933, 0.0965) significant relationship with Nigeria's economic growth, respectively, and that total public expenditure and total federally collected revenue (0.248994, 0.986219 P=0.4415, 0.1149) do not have a significant relationship with Nigeria's economic The research indicated that, depending on the variable examined, there is a strong association between public financial management and Nigeria's economic development.

Edeme & Nkalu (2019) assess public spending in Nigeria over the last decade on the basis of its composition and distributional effects on human development at the state level, taking into account education, health, agriculture and rural development, water resources, energy, housing, and environmental protection. Using data collected from twenty states between 2007 and 2017. The empirical research revealed that education, health, agricultural and rural development, and water resources expenditures had a bigger impact on human development than energy, housing, and environmental protection expenditures. More intriguingly, capital spending's beneficial impact is tempered by higher recurring expenditure. The combination of these variables significantly diminishes public expenditure's capacity to encourage human growth. According to the distributional impact assessment model, education, health, agriculture and rural development, and water resources have a marginally positive effect, but energy, housing, and environmental protection have a marginally negative impact.

Ogbuagu & Oguchi (2017) evaluated the efficacy of actions taken by upstream and downstream public management subsectors in resolving Nigeria's unemployment crisis. While Okun's law (1962) provided the theoretical underpinning for it. The data indicate that public management policies-related measures/efforts have yet to have a major beneficial influence on Nigeria's unemployment status.

Anowor & Nwanji (2015) re-examined the relationship between public expenditures and public expenditures in Nigeria using disaggregated annual data from 1980 to 2016. They used the Error Correction Model (ECM) estimation approach and the Pairwise Granger Causality test. The results indicated that the government's capital expenditure has an inverse association with economic growth and also has a considerable impact on economic growth. Government recurrent expenditure has a clear correlation with economic growth but statistically negligible impacts. There was no causal association between public capital investment and economic development, as the Granger Causality test indicated.

From 1980 to 2012, Aregbeyen & Kolawole (2015) examined the relationships between oil revenue, government spending, and economic growth in Nigeria. To ascertain the direction of causation and size of the variables' influences, time series data were analyzed using econometric approaches such as Ordinary Least Square (OLS), cointegration, Vector Error Correction Model (VECM), and Granger causality. The research showed that although oil revenue Granger contributed to both overall government expenditure and growth, there was no direct relationship between government spending and growth in the economy.

Kareem et al. (2014) examined the influence of public sector expenditure (administration, agriculture, education, economic, social, and community transfer, industry, and health services) on Nigerian economic development from 1960 to 2010. Stationarity and cointegration of the variables were determined, and regression and correlation analyses were utilized as analytical approaches. The findings indicated that both recurring and capital expenditures aided economic development.

Odior & Alenoghena (2014) quantified the impact of public sector financial management on Nigeria's gross domestic product. For data from 1970 to 2012, the research employed a predictive causality test, a two-stage least squares (2SLS) technique, and instrumental factors. The findings indicated that imposing time constraints on the achievement of these objectives will increase public fund managers' dedication, probity, accountability, and openness.

Ekpung (2014) examined the factors of public infrastructure expenditure and economic development in Nigeria from 1970 to 2010, using accessible time series data. The model was specified using the Ordinary Least Squares (OLS) method of multiple regression. The findings reveal that the pace of urbanization, openness, government income, foreign reserves, population density, and form of government all have a strong reaction to public spending, notably in the short run and with a greater adjustment toward long-term static equilibrium. Thus, variations in the pace of urbanization, openness, government income, foreign reserves, population density, and form of government (administration) have affected the increase of public spending in Nigeria in remarkable ways. On the other hand, the Vector Error Correction (VEC) revealed that the level of public infrastructure (road construction, water supply, electricity supply, transportation/telecommunications, and housing/environment) is extremely low, especially in the short run, with a weak adjustment toward long-run static equilibrium.

Usman et al. (2014) examined the influence of federal government spending on Nigeria's economic development. A framework for multivariate time series analysis was employed. The augmented Dickey-Fuller test demonstrated that two variables are stationary at first difference but not at levels,whereas the Phillips Peron test suggested that three variables are stationary at levels but not at first difference. The regression results indicated that public expenditure had little effect on growth in the near term. However, co-integration and Vector Error Correction studies indicated that public spending and growth had a long term connection.

Njoroge (2013) established a link between financial management changes and the public sector's economic performance in Kenya. The investigation was conducted using a descriptive survey approach. The population consisted of the 42 ministries and departments that existed throughout the research period. The primary source was questionnaires sent to top managers in administration, finance, accounting, and audit departments. Between 2007/2008 and 2011/2012, data were collected for five (5) years. Multiple regression analysis and quantitative analysis were performed using SPSS. According to the report, the majority of respondents felt that financial reforms accomplished more than half of their stated goals.

Aruwa's (2012) examination of the relationship between government revenues and expenditures, expenditures and economic growth, is a critical first step toward comprehending the behavior of Nigerian public expenditure and the economy in light of Wagner's law or Keynesian theory and Friedman's (1978) or Peacock and Wiseman's (1979) revenue-spend and spend-revenue hypotheses. The research used the Augmented Dickey-Fuller (ADF) test to determine the stationarity of the Federal Government of Nigeria's time series public financial data from 1979 to 2008. The Johansen's co-integration test was performed to assess the co-integration of a collection of non-stationary time series variables employed in this investigation. The analysis found that increases in both real gross domestic product and government income result in increases in government spending.

Nworji et al. (2012) examined the influence of government spending on economic activity in Nigeria from 1970 to 2009. The OLS multiple regression model was used to analyze the perceived causal link between government spending and economic growth. The analysis was conducted using data gathered from the Central Bank of Nigeria's Statistical Bulletin. The analysis's findings indicated that capital and recurring spending on economic services had a negligible negative impact on economic growth. Additionally, capital spending on transfers had a negligible positive impact on economic growth, while capital and recurrent expenditure on social and community services, as well as recurrent expenditure on transfers, had a considerable positive effect on economic growth.

Ogbuagu (2007) examined the effect of public sector changes on economic development in Nigeria from 1986 to 2005 empirically. They examined the short- and long-run effects of the independent variables on economic growth (total spending, yearly government budget, debt outstanding, and federal revenue). The analytical framework was constructed using econometric techniques, which included ordinary least squares, stationarity tests, cointegration tests, and a Parsimonious error correction model. The analysis discovered a substantial association between the majority of the variables' components and economic development

Methods

Ex-post facto design study was rigorously complied with. Data were meticulously gathered from the Central Bank of Nigeria's (CBN) statistical bulletin from 1986 to 2020. Economic growth is the dependent variable, which was specified in terms of Real Gross Domestic Product (RGDP). The independent variables are Total Federally Collected Revenue (TFCR) and Total Government Expenditure (TGEXP). The initial objective in the econometric study was to determine the data's stationarity qualities using the Augmented Dickey-Fuller (ADF) and then to determine the data's descriptive characteristics. Second, by aligning to the Autoregressive Distributive Lag, we evaluated the long- and short-run link between foreign direct investment and economic growth (ARDL). Finally, the granger causality test was used to examine the influence of public sector financial management on economic development.

Ikechi et al. (2021) were adopted as models. Ikechi et al. (2021)'s original model is as follows:

$$RGDP = f(TOTREV, CAPEX) \qquad \text{Equ.1}$$

Where:

RGDP = Real gross domestic product

TOTREV = Total revenue

CAPEX = Capital expenditure

We modified Equ.1 to read:

$$RGDP = f(TFCR, TGEXP) \qquad \text{Equ.2}$$

Logarithm expression of Equ. 2 is established as thus:

RGDp t= β, 十 氐 TF CRt 十 F 2 TG Exp t 十 Et   E qu. 3

Where:

RGDP = Real gross domestic product

TFCR = Total federally collected revenue

TG EXP = Total government expenditure

β_0 = The constant term

$\beta_1 - \beta_2$ = The coefficients of the independent variables

ε = the random disturbance term.

Results and Discussion

The data were checked for stationarity using the Augmented Dickey-Fuller (ADF) tests. Due to the fact that the majority of time series data do not attain stationarity during level form estimation, the first difference technique was used, complemented by the Autoregressive Distributive Lag (ARDL), which accommodates time series data with varying order of integration. As shown in Table 1, all data are steady, and hence any faults relating to non-stationarity have been addressed.

Table 1. ADF Test Result

Variables	ADF Test Statistic	Test Value at 5%	Remark
RGDP	-9.502103 (0.00)*	-2.957110	Stationary
TFCR	-3.418974 (0.00)*	-1.955681	Stationary
TGEXP	-4.073759 (0.00)*	-2.957110	Stationary

Source: Statistical OutputfromE-views 10.0

P-values are in parenthesis, while * and ** represent 1% and 5% level of significance respectively

The descriptive properties of the data is presented in Table 2. The mean of the data are 38576.50, 4119.863, and 2513.700 respectively for real gross domestic product, total federally collected revenue and total government expenditure. The standard deviation reveal 20479.01 for RGDP, 3952.281 forTFCR, and 2816.884 for TGEXP. The minimum and maximum values are 15237.99 and 71387.83 for RGDP, 12.60000 and 11116.80 for TFCR, 16.20000 and 10164.60for TGEXP.

Table 2. Descriptive Properties of Data

	Min.	Max.	Obs.	Mean	Std. Dev.
RGDP	15237.99	71387.83	35	38576.50	20479.01
TFCR	12.60000	11116.80	35	4119.863	3952.281
TGEXP	16.20000	10164.60	35	2513.700	2816.884

Source: Statistical OutputfromE-views 10.0

The long-run relationship in Table 3 discloses that there is no long-run relationship between public sector financial management and economic growth sustainability in Nigeria. The assumption is based on the fact that the f-statistic of 3.574890 is lower than the upper critical value of 3.87

Table 3. ARDL F-Bounds Test

T-Test	5% Critical Value Bound		Remark
F-Statistic	Upper Bound	Lower Bound	
3.574890	3.87	3.1	Null Hypothesis Rejected

Source: Statistical OutputfromE-views 10.0

In the near term, Table 4 demonstrates a positive link between total federally collected income and real gross domestic product. On the other hand, it was shown that there is a negligible negative link between total government spending and actual gross domestic product in Nigeria. When total federal income and total government spending are maintained constant, it is assumed that real gross domestic product will expand by a factor of 1,089.14. The corrected R-square indicates that 99.75 percent of the variation in real GDP domestic product is due to variations in total federally collected income and total government spending. This is confirmed by the fact that the p-value (0.0000) of the f-statistic (3220.462) is significant at a 5% level. The Durbin Watson value of 1.9 indicates that the estimated model is not at risk of autocorrelation.

Table 4. ARDL Short-Run Relationship

Variable	Coefficient	Std. Error	t-Statistic	Prob.
RGDP(-1)	1.424974	0.168412	8.461252	0.0000
RGDP(-2)	-0.451615	0.163895	-2.755512	0.0102
TFCR	0.401209	0.134027	2.993502	0.0057
TGEXP	-0.348960	0.189949	-1.837124	0.0768
C	1089.140	661.7555	1.645834	0.1110
Adjusted R-squared	0.997521	Durbin-Watson stat		1.9021
F-statistic	3220.462	Prob (F-statistic)		0.0000

Source: Statistical OutputfromE-views 10.0

The reliability of the model was ascertained by virtue of the serial correlation LM test, heteroskedasticity, and Ramsey Reset Specification tests. As shown in Table 5, the p-values of 0.3941, 0.1012 and 0.0850 are greater than 0.05, which implies that the model is free from encumbrances that may affect the reliability of the result.

Table 5. Robustness Test

Tests	F-statistic	P-value
Serial Correlation LM	0.965232	0.3941
Heteroskedasticity	2.148429	0.1012
Ramsey Reset Specification	3.197633	0.0850

Source: Statistical OutputfromE-views 10.0

The granger causality test in Table 6 demonstrates a causal relationship between totally federally collected revenue, total government expenditure, and real gross domestic product, with a significant level of 5% flowing from totally federally collected revenue and total government expenditure to real gross domestic product. The consequence is that total federally collected income and total government spending have little effect on economic development in Nigeria. On the contrary, it was discovered that money collected entirely by the federal government has amajor influence on the government's capacity to create revenue. This maybe observed by tracing the causal chain from real gross domestic product to total government revenue collected at a substantial level of 5%.

Table 6. Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob.	Remarks
TFCR does not Granger Cause RGDP	33	1.03885	0.3671	No Causality
RGDP does not Granger Cause TFCR		5.83216	0.0076	Causality
TGEXP does not Granger Cause RGDP	33	1.20465	0.3149	No Causality
RGDP does not Granger Cause TGEXP		0.24973	0.7807	No Causality

Source: Statistical Outputfrom E-views 10.0

Regarding the findings' discussion, we observe that there is no long-run relationship between public sector financial management and the sustainability of economic growth in Nigeria. This would be the case in reality, since despite increased government spending throughout the study period, the nation continues to lack basic infrastructure. This is consistent with Olaoye & Olaniyan's (2019) conclusion that there is a strong association between public financial management and Nigeria's economic development, although it is variable dependent. This is due to the way the individuals in charge handle the resources in a manner that does not reflect the objective of public sector financial management. Second, overall federal revenue was shown to have a positive association with real gross domestic product. This demonstrates that when developing nations like Nigeria adhere to public sector financial management principles with regard to income earned, the speed of development accelerates, and this acceleration is sustained overtime provided good management of public funds is maintained. Thirdly, public sector financial management has no discernible influence on the sustainability of economic development in Nigeria. This is backed by Ikechi et al. (2021) analysis, which suggested that Nigeria's funding strategy is tilted toward paying wages and staff emoluments (recurrent expenditures) rather than investing in growth-oriented fundamental infrastructure (capital expenditures). This is because total federal income and total government spending had no discernible influence on real gross domestic product throughout the time investigated. This maybe linked to pervasive corruption and misappropriation of public funds, as shown in many court cases involving anti-corruption authorities (Economic and Financial Crimes Commission), former and current public office holders. This view is consistent with Evans (2020), who used the ARDL bounds testing approach to examine the effects of fiscal discipline in the form of policy uncertainty, corruption, budgeting reforms, fiscal policy sustainability, and crowding-out on financial development and economic growth in Nigeria from 1980 to 2017. The research found that policy uncertainty, corruption, and fiscal deficits all have a detrimental effect on financial development and economic growth in both the short and long term

Conclusion

Nigeria's history with public sector financial management demonstrates fiscal irresponsibility. In Nigeria, the public sector is comprised of the Federal, State, and Local governments, as well as parastatals and organizations that provide public goods and services. Nigeria's public sector, with its many financing sources, plays a critical role in economic management via the creation and execution of economic policies, efficient budgeting, and planning targeted at attaining domestic and external balancing goals. The purpose of this research was to determine the influence of public sector financial management on the sustainability of economic development in Nigeria. The research examined the influence on real gross domestic product of total federally collected income and total government spending. The Autoregressive Distributive Lag (ARDL) technique was used to analyze data spanning the years 1986 to 2020. To begin, the findings indicate that there is no long-run association between public sector financial management and the sustainability of economic development in Nigeria. This would be true in reality, since despite our increased investment during the study period, Nigeria continues to lack basic infrastructure in comparison to other developing countries worldwide. This is due to the way the individuals in charge handle the resources in a manner that does not reflect the objective of public sector financial management. Second, overall federal revenue was shown to have a positive association with real gross domestic product. This demonstrates that when developing nations like Nigeria adhere to public sector financial management principles with regard to income earned, the speed of development accelerates, and this acceleration is sustained overtime provided good management of public funds is maintained. Thirdly, public sector financial management has no discernible influence on the sustainability of economic development in Nigeria. This report recommends that the ideal of sound public sector financial management be embraced in order to strengthen the sustainability of economic development in Nigeria via an effective, efficient, and transparent public accounting system. Additionally, the Federal Government is urged to harmonize its public financial management with worldwide best practices as outlined in the United Nations' Sustainable Development Goals standards (SDGs).

References

Abubakar, I. R. & Aina, Y. A. (2017). Transitioning from MDGs to SDGs: Towards developing more inclusive, safe, resilient and sustainable cities in Nigeria. Paper Accepted for Presentation at: World Symposium on Sustainability Science and Research: Implementing the UN Sustainable Development Goals, Manchester, United Kingdom, 5th -7th April 2017.

Adetokunbo, A. M. & Edioye, O. P. (2020). Response of economic growth to the dynamics of service sector in Nigeria. *Future Business Journal, 6*(1), 1-10.

Anowor, O. F. & Nwanji, M. A. (2018). Are there nexus between public expenditures and economic growth in Nigeria? - A re-examination. *International Journal of Applied Economics, Finance and Accounting, 2*(2), 40-46.

Aregbeyen, O. & Kolawole, B. O. (2015). Oil revenue, public spending and economic growth relationships in Nigeria. *Journal of Sustainable Development, 8*(3), 113-123.

Aruwa, S. A.S. (2012). Public finances and economic growth in Nigeria. *Public and Municipal Finance,* 1(2), 1-9.

Edeme, R. K. & Nkalu, C. N. (2019). Public expenditure and human development in Nigeria in the last decade, composition and distributional impacts. *Economics and Business Letters, 8*(2), 62-73.

Ekpung, E. G. (2014). Public infrastructure spending and economic growth in Nigeria: An Error Correction Mechanism (ECM) approach. *Journal of Social Economics Research, 1*(7), 129-140.

Evans,O. (2020). Fiscal discipline, financial development economic growth in Nigeria. Online at https://mpra.ub.uni-muenchen.de/99242/

Ikechi, K. S., Obi, H. K. & Akuwudike, H. C. (2021). Impact of public sector financial management on the economic growth of Nigeria. *International Journal of Management Science and Business Administration, 7*(4), 45-59.

Jeff-Anyeneh, S. E. & Ibenta, S. N. O. (2019). Government Expenditure and Economic Growth: Evidence from the Nigeria Economy (1981 – 2016). *Advances in Research, 5*(9), 1-16.

Kareem, R. O., Bakare, H. A., Ademoyewa, G. & Bashir, N. J. (2014). The impact of public sector spending on economic growth of Nigeria. *Journal of Economics and Sustainable Development, 5*(3), 216-224.

Njoroge, N. A. (2013). *The relationship between financial management reforms and the economic performance of public sector in Kenya,* (Master's thesis, The University of Nairobi, Kenya).

Nworji, I. D., Okwu, A. T. Obiwuru, T. C. & Nworji, L. O. (2012). Effects of public expenditure on economic growth in Nigeria: A disaggregated time series analysis. *International Journal of Management Sciences and Business Research, 1*(7), 1-15.

Odior, E. S. & Alenoghena, R. O. (2014). Public sector financial management and output growth in Nigeria: A predictive causality test and two-stage least square approach. *Journal of Economic & Financial Studies, 2*(1), 1-13.

Ogbuagu, R. A. (2007). Public sector reforms and economic growth in Nigeria: an empirical view. Retrieved from ssrn.com.

Ogbuagu, R. A. & Oguchi, C. B. (2017). Public sector management and the challenge of unemployment: Nigeria's experience in the last three decades (1985-2015). *International Journal of Advanced Studies in Economics and Public Sector Management, 5*(2), 95-114.

Olanrewaju, S. M. & Funlayo, A. K. (2021). Public expenditure and economic growth: A test of Wagner's and Keynes Hypotheses in Nigeria and Angola economies. *EJ-SOCIAL, European Journal of Humanities and Social Sciences, 1*(3), 1-6.

Olaoye, F. A. & Olaniyan, O. N. (2019). Public sector financial management and economic growth (Study in Nigeria). *International Journal of Economics & Business, 3*(1) 56 – 65

Olonite, O. A., Gurowa, S. U., Ibrahim, K. F. A. & Ajewol, J. O. (2021). Public spending and economic growth performance: evidence from Nigeria. International Journal of Research - *Granthaalayah, 9*(7), 1-14.

Olufemi, A. S. & Oladipo, O. N. (2021). The viability of public expenditure in stimulating economic growth in Nigeria (Mediating on the role of public sector). *ACTA Universitatis Danubius, 7*(1), 70-86.

Popescu, C. C. & Diaconu, L. (2021). Government spending and economic growth: A co-integration analysis on Romania. *Sustainability,* 13, 65-75.

Usman, A., Mobolaji, H. I., Kilishi, A. A., Yaru, M. A. &Yakubu, T. A. (2014). Public expenditure and economic growth in Nigeria. *Asian Economic and Financial Review, 1*(3), 104-113