Regulatory Implications of The Public Financial Management Framework in Indonesia

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1. Introduction

The need for regulation in the context of a work that is used to be able to operate various systems becomes an important thing in all human interactions, both at the personal level and the organizational level (Maina, 2019); (Dallat, Salmon, & Goode, 2019). Management and budget audit (ICPAK, 2017). Based on the opinion of ICPAK that the purpose of public financial management itself is to increase efficiency and transparency in the use of public resources and eliminate inefficiencies in public resources (Kulova, 2021). Found indications stating that the interaction of several components of Public Financial Management is within their own scope and the delivery of services that require regulation and supervision (Isaksen & Andersson, 2002); (Jordaan, 2013).

Lynn Jr, Heinrich, & Hill (2001) argues that if a framework regulation consists of various governance issues such as laws, rules, court decisions, and administrative practices as a form of Public Financial Management practice there are also limitations in terms of delivering a public service.

KEYWORDS

Public Financial Management; Services Delivery; Framework

ABSTRACT

Public Financial Management a set of laws, rules and standards is an important part of regulating the systems and processes used by each sovereign state and local government, in order to mobilize revenue, allocate public funds, conduct public spending and budget audits. The purpose of public financial management itself is to increase efficiency and transparency in the use of public resources and eliminate the inefficiency of public resources. The regulatory framework for Public Financial Management is able to carry out analytical and critical practices in helping to facilitate services efficiently and effectively. This article uses a qualitative method with a descriptive approach as to describe or analyze a research result but is not used to make a broader conclusion.

Analysis and Discussion The Government of Indonesia is aware that there are regulations governing the budgeting, although some of them do not understand and study these documents comprehensively. The regulatory framework governing fund management influences service delivery. In conclusion, the regulatory framework explains how public budgets are used to provide better services. The regulation is designed with the aim of helping to reduce budget waste and prevent corruption.

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Another opinion with the same argument (Ohman, 2012) says that a framework regulation that relies on law describes the existence of legal conditions that must be met. Ohman added that a legal requirement must be complemented by policies, benchmarks, guidelines and sanctions against those who violate a provision. Therefore, the various explanations above can be concluded that legislation, guidelines, regulations, policies, benchmarks, and penalties for violators are the most important things in drafting regulations against the Public Financial Management framework.

The regulation of the Public Financial Management framework is able to carry out analytical and critical practices in helping to facilitate services efficiently and effectively. The need for the facet of resource management can be handled strictly, institutionally, aimed at improving the performance of efficient functions (Simson, Sharma, & Aziz, 2011). For example, oversight is required by relevant bodies such as the ombudsman as well as other state bodies that can apply sanctions such as courts and audit bodies for abuse of their power in public finances. In budgeting must be presented to the public, at the same time the government can see the structure that must be improved in the payment system, accounting system and audit system (Prakash, 2015). (Kopits, 2011) further explained that there is active supervision carried out by parliamentary institutions, and the position of auditors must be independent and protected by the constitution.

The desire of the government to shift the decentralized power structure and the degree of autonomy in public administration and government can increase the effectiveness of Public Financial Management regulations. Elements that can affect the effectiveness of the regulatory framework according to Santiso,(2015) are the political system, constitutional power to change and design budgets, political party dynamics, legislative budgets, research capacity, and relevant accessible information.

In Indonesia, the history of financial management of public organizations dates back to the past. Every public organization, from the time of the kingdom to the present, has a financial manager to ensure the implementation of development in its public organization. Economic development will run smoothly if accompanied by good administration in state financial management. Financial management is carried out on funds collected from the community, including taxes, duties and excise, and others. As part of a public organization, the financial function is a function of a public organization that has a vital role in a country. The vital role of the Ministry of Finance is to manage state finances and assist state leaders in the field of state finance and wealth. Therefore, the Ministry of Finance is said to be the guardian of the country's finances (Nagara Dana Rakca).

The focus of discussion in this study is the influence of public financial regulation practices on service delivery. This research is expected to contribute ideas on how the influence of public financial regulation practices on service delivery in Indonesia.

2. Materials and Methods

The type of research used by the library (Library Research), namely theories taken from literature data and then studied and examined in obtaining conceptions to obtain objective results. The content approach is an approach to reconstruct systematically, accurately and objectively, in this study this approach is used. Data collection techniques in this study are library techniques, namely looking for data about things such as books, notes, minutes, newspapers, agendas and so on.

3. Result and Discussion

PUBLIC FINANCIAL MANAGEMENT

Public Financial Management is concerned with aspects of resource mobilization and expenditure management in the public sector (Shaikh & Naeem, 2017). Public financial management can be defined as a system for generating and controlling public financial resources for effective and efficient public services.
Public financial management includes planning and budgeting, accounting and reporting, internal control, auditing and external supervision, among others with a view to: increase the availability of benefits to the largest number of citizens; support good governance; and facilitate the achievement of 3 budget objectives: fiscal aggregate discipline, effective allocation of resources for priority and efficient services (Hamid, 2013). Premchand and Appah in Hamid (2013) see public financial management as a link between people’s aspirations with resources, and the present/present and with the future.

Public financial management can also be interpreted as the administration of funds used to provide public services. This depends on the level of the government and the particular nation, for example in country A the public service fund revolves around the provision of water and sewage services in the city for the national health plan, while in country B the provision and sewage services have not used public funds, even the government in country B has not regulated it properly. Public financial management is a specialized field within the larger discipline of financial management, focused on delivering services as effectively and efficiently as possible to maximize benefits to society. Specialists or experts in specific areas may participate directly in the administration of institutions, regulatory development, policy development, and enforcement of regulatory frameworks used to control public spending.

Financial management in public organizations is crucial. Because the public sector is unlike the private sector, it has moral sentiment and responsibility to provide various segments of the economy, including assistance to the underprivileged. Therefore, the role of the public sector becomes significant. Spending on public services and public goods accounts for more than one-third of GDP in most countries. Therefore, the affairs and expectations on public sector services are very high, so the management of public funds must be able to hold and maintain careful examination or observation from all quarters.

Public financial management is also related to the laws, organizations, systems and procedures available so that the government is able to guarantee and use resources effectively, efficiently, and transparently. Public financial management includes tax and other government revenues, loans and debt management, with a primary focus on expenditure management, particularly in the context of public budgeting.

The above definition is relatively broadly defined, but it looks appropriate because public financial management is linked to many large aspects of macroeconomic management and its microeconomic basis. Traditional approaches that focus solely on public expenditure management seem too narrow, ignoring issues such as fiscal risk analysis, public debt management, accounting of government assets and liabilities (including long-term social obligations), and organizing and management of finance ministries and other central government financial institutions.

Sound public financial management is essential for the achievement of the objectives of the public sector through its role in improving the quality of public service outcomes; operational and strategic decision making; long-term sustainability of public services; building public confidence in public sector performance; and ensuring efficient and effective use of public funds. Optimal public financial management will feature flexibility that allows the targeted sector to adjust easily and in the desired manner by inducing public sector change.

A strong Public Financial Management system is an important aspect of the institutional framework for an effective state, where:

Effective public service delivery is closely related to poverty alleviation and the growth of an accountable Public Financial Management System tends to provide more effective and fair services, and regulate markets more efficiently and fairly.

A key element of statehood is the ability of a fair, efficient and responsible tax system. This is a fundamental characteristic of inclusive institutions of countries, which generate trust, encourage innovative energy and enable societies to thrive.
REGULATION OF PUBLIC FINANCIAL MANAGEMENT FRAMEWORK IN INDONESIA

Regulatory Availability of Public Financial Management Framework

Public officials’ knowledge of the regulation of the public financial management framework that 60.5 percent are aware of the regulations or laws governing financial management in Indonesia. The results show that the Government of Indonesia has laws and legislative instruments that are used and relevant to decentralize other institutions aimed at regulating public budget management. The Indonesian government is aware that these laws and regulations are aware of the regulations governing the budgeting even though some of them have not understood and studied these documents comprehensively. Each government has regulations governing their specific jurisdictions and activities. However, the results show that many of the Indonesian government's Bylaws are not updated. So here it is clear that there needs to be a review and update the content of their ART. Even they don't have strong enforcement clauses to support their performance. In addition, the public must also be given socialization about what are the contents of regulations and the relationship with public financial management that affects the provision of services. That regulatory frameworks alone are not sufficient to provide an effective service, but compliance with designed regulations makes it important. Thus, in the regulation of effective public financial management, there is a guide or guidance with the aim to be directed in accordance with the New Public Management paradigm.

The Relationship Between Framework Regulation and Service Delivery

Citing research from (Prakash, 2015) which said that legislative bodies should be able to play a supervisory role in public financial management by ensuring that they have the right regulations and systems on how to direct the management of public funds in order to prevent corruption and misuse of budgets. In cases such as corruption, bribery, and misuse of public budgets, the judiciary can play a role in imposing appropriate penalties if those who participate in the management of public funds are found guilty. Thus, the impact on public accountability in the role so that it can be ensured that public finances are implemented in accordance with the public interest.

Furthermore, regulations can help prevent budget waste and corruption. Research Carney (2011) on the level of compliance in carrying out regulations and the punishment given to those who do not comply with the rules set. Thus, the impact will be seen that regulations designed to help control misuse and waste of public budgets. That framework regulations are enforced through sanctions and penalties against them. When the application of framework regulations is established due to non-compliance with the drafted regulations, a sanction action must be given to perpetrators of budget abuse. If this is done, the impact of this is an action in enforcing regulations to manage public finances that provide a deterrent effect to the perpetrators of course.

4. Conclusion

The conclusion that can be drawn is that the regulation of the public financial management framework affects the services provided by the Government of Indonesia. However, the study found that regulatory public financial management frameworks have a positive but not significant effect on delivering services. There are legislative instruments in regulating decentralization and financial management in each institution. Framework regulations explain how public budgets are used to deliver better services. The regulation is designed to help reduce budget waste and prevent corruption. Most public officials know about the laws governing the management of funds. The existence of these framework regulations has little effect on service delivery because they are not enforced appropriately. Regulations have not been able to deal firmly with the environment of officials found to be involved in acts of corruption which is the main cause of poor services provided less than optimal. Various existing rules need to be reviewed and updated. The community needs socialization about bylaws related to public fund management oriented to public services.
5. References


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