

**Czech University of Life Sciences Prague**  
**Faculty of Business and Administration**  
**Department of Economics**



**Bachelor Thesis**  
**Public Finance Development**  
**Author: Edris Teib Kader**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Edris Teib Kader, BA

Business Administration

Thesis title

**Public Finance Development**

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### **Objectives of thesis**

The objective of this thesis is the evaluation how the governments managing their revenues, debt, and expenditure.

### **Methodology**

The methodology of the thesis is based on quantitative and qualitative methods.

Quantitative methods include data and the analysis of expenditures and public income. Quality and methodology information report for country and regional sector finances, detailing the strengths and limitations of the data, methods and data uses.

**The proposed extent of the thesis**

40 – 60 pages

**Keywords**

Fiscal Policy, Public Expenditures, Tax Collection, National Budget, Deficit, Surplus

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## **Declaration**

I declare that I have worked on my bachelor thesis titled, “Public Finance Development” by myself and used only the sources mentioned at the end of the thesis, as the author of the bachelor thesis, I declare that the thesis does not break copyrights of any their persons.

**In Prague on 14.03.2024**



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## **Abstract**

Public finance management plays a critical role in ensuring that government has the relevant resources to run different activities. The aim of the study was to examine different ways through which the government utilises its resources and the impact that would have on economic growth and the general well-being of the population. The focus of the study was Finland, which also compared the results against the UK. The study adopted a secondary approach where data was acquired from existing sources. Study results indicate that the main areas of government spending include healthcare, education, military, and social protection. Government expenditure in each of these areas was found to contribute to the economy. Equally, expenditure on healthcare, education, and social protection had a positive effect on the well-being of the population. On the other hand, significant expenditure on the Military at the expense of other areas was found to have an adverse effect on the well-being of the population. In this context, the study recommends reforming government policies to ensure that government expenditure is consistent with the needs of the population.

*Keywords:* Public Finance, Expenditure, Fiscal Policies.

## Abstrakt

Řízení veřejných financí hraje klíčovou roli při zajišťování toho, aby vláda měla příslušné zdroje pro protozoans různých činností. Cílem studie bylo prozkoumat různé způsoby, jakými vláda využívá své zdroje a dopad, který by mohl nastat na hospodářský růst a celkový blahobyť obyvatelstva. Studie byla zaměřena na porovnání výsledků dvou států, kterými byly Finsko a Spojené království. U studie byla použita sekundární data. Výsledky studie ukázaly, že hlavní oblasti vládních výdajů zahrnují zdravotnictví, školství, armádu a sociální oblast. Bylo zjištěno, že vládní výdaje v každé z těchto oblastí významně přispívají k ekonomice. Stejně tak výdaje na zdravotní péči, vzdělání a sociální oblast měly pozitivní vliv na blahobyť obyvatelstva. Na druhé straně bylo zjištěno, že značné výdaje na armádu na úkor jiných oblastí mají nepříznivý vliv na blahobyť obyvatelstva. Z výsledků studie vyplývá doporučení reformovat vládní politiku tak, aby byly zajištěny vládní výdaje v souladu s potřebami obyvatelstva.

*Klíčová slova:* Veřejné Finance, Výdaje, Fiskální Politika.

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## **Abbreviations**

OECD – Organisation for Economic Co-operation and Development

GDP – Gross Domestic Product

FDI – Foreign direct investment

IMF – International Monetary Fund

SOE – State-owned enterprises

UK – United Kingdom

# 1 Introduction

## 1.1 Background and Rationale

Public finance development refers to the ongoing improvement and evolution of a nation's fiscal policies, practices, and institutions to attain economic stability, social wellbeing, and sustainable growth. It includes a wide variety of financial tasks, such as distributing government spending, collecting tax income, and managing public funds (Afonso, 2004). One of the core features of public finance development is government revenue generation ability. Given that taxation forms a major source of government revenue, it is one of the most significant tools for raising money and enhancing sustainability in a country (Zhang et al., 2021). Progressive taxation systems, which see the affluent contribute in a higher proportion than others, also increase income equality and provide a steady source of revenue (Versal & Sholoiko, 2022). This type of revenue can, therefore, be channelled to sustainable development projects such as investments in clean energy, public transportation, and environmental conservation. Effective government revenue collection is one of the critical elements of public finance development. Taxation, tariffs, fees, and investment returns are the primary sources of this income.

Governments have considerable control over their economies through public expenditure. When governments allocate funds to projects that foster sustainable growth, they bring up positive economic and environmental effects (Versal & Sholoiko, 2022). Examples include spending on education and healthcare because such investments lead not only to social welfare, but also provide a skilled and healthy workforce required for long-term economic growth. The green infrastructure initiatives that promote sustainability, such as renewable energy installations and eco-friendly urban planning, can form a basis for building a greener and more sustainable future (Zhang et al., 2021). Though the adoption of public finance in support of sustainable growth is vital, it should be followed by fiscal discipline. Responsible debt management ensures that borrowing does not inhibit long-term sustainability objectives. When the country has a high level of debt, it causes fiscal stress that hampers its capacity to spend on sustainable development projects (Zhang et al., 2021). Striking a balance between leveraging debt for strategic investments and ensuring manageable debt levels is imperative for sustaining economic growth over time. As the custodians of public wealth, governments derive their funding from a variety of sources, including investment returns, taxes from people and businesses, tariffs on global trade, and several other financial streams. For several reasons, it is

crucial to assess how governments manage these monies. First and foremost, effective public financial management guarantees that resources are wisely allocated and used for the welfare and advancement of a country (Peres-Cajías et al., 2022).

In the current globalised economy, international cooperation is one of the most effective ways of enhancing sustainable development. Collaboration goes beyond the exchange of ideas into sharing how to improve public finance development and coordination in the implementation of financial strategies that address common problems (Zhan & Santos-Paulino, 2021). For instance, programmes like green bonds and sustainable development loans aim to allow governments access to dedicated financial markets that specialise in providing financing for environmentally friendly initiatives (Ziolo et al., 2017). For instance, green bonds serve as financial tools that direct funds to projects contributing positively to the environment and attract investments from socially responsible global investors. In the same way, sustainable development loans provide governments with capital that encourages compliance with environmental standards. Such innovative mechanisms allow states to realise resource pooling, intensifying the transition to sustainable development (Ziolo et al., 2017). Countries engaging in this global financial world not only strengthen the chances of their sustainable development but are also working towards alleviating efforts to overcome critical environmental problems. Through joint collaborative and financial strategies, the nation's benefit as they are mutually beneficial, making international cooperation in public finance necessary to achieve a stable global economy.

The intricate link between public finance development and sustainable growth underscores the responsibility governments bear in shaping the future of their nations (Versal & Sholoiko, 2022). Through progressive taxation, smart spending with public expenditure management for debt sustainability, and international collaboration, governments can foster conditions favourable for long-term wealth creation and green development (Zhang et al., 2021). Striking this delicate balance requires vision and cooperation as well as maintaining a congenial relationship between public finance and, presumably, the welfare of present and future generations.

The goals of this thesis are to examine how government revenues, debt, and spending are managed to promote sustainable development. This analysis looks beyond national borders and examines global trends and practices rather than focusing solely on one country. Public finance



management crosses national borders because it has an impact on people's daily lives, how businesses operate, and the overall health of economies (Chen et al., 2021). The above will be achieved by analysing how different aspects of public finance and funding contribute to economic growth and the general well-being of the population.

## **1.2 Aim of the Study**

The focus of the study was to examine public finance development with a focus on different ways in which governments are able to raise and make use of their expenses. This was achieved by comparing public finance development in the UK and Finland. The study seeks to meet the following specific objectives.

- I. To examine the role of public finance in the management of income, expenditure, and debts in the UK and Finland
- II. To determine different ways through which governments are able to raise funding and manage expenditure in public finance.
- III. To determine how public finance could be used to improve economic growth and the overall wellbeing of the population.

## **1.3 Research Questions**

The study seeks to answer the following research questions.

- I. How does government expenditure affect economic growth and the overall societal wellbeing?
- II. How do taxation systems and fiscal policies affect economic growth and overall societal well-being?
- III. In what ways do public finance management and fiscal policies contribute to sustainable development in the UK and Finland?

## **1.4 Significance**

The current study would be important in understanding financial activities undertaken by the government and the impact that these would have on economic growth and the general well-being of society. First, the study outlines all the possible mechanisms and avenues that the government would use to raise money and the effect that this would have on overall development in the country. Specifically, the study results would be relevant to policymakers, especially in developing appropriate fiscal policies that could enhance economic and sustainable growth. The study also provides important implications on resource allocation and general government

expenditure. The aspect of sustainable growth examined in this study relates to the impact that financial activities would have on the overall well-being of society. In achieving the above, the study will also contribute significantly to existing literature on public finance development.

### **1.5 Thesis Structure**

The current thesis has been structured into six major chapters. The first chapter includes the background of the study and the main objectives of the research. The second chapter is an evaluation of literature on the topic. The literature covers different aspects of public finance development while identifying possible gaps in the research. The third chapter outlines the methods that would be used in the research process. It includes the approaches used to collect and analyse the data used in the research process. The fourth chapter includes the results of the study presented in the form of analysis. The chapter presents the results of data on the source of public resources and expenditure as well as the impact that this has on sustainable growth. The fifth chapter includes a discussion of the results. The focus of this chapter is to determine the extent to which the results of the study align with existing literature. The final chapter includes a summary of the study and the main recommendations for research.

## 2 Literature Review

The chapter includes a review of existing literature on public finance management. The focus is on identifying possible gaps in the literature.

### 2.1 Importance of Public Finance Management

The foundation of a country's financial stability and progress is public finance management. It creates the conditions for governments to effectively distribute resources, give public programmes and services a priority, and strike a balance between revenue collection and responsible spending. Effective public financial management is more than just a routine administrative activity; it is the pivot around which a country's economic health and societal wellbeing are based. It ensures that funds are directed toward projects that improve living conditions, promote economic growth, and protect against budgetary imbalances and financial catastrophes (Hillman, 2019).

Aspect	Financial Stability
Revenue management	A well-managed financial system ensures consistent government revenue. Effective tax collection, tariffs, fees, and investment returns contribute to a steady income stream (Fisher, 2022).
Prudent financial conduct	Ethical financial practices are the cornerstone of fiscal stability. Transparency, accountability, and responsible resource allocation are key aspects (Androniceanu, 2021).
Tax monitoring	Vigilant monitoring of tax receipts ensures a healthy fiscal balance. It reduces financial risks and safeguards economic growth (Prichard et al., 2019)

*Table 1: Public Finance Development in Action*

### 2.2 Income and Expenditure Management

Gnangnon (2019) discussed that building trust between the government and its constituents begins with transparent and honest financial reporting. To meet the public's expectations for responsible governance, it makes sure that the income is spent effectively and responsibly. Economic stability depends on effective income and expense management. A healthy economy is aided when revenue is wisely used to finance necessary public services and initiatives. People live better lives thanks to well-funded healthcare and educational systems, upgraded infrastructure, and social programmes.

### ***2.2.1 Taking Care of Investments and Debt***

Tresch (2022) states that governments must finance big projects and services, and debt management is a crucial aspect of public finances. Prudent debt management plans cover several important components. Governments must carefully evaluate their borrowing requirements and plan how they will pay back the borrowed money. By avoiding excessive national debt, which can trigger financial crises, this assessment aids in preventing them. Governments should strive to keep debt levels that can be managed and sustained over time.

Area of Reform	Policy Objectives
Tax Adjustments	Ensuring a fair and efficient tax system to enhance government revenue
Budgetary Enhancement	Optimising budget allocation to meet evolving societal needs.
Fiscal Rule Adjustments	Adapting Fiscal rules to respond to shifting economic dynamics

*Table 2: Policy Reforms: Shaping the Future,*

(Source: (Akitoby et al., 2020))

Investment management is equally important for economic progress. Infrastructure, technology, and human capital investments, for example, have a direct impact on a country's development. For these investments to yield the most returns, it is essential to choose the appropriate initiatives. Government monitoring guarantees that monies are spent effectively and that the distribution of financial resources is transparent and accountable (Stiglitz & Rosengard, 2015).

Policy reforms serve as important instruments that direct nations toward a future of fiscal stability, economic success, and societal well-being in the dynamic field of public finance development. The reformative measures cover three key areas: fiscal flexibility, budgetary improvements to meet changing needs, and tax adjustments for efficiency and fairness (Bellinger, 2015).

### ***2.2.2 Strengthening the Connection between Income and Expenditure***

Changes in the economy may have an impact on taxes, while changes in market conditions may have an impact on investment returns. Planning can be done more effectively by being aware of these income streams' characteristics. Budgeting is also essential, to say the least. The government prepares a budget that details its financial strategy for the forthcoming period and allots money to various sectors and initiatives. The important thing is to make sure that every allocation meets the economic and social needs of the country (Onifade et al., 2020).

Transparency is yet another important component. Trust between the government and its citizens is increased by open and transparent financial practices. People are more likely to feel responsible and practice good governance when they can see how their tax funds are being used. The ultimate objective is to have the resources contribute to the development and prosperity of the country. The relationship between revenue and spending guarantees that the government's financial resources are utilised to their fullest, whether it is for social programmes, infrastructure development, healthcare and education funding, or other purposes. A strong link means that societal and economic agendas are satisfied, and the country gets closer to achieving its development objectives (Zhang et al., 2021).

### **2.3 The Contribution of Public Funding to Sustainable Development**

Cashin (1995) states that sustainable growth is greatly aided by public financing sources, which include taxes, loans, and tariff income. These sources offer a steady flow of cash for programmes that promote long-term economic success, poverty alleviation, and environmental sustainability. Governments can allocate financial resources towards initiatives that strike a balance between economic advancement, social equity, and environmental conservation when they rely on these sources of support. This strategy guarantees that development practices are both economically and environmentally sound.

Critical social and economic objectives are made easier to attain with the help of public funding sources. They make it possible for governments to fund initiatives that raise population welfare in general. These funding sources offer the financial basis for programmes that improve people's lives, whether it is in the areas of infrastructure, healthcare, education, or alleviating poverty (Kumar, 2022). However, it would be important to note that not all government expenditure and funding initiatives are likely to have a significant influence on the general well-being of the citizens. An example is a situation where the government spends in areas such as the Military. Evidence from scholars, such as Azam (2020), indicates that there has been a considerable increase in military spending due to the relevance of defence in modern-day society. According to Azam (2020), governments are likely to spend more money on the Military in order to maintain a competitive edge in the face of ever-changing geopolitical space. As noted by Kumar (2022), such funding is likely to have an adverse effect on the general well-being of society, especially when it is undertaken at the expense of other areas, such as healthcare and

education. The findings indicate the need to clearly evaluate the priorities of the government to ensure that its activities and spending are likely to benefit the entire population.

## **2.4 The World Bank's Function and Effect on Public Finance**

The World Bank is a key actor in the field of public finance. Its influence and importance are seen around the world, affecting economic plans, financial development, and fiscal policies. First off, the World Bank frequently offers financial support to nations for a range of programmes. These measures can range from efforts to reduce poverty to building new infrastructure. Its engagement involves more than just finance; it also involves laying the groundwork for ethical financial behaviour (Kose et al., 2021).

Second, the World Bank has an impact on fiscal policy by promoting sustainability and economic stability. It offers direction and knowledge on how nations might properly manage their public budgets. This includes planning a budget and developing a revenue-collecting strategy. It influences international trade as well. It supports trade policies that foster financial stability and economic progress. It influences public finance globally in a variety of ways. Its effects are frequently discernible in the shape of initiatives that promote financial stability, economic growth, and poverty eradication. For countries looking to get the most out of their cooperation with the organisation, understanding this influence is essential (Tchamyou, 2019).

## **2.5 Evaluating Public Finance Quality and the Effect on Growth**

Analysing the effectiveness of public finances is similar to assessing the economic engine of a country. It entails investigating several facets of financial management to ascertain how they affect the development of a country. Economic stability, growth, and societal well-being are all significantly correlated with high-quality public finance practices. The core of public finance quality is fiscal policy. It concerns how the government handles revenue, spending, and budgeting. Fiscal policies that are well-designed play a key role in promoting wealth and economic progress. Budgeting is yet another essential component. Resources are allocated effectively and efficiently to meet the country's economic and social needs when the budget is well-structured. This approach entails striking a balance between the various demographic demands and upholding fiscal responsibility (Cuadrado-Ballesteros & Bisogno, 2021).

Determining the soundness of public finances also involves looking at debt management procedures. Effective debt management guarantees that the government can fund necessary projects without running the risk of amassing a large amount of public debt. Central elements

include transparent repayment procedures and responsible borrowing. Effective and dependable tax-collecting procedures give the government a consistent flow of income, which is necessary for paying for public projects and services. Transparent income collection also improves monetary stability. Policymakers obtain a thorough understanding of the quality of public finance and how it affects growth by evaluating these variables. They may use this information to make wise judgments and put into practice policies that promote societal wellbeing and economic growth (Chishti et al., 2021).

## 2.6 Reforming Tax Systems

A critical stage in the ongoing development of public finance is tax system reform. This holistic change aims to improve the efficiency and justice of revenue collection while fostering economic growth. It goes beyond simply changing numbers and percentages. The simplification of taxes is one of its main goals. Both taxpayers and the government may feel the burden of complex tax regimes. The goal of simplification is to speed up the procedure and make it simpler for both individuals and corporations to comprehend and adhere to tax legislation. This improves overall tax compliance while simultaneously lessening the administrative cost (Bierbrauer et al., 2021).

Increasing the tax base is still another essential element. A wider range of economic activities must be included when the tax base is expanded. By doing this, the tax burden is distributed more fairly, and no one sector ends up paying an excessive amount of taxes. A thorough awareness of economic processes and the capacity to recognise previously untaxed or under-taxed activity are prerequisites for effective base enlargement (Barrios et al., 2020).

<b>Indicator</b>	<b>Resilient Economies</b>	<b>Vulnerable Economies</b>
Transparency and Corruption Scores	High	Low
Economic Resilience	Strong	Weak

*Table 3: Impact of Ethical Financial Conduct*

(Source: Chapman & Doris, 2019)

In tax systems, ensuring compliance is a never-ending challenge. No matter how effectively the tax system is set up, it can only be effective if the taxpayers follow it. A country's potential revenue can be reduced by tax evasion and avoidance. Effective tax administration and enforcement are crucial to make sure that everyone pays their fair share. These changes aim to do more than just boost revenue. They centre on developing a tax structure that promotes

economic expansion. Confidence and investment are encouraged when firms and individuals believe that the tax system is just and equal. This, therefore, fuels economic growth and the development of jobs, which eventually contribute to the prosperity of the country (Giovannini, 2019).

## **2.7 Improving Public Finance by Reforming State-Owned Businesses**

Bloom et al. (2004) stated that state-owned businesses frequently contribute significantly to a country's economy. The continued improvement of public finances depends on their reform. State-Owned Enterprises (SOEs) are companies that are wholly or partially controlled by the government and operate in a variety of sectors, including telecommunications and energy. They can be crucial tools for achieving the goals of public policy, but they can also be expensive. Ineffective SOEs can become a financial burden by squandering funds that might be better used elsewhere.

A variety of tactics, such as privatisation, corporatisation, or merely bettering governance and management, are used to reform SOEs. These changes are intended to boost these organisations' production and efficiency. Gains in efficiency result in lower costs for the government and better services for the general population. Another crucial objective is to lessen financial pressures. Government bailouts for financially troubled SOEs may be necessary, which may put a strain on the country's budget (Ginting & Naqvi, 2020).

Governments can lower the amount of funding these businesses need by reforming them and diverting those funds to needs that are more urgent, such as infrastructure development, healthcare, or education. State-owned enterprise reform promotes global financial stability and expansion. The goal is to minimise these organisations' financial disadvantages while maximising the public benefits they provide. Effective SOE reform makes sure that the government can strategically deploy resources, supporting economic growth and societal wellbeing (Huber et al., 2019).

## **2.8 Fiscal Policy**

As a comprehensive tool for managing public finances, fiscal policy has a significant impact on the state of the economy. The multidimensional approach has a big impact on economic growth, income distribution, and public welfare; it's not just about the numbers. The most important aspect of fiscal policy is taxation. It is not easy to decide how to collect money. It requires complex decision-making, including choosing tax rates, deciding what is taxable, and



deciding who is responsible for paying the taxes. Effective taxation policies seek to strike a compromise between ensuring that the tax system is fair, effective, and supportive of economic progress while also generating enough income for the government (Bernanke, 2020).

An essential component of fiscal policy is budget allocation. Governments must choose wisely how to distribute resources across various sectors. Setting priorities, identifying areas that need investment, and estimating the amount of cash needed are all part of this process. The distribution of public finances is crucial in determining the direction of the country's development. Priorities for spending are a crucial aspect of fiscal policy. The relative importance of many areas, such as infrastructure, education, healthcare, and social programmes, must be carefully considered by governments. The chosen priorities should support economic development and societal wellbeing in line with the country's long-term goals (Alesina & Perotti, 1995).

To develop policies that promote economic growth and meet societal requirements, a thorough grasp of fiscal policy is necessary. Governments may establish a financial framework that not only strengthens the nation's fiscal health but also contributes to the well and prosperity of its population by navigating the complexities of taxation, budget allocation, and expenditure priorities. It's a delicate balance, and the choices made here will have a significant impact on the country's economic destiny (Stantcheva, 2021).

### **2.8.1 Effects of Fiscal Policies on the Wellbeing of the Society**

Fiscal policies are tools the government uses to stabilise the economy by striking a balance between the taxes collected and government spending. Tax collection and government spending policies are therefore developed to bring about economic development, which is a means of achieving social well-being. Investment in research and development, education, and health by every government ensures the socioeconomic development of the citizens as well as future growth (Mazzanti et al., 2020). Governments are therefore aiming to develop fiscal policies that not only lead to economic growth but also enhance the well-being of society.

Government development projects should be fairly distributed to benefit as many citizens as possible. A study by Bilan et al. (2020) shows that the impartial distribution of income wholesomely, according to the factors of production and at the household level, has a positive effect on accomplishing economic and social well-being. Fair distribution of these factors, that is, capital and labour, contributes a great deal to the social welfare of the whole society. Deliberate

income distribution, therefore, brings about socioeconomic progress and human development. The government should also aim to protect human rights by developing policies that are favourable to its citizens. According to Bilan et al. (2020), economic and social policies such as human development, taxes, immigration, and property rights protection as primary human rights and economic environment should be taken into consideration. Economic development as a whole does not necessarily bring a sense of satisfaction to the citizens, but personal achievement does. Therefore, government policies should aim to protect the interests of the people's rights and provide a conducive environment in which to live and thrive.

Policies on revenue collection should not only aim to support government expenditure but should also be considerate of the income of citizens, as very high taxes will reduce their income levels. According to a study by Rizkallah (2023), governments should broaden the public revenue sources to expand their contribution to public expenditure funding at the expense of tax revenue, mainly non-distortionary taxes, which contributes to growing the economic happiness of the citizens. The fiscal policies by the government should support environmental protection, which brings about the general well-being of the society at large. A study by Kamal et al. (2021) shows the need for the government to design macroeconomics and industrial policies in support of adopting low-carbon and energy technologies that reduce environmental pollution. Further strict rules to industrial firms, both domestic and foreign, to execute an eco-friendly manufacturing structure. Having eco-friendly industries is beneficial in reducing health issues associated with industrial pollution, like respiratory-related problems. Governments are therefore required to financially support the research and development of environmentally friendly technologies to improve the long-term living conditions of their citizens.

## 2.9 International Trade: A Growth Catalyst

Trade Dimension	Impact on Public Finance Development
Export Promotion	Encouraging exports through fiscal policies to boost revenue and create global economic opportunities.
Attraction of FDI	Attracting Foreign Direct Investments (FDI) through transparent fiscal practices that enhance a nation's economic strength.
Competitiveness Boost	Strategic fiscal management contributes to a nation's competitiveness in the global market, fostering growth

*Table 4: International Trade: A Catalyst for Growth.*

(Source: (Kubickova & Martin, 2020))

Governments should always develop fiscal policies that support economic development projects that put into consideration the largest population's wellbeing and tax policies that are fair to the citizens. Coming up with sustainable fiscal policies is essential in maintaining a country where the citizens feel their wellbeing is put into consideration in both the expenditure and taxation by the government and at the same time the government can operate effectively.

Bahoo et al. (2020) stated that international trade is a formidable economic growth accelerator in public finance development, providing countries with a doorway to wider vistas and more financial prosperity. This section examines the crucial function of global trade by examining its many dimensions, such as export promotion for increased revenue, attracting FDI, and methods for boosting global market competitiveness.

### ***2.9.1 Export Promotion: Boosting Revenue***

Export promotion has the capacity to change a country's fiscal picture because it is a key driver of economic growth. It entails the purposeful expansion of a nation's exports, which boosts revenue and encourages the expansion of the entire economy. Importance factors for export promotion. Export diversification is necessary for a healthy economy to reduce risk and take advantage of new opportunities. A country may become vulnerable to changes in the market if it depends too heavily on one export (Shioji, 2001).

By taking part in trade agreements at the regional and international levels, domestic goods can more easily reach buyers abroad because fewer trade obstacles are in place. Governments frequently offer export credit and finance programmes to aid companies in their international endeavours by giving them access to the necessary financial resources. These organisations are committed to promoting export growth and can help companies locate markets, understand rules, and get funding. Export promotion is to create an atmosphere that allows companies to succeed in global markets, not just to increase the number of exports. It strengthens a nation's economic resilience in addition to increasing its financial resources (Ahmed & Brennan, 2019).

### ***2.9.2 Attracting Foreign Investments (FDI)***

Foreign Direct Investments (FDI) are essential for improving a country's economic climate. The process of attracting FDI entails encouraging foreign businesses to participate in a nation's economy by providing finance, technology, and job possibilities. To entice FDI, governments provide incentives including tax rebates, lower regulations, and subsidies. Foreign

investors will find the nation more alluring thanks to these perks (Dimitropoulos, 2020). Foreign investors find a well-developed infrastructure, including utilities, communications, and transportation, to be appealing. It eases business operations and lowers operational costs. Economic and political stability are important elements for foreign direct investment. Investors look for conditions with low risk and consistency. One of the biggest draw factors for FDI is the availability of a skilled labour force. It guarantees that businesses can find the talent they require to function efficiently. There is no single approach to attracting FDI. Nations must adjust their strategy to meet their economic goals and demands. FDI helps a country become more competitive overall by increasing its financial resources as well as its expertise and technological transfer (Voon & Merriman, 2022). Lorfing (2021) stated that competitiveness is the key that opens the door to economic success in a world of international trade. Increasing competitiveness in the global market is a complex task that includes several essential elements. To maintain a competitive edge in the global market, innovation and research and development must be encouraged. New technology, services, and goods that can be imported into other markets are produced through innovation. Effective logistics and transportation are ensured by well-developed infrastructure, which lowers operating costs and boosts competition.

A knowledgeable workforce is a valuable resource. A nation's labour force will remain competitive in the international job market if it makes investments in education and skill development. To make wise judgements about exports and investment, it is essential to gather information on global market trends, consumer preferences, and upcoming prospects. Increasing competitiveness requires a continuing commitment to development and growth rather than a one-time effort. It guarantees that a country's companies can compete on a global basis, luring foreign clients and capital (Spears, 2010). Growth in public finance is significantly accelerated by global commerce. Economic growth and prosperity are fuelled by measures for strengthening global market competitiveness, FDI attractiveness, and export promotion combined. Leveraging the potential of international trade enables countries to have access to a wide range of opportunities, expand their financial horizons, and ensure a better future for their population (Titi, 2014). When such growth is managed appropriately, it is likely to influence the overall economic growth.

## **2.10 Literature Gap**

The literature review chapter has examined different approaches through which public finance management may contribute to income and expenditure in a country. Scholars, such as

Hillman (2019) and Tresch (2022), have argued that effective public finance management would be effective in enabling the government to invest in the most appropriate areas. However, there is limited evidence on how these would contribute to sustainable development in the context of economic growth and the overall well-being of society. The study seeks to fill the gap by examining the extent to which public finance contributes to economic growth and societal wellbeing using cases of Finland and the UK.

### **3 Methodology**

The methodology of this study is based on an all-encompassing strategy that blends quantitative and qualitative methods. Understanding the complex landscape of public finance development and the intricate ways in which governments control their income, debts, and expenditures requires the use of these methods. The study adopted secondary methods which made it possible to acquire data from already existing sources. The use of secondary sources was found to be appropriate due to the availability of the data collected.

#### **3.1 Research Philosophy**

The current study was informed by the pragmatic research philosophy. The philosophy is based on the concept of multiple truths or approaches towards a phenomenon. According to James (2020), the philosophy is based on pluralism of methods and approaches which implies that there is no single way of obtaining absolute truth about a phenomenon. In this study, the application of the philosophy would imply that there is no single method of meeting the objectives of the research. In this case, the philosophy allowed the combination of qualitative and quantitative methods in the study. The approach was approach in achieving comprehensive results on public finance development.

#### **3.2 Research Approach**

The study adopted a mixed-method approach to allow diversified exploration of public finance development. Specifically, the study made use of deductive and inductive approaches. The above is an iteration of exploratory design that integrates inductive and deductive research approaches. According to Casula et al. (2021) deductive approach entails the exploration of existing theories or hypotheses to understand their validity. The approach entails collecting data, analysing, and interpreting findings to find grounds for validating existing hypotheses. The inductive approach on the other hand involves conducting objective scientific research through data collection and analysis to guide the generation of appropriate hypotheses (Brown & Opie, 2019). The combination of the two approaches aligns with an exploratory design that seeks to obtain quality, reliable, and applicable findings.

#### **3.4 Research Design**

The current study adopted a case study design to explore Finland's public finance development in comparison with the UK. Based on Schoch (2020), case study designs are

effective in generating deeper insights tailored to a given research context. According to Hancock et al. (2021), case study designs allow researchers to apply appropriate tools for mining tailored data and information to guide a comprehensive analysis of phenomena in relation to a given research context. The design allows the researchers to conduct cross-case examinations where findings are compared to other designed contexts, leading to the generation of clear insights (Thomas, 2019). The usage of a case study design for the current research was appropriate in allowing objective cross-case analysis of public finance development between Finland and the UK, enabling a comprehensive analysis. The above was essential for the generation of credible analysis that would guide policy development.

### **3.5 Data Collection**

Data collection in the study was conducted using secondary methods. The focus of the study was on Finland in comparison with the UK. According to Panchenko and Samovilova (2020), secondary methods of data collection should have a clear approach of selecting appropriate content to the study. The above is critical in ensuring that the information collected is relevant and consistent with the main objectives of the research. First, the information collected in the study related to the context of public finance development with a focus on different areas including government funding, expenditure, and the relevant fiscal policies. The main sources of information were official government reports and budget documents. These records provide in-depth information about how governments allocate resources, collect taxes, and prepare their budgets. The quantitative information from reputable economic databases and national statistics organisations. This covered important economic measures like trade balances, inflation rates, and GDP growth rates. The analysis was heavily reliant on publicly available financial accounts from state-owned companies and government agencies. These assertions give comprehensive details regarding financial choices, monetary health, and spending habits. The selection of appropriate sources in the study involved a search process. Besides government sources, data utilised in the study was acquired from a range of other sources including the World Bank, IMF, OECD, STATISTA, and the World Integrated Trade Solution. Ultimately, the following criteria for inclusion and exclusion were adopted.

The study resulted in a selection of 21 articles. The sources utilised in the study were acquired from the following sites and publications; STATISTA (8), World Bank (7), OECD (2), World Data (1), IMF (1), House of Commons (1), and WITS (1). As evident above, the articles were

drawn from credible sources which had an impact on the overall validity and reliability of findings. Before selection, each of the publications was subjected to abstract screening to examine whether they were relevant and consistent with the objectives of the research.

Inclusion	Exclusion
Articles, reports, and publications on public finance either in the UK or Finland	General reports and publications on government operations
Publications related to government funding, expenditure, taxation, and fiscal policies	Publications more than ten years old
Publications produced within the last ten years	Reports and publications whose main focus are other countries beyond Finland and the UK

*Table 5: Inclusion and Exclusion,*

(Source: (Panchenko & Samovilova 2020))

### **3.6 Data Analysis**

Data utilised in the study was acquired from a range of quantitative and qualitative sources as described above. As a result, there were two major approaches to data analysis in the study. Quantitative data in the study was evaluated using descriptive statistics. Quantitative data in the study was on different areas for funding and expenditure for governments. It equally included information such as debt levels and engagement in international trade. Descriptive statistics was found to be most appropriate for the study due to the ability to summarise the data and draw trends from them (George & Mallery, 2018). For instance, in this study, different attributes, such as government expenditure, were explored by examining the trend in government



spending over time. During the analysis, data was acquired from different sources and summarised using Excel. Descriptive statistics in the study was presented in the form of frequencies to show the distribution of data. The results were presented using tables, graphs, and charts as evident in chapter four below. Such aspects make descriptive statistics appropriate for the study.

Further analysis was completed through correlation and regression analysis. This analysis was important in outlining the general trend in terms of strength and direction of the relationship between variables. Additionally, the study made use of regression analysis which provides a comprehensive examination of the relationships between variables. The regression equation was added to each graph to provide a detailed examination of variable associations. The regression equations developed were based on the assumptions that the intercept is zero. This made it possible to directly determine the association between variables. Equally, the regression equation provided insights on the percentage variation the equation explained. This is evident through the  $R^2$  values. The values show the extent to which the model or the equation explains variability in the data. Equations with higher  $R^2$  values were considered to be a better fit. Based on these analyses, different types of government expenditure were compared across the two countries, Finland and the UK.

The regression analysis follows the two equations described below;

$$Y = \beta_0 + \beta_1 X \dots\dots\dots (i)$$

Y represents the overall wellbeing of the society. This is consistent with the overall purpose of the study which is to determine how public finance influences wellbeing of the society in Finland and the UK. X represents government expenditure. In this study, government expenditure was examined in different sectors of the economy. As a result, the equation was repeated for the different kinds of government expenditures which include defence, education, healthcare, military and social protection. The analyses were conducted for Finland and the UK.

$$Y = \beta_0 + \beta_1 X \dots\dots\dots (ii)$$

In this equation, Y represents economic growth. This is the economic growth for both Finland and the UK. X in the equation represents government funding. The equation examines the extent to which funding in the context of revenue from taxation and borrowing influences economic growth.

### **3.7 Ethical Considerations**

While the current research did not involve primary data collection, ethical considerations were adhered to in the research process. According to Weinhardt (2020), adhering to ethical considerations ensures that scientific research studies maintain scientific integrity. The first ethical consideration was on data privacy, where information obtained from previous researchers was referenced in Harvard format. Hasan (2021) underlined that data sourced from other researchers must be appropriately referenced to eliminate plagiarism in scientific research. The second ethical consideration was based on data credibility. Fiesler (2019) highlighted that for secondary research to gain reliable and applicable findings, there must be proof of the credibility of data sources. In line with the above, databases used in collecting data were internationally recognised statistical databases that enhance the overall reliability and validity of findings.

## 4 Results

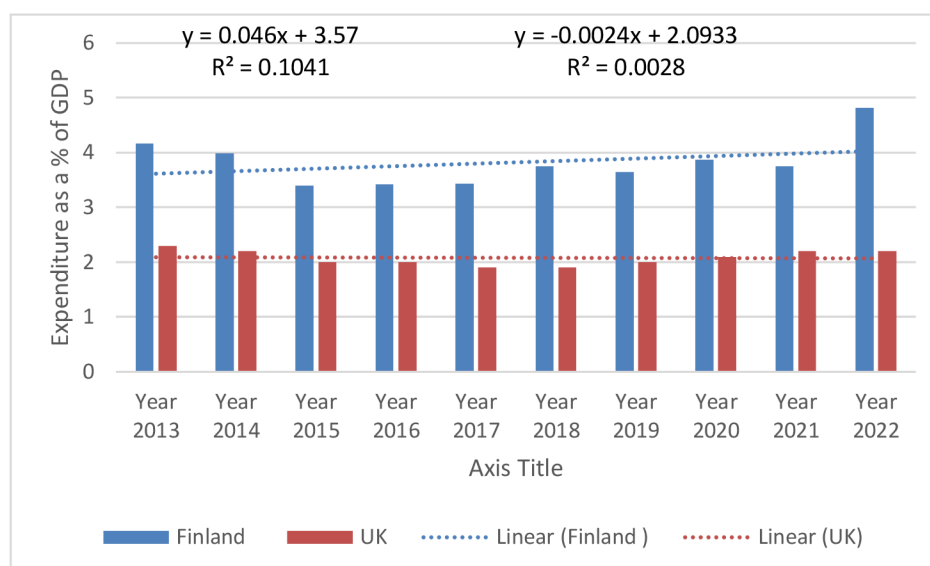
The chapter includes an analysis of the results obtained in the study on public finance development. The chapter presents the results of quantitative and qualitative data. Quantitative results in the study cover government expenditure and funding while qualitative results cover the strategies used by governments to achieve economic growth and societal well-being. The chapter is written with a focus on Finland in comparison with the UK.

### 4.1 Government Expenditure

The government of Finland has several areas it funds with its public finance, with some of the prominent areas discussed being healthcare, defence, education, and social protection

#### 4.1.1 Defence

Defence is one area in the Finnish government that has seen a precipitous increase in the last few years with the emergence of the Russo-Ukraine war, with the government spending \$4.8 billion in 2022, representing 1.7% of its GDP on military expenditure, up from 1.3% in 2021 at \$3.75 billion (World Bank, 2022). In the last decade since 2013, 2013 saw the highest military expenditure by the government of Finland at \$4.16 billion —besides 2022— with the spending dropping to \$3.99 billion and \$3.4 billion in 2014 and 2015, respectively, but has seen an upwards trend ever since, as shown in Figure 1 below. Findings are an indication of increased spending in the military in response to changing geopolitical structure. In comparison, the UK has maintained the same trajectory of expenditure ranging between 1.8% and 2.5% (Clark, 2023). Figure 1 includes trend lines illustrating the movement of the two variables. While there were actual moments when the expenditure increased significantly, this was consistent with an overall increase in GDP of the country. The findings show the economic strength of the UK compared to Finland given that the country has been able to regulate its expenditure on military over time. However, in order to effectively respond to the threats within its external environment, the UK government has committed to spending at least 2% of its GDP on military expenditure as reported by Kirk-Wade (2023). While the Finnish government has been able to regulate the expenditures, there has been significant fluctuations in this expenditure as a percentage of GDP. Graph shows the movement of the two variables. In Finland, the trend was generally positive with a variability of 10.41%, while in the UK, it was negative with 0.28%.



*Figure 1: Military expenditure by the UK and Finnish governments as % of the GDP.*

*(Source: Clark, 2023; World Bank, 2022)*

The results above indicates that there has been a considerable growth in government spending on Military in the two countries over time. The comparisons were done in the context of expenditure as a percentage of GDP. However, the spending made by the Finnish government was consistently high compared to that of the UK. The change in military spending has been due to among others security concerns and shifting geopolitical interests and alliances. Depending on the economic status of the country, such kind of spending could have a significant influence on growth. Similarly, higher spending on this area could affect the wellbeing and quality of life of the population especially when the spending is on the expense of other important areas such as healthcare.

#### **4.1.2 Education**

The government of Finland has an inconsistent pattern on education. Based on the results, public expenditure on education in Finland ranges between 5.5-6.6% of the GDP. Findings in Figure 1 below shows a consistent decline in expenditure on education as a percentage of GDP between 2013 and 2018. The expenditure only increased slightly between 2018 and 2022 (Clausnitzer, 2024). Increased expenditure on education in this case shows that the government's commitment especially in areas that would empower its population. Comparably, the UK government spent 5.3% of its GDP on education in 2021, a drop from the 5.5% spent in 2020. Also, like Finland, the UK's government expenditure on education has ranged between 5.5-6.5%

of the GDP in the last decade (World Bank, 2023). According to Clark (2023b), this translates to £105.5 billion spent by the UK government on education in 2022, a drop from £106.7 billion. Also, between 2012 and 2017, expenditure gradually decreased from £106.6 billion in 2012 to £101.1 billion in 2017. Figure 2 includes trend lines illustrating movement of the two variables. It shows a negative trend for Finland with a variability of 71.44% and a positive for the UK with 8.57%.

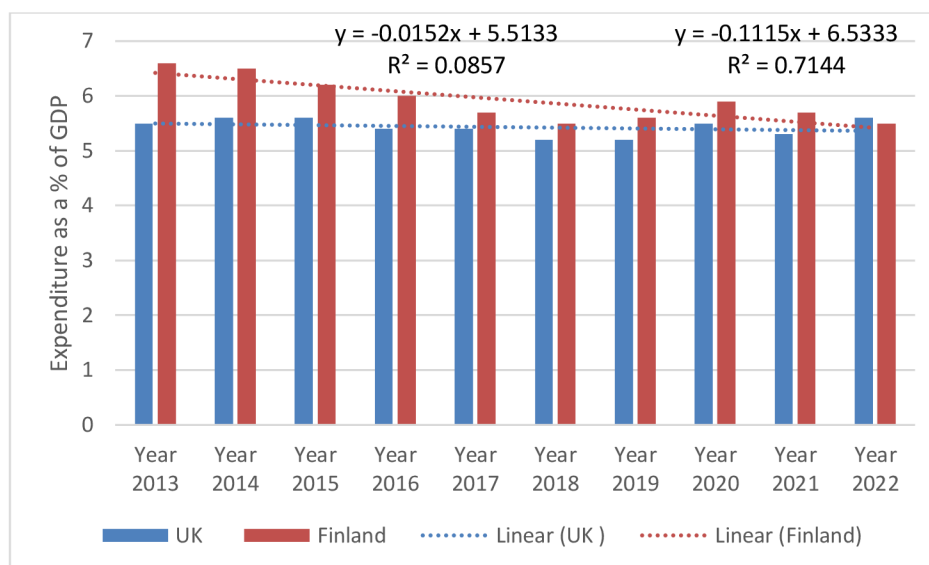


Figure 2: UK and Finnish government expenditure on education from 2013 to 2022.

(Source: Clausnitzer, 2024; World Bank, 2022)

### 4.1.3 Healthcare

Concerning public expenditure on healthcare in Finland, the country has seen an upward trajectory in government expenditure on healthcare since 2015, where it spent €15.406 billion, rising to \$19.942 billion in 2022 (Clausnitzer, 2024b). Additionally, 2015 saw the least spending on education by the Finnish in the last decade, with 2022 being the highest, mainly attributed to the increased need for preparedness and robustness of the healthcare system after the emergence of the pandemic. Unlike other sectors such as education or Military, the Finnish government has been allocating the healthcare sector 9-10% of the GDP in the last decade, with the highest being in 2013 at 9.81%, followed by the 9.6% allocation in 2020, a precipitous increase from 9% and 9.17% allocated in 2018 and 2019, respectively (World Bank, 2023b). The findings are an indication of the government's commitment towards the health of its population. The UK, in comparison, has seen a continuous increase in government spending on healthcare in the last

decade, rising from £176.4 billion in 2018 to its peak in 2020 at £231.3 billion. However, this has dropped to a modest £211.6 billion in 2022 (Clark, 2023c). The emergence of the COVID-19 pandemic is attributed to the increased expenditure on healthcare in 2020, as there was an increased demand for healthcare services at the pandemic's peak. Moreover, this rise in spending was reflected in an increase in the percentage of GDP allocated to healthcare, from a 9.5% average in the pre-pandemic period to 11.98% and 11.94% in 2020 and 2021, respectively (World Bank, 2023a). Figure 3 includes trend lines illustrating movement of the two variables. The graph shows positive trend for the UK with a variability of 52.78% and a negative trend for Finland with 11.49%.

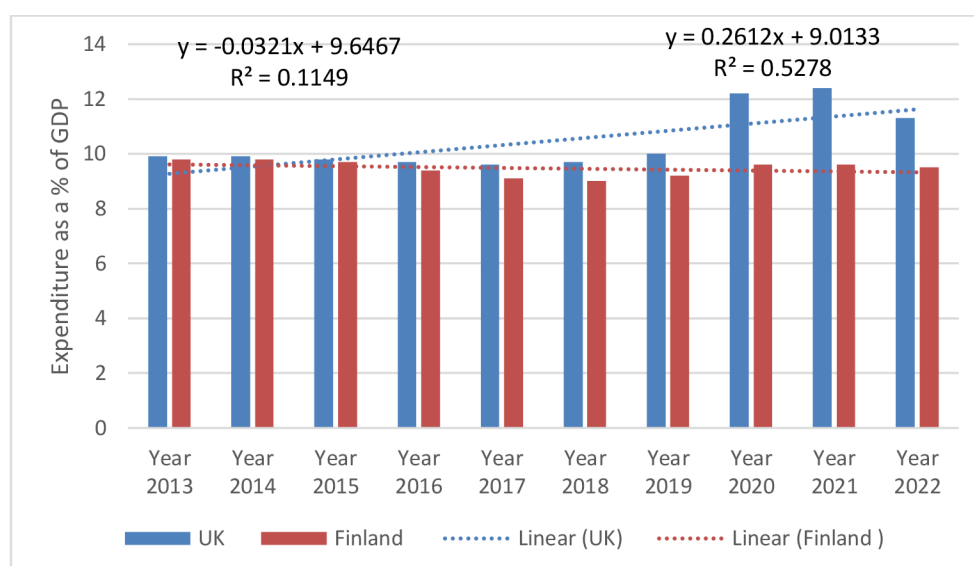


Figure 3: Government expenditure on healthcare in Finland and UK.

(Clausnitzer, 2024b; World Bank, 2023a).

#### 4.1.4 Social Protection

Finland's government expenditure on social protection, which constitutes the amount of money that the government spends on programmes and policies aiming to reduce poverty, inequality, and vulnerability among the population, has increased steadily in the last decade since 2012 from €47.415 billion in 2012 to €63.141 in 2022 (Clausnitzer, 2024c). In addition, the Finnish government spends about 24% of its GDP on social protection, almost twice the OECD average of 13.3% (OECD, 2021). In 2020, Finland saw a 60% labour force participation rate, the total percentage of the population ages 15 and above. In comparison, the UK government spent £323 billion in 2022 on social protection, with old age pensions taking the lion's share at about

£140 billion in 2022, compared to £321.2 billion spent in 2012 (Brien, 2023; Clark, 2023d). This translated to £4,721 per capita in the UK in 2022, according to Clark (2024). Additionally, the UK public spending on social protection saw marginal fluctuations in the last decade until the emergence of the COVID-19 pandemic, which led to increased demand for social protection due to the increased number of vulnerable individuals (Clark, 2023d).

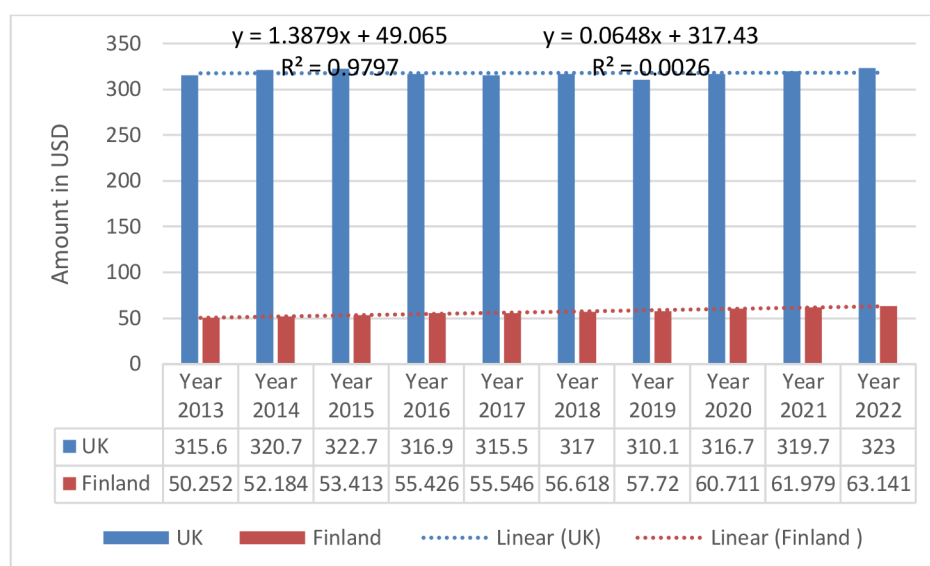


Figure 4: Finnish and UK, government expenditure on social protection.

(Source: Clark, 2023d; Clausnitzer, 2024c).

However, at the pandemic's peak between 2020 and 2021, the UK saw a slight drop in the expenditure on pensions but an increase in family and children, housing, social exclusion, and all other aspects of social protection (Brien, 2023). 2019 recorded the lowest spending on social protection by the UK in the last decade, although this trend has been reversed. Figure 4 includes trend lines illustrating the movement of the two variables. In the UK, the trendline only explains only 0.26% of variability in the data compared to 97.97% in Finland. The line in Finland therefore shows a better fit.

## 4.2 Government Funding

The next element of public finance development relates to sources of government funding. It refers to different ways through which the government is able to finance all of its activities. The major approaches discussed in this section include taxation and borrowing.

### 4.2.1 Revenue from Taxation

Taxation is one of the primary or main ways through which the government is able to raise its finances. Given that this is the primary method of acquiring finances, governments tend to impose different kinds of taxation. Figure 5 below shows the tax revenues as a percentage of GDP for both Finland and the UK between 2013 and 2022. The results show a general trend with improvement or increase in taxation. Generally, Finland was able to collect higher tax revenue as a percentage of GDP consistently over the period on focus. For Finland, tax revenue as a percentage of GDP ranged between 41.7% and 43.6% while that of the UK was between 24.8% and 26.2%. Across the two countries, revenue from taxation was lowest in the year 2020 which would be attributed to the impacts of COVID-19 pandemic. In comparison, the findings implies that Finland is able to raise more tax revenue based on GDP compared to the UK. The general improvement in tax revenues could have an effect on the economy especially in such revenues are invested in areas and departments that would directly spur economic growth. Figure 5 includes trend lines illustrating movement of the two variables. In the case of Finland, the trendline only explains 36.06% of the variability in the data compared to 39.65% for the UK.

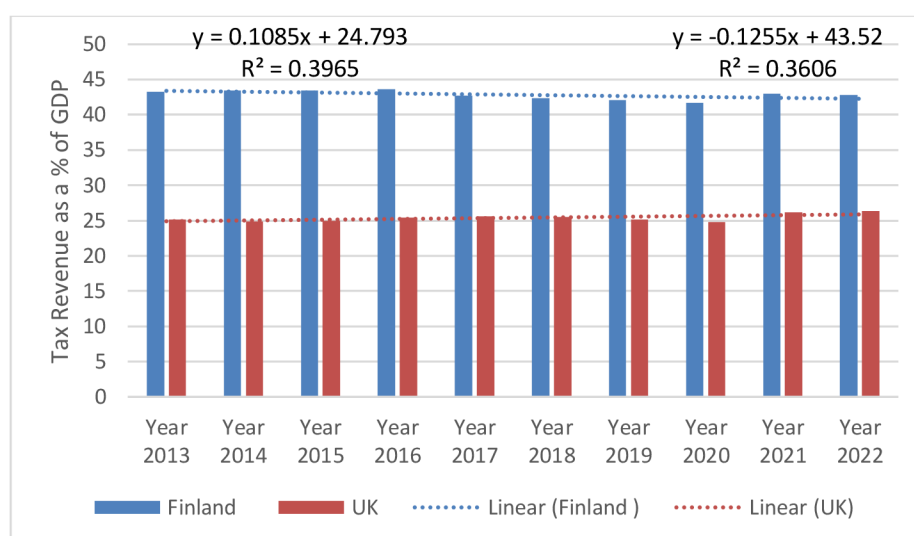


Figure 5: Revenue from Taxation for Finland and UK.

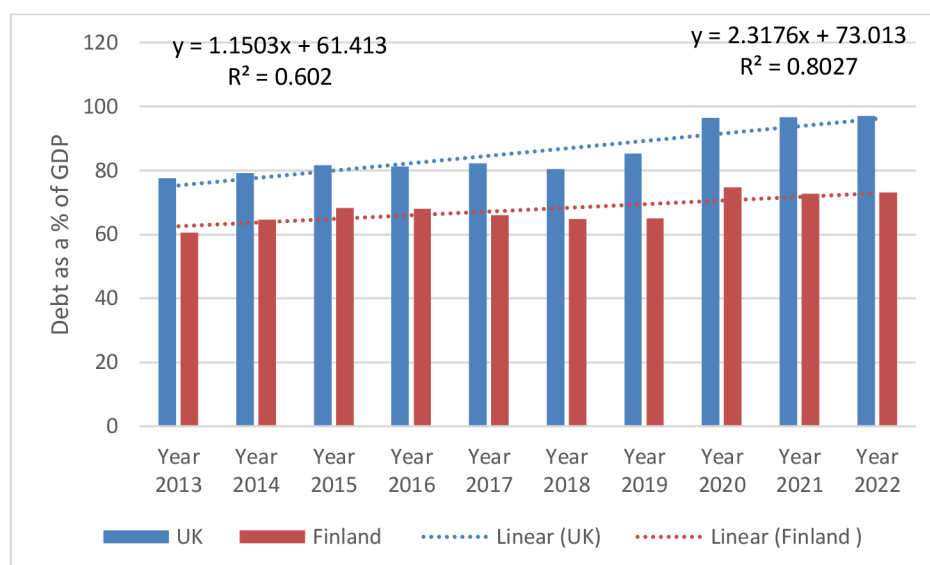
(Source: OECD, 2023a; World Bank, 2022)

### 4.2.2 Borrowing

The next major source of funding for the government was borrowing. Borrowing in this case included both internal and external approaches to borrowing. Figure 6 below is a comparison of debt as a percentage of GDP for UK and Finland. Based on the findings, the UK



generally has higher debt levels as percentage of GDP compared with Finland. The fact that the UK borrowing is relatively higher compared to Finland could be as a result of its higher GDP and economic power. In general, there was an increase in the amount of money borrowed both internally and externally. The above could have been in response to the changing economic conditions and needs of the government. Borrowing in this case, could spur economic growth especially if the capital obtained is directed towards areas that supports the economy. However, care should be undertaken to minimise excessive borrowing which could have an adverse effect on the economy. Figure 6 includes trend lines illustrating movement of the two variables. As shown the equation below, debt as a percentage of GDP was slightly higher in the UK compared to Finland. In the case of the UK, the trendline explains 80.27% of the variability in the data compared to 60.2% in Finland.



*Figure 6: Borrowing by the Finnish and UK Governments.*

*(Source: World Bank, 2022)*

The results section has shown both expenditure and funding methods by governments. Each of these methods are critical in the overall growth of the economy. Funding determines the priority areas of the government in regard to investments and economic growth. The implementation of these approaches is informed by existing tax systems and fiscal policies. Ultimately the approaches have an impact on the general wellbeing of the population.

### **4.3 Strategies used by Government to achieve Economic Growth and Economic Wellbeing**

Based on research conducted by Kettunen and Prokkola (2022), the Finnish government has been enhancing the implementation of different strategies with the aim of fostering economic growth and improving the quality of life for its citizens. Investment in education and innovation is one of the key strategies employed by the government in Finland (Alaja & Sorsa, 2020). As a result, the government has been able to foster a culture of lifelong learning and innovation through investment in early education and vocational training. The above has also played a critical role in enabling the country to attract investment, thus cultivating a competitive advantage in high-tech industries and knowledge-based sectors. By employing a comprehensive set of strategies to improve economic growth and societal well-being, Finland has been able to enhance the creation of a prosperous, inclusive and sustainable society.

The Finnish government has been utilising fiscal policies as a primary tool for managing the economy and promoting growth while enhancing societal well-being. Based on research conducted by the IMF (2020), the progressive tax system is one of the fiscal policies employed by Finland, with high rates for high-income earners. The corporate tax in the country is about 20%, and this has been considered relatively competitive in the whole world (Tax Foundation, 2023). The tax policies have been playing a significant role in minimising income inequality and funding government expenditure on social welfare and infrastructure. Equally, the Finnish government has been highly investing in public services, such as education and social welfare. According to OECD (2023), the government in Finland has been allocating about 6% of the total budget to education. Equally, the healthcare system is substantial, as the government has been enhancing universal access to healthcare services, which contributes to the overall well-being of the population.

Budget allocation in Finland is an indication of government commitment to societal well-being. For instance, the government prioritises expenditures on social welfare programmes, education, and infrastructure, and this has contributed to a high standard of living for Finnish citizens. For instance, significant investment in education is a reflection of the government's dedication to the provision of equal opportunities and access to crucial services. In their research, Song et al. (2021) consider regulatory reforms as crucial aspects of the creation of an environment conducive to economic growth and innovation. Finland is one of the countries that

has enhanced the implementation of different reforms with the aim of streamlining business operations and supporting entrepreneurship.

Based on research conducted by Serger and Palmberg (2022), Finland has targeted programmes for addressing various economic and societal challenges and capitalising on opportunities for growth and development. For instance, the Finnish government has a strong start-up ecosystem that plays a critical role in providing funding and internationalisation services for medium-sized entrepreneurs. The programme's main significance is encouraging entrepreneurship and the development of new businesses, which are essential for economic growth and development. In their research, Laasonen et al. (2022) describe that the Finnish government has been allocating significant resources with the aim of funding innovation and research for businesses. Equally, there has been collaboration between businesses and government agencies, which has driven technological advancements and commercialised new innovations.

The Finnish government consists of a comprehensive social welfare programme that enhances the promotion of equality and provision of support for those in need. Such programmes include unemployment benefits and social assistance, and they have been contributing to societal well-being through the reduction of poverty and the promotion of social inclusion (Valkama & Oulasvirta, 2021). By being committed to social welfare, the Finnish government has highly contributed to low levels of income inequality and poverty compared to other nations. In a different research, Ylönen and Salmivaara (2021) argue that the Finnish government's main priority is on sustainable development through specific initiatives for promoting renewable energy and climate action. The country has embraced sustainable development highly, and this has allowed it to enhance the creation of a resilient and low-carbon economy through the preservation of its natural resources for future generation

## **5 Discussion**

The chapter is an evaluation of the findings obtained in the study. The focus of the chapter is to discuss the results of the study within the context of existing literature.

### **5.1 Government Funding and its link to Economic Growth and Societal Wellbeing**

The study has identified different ways in which governments are able to fund their operations. The study found borrowing and taxation to be the main approaches to government funding. In the context of taxation, Finland was found to have experienced a consistent increase in tax revenue over the period on study. The increase in taxation has been found to be important in ensuring that the government has the relevant resources required to spur economic growth. Findings are consistent with Barrios et al. (2020), who taxation is important in enabling the government to undertake investments in areas that could spur economic growth. When properly managed, increasing taxes are used by the government to fund their projects, such as infrastructural development and provision of essential services, such as health provision. Each of these activities could be directly linked to economic growth, as observed by Bierbrauer et al. (2021). Increasing taxes could result from good tax collection systems, doing away with corruption, and increasing investments in an economy. Increasing taxes could also affect investment activities in the economy as individuals have less to save and invest.

While taxation is considered a source of revenue for the government, its implementation could have a significant effect on the general well-being of the population. In this case, taxes levied by the government towards different products and services could have a positive or negative effect on the quality of life of the population. As evident in the study by Giovannini (2019), tax policies and reforms adopted by the government could have an impact on the ability of the general population to access or afford basic things, which equally has an effect on their well-being. In this case, there is a need to clearly examine taxation and fiscal policies adopted by the government in determining their possible effect on the economy and population at large.

The next approach used by the government in raising money is through borrowing. It involves taking debts to finance different activities based on the priorities of the government. As evident in the study by Tresch (2022), such debts could promote economic growth, especially when taken to finance projects with a direct impact on society. However, debts may hinder

economic growth and development as a large portion of the revenue collected is used to pay debts. This leaves little or no finances for public investment, dragging economic growth. However, long-term external debts with favourable payment periods and interest rates may help to boost the economy, while increasing local debt may negatively affect the economic growth of an economy.

## **5.2 Government Expenditure and its Impact on Economic Growth and Societal Wellbeing**

Government spending in different areas is crucial in promoting the overall well-being of people in society. Study results indicate that there has been considerable spending towards different areas, such as healthcare and social protection programmes. For instance, the Finnish government was found to spend significantly on healthcare. Consistent with other countries such as the UK, there has been a steady increase in healthcare expenditure over time. Similar observations have been made by Azam (2020), who noted that government expenditure on healthcare is important in improving the quality of life by ensuring that people within the population have access to affordable health. Given that health is one of the major determinants of well-being, government expenditure towards this area would be important in improving the quality of care for the entire population. Besides well-being, government expenditure towards healthcare is also likely to have an effect on economic growth. In this case, a healthy population is more likely to contribute towards economic growth in a country.

Similarly, government expenditure in other areas, such as education and social protection programmes, would also be associated with improved wellbeing and quality of care. For instance, the results show a growing trend towards education. As evidenced in the study by Tresch (2022), education ensures that the population has access to different skills, which is critical in poverty alleviation. In this case, when a society is empowered through education, they are able to easily secure employment, which has an effect on well-being. Like in the case of well-being, government expenditure on education was equally found to have an impact on economic growth. In this context, educated citizens are more likely to contribute effectively towards economic growth due to the skills they acquire.

One of the areas that has received significant attention is military spending. For instance, in the case of Finland, study results indicate a general upward trend in military expenditure, which is equally common among other countries in the region. Such expenditure would have an

effect on the general wellbeing of the population by diverting resources from major areas such as healthcare and education. Study results are consistent with Azam (2020), who equally noted that funding is likely to divert the government's attention from major areas, which is likely to have an effect on the quality of life of the population. Similarly, expenditure in areas such as the military is likely to result in more taxes for the general population, which is a factor that would influence their wellbeing. Ideally, when citizens are overburdened through taxation, they might be unable to afford basic needs, which may have an impact on their well-being. The well-being of the population is, therefore, dependent on the priority areas of government spending.

Besides expenditure in major areas such as education and healthcare, the study found that the Finnish government also adopted fiscal policies that would ensure that investments have been made in the right way and areas in government. As evident in the study, fiscal policies regulate government spending and assists in ensuring that investments are made in the right areas of government. Study results are consistent with Bernanke's (2020) research that found fiscal policies to be appropriate in enhancing investments in areas that spur productivity and therefore resulting to economic growth. In this case, public finance management in a country is largely a product of fiscal policies and measures taken by the government. The findings, therefore, outline the need of governments have clear policies to regulate income and expenditure. The policies would also ensure that investments are made in areas that enhance the wellbeing of the population.

## **6 Conclusion**

The study focused on public finance development in the context of financial activities undertaken by governments. The study began by exploring different methods used by the government in raising funding for their operations. The main approaches identified include taxation and borrowing from both internal and external players. One of the aims of the study was to determine different ways through which the government spends its money. With a focus on Finland and the UK, the study has found that governments are likely to spend much of their financial resources on different departments, including healthcare, education, defence, and social protection programmes. The spending on these areas changes over time depending on the priorities and interests of governments. In this case, government priority spending in areas, such as healthcare and social protection programmes, plays a significant role in improving the overall quality of life and well-being of its citizens. Based on the study, there has been a significant increase in spending on military and defence at the expense of other areas, which has a considerable effect on the well-being of the population.

### **6.1 Recommendations**

Governments across the world can deploy various strategies to enhance economic development and societal wellbeing which are key to the improvement of the other sectors such as education and healthcare. This research offers possible recommendations for the governments to use in public finance development in the context of economic growth and societal well-being including tax reforms, education and skills development, investment in healthcare, and others.

Firstly, this research recommends that governments should strategically allocate resources to key sectors such as education, healthcare, and social protection, which directly contribute to the well-being of the population. To facilitate this achievement, regular assessment of sectoral needs and public priorities is essential as it should guide the allocation process to ensure resources are directed into areas of utmost necessity. Additionally, it is essential for governments to explore ways to enhance tax revenue, possibly through tax reforms or efficiency improvements seeking improved economic development and societal well-being. By adopting tax reforms, or the changes adopted in the tax system aiming to improve its efficiency, equity, and simplicity are imperative in reducing distortions and disincentives affecting the allocation of resources and the decisions of firms and individuals. For instance, the implementation of tax reforms aiming to improve the distribution of income and wealth, reduce poverty and inequality,

improve the fiscal position and the credibility of the government, are vital in the improvement of societal wellbeing and achievement of economic development. Eventually, the revenue generated via taxation should be invested in sectors that directly contribute to economic growth, such as infrastructure, innovation, and social services. These measures nurture the improvement of economic growth and societal well-being as they foster productivity and innovation. Therefore, the implementation of fair and transparent tax policies to encourage entrepreneurship and investment as well as the provision of tax incentives are essential tax reforms necessary for improving economic growth and societal well-being.

The second recommendation this study makes is the investment in healthcare by the governments. The COVID-19 pandemic highlighted the importance of a robust healthcare system necessitating governments to prioritise healthcare investments to ensure preparedness for health emergencies and provide quality healthcare services. Governments across the world should invest in healthcare as healthier populations are more productive, which is key for improved societal well-being and economic development. At the same time, the reduction in premature deaths and improvement in health outcomes are essential in increasing the labour supply and human capital, thus leading to higher income and output. Furthermore, long-term planning should be employed to maintain a balance between preventive measures, infrastructure development, and response capabilities. Consequently, governments should focus on investment in healthcare targeting the prevention and treatment of diseases to lower the direct and indirect costs of healthcare, thus increasing the welfare and happiness of individuals and societies.

At the same time, governments should continue to invest in social protection programmes to reduce poverty, inequality, and vulnerability in society. This aspect fortifies the investment in healthcare seeking the prevention and treatment of long-term illnesses, which are linked to lower employment, income and output per person. Thus, this ensures the boosting of the workforce's participation and productivity, as well as the reduction in the burden on social services and welfare systems. Governments should also spend on healthcare as it promotes job creation, income and demand for goods and services, as well as stimulating innovation and research key in the reduction in regional inequalities and enhancement of social cohesion. Therefore, the investment in healthcare to ensure a healthy and productive workforce, adoption of preventive measures, healthcare infrastructure, and the training of healthcare professionals to improve



overall public health, are significant in the improvement of economic development and societal well-being.

This study also recommends that, given the positive correlation between education and economic growth, governments should consider increasing or maintaining investment in the education sector and skill development. A focus on quality education, including technological advancements and vocational training, can contribute to a skilled workforce and enhance overall economic productivity. Thus, governments should invest in education to ensure the enhancement of the skills, knowledge, and abilities of the labour force, which increases productivity, innovation, and competitiveness. Additionally, since investment in education facilitates the reduction in poverty and inequality by improving the income and living standards of the population, government should invest in education and skill development as it is key to the reduction of the gaps between different social and economic groups. Lastly, governments' investment in education advances societal well-being by nurturing social cohesion and reducing the risks of conflict, violence, and extremism, hence this recommendation.

### ***6.1.1 Recommendations for Future Research***

The current study has examined public finance management and how it could be used to enhance sustainable development. The study has shown that effective public finance management in terms of expenditure could contribute to economic growth. However, the research has failed to address the role of a country's leadership in influencing public finance. Ideally, the policies and tax systems adopted in a country are based on the priorities set by existing governments. Future studies should examine contribution of leadership to public finance and its effect on public management. Future studies should compare a higher number of countries in order to have a more comprehensive understanding of the effects of public finance management.

### ***Potential Implications***

Based on the results gathered previously, various implications can be gathered in the context of government expenditure, especially in the context of the different areas of education, healthcare, defence, and social protection. Firstly, governments must be flexible in adapting social protection programmes to changing societal needs, such as responding to economic downturns, demographic shifts, or global health crises, hence the need for regular assessments and adjustments to ensure the effectiveness of social protection policies. Social protection

spending is also a key tool for reducing poverty and addressing income inequality, hence the need for social protection programmes targeting vulnerable populations and promoting inclusive economic growth. Concerning healthcare, adequate healthcare spending is essential for building a resilient public health system capable of responding to pandemics and other health crises and impacting the health and well-being of the population. Thus, governments need to continuously assess healthcare infrastructure, workforce capacity, and technology to ensure preparedness as well as prioritising aspects of healthcare enhancing overall public health outcomes. Moreover, increased spending on education reflects a commitment to developing a skilled and knowledgeable workforce, thus governments should ensure that education spending is aligned with long-term economic development goals while addressing the evolving needs of the job market. Another implication is that increased defence spending may affect the overall fiscal balance and require trade-offs with other sectors. Consequently, governments need to manage defence budgets efficiently to ensure they contribute positively to economic stability and growth.

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## 9 Appendixes

### Military Expenditure Data

	Finland	UK
Year 2013	4.16	2.3
Year 2014	3.99	2.2
Year 2015	3.4	2
Year 2016	3.42	2
Year 2017	3.43	1.9
Year 2018	3.75	1.9
Year 2019	3.64	2
Year 2020	3.87	2.1
Year 2021	3.75	2.2
Year 2022	4.82	2.2

### Education Expenditure Data

	UK	Finland
Year 2013	5.5	6.6
Year 2014	5.6	6.5
Year 2015	5.6	6.2
Year 2016	5.4	6
Year 2017	5.4	5.7
Year 2018	5.2	5.5
Year 2019	5.2	5.6
Year 2020	5.5	5.9
Year 2021	5.3	5.7
Year 2022	5.6	5.5

## Health Expenditure

	UK	Finland
Year 2013	9.9	9.8
Year 2014	9.9	9.8
Year 2015	9.8	9.7
Year 2016	9.7	9.4
Year 2017	9.6	9.1
Year 2018	9.7	9
Year 2019	10	9.2
Year 2020	12.2	9.6
Year 2021	12.4	9.6
Year 2022	11.3	9.5

## Social Protection Data

	UK	Finland
Year 2013	315.6	50.252
Year 2014	320.7	52.184
Year 2015	322.7	53.413
Year 2016	316.9	55.426
Year 2017	315.5	55.546
Year 2018	317	56.618
Year 2019	310.1	57.72
Year 2020	316.7	60.711
Year 2021	319.7	61.979
Year 2022	323	63.141

## Tax Data

	Finland	UK
Year 2013	43.3	25.1
Year 2014	43.4	24.9
Year 2015	43.4	25
Year 2016	43.6	25.4
Year 2017	42.7	25.6
Year 2018	42.3	25.5
Year 2019	42.1	25.1
Year 2020	41.7	24.8
Year 2021	43	26.2
Year 2022	42.8	26.3

## Debt Data

	UK	Finland
Year 2013	77.5	60.6
Year 2014	79.2	64.5
Year 2015	81.6	68.3
Year 2016	81.3	68
Year 2017	82.3	66
Year 2018	80.3	64.8
Year 2019	85.2	64.9
Year 2020	96.5	74.7
Year 2021	96.6	72.6
Year 2022	97.1	73