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SUSTAINABLE IMPLEMENTATION OF PUBLIC RESOURCES IN SUPPORT OF ECONOMIC AND SOCIAL RECONSTRUCTION

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Abstract

Sustainable economic and social development in line with general well-being depends heavily on the effective and efficient management of public finances. The study aims to investigate how careful management of public financial resources can help drive social and economic progress in various sectors. The research uses a literary research approach, in which information is collected from a variety of existing sources, including scientific journals, government reports, publications of international organizations, and other academic literature relevant to public finance management topics. The results of this study show that proper public finance management, which includes transparency, accountability, optimization of state receipts, efficient spending management, a performance-based budgeting approach, careful debt management, and active participation of various stakeholders, have a significant impact in supporting long-term development goals.

Keyword: Management, Public Finance, Development, Economic and Social.

Introduction

Economic and social development are two interrelated elements that play an important role in shaping a prosperous and sustainable society. (Shakarami et al., 2019). Economically, development refers to the process in which a country or region succeeds in improving the well-being of its people through improved economic conditions. Economic development generally involves increasing the capacity of national or local economic entities to support per capita income growth and job creation for their population. This can be achieved through increased production efficiency, the strengthening of the private sector, improved infrastructure, and innovation. (Ilyin, V. A., & Morev, M. V. 2020).

While, socially, social development is a process of social change aimed at improving the quality of life of citizens. It involves improvements in the fields of education, health, social justice, and human rights. While it is essentially focused on improving human life quality and well-being, it also takes into account other aspects such as community development, empowerment, and community participation (Robina-Ramírez et al., 2024; Rahaman et al, 2024).

These two aspects are interrelated and support each other in creating a prosperous and just society. The creation of a balance between economic and social development enables nations not only to grow economically but also to ensure that such growth is inclusive and sustainable, so that all segments of society can enjoy the benefits of such development. Therefore, an integrated and comprehensive approach to these two national development pillars is essential in designing government policies and development programmes. (Rahaman et al., 2024; Yenugula et al., 2024).

Despite the many challenges faced, both economic and social development are vital to achieving sustainable and prosperous societies. It is important to understand that economic growth does not always lead to social development, and vice versa. (Indrawati, S. M., & Kuncoro, A. 2021). Therefore, both aspects need to be equally focused and balanced in the process of nation-building. The role of sustainable public finance management becomes very significant in supporting and driving both factors effectively.

Some of the global challenges that significantly affect public finances include global economic uncertainty, geopolitical tensions, and changes in fiscal and monetary policy. (Indrawati, S. M., & Kuncoro, A. 2021). Mahendra Siregar, Chairman of the Board of Commissioners of the Financial Services Authority (FATF) highlighted that Indonesia's financial services industry is facing global uncertainty and geopolitical tensions that are expected to continue in 2024. (Modal, B. P. P. 2002; Risanti, S. N. A., & Yunita, I. 2023). It indicates that the pressure on the financial markets that starts to melt down by the end of 2023 will be one of the factors influencing public finances. (Sudipa et al., 2024).

On the other hand, the G20 Presidency of the Financial Line responded to global strategic issues with several responses, including highlighting the importance of a mix of macroeconomic policies to maintain stability and strengthen economic recovery. (Solechah, W. M., & Sugito, S. 2023). It covers fiscal, monetary, and financial stability policies that are well planned, measured, and communicated as an effort to adapt to a variety of global challenges. (Imannulloh, E. R., & Rijal, N. K. 2022).

The role of sustainable reform cannot be overlooked in the context of the management of public finances in Indonesia. Reforms in the management of public finances have prompted a stronger policy framework and fiscal system. These include more effective and efficient budget implementation, where the newly launched PEFA Report highlights achievements and challenges in the system of public finance management in Indonesia. (Jaelani, A. 2015).

So therefore, irrefutably, the role of public finances is vital in achieving that goal. Successful management of public finances can create economic stability, inclusive growth, and social progress.

Efficient and sustainable financial management plays a crucial role in the long-term success of both organizations and individuals. This is because, financial management can maintain financial stability, budgeting, preservation for the future, prevent debt, and increase financing (Jaelani, A. (2015; Mir, M., & Sutiyono, W. 2013).

Sustainable and efficient financial management requires appropriate skills and knowledge. With a good understanding of the financial principles and discipline in using them, we can long-term financial stability and prosperity. However, challenge after challenge often stands in the way of this process. From changing socio-political environments, laws and regulations, institutional capacity, to global climate change, all potentially affect public financial stability. (Mir, M., & Sutiyono, W. 2013).

Therefore, there is a need for a management of public finances that is not only efficient, but also sustainable. Sustainable public finance management can ensure that fiscal and tax policies, public spending, and infrastructure investments are sustainable and capable of supporting long-term development. To better understand how sustainable public finances management can support economic and social development and identify challenges and obstacles in the process.

Research Method

The research method used in this research is literature. Literature research method is a research approach carried out by collecting, studying, and analysing various literary sources relevant to research problems (Ratislavová & Ratislav, 2014; Richardson, 2018). This method is often used to build a theoretical foundation, determine research gaps, or support data analysis in applied research. A literature review can be described as a systematic or semi-systematic way of collecting and synthesizing relevant sources. (Antin et al., 2015; Marshall et al., 2013).

As for the steps in the methodology of literary research conducted by the researcher are: 1) Source Search: Search for sources relevant to the research topic, which may include books, scientific journals, articles, and others. 2) Filtering and Selection: Filtering such sources based on relevance and quality, as well as choosing the literature to be used for research. 3) Study and Analysis: Read and analyze the content of literature in order to gain an in-depth understanding of research topics and problems. 4) Writing: Compiling the information obtained into a review or report that is systematic, critical, and argumentative. (Punch, 2013; Adhabi & Anozie, 2017).

The use of literary research methods requires a good understanding of how to find and evaluate sources, as well as the ability to integrate findings from various sources in a coherent and critical manner.

Result and Discussion

Public Finance Management Theory

Management can be understood as a process or method of management involving various management functions such as planning, organization, guidance, and control of resources to a set goal. This definition covers the implementation of indicators of management or management functions that play an important and effective role in supporting the achievement of the goals of individuals, institutions, or organizations. (Chornovol et al., 2020).

Public finance is the study of the role of government in the economy. Specifically, it includes the assessment of government revenues and expenditures carried out by public authorities, as well as the adjustment between them to the desired effect and avoid unwanted effects. (Chornovol et al., 2020).

Another definition of public finance sees it as state finance. According to article 1 of Act No. 17 of 2003 on State Finance, public finances are government assets derived from government receipts, debts, government loans, or government spending, as well as fiscal and monetary policy. (Indonesia, P. R. 2003).

Thus, public finance management is a process of preparation, execution, and control of public funds that involves the process of collecting revenue and distribution of expenditure by the government to public goals. On the other hand, public finance is the study of the role of government in the economy, including the assessment of government income and expenditure. (Ball, I. 2020).

The concept of public finance management can be linked to the tasks of the state, especially in the context of developing countries such as Indonesia. The scope of public finance management can cover a number of domains, including the study of economics, governance and political science, decision-making on specific issues, and the impact of political and economic decisions on society (Bandy, G. 2023; Saputra, K. A. K. 2021). Sustainable public finance modeling aims to develop financial management practices that not only support short-term economic performance but also take into account long-term fiscal health, social justice, and environmental protection. (Saputra, K. A. K. 2021).

Here are some models or approaches commonly used in sustainable public finance management: 1) Performance Based Budget Model (Performance-Based Budgeting). Performance-based budgeting focuses on achieving results rather than merely allocating funds. It requires governments to set clear goals, evaluate program performance based on results achieved, and use that information to make decision-making decisions. It boosts the efficiency and efficiency of public spending. 2) Public Asset and Liability Management. This approach looks at the overall portfolio of government assets and liabilities and seeks to optimize their balance. It includes strategies for managing public debt sustainably as well as optimizing use and return on public assets. 3) Green Financial Principles (Green Finance Principles). Green finance involves allocating financial resources to projects that support sustainable development goals, such as renewable energy, sustainable infrastructure, and emission reduction projects. Governments can apply the principle of green finance in their budgets and funding policies. 4) Fiscal Risk Management (Fiscal Risk Management). Fiscal risk management involves identifying, assessing, and mitigating strategies against factors that may have a negative impact on public finances. This includes macroeconomic risks (such as commodity price fluctuations) and sector-specific risks. (seperti bencana alam). 5) Gender Responsive Budget (Gender-Responsive Budgeting). It is a welfare approach that systematically considers the needs and priorities of both sexes in public welfare. It aims to address gender inequality through allocation and use of public resources. 6) Principles of Good Public Finance Management (Good Public Financial Management Principles). This includes transparency, accountability, strong supervision, and public participation in the settlement process and expenditure decisions. It specifically aims to increase public confidence and support strong evidence-based decision-making. (Thom, M. 2019; Ball, I. 2020; Seiwald, J., & Polzer, T. 2020).

The above models can be adapted and applied to the specific context of a government, depending on the priorities and economic, social, and environmental challenges faced.

Economic and Social Development

Economic development is defined as the process of increasing total income and per capita income by taking into account the increase in population and fundamental changes in the economic structure of a country, as well as the depreciation of income for the population of a nation. Meanwhile, the concept of development itself is a process of change planned to improve various aspects of society's life. (Panneer et al., 2022).

Economic development is the process of increasing the productive capacity of a country or region, measured by the growth of output, such as gross domestic product (GDP), and usually also includes improvements in the well-being and standard of living of its population. This can include improved infrastructure, education, health care, and other qualitative aspects of the economy, like efficient governance and effective provision of public services (Robina-Ramírez et al., 2024).

Economic development involves the transformation of a less developed economy into a more advanced economy. It is different from economic growth, which is an increase in a country's economic output without explicit attention to income distribution or quality of life. Although these two concepts are often used interchangeably, economic development emphasizes long-term improvements in economic policy, social institutions, and living conditions of the population. (Cattaneo et al., 2022).

In essence, development should cover all aspects of human life, such as economic, political, social and cultural. For example, the development process should not lead to social problems. The concept of national development can be understood as a deliberate economic, social, and cultural transformation through policies and strategies in the desired direction. (Cattaneo et al., 2022).

Economic development strategies may include, but are not limited to, infrastructure development, labour training, investment in education and health, as well as policy reforms that encourage investment, both domestic and foreign. Moreover, the need for economic diversification is also key, especially for countries that are heavily dependent on specific sectors, in order to reduce vulnerability to economic shocks. (Seiwald, J., & Polzer, T. 2020).

Good management of public finances is one of the key pillars in driving sustainable development. Through efficient and effective management, public funds can be used to fund various development activities that will ultimately improve the quality of life of people and reduce social disparities. The state's financial administration plays a key role in financing infrastructure and development projects that are the foundation for long-term economic growth and economic stability in general. (Tiutiunyk et al., 2020).

1) Taxation: The process of collecting taxes from individuals and companies to finance government spending. It includes the determination of tax rates, tax administration, and tax law enforcement. The government budget usually includes an estimate of income and expenditure for a certain period of time. 3) Public Debt Management: This is the way governments control and manage their debt. Public debt management can involve issuing government bonds, negotiating with creditors, or debt restructuring. 4) Treasury and Cash: This is the organization and administration of government cash resources, involving the collection, management, and payment of money. 5) Asset management: It involves the inventory, maintenance, and dismantling of government physical assets such as land, buildings, and equipment. 6) Public Finance Accounting and Reporting: This includes the recording and reporting of government financial activities. 8) Surveillance and Audit: This is an independent audit of public finance management to ensure proper, efficient and effective use of funds, as well as compliance with applicable laws and regulations. 9) Public spending: It is government spending for various purposes such as infrastructure, education, health, defence, etc. The principles underlying public spending are economical, efficient, and effective. (Tiutiunyk et al., 2020; Sun et al., 2022; Tuxtayeva et al., 2022).

Instead of doing all this manually, many governments now use an integrated public financial management system to simplify this process, increase transparency, and ensure accountability. (Kwilinski et al., 2022).

The principles of public finance management are the basic guidelines that help governments in managing financial resources effectively, efficiently, and ethically. These principles aim to ensure the responsible and transparent use of public funds, which ultimately enhances public confidence. (Hasanudin, H. 2023).

Here are some key principles in public finance management: 1) Accountability. Governments must be responsible for collecting and using public funds. This involves transparent and accurate reporting on financial activities to the public and regulators. 2) Transparency. Financial information must be presented in a way that is clear and easily accessible to the general public. It allows shareholders to get involved and allows public oversight over fund management. 3) Efficiency. Resources must be used in the most cost-effective way without sacrificing quality. Governments must constantly find ways to reduce waste and increase the value of public spending. 4) Efficiency. The effectiveness of public finance management is measured by how well the results are achieved in line with the objectives set. 5) Economics. Public spending must be done in a cost-saving manner. This means ensuring that the cost of obtaining goods and services does not exceed the benefits it produces. 6) Justice. The management of public finances must be carried out in a fair and non-discriminatory manner. It involves fair taxation and resource allocation that takes into account the needs of society as a whole. 7) Sustainability. Financial policy must be designed with long-term impact in mind. Budget and debt management must be done in a way that ensures long-term economic and fiscal stability. 8) Public participation. The public should be given the opportunity to participate in the decision-making process related to public finances, including budget planning and monitoring of the use of funds. (Hasanudin, H. 2023; Fatmawatie, N., & Endri, E. 2022; Qudbiyev, N. 2024).

Following these principles helps in ensuring that the management of state funds and assets is carried out in a way that is in the best interests of the public, promotes sustainable development, and strengthens public confidence in government institutions. (Kartim et al., 2022).

By applying the principles of good public finance management, such as accountability, transparency, and risk management, governments can ensure that national resources are allocated in a way that maximizes economic and social benefits.

Conclusion

Sustainable management of public finances is a crucial element in supporting the economic and social development of a country. This management covers a series of efficient processes related to the collection, allocation, and use of national financial resources to long-term development goals. Conclusions on this topic can be divided into several main points: 1) Strengthening Transparency and Accountability. Transparency in the management of public finances enables stakeholders to understand how resources are used, whereas accounting emphasizes responsibility in the use of such resources. Increases in both these aspects are fundamental for attracting investment, both domestic and international, and ensuring the efficiency of the use of public funds. The optimization of state receipts through tax reform and the strengthening of tax administration plays an important role in ensuring the sustainable financial resources of the state. It also includes increased efforts to address tax evasion and profit redirection, as well as identifying new sources of revenue. 3) Efficient shopping management. The focus on efficient management of public spending includes prioritizing the allocation of funds to sectors that have the greatest impact on economic and social development, such as education, health, infrastructure, and social protection. This not only improves the quality of life of people, but also drives long-term economic growth. Implementation of performance-based budgets that emphasize concrete results and measurement of expenditure effectiveness can improve efficiency in the management of public finances. It encourages government agencies to take greater responsibility for the use of the budget. 5) Careful debt management. Prudent public debt management includes long-term strategies to manage the debt-to-GDP ratio within sustainable limits. It's vital to preserve investor confidence and avoid a financial crisis. 6) Investment in Sustainable Development. Budget allocations that prioritize sustainable development, including climate change mitigation and adaptation, as well as investment in environmentally friendly technologies, can ensure a balance between economic growth and environmental sustainability. 7) Stakeholder participation. Involving a wide range of stakeholders, including the private sector, non-governmental organizations, and the general public in the financial policy making process, can increase the relevance and effectiveness of public finance management decisions.

Sustainable management of public finances requires long-term commitment from governments and all stakeholders. It not only supports economic and social development, but also ensures justice, well-being, and sustainability for future generations. Through the implementation of good governance principles, countries can create inclusive and sustainable growth.

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