DRIVING SOCIETAL PROGRESS THROUGH LEGAL REFORMS IN PUBLIC FINANCIAL MANAGEMENT: STRENGTHENING ACCOUNTABILITY, TRANSPARENCY, AND EFFICIENCY IN INDONESIA

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ABSTRACT This paper examines how legal reforms in public financial management (PFM) drive societal progress in Indonesia by enhancing accountability, transparency, and efficiency in budget management. Key legal frameworks, including the 1945 Constitution (UUD 1945) and the package of State Finance Laws, such as Law No. 17/2003 on State Finance, Law No. 1/2004 on State Treasury, Law No. 15/2004 on Audit of State Financial Management, Law No. 14/2008 on Public Information Disclosure, Law No. 25/2004 on National Development Planning System, and Law No. 30/2014 on Government Administration, have shaped fiscal policies, tax regulations, and public expenditures. Using a qualitative approach, this study analyzes secondary data from legal documents, academic literature, and government reports to assess the impact of these reforms on financial oversight and public trust. The findings highlight improvements in transparency through initiatives such as open data platforms and e-Government systems, which have reduced financial mismanagement and strengthened fiscal discipline. However, challenges remain, including political interference, institutional weaknesses, and regulatory enforcement gaps, which limit the effectiveness of these reforms. To address these barriers, the paper advocates for an integrated approach that combines legal, economic, and institutional reforms to promote long-term fiscal sustainability and economic resilience. By aligning legal frameworks with the principles of Pancasila and modern governance practices, Indonesia can build a transparent and accountable public finance system that fosters equitable development and strengthens public confidence in government financial management.

Keywords: *accountability; fiscal transparency; legal reforms; public financial management; sustainable development.*

INTRODUCTION

Public financial management (PFM) plays a crucial role in ensuring economic stability, good governance, and the efficient allocation of public resources. A well-structured PFM system enables governments to plan, execute, and monitor expenditures effectively, thereby fostering sustainable development and public trust (Cangiano et al., 2013). In many countries, legal frameworks serve as the foundation for fiscal discipline, guiding financial policies, expenditure management, and revenue collection in a manner that promotes transparency and accountability (Allen et al., 2013). Indonesia, as the largest economy in Southeast Asia, has undergone significant PFM reforms over the past two decades, particularly in response to the 1997–1998 Asian financial crisis, which exposed fundamental weaknesses in its fiscal governance (Harun et al., 2015).

Legal reforms in Indonesia’s PFM have been driven by various regulatory frameworks, including the Law on State Finance (Law No. 17/2003), the Law on State Treasury (Law No. 1/2004), and the Law on the Audit of State Financial Management and Accountability (Law

No. 15/2004). These regulations aim to strengthen budgetary control, improve government accountability, and enhance fiscal transparency (Nurmandi & Kim, 2015). Furthermore, the enactment of the Public Information Disclosure Law (Law No. 14/2008) has facilitated greater public access to government financial data, reinforcing the principles of open government and participatory governance (Holzhacker et al., 2015). The adoption of digital financial management tools, such as e-budgeting, e-procurement, and blockchain-based financial reporting, has also been pursued to minimize corruption risks and optimize resource utilization (So et al., 2018; Rijal & Saranani, 2023).

Despite these legal advancements, challenges persist in implementing PFM reforms effectively. Budget misallocation remains a significant issue, where fiscal planning is often influenced by historical spending patterns and political bargaining rather than performance-based considerations (Eckardt, 2008). Additionally, enforcement mechanisms remain weak, as financial oversight institutions such as the Supreme Audit Board (Badan Pemeriksa Keuangan, or BPK) and internal government inspectorates often prioritize procedural compliance over substantive evaluations of fiscal performance (Mir & Sutiyono, 2013; Prabowo et al., 2017). These limitations raise concerns regarding the extent to which Indonesia's legal frameworks are capable of ensuring financial accountability and preventing mismanagement of public funds.

Another key challenge is the uneven implementation of transparency initiatives across different levels of government. While digital governance tools have increased public access to financial information, their impact is often undermined by low financial literacy among the public and entrenched bureaucratic resistance (Holzhacker et al., 2015). Furthermore, political interference in fiscal decision-making continues to distort budget allocations, particularly in regional transfers, where funds are sometimes distributed based on political affiliations rather than objective socio-economic needs (Eckardt, 2008). These structural weaknesses indicate the need for a more adaptive legal framework that integrates stronger enforcement mechanisms, technological innovations, and enhanced public participation in financial governance.

Given these challenges, this paper seeks to assess the extent to which Indonesia's legal reforms in public financial management have succeeded in promoting accountability, transparency, and efficiency. By analyzing key legal provisions, institutional structures, and policy implementation gaps, this study aims to identify the barriers that hinder effective fiscal governance and propose recommendations for strengthening Indonesia's PFM system. In doing so, the paper contributes to the broader discourse on how legal and institutional reforms can drive sustainable economic development and improve public sector governance in emerging economies.

Problem Statement

Despite ongoing legal reforms, Indonesia continues to face significant challenges in achieving an accountable, transparent, and efficient public financial management (PFM) system. Budget misallocation, weak regulatory enforcement, and a lack of transparency undermine fiscal discipline and economic stability. While legal frameworks such as the Law on State Finance (Law No. 17/2003) and the Public Information Disclosure Law (Law No. 14/2008) have strengthened financial governance, their implementation remains inconsistent due to bureaucratic inefficiencies, political interference, and weak institutional oversight (Harun et al., 2015; Prabowo et al., 2017).

Accountability in public financial governance remains a persistent issue. BPK and internal inspectorates play a critical role in auditing government expenditures, yet enforcement mechanisms often focus on procedural compliance rather than substantive evaluations of fiscal performance (Mir & Sutiyono, 2013). Transparency initiatives, including e-Government systems, have improved public access to financial data but remain constrained by low financial literacy and entrenched corruption networks (Holzhacker et al., 2015).

Furthermore, inefficiencies in budget execution and resource allocation are exacerbated by rigid bureaucratic structures and outdated legal provisions. The adoption of digital financial tools, such as e-procurement and blockchain technology, offers potential solutions to enhance efficiency and prevent fraud (So et al., 2018; Rijal & Saranani, 2023). However, regulatory gaps and institutional resistance hinder their full adoption. This paper examines these challenges and explores legal and policy measures needed to strengthen Indonesia's PFM system, ensuring its alignment with sustainable development and economic resilience.

METHOD

The method section consists of description concerning the research design, research site and participants or documents, data collection, and data analysis with the proportion of 10-15% of the total article length. This study adopts a qualitative research approach, focusing on an in-depth analysis of Indonesia's legal frameworks, policy initiatives, and financial governance mechanisms. The research is based on secondary data sources, including legal documents such as laws, regulations, and government decrees related to public financial management; academic literature, including books and peer-reviewed journal articles on public finance law, economic governance, and fiscal policy; reports from relevant institutions that assess Indonesia's fiscal governance performance.

The research employs comparative and thematic analysis, examining Indonesia's legal frameworks in the context of global best practices. By analyzing existing laws and policies, the study aims to assess their effectiveness in promoting accountability, transparency, and efficiency in public financial management.

RESULTS AND DISCUSSION

1. Strengthening Accountability in Public Financial Management

Legal reforms in public financial management in Indonesia have become a key agenda in enhancing fiscal accountability, ensuring that public resources are managed efficiently, transparently, and responsibly. As emphasized by Brinkerhoff and Wetterberg (2013), public accountability in the financial sector is not merely about compliance with legal requirements but also about fostering a governance system that enables oversight, public participation, and the responsible allocation of resources. Law No. 17 of 2003 on State Finance introduced the concept of performance-based budgeting, which seeks to link government spending with measurable and concrete outcomes. In theory, this framework promotes greater efficiency by ensuring that expenditures are justified based on their impact rather than on bureaucratic discretion. However, in practice, its implementation has been fraught with challenges.

A study by Harun et al. (2015) highlights that many government institutions in Indonesia still face difficulties in applying accurate performance measurement due to weaknesses in monitoring and evaluation systems. While performance-based budgeting aims to enhance fiscal discipline and prevent inefficiencies, its effectiveness is contingent upon the existence of reliable data, a robust institutional framework, and strong political will. Unfortunately, many government agencies lack the technical expertise to develop and implement meaningful performance indicators, leading to discrepancies between planned and actual outcomes. Additionally, fragmented coordination between central and regional governments has further complicated the application of performance-based budgeting, as local governments often struggle to align their budget priorities with national policy objectives (Eckardt, 2008).

Moreover, despite the introduction of audit mechanisms and legal provisions to reinforce fiscal accountability, the enforcement of financial regulations remains inconsistent. BPK plays a crucial role in conducting financial audits, yet the follow-up on audit findings is often weak, with many cases of financial mismanagement left unaddressed due to institutional inertia and political interference (Akbar, 2011). This lack of enforcement creates a situation where financial irregularities persist, undermining public trust in the government's ability to manage resources effectively. Without strong consequences for non-compliance, legal reforms risk becoming symbolic rather than substantive in improving fiscal governance.

Addressing these challenges requires a multi-faceted approach. Strengthening the institutional capacity of public agencies, improving intergovernmental coordination, and enhancing financial literacy among civil servants are critical steps in ensuring the success of performance-based budgeting. Furthermore, integrating digital tools such as artificial intelligence and big data analytics into financial reporting systems could enhance real-time monitoring and minimize opportunities for inefficiency and corruption (Rijal & Saranani, 2023). These measures, however, must be accompanied by a cultural shift in bureaucratic practices—from a compliance-oriented mindset to one that prioritizes results and accountability. Only by combining legal frameworks with technological advancements and institutional reforms can Indonesia achieve a truly accountable and transparent public financial management system.

The role of external audit institutions, such as BPK, and internal oversight bodies, such as the Inspectorate General within various ministries, has been further strengthened through regulatory revisions that emphasize financial accountability and value for money in government spending (Mir & Sutiyono, 2013). These reforms reflect Indonesia's broader efforts to align its public financial management system with international best practices, ensuring that fiscal resources are not only allocated efficiently but also subject to rigorous scrutiny. By reinforcing the mandate of oversight institutions, policymakers have sought to create a governance ecosystem where financial decisions are systematically evaluated, and any irregularities are swiftly addressed. However, while these regulatory improvements mark significant progress, their effectiveness in practice remains limited due to deeply entrenched bureaucratic inefficiencies and systemic challenges.

One of the main obstacles to achieving meaningful accountability in Indonesia's public financial management system lies in its bureaucratic culture, which remains predominantly compliance-based rather than results-oriented. A study by Prabowo et al. (2017) underscores that many government agencies continue to focus on procedural adherence rather than the substantive outcomes of their financial decisions. This approach fosters a risk-averse culture in which public officials prioritize fulfilling regulatory requirements rather than innovating for greater efficiency and impact. As a result, financial accountability often becomes an exercise in ticking administrative checkboxes rather than a mechanism for ensuring optimal resource utilization. Without a fundamental shift in mindset—from merely following regulations to actively evaluating and improving fiscal performance—the true potential of accountability reforms will remain unrealized.

Moreover, while institutions such as BPK have been instrumental in identifying cases of financial mismanagement, the enforcement of audit findings remains inconsistent. Political interference, bureaucratic inertia, and inadequate legal follow-up mechanisms frequently hinder the implementation of corrective measures, allowing inefficiencies and irregularities to persist (Akbar, 2011). In many cases, audit reports highlight significant discrepancies in budget execution, yet the absence of a robust enforcement framework means that these findings do not always translate into tangible reforms. This lack of accountability perpetuates a culture of impunity, where financial mismanagement is often met with minimal consequences, further eroding public trust in government institutions. Strengthening legal enforcement mechanisms and enhancing inter-agency coordination will be crucial in ensuring that audit recommendations lead to meaningful corrective actions.

In response to these challenges, a more comprehensive strategy is needed to enhance accountability through transparent and technology-driven financial reporting system reforms. The integration of digital solutions, such as real-time financial monitoring platforms and blockchain-based audit trails, could significantly improve transparency and minimize opportunities for data manipulation (Rijal & Saranani, 2023). These technologies would enable automated tracking of financial transactions, reducing the reliance on manual reporting processes that are often susceptible to errors and corruption. Additionally, leveraging big data analytics could allow oversight bodies to identify spending patterns, detect anomalies, and predict potential risks more effectively. However, the adoption of such technologies must be accompanied by significant capacity-building efforts to ensure that public officials are equipped with the necessary skills to utilize these tools effectively.

2. Enhancing Transparency through Legal Reforms

Transparency is a fundamental pillar of public financial reform, widely recognized as a crucial mechanism for preventing corruption and ensuring efficient governance (Sabani et al., 2019). In Indonesia, the push for greater transparency in public financial management has gained significant momentum, driven by both domestic demands for improved governance and international commitments to fiscal openness. A series of policy interventions have been introduced to enhance budget transparency, including the adoption of e-government and e-procurement systems, which facilitate easier and quicker public access to financial information (Utama, 2020). These digital innovations represent a critical shift away from opaque, paper-based financial management practices that historically limited public scrutiny and accountability. By leveraging technology, policymakers aim to create an environment in which government spending is not only accessible but also comprehensible to the public, allowing for more informed discourse and oversight.

However, the impact of these transparency initiatives has not been uniform across different regions and government institutions. A study by Eckardt (2008) revealed that fiscal decentralization in Indonesia has had varied effects on financial transparency at the regional level. While some local governments have embraced transparency reforms, demonstrating significant improvements in budget disclosure and participatory governance, others continue to lag due to weak administrative capacity and limited public engagement in budget oversight. These disparities suggest that the success of transparency reforms is heavily dependent on local governance structures, institutional commitment, and the extent to which civil society is empowered to hold public officials accountable. Without a robust framework for ensuring uniform implementation, transparency efforts risk being selectively applied, creating pockets of good governance alongside regions where financial opacity persists.

One of the key challenges in strengthening transparency lies in the complexity of financial data and the ability of the general public to interpret and utilize such information effectively. While Indonesia has established open data platforms to enhance budget transparency, their impact remains constrained by the low level of financial literacy among citizens, as well as the highly technical nature of government financial reports (Holzhacker et al., 2015). Transparency, in its truest sense, is not merely about making financial data available but also about ensuring that this information is presented in a way that is accessible and meaningful to diverse stakeholders, including ordinary citizens, journalists, and civil society organizations. If the public cannot effectively analyze and act upon disclosed financial information, transparency efforts risk becoming performative rather than transformative. To bridge this gap, the government must invest in financial literacy programs and develop user-friendly platforms that translate complex budgetary data into more digestible formats.

Moreover, while the implementation of e-procurement has significantly reduced corruption risks in government contracting, the system still faces challenges, particularly resistance from entrenched interests that benefited from non-transparent procurement processes (So et al., 2018). The shift from manual to digital procurement aims to introduce greater objectivity and efficiency in public sector purchasing, reducing opportunities for bribery, favoritism, and cost inflation. However, the success of such initiatives depends on strict regulatory enforcement and continuous system improvements to close loopholes that could be exploited by corrupt actors. Resistance to transparency reforms often manifests not only through overt opposition but also through subtler forms of noncompliance, such as the selective disclosure of financial data or the manipulation of procurement criteria to maintain control over contracting decisions. Overcoming these challenges requires a firm political will, strong legal enforcement, and a cultural shift within the bureaucracy to embrace openness as a standard rather than an obligation.

The introduction of open data systems, as mandated by the Public Information Disclosure Law (Law No. 14/2008), represents a significant step forward in Indonesia's journey toward greater transparency in public financial management. By granting the public broader access to government financial reports, this legislation embodies the principle that citizens have the right to understand how public funds are allocated and spent. The shift toward open government data is rooted in the belief that transparency fosters trust, improves policy outcomes, and strengthens democratic accountability. Ideally, when financial information is readily available, civil society organizations, media, and the general public can scrutinize budget allocations, track expenditures, and expose irregularities that might otherwise go unnoticed. However, while this regulatory framework sets the foundation for fiscal openness, its real-world impact has been uneven, constrained by multiple structural and cultural factors that limit its effectiveness.

One of the most significant barriers to the full realization of financial transparency is the persistent gap in financial literacy across different segments of society. Research by Holzhacker et al. (2015) underscores that although government financial reports and budget data are now more accessible than ever, their complexity often makes them difficult for ordinary citizens to interpret and utilize meaningfully. For transparency measures to be impactful, they must go beyond the mere availability of financial information; they must ensure that this information is comprehensible, actionable, and effectively used by the public. In many cases, financial disclosures remain highly technical, filled with jargon and intricate budget classifications that are accessible only to experts in public finance. As a result, while data openness is formally achieved, the ability of citizens to hold the government accountable is still limited, as understanding complex budget documents requires a level of financial literacy that many do not possess. Addressing this challenge necessitates a parallel investment in public education initiatives that equip citizens with the skills to analyze, interpret, and critically assess government financial reports.

3. Improving Efficiency through Institutional and Legal Innovations

Efficiency in public financial management is not merely a technical aspiration but a fundamental necessity for ensuring that government expenditures translate into tangible benefits for society. In an era where fiscal constraints and growing public demands necessitate smarter governance, efficiency becomes a cornerstone of sustainable financial management. Legal reforms aimed at enhancing efficiency have been progressively introduced, with one of the most significant being the adoption of accrual-based accounting, as mandated by Government Regulation No. 71 of 2010. This shift represents a critical departure from traditional cash-based accounting, which often fails to provide a comprehensive picture of a government's financial position. Unlike cash accounting, which records transactions only when cash is received or paid, accrual accounting recognizes financial events as they occur, offering a more accurate reflection of government assets, liabilities, revenues, and expenditures. By capturing the long-term financial implications of public sector transactions, this method strengthens fiscal planning and ensures that government decision-makers operate with a clearer understanding of financial sustainability (Harun et al., 2012).

Despite the theoretical advantages of accrual accounting, its implementation in Indonesia has encountered considerable challenges. A study by Suparman et al. (2015) highlights that transitioning from a cash-based to an accrual-based system requires not only regulatory changes but also a fundamental transformation in bureaucratic practices and financial management culture. Many government institutions struggle with the complexities of accrual accounting due to limited technical expertise, inadequate financial reporting systems, and insufficient training for public sector accountants. Furthermore, technological infrastructure disparities across regions exacerbate implementation difficulties, with some local governments lacking the necessary digital tools to fully integrate the new accounting framework. Without comprehensive capacity-building initiatives and continued investment in digital financial systems, the full benefits of accrual accounting may remain unrealized, leading to inconsistencies in financial reporting and reduced effectiveness in fiscal decision-making.

Beyond accounting reforms, efficiency improvements in public financial management have also been pursued through strategic changes in civil service remuneration and performance-based compensation. Historically, the Indonesian public sector has faced persistent challenges related to inefficiencies in human resource management, where salary structures were often determined by rigid bureaucratic hierarchies rather than actual job performance. Recognizing this issue, the government has undertaken significant reforms to align remuneration policies with measurable performance indicators, ensuring that financial incentives are tied to productivity and service quality. According to Labolo and Indrayani (2017), the introduction of performance-based remuneration systems has helped mitigate inefficiencies in budget allocation by linking financial rewards to individual and institutional achievements. This shift not only fosters a culture of accountability within the public sector but also discourages wasteful spending by ensuring that resources are allocated based on merit rather than seniority or tenure.

However, despite these advancements, inefficiencies persist in key areas of public financial management, particularly in procurement and project execution. Government procurement processes have historically been plagued by bureaucratic bottlenecks, procedural delays, and cost overruns that significantly undermine fiscal efficiency. A study by Harun et al. (2019) found that inefficiencies in public procurement often stem from excessive regulatory complexity, where multi-layered approval mechanisms slow down project implementation and inflate administrative costs. These inefficiencies are further compounded by corruption risks, where opaque bidding processes and discretionary decision-making create opportunities for rent-seeking behavior and financial mismanagement. While Indonesia has made strides in improving procurement practices—most notably through the adoption of electronic procurement (e-procurement) systems—implementation gaps remain, with some agencies still reliant on manual procedures that lack transparency and accountability.

To address these inefficiencies, Indonesia must embrace a more holistic approach to public financial management reforms, integrating digital workflow systems that streamline administrative processes and reduce unnecessary bureaucratic hurdles. The adoption of automation in budget execution, expenditure tracking, and procurement approvals can significantly enhance efficiency by minimizing human intervention in routine financial operations. By leveraging artificial intelligence (AI) and data analytics, government agencies can also improve predictive budgeting, ensuring that financial resources are allocated based on real-time fiscal needs rather than outdated estimations. Research by Maulana et al. (2024) suggests that AI-driven financial management systems have the potential to revolutionize public sector efficiency by identifying spending inefficiencies, detecting financial irregularities, and optimizing budget allocations based on empirical data. However, for these technologies to be effectively integrated into Indonesia's financial governance framework, regulatory adaptation is crucial. The legal environment must evolve to accommodate digital transformation, ensuring that automated financial systems operate within a framework of accountability and public oversight.

4. The Role of Digital Transformation in Strengthening PFM Reforms

The digital transformation of public financial management has increasingly become a cornerstone of broader legal and institutional reforms, aimed at fostering greater accountability, transparency, and efficiency in the management of public funds. As governments worldwide grapple with issues of fiscal mismanagement, fraud, and corruption, the potential of emerging technologies to revolutionize financial governance has gained considerable attention. Indonesia, like many other nations, has recognized the need to integrate advanced digital tools into its financial management systems, with blockchain technology emerging as one of the most promising innovations in this regard. The adoption of blockchain has been explored as a means to enhance the integrity of public financial systems, particularly by creating a tamper-proof ledger for financial transactions that ensures real-time tracking, verifiability, and security (Rijal & Saranani, 2023). By eliminating the possibility of retroactive data manipulation, blockchain technology presents an opportunity to minimize irregularities in budget execution and strengthen trust in government financial disclosures.

The advantages of blockchain in public finance management go beyond its ability to secure transactions. Its decentralized nature ensures that financial records are not controlled by a single entity, reducing the risks of bureaucratic interference and unauthorized alterations. In the Indonesian context, where concerns over budget misallocation and opaque financial reporting remain prevalent, blockchain could serve as a transformative mechanism to address long-standing governance challenges. Research has shown that blockchain applications in public finance have the potential to automate budget tracking, streamline audit processes, and provide stakeholders—including civil society organizations and watchdog institutions—with real-time access to expenditure data, thus reinforcing public oversight and deterring corruption (Rijal & Saranani, 2023). However, despite these potential benefits, the practical implementation of blockchain in Indonesia's financial governance has yet to reach a fully operational stage. The country faces substantial hurdles, including regulatory uncertainty, technological readiness, and institutional inertia, all of which impede the widespread adoption of this innovation.

The emergence of smart governance, driven by the integration of big data and artificial intelligence (AI), represents a transformative shift in the way public financial management is conducted in Indonesia. As fiscal management becomes increasingly complex, governments are seeking innovative solutions to enhance efficiency, transparency, and accountability. The ability of big data analytics to process vast amounts of financial information in real time has created unprecedented opportunities for policymakers to detect budget inefficiencies, identify financial irregularities, and make data-driven decisions with greater precision. Research by Maulana et al. (2024) highlights that AI-driven analytics in budget oversight has significantly improved the government's ability to detect misallocations and fraudulent activities, ensuring that public funds are managed more responsibly. Unlike traditional audit and oversight mechanisms that often rely on manual processes and periodic reporting, AI systems can continuously monitor financial transactions, flagging anomalies that require immediate intervention.

Despite its potential to revolutionize fiscal governance, the adoption of smart governance tools in Indonesia remains constrained by a range of structural and institutional challenges. One of the most pressing issues is the absence of a robust legal framework that governs the use of AI and big data in public financial management. Existing regulations were primarily designed for conventional financial reporting and oversight mechanisms, making them ill-equipped to address the complexities of AI-driven fiscal governance. Without clear legal guidelines, government institutions face significant uncertainty regarding the permissible scope of AI applications in financial monitoring, as well as the ethical and privacy considerations that come with handling large-scale financial data. The lack of explicit regulations has led to fragmented adoption, where only certain government agencies with the technical capacity to experiment with AI are able to leverage its benefits, while others remain reliant on traditional, less efficient oversight mechanisms. Addressing this regulatory gap is crucial to ensuring that AI-driven financial oversight is implemented in a way that is both effective and compliant with broader governance principles.

Beyond regulatory barriers, another fundamental challenge is the disparity in digital infrastructure across different regions of Indonesia. While major urban centers such as Jakarta, Surabaya, and Bandung have made significant strides in digital transformation, many rural and underdeveloped areas still lack the necessary technological infrastructure to support AI-driven financial oversight. Limited access to high-speed internet, outdated computer systems, and inadequate data storage facilities pose significant obstacles to the widespread adoption of smart governance tools. This digital divide not only hampers the equitable implementation of AI-driven financial management but also risks exacerbating existing inefficiencies in regional budget governance. If left unaddressed, the uneven distribution of digital infrastructure could create a two-tiered system in which only well-resourced government agencies benefit from the advantages of smart governance, while others continue to struggle with outdated financial oversight mechanisms.

CONCLUSION

Legal reforms in public financial management in Indonesia have become a key pillar in strengthening good governance. Through various policies emphasizing accountability, transparency, and efficiency, these reforms aim to build a more credible and results-oriented national financial system. The State Finance Law and its derivative regulations have provided a clearer foundation for budget management, ensuring that every rupiah spent is accountable and delivers maximum benefits to society. However, challenges in implementation remain a major obstacle, particularly in oversight, law enforcement, and bureaucratic readiness to adopt more transparent and efficient mechanisms.

Accountability in public financial management has been reinforced through various legal instruments that ensure government budget management is conducted responsibly and adheres to the principle of *value for money*. The enhanced role of the Supreme Audit Board (BPK), the Inspectorate General, and the Corruption Eradication Commission (Komisi Pemberantasan Korupsi or KPK) in overseeing financial transparency has led to improvements in auditing and financial reporting systems. However, structural constraints—such as a compliance culture that remains administrative rather than substantive, as well as challenges in implementing a *performance-based budgeting* system—continue to hinder the optimization of public accountability. Therefore, further reforms are needed, not only focusing on regulations but also on transforming bureaucratic paradigms toward *result-oriented governance*.

Transparency in public finance has also seen significant progress with the implementation of open data policies, e-government systems, and the digitalization of budgeting and procurement processes. The introduction of *e-budgeting* and *e-procurement* systems has helped reduce corruption risks and increase efficiency in resource allocation. However, the effectiveness of these policies still depends on digital literacy among government officials and the public, as well as the readiness of technological infrastructure across different regions. Case studies from various countries indicate that high levels of transparency can be achieved by encouraging public participation in budgeting processes and social audits. Therefore, Indonesia needs to strengthen public engagement mechanisms in financial oversight, whether through technology-based systems or more inclusive policy approaches.

Meanwhile, efficiency in state financial management has been improved through various regulatory innovations, including the adoption of accrual-based accounting and reforms in the civil servant remuneration system. These policies aim to ensure that budget allocations are based on more accurate analyses and better reflect actual fiscal conditions. Nevertheless, their effectiveness still faces challenges, particularly regarding bureaucratic capacity to adopt new systems and resistance to change from actors who have benefited from less transparent systems. Efficiency reforms must also be supported by broader digital transformation strategies, including the implementation of blockchain technology and big data analytics to enhance budget reliability and accuracy.

Based on the analysis conducted, it can be concluded that legal reforms in public financial management in Indonesia have had a positive impact in building a more accountable, transparent, and efficient system. However, implementation challenges require serious attention, particularly in institutional aspects, human resource preparedness, and adaptation to technological advancements. Therefore, these reforms must continue to evolve with a more strategic approach, emphasizing collaboration between the government, private sector, and civil society. With stronger regulations, stricter oversight mechanisms, and the adoption of more innovative technologies, Indonesia can achieve a more modern, effective, and sustainable public financial system in the future.

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