Public Sector Financial Management and Economic Growth  
(Study in Nigeria)

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Abstract: This study examined public sector financial management and economic growth of Nigeria. It specifically investigated the relationship between total public expenditure, total federally-collected revenue, public borrowing, public debt services and real gross domestic product of Nigeria from 1986 to 2016. This study adopted the ex-post facto research design. Relevant data regarding the variables under-study were extracted from the Central Bank of Nigeria (CBN) statistical bulletin while error correction model was used to analyze the data. The study revealed among other things that; there is presence of co-integration (long-run relationship) among the variables in the model, actual public debt service and total public borrowing has 0.815209 and -1.112798 percent (p=0.0933, 0.0965) significant relationship with economic growth of Nigeria, while total public expenditure and total federally-collected revenue (0.248994, 0.986219 P=0.4415, 0.1149) are not significantly related to economic growth of the country in the long run. The study concluded that there is a significant relationship between public financial management and the economic growth of Nigeria, depending on the variable of interest. Likewise, the study recommended among other things that government should ensure efficiency and effectiveness in the public financial management due to the insignificant influence of public expenditure on economic growth both in the long run and short run which is a pure indication of poor public financial management in the country. Also, the component governments in Nigeria should reduce its public borrowing as it has a significant inverse effect on the economic growth of the country in the long run.

Keywords: Capital, economic growth, financial management, interest rate, public borrowing, public debt service, public sector.
1. Introduction

Financial System in the public sector is guided by regulations, rules, and policies that sharpen the planning, budgeting, forecasting, coordinating, and directing of the inflow and outflow of funds in the quest to maximize national goals and objectives. In order to ensure the efficiency and effectiveness in this system, public financial management is put in place. Financial management in the public sector covers the management of government spending, public debts, taxation borrowing, foreign reserves, level of liquidity in the economy foreign exchange system, and audit of public finance (government activities regarding the efficient and effective mobilization and utilisation of public funds (Simson, Sharma & Aziz, 2016; Pere & Buseni, 2013; Nwezeaku, 2010).

The financial management system is absolutely critical to improving the quality of public service outcomes, as affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public service (Simson, et al., 2016).

Effective public financial management systems maximize financial efficiency improve transparency, accountability, and also contribute to long-term economic success (Pretorius & Pretorius, 2008). Management of the resources of an economy leads to poverty reduction, improvement in the standard of living of its citizens, mitigation of inequalities in income distribution and improve the general wellbeing and productivity of the economy (Omnopariola, 2002). Iheanacho (2016) argues that the design and implementation of financial management in the public sector provides quantifiable indicators to judge economic growth. This is because the sustainability of an equitable economy is clearly a predominant objective of public programs, public financial management ensures effective delivery of public services to enhance economic growth, due to the fact that it plays important roles in the physical and human capital formation of any country (Lotto, 2012).

Public financial management system supports the efficient and accountable use of public resources helps underpin both macro and fiscal stability and guides allocation of resources to address national priorities furthermore, financial management system is quite wide and encompasses resource mobilization, prioritization of governmental efforts, resource allocation, formulation of detailed plans, setting up information systems that assist decision making, having meticulous budgeting, accounting and procurement systems, monitoring and reporting arrangements and creation of robust internal and external accountability mechanisms (Nwokorie, 2017).

In Nigeria, public financial management is absolutely critical to improving the quality of public service outcomes. It affects how funding is used to address national and local priorities, the availability of resources for investment and the cost-effectiveness of public service (Nwokorie, 2017). However, in spite of the visible attempts by the various governments to manage the vast financial and other resources in the country, there exists extreme poverty. Based on the above, this study examines the extent to which the Nigerian government utilizes public sector financial management in the advancement of the country’s economic growth. This study is organized into five sections. Section one which is the present section gives a general idea of the research, section two centers on the literature review, the section contains the methodological framework of this study, while section four deals with the empirical results of this study and its’ interpretation and model specification. Section five encompasses the conclusion and policy recommendations of this study.

2. Literature Review
2.1. The Concept of Public Sector Financial Management

Prakash and Cabezon (2008) conceptualized public financial management as a critical instrument in the implementation of economic policy and further stated that it works by controlling the sharing and use of public resources by overall fiscal policy and the budget. Well-Functioning financial management of public sector system provides the assurance that the funds released via appropriation processes and revenue generation as well as from debt cancelation mechanism would be productively used in a transparent and effective way. Ola and Offiong (2008) noted that public financial management are measures put in place by government to control public funds.
Okoro (2013) stated that PFM strategy covers fiscal and macro stability, guide the allocation of public resources to national priorities, and support the efficient delivery of services for poverty reduction and economic development, and make possible the transparency and scrutiny of public funds. This implies that public sector financial management is planning, procurement, organizing and utilization of financial resources of government as well as the formulation of appropriate policies so as to meet up with the hopes and aspirations of such society. Financial management in the public is aimed to manage limited resources to ensure accountability and efficiency in the delivery of outputs required to achieve desirable outcomes that will serve the needs of the society. Effective Public Financial Management is a vital component for good governance and allows governments to make best use of its resources to improve quality of life in the people (Kafela & Nwokah, 2009).

2.2. Public Financial Management Framework in Nigeria

Developing countries and Nigeria with economies in transition have a special responsibility to organize an effective financial management system for implementation of policies with a view to promoting national socio-economic development goals. Public financial management in Nigeria constitutes all or part of the processes and functions of planning, programming and budgeting, budget execution and accounting, auditing and evaluation (Anyawu, 2017). All these activities are aimed at ensuring that, to the maximum practical extent, the government’s financial resources are utilized in accordance with law, efficiently, effectively and rationally to yield optimum results, and with transparency and accountability to the legislature and the population at large.

In Nigeria, financial management capabilities have been eroded by the pursuit of financial populism, ineffective and distorted budgetary mechanisms and the breakdown of the existing financial management institutions. A central concern for all countries is how to harmonize methods of strategic management and control of aggregate financial variables with processes for changing expenditure priorities and enabling effective and innovative management of service delivery institutions.

2.2.1. Policy Formulation

This is one of the most important stages in public financial management structure. The change of society's hope into reasonable policies with well identified financial consequence is at the centre of financial management. Issues not stated during policy formulation can be of great importance during execution and may regularly help to achieve major change to an opposite direction in the pursuit of policies or major reduction in the rate that may lead to opposite results. This involves a clearly stated structured and clear system that moves to promote cost awareness in the use of efficient resources. It is necessary that government should have an expected revenue and expenditure to accomplished their set goals and objectives.

2.2.2. Budget Formulation:

The budget formulation is the step that entails the sharing of available resources before the presentation to the legislature for review and final approval. According to Appah (2009) the budget formulation in Nigeria involves clear and distinct of the fiscal, monetary, political, economic, social and welfare goals of the government by the president, based on these (i) the department initiates policies and process flow which form the basis of circulars to Ministries/Departments presenting their inputs and needs for the fiscal periods; (ii) accounting officers of responsibility units are mandated to request and collate the needs of their units; and accounting officers of ministries, in this case the Permanent Secretaries, are also mandated to collate these proposals which must be defended by unit heads before the supervising minister.

2.2.3. Budget Structures

Anyanwu (2017), budget structure addresses the question of how the budget is or should be composed. In Nigeria, budgets have revenues and expenditure sides. Prenchard (2009) noted that many governments have yet to put in place cash management systems, which would pave way for coordinated
domestic management. The practice of limiting outlays to collected revenues has exacerbated this problem. He further argued that there is a massive underfunding of programs and projects provided for in the budget.

### 2.2.4. Government Accounting and Financial Reporting

Government accounting and financial management reporting is a very important component of the public sector financial management process in Nigeria. Adams (2011) noted that government accounting entails the recording, communicating, summarizing, analyzing and interpreting financial statements in aggregate and in details. In the same vein, Prenchard (2009) argues that government accounts have the dual purpose of meeting internal management requirements while providing the public with a window on government operations.

Government financial reports should be prepared with the objective in mind of providing full disclosure on a timely basis of all material facts relating to government financial position and operations. Financial reports on their own do not mean accountability but they are an indispensable part of accountability.

### 2.2.5. Audit

One of the fundamental aspects of public sector financial management in Nigeria is the issue of audit of government financial reports. Audit is a process carried out by suitable qualified Auditors during the accounting records and financial statements of enterprises are subjected to examination by the independent Auditors with the main purpose of expressing an opinion in accordance with the terms of appointment. The high level of corruption in the public sector of Nigeria is basically as a result of the failure of auditing. One fundamental failure of audit is the absence of value for money in the Nigeria public sector (Satope, 2014).

### 2.2.6. Legislative Control

In Nigeria this is expected to perform this very important task of controlling and regulating the revenue and expenditure estimates in any fiscal year. It is the responsibility of members of the legislative group to ensure that the budget estimates are properly scrutinized to ensure accuracy, effectiveness and efficiency of government revenue and expenditure.

### 2.3. Empirical Review

In developed countries, Nyamita, Dorasamy, and Garbharran, (2015) reviewed public sector financial management reforms in France and found out that the awareness creation on the length of financial administration reforms within the continent aided the public sector investors to cultivate procedures of augmenting enactment and accountability in the public service. Verena, Marijin and Ambra, (2014) studied the implication of political economy of public financial management reforms experiences on dialogue and operational engagement in Spain, with the use of quantitative analysis and revealed that political tenure did not have a spectacular potential on the PFM systems, but political stability did aid PFM systems. Using ordinary least squares, Joseph, (2012) investigated the relationship between public expenditure and productivity of the industrial sector in the United Kingdom. The study showed that both government expenditure on administration and economic services have a negative impact on industrial productivity. In Italy, Loto, (2011) examined the growth effects of government expenditure on economic growth/sectoral expenditures with a concentration on five key sectors which are; security, health, education, transportation and communication, and agriculture. It revealed that expenditure on agriculture was negatively related to economic growth in the short-run, while expenditure on health, communication, national security, and transportation were positively related to economic growth.

Aregbeyen (2016) explored national income and economic growth in Russia using Johansen cointegration and standard causality tests. The study disclosed that there is bi-directional causality between national income and non-transfer public expenditure.
Babacar (2015) assessed public sector performance in developing countries. Regression analysis was employed and the study disclosed that there is a lack of transparency and accountability in many administrative procedures, including that reporting tax revenue. Using some selected African Countries, Rena and Kefela (2011) studied the impact of restructuring a fiscal policy on economic growth and revealed that fiscal policy served as economic tool that stimulated a unique local and foreign dues funding. In Sri Lanka, Alam (2010) investigated the long-run relationship between economic growth and social expenditure and concluded that expenditure on health, education, and infrastructure played important role in boosting economic growth. Dilrukshini (2014) examined the relationship between public expenditure and economic growth and found out that there was no empirical support either for the Wagner’s law or Keynesian hypothesis, in Sri Lanka.

In Nigeria, Felix and Rufus, (2018) studied the effects of the adoption of GIFMIS on public finance management with the use of survey and indicated that the adoption of GIFMIS curbed corruption, financial misappropriation, and outflows with the attendant improvement in accountability and transparency in the management of public funds. Ocheni and Agba, (2018) focused on fiscal decentralization, public expenditure management, and human capital development. The study showed that there is a relationship between public expenditure management, fiscal decentralization and human capital development across the country. Abdulrahman, (2018) investigated the effects of government expenditure on economic growth and showed that the money in circulation was positive and statistically noteworthy. With a focus on the impact of fiscal policy instrument on economic growth, Morakinyo, David and Alao (2018) found out that recurrent expenditure had a long-run positive influence on the economic growth, while capital expenditure had a negative relationship. Nwokorie (2017) studied the challenges to effective management of public sector organizations and revealed that managers from various organizations indulged in networking activities for the attainment of projected levels and positions, at the detriment of the organization’s career success. Using dynamic vector autoregressive regression, Iheanacho (2016) studied the impact of government expenditure to economic growth in the country and found out that high government expenditure is a sources of economic instabilities. Jumare, Yusuf and Mohammed (2015) used OLS to analyze the impact of government expenditure on economic growth and disclosed that a negative and insignificant relationship exists between physical capital and economic growth, while there is a positive but insignificant relationship between government capital expenditure and economic growth in the country. Odior and Alenoghena (2014) studied the causality of public sector financial management and output growth and it was found out that poor financial management in the public sector and continuing diversion of funds from the system has hindered positive benefaction from some key economic sectors of the economy .Okpala, (2012) examined fiscal accountability dilemma in the public sector with the use of questionnaire. The study showed that poor accountability in Nigeria due to inefficient accounting facilities and incompetent government officials.

3. Methodology

This study adopted the *ex-post facto* research design. Data relating to the variables under study were extracted from the Central Bank of Nigeria (CBN) statistical bulletin form 1986 to 2016, while Vector error correction was utilized as the estimating technique after taking into consideration the pre and post-estimation tests, which includes ADF unit root test, autoregressive distributed lag (ARDL) bounds test, normality test, heteroskedasticity test, and serial correlation test. This study adapted the model specified by Shuaib and Ahmed (2015) by including capital, labour, and interest rate. The adapted model for this study is thus specified in *equations* below;

\[
RGDP_t = a_0 + \beta_1 TPE_t + \beta_2 TFCTR_t + \beta_3 TPB_t + \beta_4 APDS_t + \beta_5 CAP_t + \beta_6 LAB_t + \beta_7 INTR_t + \varepsilon_t \ldots \ldots \ldots (3.1)
\]

\[
\Delta RGDP_t = \delta + \sum_{i=1}^{k-1} \beta_{1i} \Delta RGDP_{t-i} + \sum_{j=1}^{k-1} \phi_{1j} \Delta TPE_{t-j} + \sum_{m=1}^{k-1} \gamma_{1m} \Delta TFCTR_{t-m} + \sum_{o=1}^{k-1} \varphi_{1o} \Delta TPB_{t-o} + \sum_{d=1}^{k-1} \beta_{1d} L_{APDS_{t-d}} + \sum_{b=1}^{k-1} \alpha_{1b} L_{CAP_{t-b}} + \sum_{c=1}^{k-1} \lambda_{1c} L_{LAB_{t-c}} + \sum_{a=1}^{k-1} \sigma_{1a} \Delta INTR_{t-a} + \lambda_1 ECT_{t-1} + U_{it} \ldots \ldots (3.2)
\]
Where RGDP represents gross domestic product /inflation rate. TPE represents total public expenditure, TFCR represents total federally-collected revenue, TPB-total public borrowing, APDS-actual public debt service, CAP represents capital, LAB is labour, while INTR is the interest rate. \( \varepsilon_t \) is the stochastic error term/ disturbance factor, \( \beta_1 - \beta_7 \) is the shift parameters, while \( a_0 \) is the constant parameter. K-1 is the lag length reduced by 1, \( \beta_i, \phi_j, \gamma_m, \varphi_v, \delta_n, \Omega_q \) and \( \sigma_t \) are the short run dynamic coefficients of the model's adjustment long-run equilibrium, \( \lambda_1 \) is the speed of adjustment parameter with a negative sign. ECT\( _{t-1} \) is the error correction term which is the lagged value of the residuals obtained from the cointegrating regression of the dependent variable on the regressors. It contains long-run information derived from the long run co-integrating relationship, while \( U_{1t} \) is the residuals.

**A Priori Expectation**

Total expenditure and total federally collected revenue are expected to be positively related to economic growth. This implies that an increase in any of this variables is expected to have positive influence on the economic growth of Nigeria. Whereas, total public borrowing and actual public debt service are expected to indicate an inverse relationship with economic growth of the country.

**4. Results and Interpretations**

**4.1. Unit Root Test**

The test is conducted using the Augmented Dickey-Fuller (ADF) unit root test. Table 4.1 shows that only lnTPE, lnTFCR, and lnLAB are stationary at level while lnRGDP, lnTPB, lnAPDS, and lnCAP become stationary after first differencing. The unit root test confirms that the variables are mix of I(0) and I(1) series.

**Table 4.1: ADF Unit Root Test Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Test statistic</th>
<th>p-value</th>
<th>Test statistic</th>
<th>p-value</th>
<th>Order of Integration</th>
</tr>
</thead>
<tbody>
<tr>
<td>lnRGDP</td>
<td>-1.5801</td>
<td>0.7761</td>
<td>-2.9292</td>
<td>0.0542***</td>
<td>I(1)</td>
</tr>
<tr>
<td>lnTPE</td>
<td>-4.2718</td>
<td>0.0023*</td>
<td>——</td>
<td>——</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnTFCR</td>
<td>-2.9732</td>
<td>0.0490**</td>
<td>——</td>
<td>——</td>
<td>I(0)</td>
</tr>
<tr>
<td>lnTPB</td>
<td>-2.189</td>
<td>0.4776</td>
<td>-4.3124</td>
<td>0.0099*</td>
<td>I(1)</td>
</tr>
<tr>
<td>lnAPDS</td>
<td>-2.8354</td>
<td>0.0654***</td>
<td>——</td>
<td>——</td>
<td>I(1)</td>
</tr>
<tr>
<td>lnCAP</td>
<td>-1.9546</td>
<td>0.5988</td>
<td>-6.2583</td>
<td>0.0001*</td>
<td>I(1)</td>
</tr>
<tr>
<td>lnLAB</td>
<td>-3.4459</td>
<td>0.0648***</td>
<td>——</td>
<td>——</td>
<td>I(0)</td>
</tr>
</tbody>
</table>

*Note: *, ** and *** indicate rejection of null hypothesis at 1%, 5% and 10% significance level respectively.*

*Source: Authors’ Computation (2018)*

**4.2. Cointegration Test**

The Autoregressive Distributed Lag (ARDL) bounds test is performed to test for the presence of cointegration due to the combination of I(0) and I(1) series in the model. Table 4.2 shows that the F-statistic is greater than the upper bound critical values at 10% significance level, thus indicating that the null hypothesis can be rejected. This indicates that there is cointegration (long-run relationship) among the variables in the model.
### Table 4.2: Bounds Test Result

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>Significance level</th>
<th>Critical value bounds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1%</td>
<td>3.15</td>
</tr>
<tr>
<td>3.592463</td>
<td>5%</td>
<td>2.45</td>
</tr>
<tr>
<td></td>
<td>10%</td>
<td>2.12</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation (2018)

### 4.3. Model Estimation

#### 4.3.1 Long-run Results

Table 4.3 presents the long-run coefficients obtained from the ARDL model selected based on the Schwarz information criterion. The results show that in the long run, lnAPDS and lnCAP are positively and significantly related to lnRGDP while lnTPB is negatively and significantly related to lnRGDP. A 1% increase in actual public debt service and capital would increase economic growth by approximately 0.82%, and 0.46% respectively. However, an increase in public borrowing would decrease economic growth by approximately 1.11%. Table 4.4 also shows that lnTPE, lnTFCR, and lnLAB are not significantly related to lnRGDP. This is not in agreement with the findings of Alam (2010) that public expenditure plays important role in boosting economic growth.

**Table 4.3: Long-run Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-5.947146</td>
<td>0.9083</td>
</tr>
<tr>
<td>lnTPE</td>
<td>0.248994</td>
<td>0.4415</td>
</tr>
<tr>
<td>lnTFCR</td>
<td>0.986219</td>
<td>0.1149</td>
</tr>
<tr>
<td>lnTPB</td>
<td>-1.112798</td>
<td>0.0965***</td>
</tr>
<tr>
<td>lnAPDS</td>
<td>0.815209</td>
<td>0.0933***</td>
</tr>
<tr>
<td>lnCAP</td>
<td>0.459928</td>
<td>0.0885***</td>
</tr>
<tr>
<td>lnLAB</td>
<td>0.301745</td>
<td>0.9286</td>
</tr>
</tbody>
</table>

Note: *** denotes statistically significant at 10% significance level respectively.  
Source: Researcher’s Analysis (2018)

#### 4.3.2 Short Run Results

The short-run results show the short-run dynamics and the speed of adjustment. Table 4.4 presents the short run results. Based on the ARDL model, the short-run results show that lnTPE has a contemporaneous positive and significant relationship with lnRGDP. lnTFCR does not have a contemporaneous relationship on lnRGDP but its one-period lagged value has a negative and significant relationship with lnRGDP. lnTPB has a contemporaneous negative and significant relationship with lnRGDP. lnAPDS does not have a contemporaneous relationship with lnRGDP but its one-period lagged value has a negative and significant relationship with lnRGDP. lnCAP does not have a contemporaneous relationship with lnRGDP but lnLAB has a contemporaneous positive and significant relationship with lnRGDP. The lag error correction term CointEq(-1), which measures the speed of adjustment to restore long-run equilibrium in the dynamic model has the expected negative sign and statistically significant at the 1% significance level. This further validates the long-run relationship among the variables. The low coefficient of the error correction term shows that disequilibrium from the past year slowly adjusts back to the long-run equilibrium in the present year at a speed of adjustment rate of 11.4%.
Table 4.4: Short Run Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Δ(lnTPE)</td>
<td>0.028462</td>
<td>0.3929</td>
</tr>
<tr>
<td>Δ(lnTFCR)</td>
<td>0.029846</td>
<td>0.3867</td>
</tr>
<tr>
<td>Δ(lnTFCR(-1))</td>
<td>-0.057325</td>
<td>0.0431**</td>
</tr>
<tr>
<td>Δ(lnTPB)</td>
<td>-0.129202</td>
<td>0.0161**</td>
</tr>
<tr>
<td>Δ(lnAPDS)</td>
<td>0.027486</td>
<td>0.2864</td>
</tr>
<tr>
<td>Δ(lnAPDS(-1))</td>
<td>-0.047232</td>
<td>0.0525***</td>
</tr>
<tr>
<td>Δ(lnCAP)</td>
<td>0.052574</td>
<td>0.1394</td>
</tr>
<tr>
<td>Δ(lnLAB)</td>
<td>0.963360</td>
<td>0.0516***</td>
</tr>
<tr>
<td>CointEq(-1)</td>
<td>-0.114309</td>
<td>0.0021*</td>
</tr>
</tbody>
</table>

Note: *, **, and *** denote statistically significant at 1%, 5%, and 10% significance level respectively.

Source: Researcher’s Analysis (2018)

4.4. Residual Diagnostic Tests

4.4.1 Testing for Serial Correlation

The result of the Breusch-Godfrey test shows that there is an absence of first and second order serial correlation in the model.

Table 4.5: Breusch-Godfrey serial correlation LM test

<table>
<thead>
<tr>
<th>Lag</th>
<th>F-statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.186753</td>
<td>0.5366</td>
</tr>
<tr>
<td>2</td>
<td>0.186753</td>
<td>0.8317</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation (2018)

4.4.2 Test for Heteroskedasticity

Table 4.6 shows that the model is not biased due to heteroskedasticity.

Table 4.6: Breusch-Godfrey Pagan Heteroskedasticity Test

<table>
<thead>
<tr>
<th>Test statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistic</td>
<td>0.658376</td>
</tr>
<tr>
<td>Obs*R-squared</td>
<td>9.586191</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation (2018)

4.5.3 Test for Normality

Table 4.7 shows that the residuals in the model have a normal distribution.

Table 4.7: Jarque-Bera Normality Test

<table>
<thead>
<tr>
<th>Test statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.667743</td>
<td>0.434364</td>
</tr>
</tbody>
</table>

Source: Authors’ Computation (2018)

5. Conclusion and Recommendations

Public expenditure has a consistent influence on the economic growth of Nigeria, as there is no disparity between its influence on the real gross domestic product in the long run and short run. Poor public financial management in Nigeria is due to the inconsequential of the effect of total public expenditure and total federally-collected revenue on the economic growth of Nigeria. The study recommends that government should ensure efficiency and effectiveness in the public financial management due to the insignificant influence of public expenditure on economic growth both in the long
run and short run which is a pure indication of poor public financial management in country, contrary to the developed economies such as United States, Argentina, Brazil, Chile, Germany, Indonesia, Korea and Taiwan where their government expenditure causes the growth of GDP. This also relates to the total federally-collected revenue, as does not has a significant impact on the real gross domestic product of the country. This is as a result of lack of efficiency of the revenue collection agencies of the government, therefore the Nigerian government should reposition its revenue base to cover more sources of revenue as evident in the developed economies and also ensure that the agencies responsible for revenue collection are highly efficient by using a carrot and stick approach in which promotion and entitlement of individuals in such agencies correlates with their level of efficiency. The component governments in Nigeria should reduce its public borrowing as it has a significant inverse effect on the economic growth of the country.

6. References


