OPEN ACCESS
Global Journal of Research in Education & Literature
ISSN: 2583-2662 (Online)
Volume 06 | Issue 05 | Sept.-Oct. | 2026
Journal homepage: https://gjrpublication.com/gjrel/
Review Article

Financial Management and Accountability in Public Sector Ministries, Departments, and Agencies: A Theoretical Perspective from Anambra State, Nigeria

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DOI: 10.5281/zenodo.22637947 **Submission Date: 10 July 2026 | Published Date: 07 Sept. 2026**

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Abstract
This paper examines the relationship between financial management and accountability in Ministries, Departments, and Agencies (MDAs) in Anambra State, Nigeria. It explores how effective financial management practices, including budgeting, internal controls, financial reporting, and auditing, contribute to improved transparency, answerability, and responsible stewardship of public resources. The study is anchored on Agency Theory, Stewardship Theory, and Public Accountability Theory, which collectively explain the importance of monitoring mechanisms, ethical responsibility, and institutional accountability in public sector governance. The paper argues that effective financial management reduces information asymmetry, strengthens governance structures, and enhances public confidence in government institutions. It concludes that strengthening financial management systems is essential for improving accountability and achieving efficient public service delivery in Anambra State MDAs.

Keywords: *Financial Management; Accountability; Ministries, Departments, and Agencies (MDAs).*

Introduction
Financial management has become one of the most important determinants of accountability and good governance in the public sector. Government Ministries, Departments, and Agencies (MDAs) are entrusted with the responsibility of managing public resources to achieve national development objectives and provide quality public services. Consequently, the effectiveness of financial management practices significantly influences transparency, accountability, and public confidence in government institutions (Mulgan, 2000). Public financial management systems, including budgeting, financial reporting, internal controls, and auditing, are designed to ensure that public resources are utilized efficiently, economically, and in accordance with established laws and regulations.

In many developing countries, including Nigeria, weak financial management practices have contributed to persistent challenges such as budget implementation failures, delayed financial reporting, inadequate internal controls, financial irregularities, and corruption. These deficiencies undermine institutional accountability and reduce citizens' confidence in public institutions. Consequently, governments have continued to introduce public financial management reforms aimed at strengthening transparency, improving accountability, and promoting prudent utilization of public funds (Bovens, 2007).

Financial management encompasses the planning, allocation, control, monitoring, recording, and reporting of financial resources to achieve organizational objectives. Effective financial management provides reliable financial information for decision-making, improves operational efficiency, strengthens institutional governance, and enhances accountability through proper stewardship of public resources. Sound financial management systems also reduce information asymmetry between government officials and citizens while promoting responsible financial behavior (Fama & Jensen, 1983).

The theoretical foundation of this study is anchored on Agency Theory, Stewardship Theory, and Public Accountability Theory. Agency Theory explains the relationship between principals (citizens and government authorities) and agents (public officials) and argues that effective monitoring mechanisms such as budgeting, auditing, and internal controls are necessary to minimize conflicts of interest and reduce agency costs (Jensen & Meckling, 1976). Stewardship Theory, on the other hand, argues that public officials are motivated by professionalism, ethical responsibility, and commitment to organizational goals, suggesting that effective financial management systems empower them to perform responsibly and transparently (Donaldson & Davis, 1991, 1997). Public Accountability Theory emphasizes that public officials are obligated to explain, justify, and accept responsibility for their actions and the use of public resources, thereby reinforcing transparency and democratic governance (Mulgan, 2000).

Within the Nigerian public sector, financial management reforms have increasingly focused on strengthening budgeting systems, improving internal controls, enhancing financial reporting, and reinforcing auditing practices to improve accountability across government institutions. These reforms recognize that effective financial management serves not only as an administrative function but also as an important governance mechanism that promotes transparency, responsible stewardship, and efficient service delivery (Bovens, 2007).

Against this background, this study examines the effect of financial management on accountability in Ministries, Departments, and Agencies in Anambra State, Nigeria. Specifically, the study seeks to determine how budgeting, internal control systems, financial reporting, and auditing contribute to improving accountability and promoting effective public sector governance. The study is expected to provide empirical evidence that will assist policymakers and public administrators in strengthening financial management systems and enhancing accountability within public institutions.

Agency Theory

Agency Theory was developed by Jensen and Meckling (1976) to explain the contractual relationship that exists when one party (the principal) delegates decision-making authority to another party (the agent). The theory posits that conflicts of interest arise because agents may pursue personal objectives that diverge from the goals of the principals. In such situations, monitoring mechanisms and incentive structures become necessary to ensure that agents act in the best interest of principals.

In the private sector, the principal–agent relationship typically exists between shareholders (principals) and managers (agents). However, in the public sector, the theory is equally applicable. Citizens, taxpayers, and elected representatives act as principals, while public officials, accounting officers, and civil servants serve as agents entrusted with managing public resources. In this context, financial management systems function as monitoring and control mechanisms designed to minimize agency problems and enhance accountability.In public administration, agency relationships are often more complex than in the private sector. Multiple principals exist, including citizens, legislative bodies, oversight committees, and anti-corruption agencies. Public officials are accountable not only for financial performance but also for compliance, transparency, and service delivery.

Scholars such as Fama and Jensen (1983) extended agency theory by emphasizing the role of governance structures in reducing opportunistic behavior. In the public sector, governance mechanisms include public financial management (PFM) systems, budget laws, audit institutions, procurement regulations, and financial reporting standards. These mechanisms serve to reduce information asymmetry and align the interests of public officials with those of citizens.Public financial management reforms across developing countries have been influenced by agency theory principles, particularly the emphasis on transparency, monitoring, and performance measurement. When financial management systems are weak, agency costs increase, leading to poor accountability outcomes

Although agency theory has been criticized for assuming that individuals are purely self-interested and economically motivated, it remains one of the most widely applied theories in accounting and public financial management research. Critics argue that public officials may also be motivated by professionalism and public service values. However, even when officials act as stewards, monitoring mechanisms remain necessary to ensure transparency and maintain public trust.Given its strong explanatory power regarding monitoring, control mechanisms, and accountability relationships, agency theory is particularly appropriate for this study. It provides a clear conceptual linkage between financial management practices (independent variable) and accountability (dependent variable).

Agency theory provides a robust theoretical foundation for examining the effect of financial management on accountability in government MDAs. By conceptualizing citizens as principals and public officials as agents, the theory explains why financial management mechanisms such as budgeting, internal controls, financial reporting, and auditing are necessary to minimize information asymmetry and reduce opportunistic behavior. In the context of Anambra State MDAs, effective financial management is expected to lower agency costs and enhance accountability. Therefore, agency theory underpins the conceptual framework of this study and justifies the hypothesized relationship between financial management practices and accountability in the public sector.

Stewardship Theory

Stewardship Theory emerged as an alternative to Agency Theory, particularly in the field of corporate governance and organizational behavior. The theory was prominently advanced by Donaldson and Davis (1991, 1997), who argued that managers are not inherently self-interested agents but rather stewards whose motives align with the objectives of the organization. Unlike Agency Theory, which assumes opportunistic behavior and the need for strict monitoring, Stewardship Theory assumes that managers are trustworthy, collectivist, and motivated to act in the best interests of the principals.

In the public sector context, stewardship theory is particularly relevant because public officials are often guided by professional ethics, public service values, and a commitment to societal welfare. Ministries, Departments, and Agencies (MDAs) are established to serve the public interest rather than maximize profit. Therefore, stewardship theory provides a more optimistic and value-driven perspective on public financial management and accountability.

Core Assumptions of Stewardship Theory

Stewardship theory is built on several important assumptions:

1. Intrinsic Motivation: Managers and public officials are motivated by achievement, recognition, responsibility, and commitment to organizational goals rather than personal gain.
2. Goal Congruence: The goals of stewards (public officials) are aligned with the goals of principals (citizens and government authorities).
3. Trust and Empowerment: Organizational performance improves when managers are trusted and empowered rather than excessively monitored.
4. Collectivism over Individualism: Stewards prioritize collective organizational objectives over individual self-interest.

These assumptions suggest that public officials in MDAs may naturally strive to manage public resources responsibly, especially when supported by effective financial management systems.

In government ministries, departments, and agencies, public officials function as custodians of public funds. They are expected to act with integrity, transparency, and professionalism. Stewardship theory posits that when public institutions provide appropriate structures, clarity of roles, and adequate resources, officials are more likely to act in the public interest.

Public financial management systems such as budgeting, financial reporting, auditing, and internal controlscan therefore be viewed not only as monitoring mechanisms but also as supportive frameworks that enable stewards to perform effectively. Rather than seeing financial controls as tools to constrain opportunism, stewardship theory interprets them as structures that enhance organizational effectiveness and accountability. Financial management in MDAs includes planning, controlling, monitoring, and reporting financial activities. From a stewardship perspective, these processes support public officials in fulfilling their fiduciary responsibilities. Accountability refers to the obligation of public officials to explain and justify their financial decisions and to accept responsibility for outcomes. Stewardship theory links accountability to ethical responsibility and professional integrity rather than fear of sanctions.

In ministries, departments, and agencies: Officials are entrusted with public resources.
They are expected to act as custodians (stewards). Accountability becomes a natural outcome of responsible stewardship. When financial management systems are well designed and effectively implemented, they create an enabling environment that encourages responsible behavior. Public officials who are empowered with clear financial procedures, adequate training, and institutional support are more likely to demonstrate accountability in resource management. Thus, stewardship theory suggests that effective financial management enhances accountability not merely by controlling behavior but by fostering professionalism, transparency, and ethical responsibility. The present study examines the effect of financial management on accountability in Ministries, Departments, and Agencies (MDAs) in Anambra State, Nigeria. Within the stewardship framework: Ministry officials are viewed as stewards of public resources. Citizens and government authorities are beneficiaries of responsible stewardship. Financial management systems provide structural support for stewardship behavior. Accountability reflects successful stewardship performance.

In the Nigerian public sector, reforms such as improved budgeting processes, adoption of standardized accounting procedures, strengthening of internal controls, and enhancement of audit functions aim to promote responsible financial management. Stewardship theory suggests that when these systems are effectively implemented, public officials are better positioned to fulfill their obligations and demonstrate accountability. Specifically, in the context of this study: Effective budgeting practices are expected to promote responsible resource allocation.

Strong internal controls are expected to reduce financial errors and irregularities.
Transparent financial reporting is expected to improve answerability. Robust auditing practices are expected to reinforce ethical conduct. Therefore, stewardship theory provides a logical explanation for the expected positive relationship between financial management practices and accountability in Anambra State MDAs.One major strength of stewardship

theory is its realistic application to public sector institutions, where officials are often guided by public service values and professional ethics. It acknowledges intrinsic motivation and emphasizes trust, empowerment, and organizational culture.

However, critics argue that stewardship theory may underestimate the possibility of corruption, self-interest, and weak institutional enforcement, especially in environments where governance systems are fragile. Therefore, while stewardship theory provides a positive and ethical lens for understanding accountability, it may need to be complemented by monitoring-based theories such as agency theory.

Stewardship theory is particularly suitable for this study because: Government ministries are service-oriented rather than profit-driven institutions. Public officials are expected to uphold ethical standards and professional responsibility. Financial management systems serve as enabling frameworks that support responsible conduct. Accountability is viewed as a reflection of effective stewardship. By adopting stewardship theory, the study emphasizes that effective financial management strengthens accountability by empowering officials to act responsibly and transparently. It supports the argument that improved financial systems enhance institutional trust and public confidence.

Stewardship theory provides a valuable theoretical foundation for examining the effect of financial management on accountability in Ministries, Departments, and Agencies. By viewing public officials as stewards rather than opportunistic agents, the theory highlights the role of trust, intrinsic motivation, and ethical responsibility in public financial management. Effective budgeting, internal controls, financial reporting, and auditing systems create an enabling environment that supports responsible stewardship and strengthens accountability. In the context of Anambra State MDAs, stewardship theory explains how sound financial management practices can foster transparency, professionalism, and improved accountability outcomes.

Public Accountability Theory

Public accountability developed by Richard Mulgan (2000). Public Accountability Theory is rooted in public administration and governance literature and emphasizes the obligation of public officials to explain and justify their actions to stakeholders and to be subject to sanctions where misconduct occurs. Accountability in the public sector is broader than in the private sector because it involves not only financial performance but also legal compliance, ethical conduct, transparency, and responsiveness to citizens.

Scholars such as Bovens (2007) conceptualize accountability as a relationship in which an actor (public official or institution) is obliged to inform, explain, and justify conduct to a forum (citizens, legislature, oversight bodies), which can question and pass judgment, and may impose consequences. Similarly, Mulgan (2000) describes public accountability as the requirement for public officials to answer for the exercise of authority and use of public resources.

Public Accountability Theory provides a normative and structural framework for understanding how governments ensure responsible management of public resources. In the context of Ministries, Departments, and Agencies (MDAs), the theory explains why financial management systems are critical for ensuring answerability, transparency, and enforcement.

Unlike private organizations, where accountability is often financial and profit-oriented, public sector accountability includes compliance with laws, policy implementation, and service delivery effectiveness. Financial management becomes central because it provides evidence of how public resources are collected, allocated, and utilized.In developing countries, weak financial management systems often lead to poor accountability outcomes, including budget deviations, delayed reporting, misappropriation of funds, and audit irregularities. Public Accountability Theory therefore emphasizes the importance of structured financial systems in strengthening governance.

The study assumes that stronger financial management systems such as effective budgeting, robust internal controls, transparent reporting, and efficient auditing will enhance accountability within MDAs. Conversely, weak financial management will result in limited transparency, reduced answerability, and poor enforcement of financial discipline. In the Nigerian public sector context, challenges such as delayed financial statements, weak compliance with budgetary provisions, and audit irregularities highlight accountability gaps. By empirically examining financial management practices across 20 ministries in Anambra State, the study evaluates whether improvements in these practices significantly influence accountability outcomes. One strength of Public Accountability Theory is its direct relevance to public sector governance. It integrates legal, ethical, financial, and administrative dimensions of accountability. The theory is particularly suitable for studies involving public financial management and institutional transparency.

However, the theory is largely normative, focusing on what ought to happen rather than predicting behavior. It may not fully explain why public officials sometimes fail to comply with accountability standards. Therefore, it can be complemented by behavioral theories such as Agency Theory or Stewardship Theory for a more comprehensive analysis.

Public Accountability Theory is highly appropriate for this study because:

1. The dependent variable of the study is accountability.
2. The study focuses on government institutions funded by public resources.

3. Financial management mechanisms directly operationalize accountability principles.
4. The theory aligns with public sector governance reforms aimed at improving transparency and financial discipline.

By grounding the study in Public Accountability Theory, the research emphasizes that financial management is not merely administrative but central to democratic governance and public trust.

Public Accountability Theory provides a robust framework for examining the effect of financial management on accountability in Ministries, Departments, and Agencies. It conceptualizes accountability as a relationship involving answerability, transparency, responsibility, and enforcement. Financial management practices such as budgeting, internal controls, financial reporting, and auditing serve as the institutional mechanisms through which accountability is achieved. In the context of Anambra State MDAs, strengthening financial management systems is expected to enhance accountability, improve transparency, and promote responsible stewardship of public resources.

Conclusion

Effective financial management remains fundamental to accountability in public sector institutions. The theoretical perspectives discussed in this paper demonstrate that budgeting, internal control systems, financial reporting, and auditing are essential mechanisms for ensuring transparency, reducing information asymmetry, and promoting responsible stewardship of public resources. Agency Theory emphasizes monitoring and control to minimize opportunistic behavior, Stewardship Theory highlights ethical responsibility and professionalism among public officials, while Public Accountability Theory underscores the obligation of government institutions to justify their actions and remain answerable to citizens. The paper concludes that strengthening financial management systems within Ministries, Departments, and Agencies in Anambra State is likely to improve accountability, enhance institutional transparency, promote efficient utilization of public resources, and increase public confidence in government. Sustainable improvements in financial management practices will ultimately contribute to better governance, improved service delivery, and stronger democratic institutions.

Policy Recommendations

1. Strengthen Budgetary Management: Government should improve budget planning, implementation, and monitoring to ensure that public resources are allocated efficiently and utilized according to approved budgets.
2. Enhance Internal Control Systems: MDAs should establish robust internal control mechanisms capable of preventing fraud, financial irregularities, and misuse of public funds.
3. Improve Financial Reporting: Public institutions should adopt timely, accurate, and transparent financial reporting practices that comply with national public sector accounting standards.
4. Strengthen Audit Functions: Internal and external audit institutions should be adequately funded, independent, and empowered to enforce compliance with financial regulations and recommend corrective actions where necessary.
5. Capacity Building: Continuous training should be provided for accounting officers, finance personnel, and public administrators on modern public financial management practices and accountability standards.
6. Promote Digital Financial Management Systems: Government should expand the use of integrated financial management information systems (IFMIS) and other digital platforms to improve transparency, efficiency, and real-time financial monitoring.
7. Strengthen Oversight Institutions: Legislative committees, anti-corruption agencies, and other oversight bodies should be empowered to effectively monitor public financial management and enforce accountability.
8. Promote Ethical Governance: Government should institutionalize ethical standards, integrity frameworks, and performance-based accountability mechanisms that encourage responsible stewardship of public resources.

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CITATION

Ezechi, K. C., Ifurueze, M. S., & Ofor, T. N. (2026). Financial Management and Accountability in Public Sector Ministries, Departments, and Agencies: A Theoretical Perspective from Anambra State, Nigeria. Global Journal of Research in Education & Literature, 6(5), 14–18. https://doi.org/10.5281/zenodo.22637947