

The Impact of Public Finance Management on Economic Growth and Development in South Africa

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Abstract : Management of public finance in many countries such as South Africa is affected by political decisions and by policies around fiscal decentralization amongst the government spheres. Economic success is said to be determined by efficient management of public finance and by the policies or strategies that are implemented to support efficient public finance management. Policymakers focus on pay attention to how economic policies have been implemented and how they are directed into ensuring stable development. This will allow policymakers to address economic challenges through the usage of fiscal policy parameters that are linked to the achieved rate of economic growth and development. Efficient public finance management reduces the likelihood of corruption and corruption is said to have negative effects on economic growth and development. Corruption in public finance refers to an act of using funds for personal benefits. To achieve macroeconomic objectives, governments make use of government expenditure and government expenditure is financed through tax revenue. The main aim of this paper is to investigate the potential impact of public finance management on economic growth and development in South Africa. The secondary data obtained from the South African Reserve Bank (SARB) and World Bank for 1980- 2020 has been utilized to achieve the research objectives. To test the impact of public finance management on economic growth and development, the study will use Seeming Unrelated Regression Equation (SURE) Modelling that allows researchers to model multiple equations with interdependent variables. The advantages of using SUR are that it efficiently allows estimation of relationships between variables by combining information on different equations and SUR test restrictions that involve parameters in different equations. The findings have shown that there is a positive relationship between efficient public finance management and economic growth/development. The findings also show that efficient public finance management has an indirect positive impact on economic growth and development. Corruption has a negative impact on economic growth and development. It results in an efficient allocation of government resources and thereby improves economic growth and development. The study recommends that governments who aim to stimulate economic growth and development should target and strengthen public finance management policies or strategies.

Keywords : corruption, economic growth, economic development, public finance management, fiscal decentralization

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