Journal of Economic Growth and Development Review

Vol 3(2) September 2026
https://jegar.professorline.com/index.php/journal/Home

Fiscal Transparency and Public Financial Management as Drivers of Economic Development: A Perspective from Indonesia's Ministry of Finance Financial Reports

Marsa[1*], Sri Alfika Nur[2], Siti Nur Avira[3]

[1,2,3]Global Scholarly Research Institute, Indonesia
*Correspondence author: marsa11@gmail.com

Abstract

Fiscal transparency and effective public financial management are increasingly recognized as fundamental components of sustainable economic development. While government financial reports are commonly viewed as instruments of accountability and regulatory compliance, their broader contribution to economic governance remains relatively underexplored. This perspective article examines how fiscal transparency and public financial management contribute to economic development through improved information availability, efficient resource allocation, strengthened fiscal credibility, and enhanced public trust. Using the 2023–2024 financial reports of Indonesia's Ministry of Finance as an illustrative case, the study analyzes selected financial indicators, including budget realization, assets, liabilities, revenues, and institutional financial performance. The findings indicate positive developments in fiscal management, reflected by a 12.57% increase in budget realization, 8.25% growth in total assets, and 20.66% growth in total revenues between 2023 and 2024. These trends suggest strengthening institutional capacity and improved effectiveness in public financial management. Beyond their accounting function, government financial reports serve as governance infrastructure that reduces information asymmetry, supports evidence-based decision-making, and enhances accountability. This article argues that public financial management should be viewed not merely as an administrative process but as a strategic driver of economic development. Strengthening fiscal transparency through digital transformation, integrated financial information systems, and performance-based budgeting can further improve development effectiveness, fiscal sustainability, and long-term economic resilience.

Keywords: Fiscal Transparency, Public Financial Management, Economic Development, Fiscal Governance, Public Accountability, Fiscal Sustainability

1. Introduction

Economic development is closely linked to the government's ability to mobilize, allocate, and manage public financial resources effectively [9], [10]. In modern economies, fiscal governance has become an essential component of development policy because government spending influences infrastructure development, public services, social welfare, and long-term economic growth. Consequently, the quality of public financial management plays a significant role in determining the effectiveness of development programs and the sustainability of fiscal performance [10], [11].

International development institutions increasingly recognize fiscal transparency and public financial management as critical pillars of economic governance [4], [5], [7]. Transparent financial reporting enhances accountability, improves resource allocation, reduces information asymmetry, and strengthens public confidence in government institutions [4], [12], [13]. Effective public financial management also contributes to fiscal discipline, enabling governments to achieve development objectives while maintaining financial sustainability [5], [7].

Traditionally, government financial reports have been viewed primarily as administrative and accounting documents designed to fulfill regulatory and accountability requirements [15]. However, this perspective may underestimate their broader contribution to economic development [9], [19]. Financial reports provide valuable information regarding budget implementation, asset management, institutional performance, and fiscal capacity. As such, they serve not only as accountability instruments but also as strategic tools for economic governance and policy evaluation [4], [12].

The Ministry of Finance of Indonesia plays a central role in managing public finances and ensuring fiscal stability [1]–[3]. Through its annual financial reports, the Ministry provides comprehensive information regarding budget realization, revenues, assets, liabilities, and institutional performance. These reports offer important evidence of how fiscal resources are managed and how financial governance contributes to broader economic development objectives.

2. Public Financial Management as Economic Infrastructure

Economic development is commonly associated with physical infrastructure such as transportation networks, energy systems, telecommunications, and industrial facilities [10], [11]. These assets facilitate economic activities by reducing transaction costs and increasing productivity. However, modern development theories increasingly recognize that institutional infrastructure is equally important in supporting sustainable economic growth [9], [19]. Among these institutional components, public financial management (PFM) plays a central role in ensuring that public resources are allocated and utilized effectively.

Public financial management encompasses a broad range of fiscal activities, including budget planning, expenditure management, accounting, financial reporting, auditing, and fiscal oversight [7], [15], [19]. These mechanisms collectively determine how government resources are transformed into public services and development outcomes. Effective financial management allows governments to prioritize spending, maintain fiscal discipline, and respond to changing economic conditions.

From an economic perspective, public financial management can be viewed as a form of governance infrastructure [9], [10]. Similar to physical infrastructure, it creates enabling conditions for economic activity by improving transparency, strengthening accountability, and reducing inefficiencies in resource allocation [4], [5], [12]. A well-functioning financial management system helps ensure that public expenditures generate maximum economic and social returns while minimizing waste and mismanagement.

The importance of public financial management has become increasingly evident in developing countries where fiscal resources are often limited and development needs remain substantial. Under such conditions, the effectiveness of public spending may be as important as the amount of spending itself. Consequently, improvements in fiscal governance can contribute significantly to economic development by enhancing institutional performance and strengthening public trust [10], [13].

2.1 Reducing Information Asymmetry

Information asymmetry occurs when one party possesses more information than another, creating inefficiencies in decision-making and resource allocation [4], [6]. In the public sector, government institutions generally have greater access to fiscal information than citizens, businesses, investors, and other stakeholders. Without transparent reporting mechanisms, stakeholders may face difficulties in assessing government performance and evaluating the effectiveness of public spending.

Fiscal transparency helps reduce this information gap by providing timely, accurate, and accessible financial information [4], [5]. Government financial reports disclose data on revenues, expenditures, assets, liabilities, and budget realization, enabling stakeholders to understand how public resources are managed [15]. This transparency improves accountability and reduces uncertainty regarding fiscal performance.

Financial reporting also supports evidence-based policymaking. Policymakers can utilize financial information to identify inefficiencies, monitor program implementation, and evaluate fiscal outcomes [7], [13], [19]. Similarly, investors and development partners may use publicly available financial information to assess institutional credibility and governance quality.

By reducing information asymmetry, transparent financial reporting contributes to more efficient economic decision-making. Citizens become better informed about public resource utilization, while policymakers gain stronger analytical foundations for fiscal planning. Consequently, fiscal transparency serves as an important institutional mechanism that supports economic governance and development [4], [10].

2.2 Enhancing Resource Allocation Efficiency

One of the primary objectives of public financial management is to ensure that scarce public resources are allocated efficiently [7], [12]. Governments face competing demands for funding across sectors such as education, healthcare, infrastructure, social protection, and public administration. Effective financial management helps prioritize expenditures and align fiscal resources with development objectives.

Financial reporting provides essential information for evaluating expenditure performance. By comparing budget allocations with actual realizations, policymakers can identify implementation gaps and assess the effectiveness of spending programs [5], [7]. This process facilitates continuous improvement in fiscal management and supports more informed decision-making.

Efficient resource allocation also contributes to higher economic returns from public spending. When fiscal resources are directed toward productive sectors and implemented effectively, governments can generate greater economic and social benefits without necessarily increasing overall expenditure levels [9], [10]. This is particularly important in developing countries where fiscal constraints often limit development spending.

Furthermore, transparent expenditure management reduces the risk of inefficiency, duplication, and resource leakage [4], [7], [16]. By strengthening monitoring and evaluation mechanisms, financial reporting supports accountability and encourages better utilization of public resources. As a result, public financial management becomes an important driver of economic efficiency and development effectiveness.

2.3 Strengthening Fiscal Credibility and Public Trust

Fiscal credibility refers to the degree to which government fiscal policies and financial management practices are perceived as reliable, consistent, and sustainable [4], [12]. Credibility is a critical component of economic governance because it influences stakeholder confidence in public institutions and fiscal policies.

Transparent financial reporting enhances fiscal credibility by demonstrating accountability and responsible resource management [5], [13], [15]. Consistent disclosure of financial information allows stakeholders to evaluate fiscal performance and assess whether government institutions are achieving their stated objectives. This transparency strengthens confidence in public sector governance and reduces uncertainty regarding fiscal sustainability.

Public trust has significant economic implications. Higher levels of trust can improve tax compliance, encourage investment, and facilitate the implementation of government programs [10], [14]. Conversely, weak fiscal transparency may reduce confidence in public institutions and undermine policy effectiveness.

In the long term, fiscal credibility contributes to economic resilience by supporting stable fiscal conditions and improving policy consistency. Governments with strong financial governance are generally better positioned to manage economic shocks, attract investment, and maintain sustainable development trajectories [9], [11], [19].

3. Evidence from Indonesia's Ministry of Finance Financial Reports

The financial reports of Indonesia's Ministry of Finance provide important evidence regarding the role of fiscal transparency and public financial management in supporting institutional effectiveness and economic governance [1]–[3]. Financial performance indicators reveal how public resources are managed, allocated, and monitored to achieve development objectives. Beyond their accounting function, these indicators offer insights into fiscal capacity, financial sustainability, and institutional accountability.

Table 1 presents selected financial performance indicators derived from the Ministry of Finance Financial Reports for 2023 and 2024 [1], [2]. The data indicate positive growth in budget realization, assets, and revenues, suggesting improvements in institutional performance and fiscal management capacity. At the same time, the increase in liabilities and decline in non-tax state revenues highlight areas that require continued policy attention.

Table 1. Selected Financial Performance Indicators of the Ministry of Finance, 2023–2024

Indicator	2023	2024	Growth / Change (%)
Budget Allocation	–	Rp40.09 trillion	–
Budget Realization	Rp32.83 trillion	Rp36.96 trillion	12.57%
Budget Realization Ratio	–	92.21%	–
Total Assets	Rp178.75 trillion	Rp193.50 trillion	8.25%
Total Liabilities	Rp139.57 trillion	Rp154.58 trillion	10.76%
Total Equity	Rp39.18 trillion	Rp38.92 trillion	-0.67%
Non-Tax State Revenue (PNBP)	Rp47.18 billion	Rp36.46 billion	-22.72%
Total Revenue	Rp9.38 trillion	Rp11.32 trillion	20.66%

The increase in budget realization from Rp32.83 trillion in 2023 to Rp36.96 trillion in 2024 indicates stronger implementation of government programs and more effective utilization of fiscal resources [1], [2]. Furthermore, the budget realization ratio of 92.21% demonstrates a relatively high level of expenditure execution efficiency.

The growth in total assets from Rp178.75 trillion to Rp193.50 trillion suggests continued strengthening of institutional resources and operational capacity [1], [2]. Although liabilities also increased by 10.76%, the overall asset growth indicates expansion of the Ministry's financial and administrative capabilities.

Another notable finding is the increase in total revenue by 20.66%, reflecting improved fiscal performance and resource mobilization [1], [2]. However, the decline in non-tax state revenue (PNBP) suggests the need to evaluate revenue diversification strategies and strengthen institutional mechanisms for generating sustainable public revenues.

Overall, the financial indicators demonstrate that transparent financial management contributes not only to accountability but also to broader economic governance and development objectives.

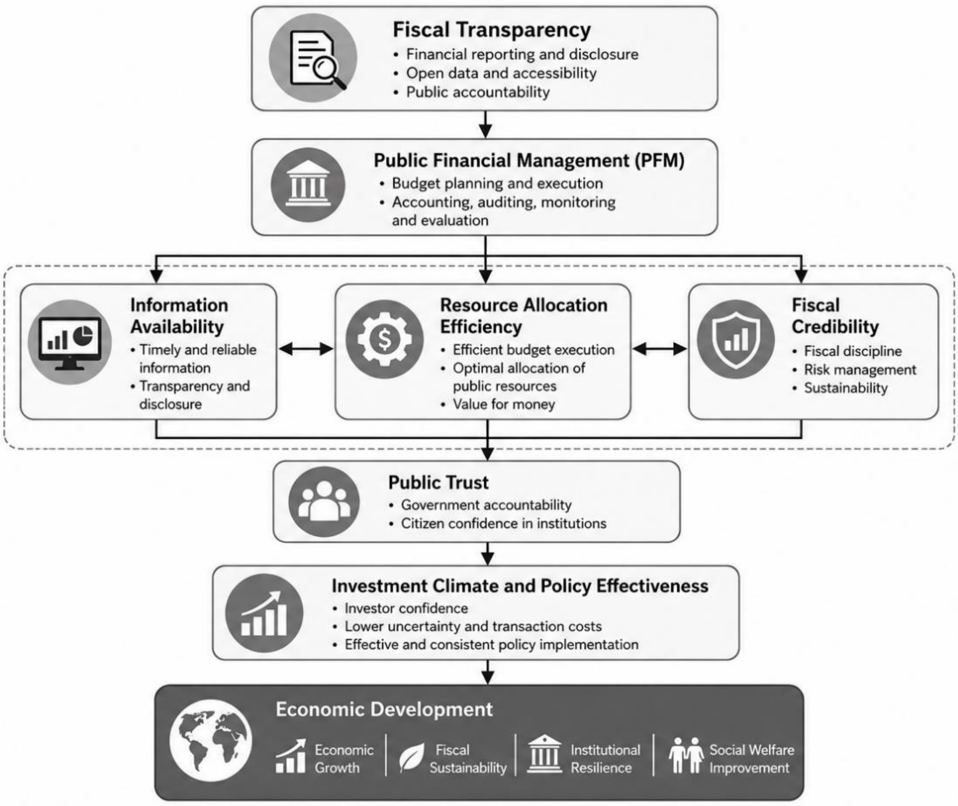

Figure 1. Conceptual Framework of Fiscal Transparency and Economic Development

The conceptual framework illustrates how fiscal transparency contributes to economic development through multiple governance mechanisms. Transparent financial reporting improves information availability and accountability, which in turn supports efficient resource allocation and strengthens fiscal credibility. Improved credibility enhances public trust and investor confidence, ultimately contributing to sustainable economic development.

Table 2. Economic Interpretation of Financial Performance Indicators

Financial Indicator	Economic Interpretation	Development Implication
Budget Allocation	Government fiscal commitment	Supports development priorities and public service delivery
Budget Realization	Efficiency of budget execution	Reflects institutional capacity and implementation effectiveness

Budget Realization Ratio	Spending effectiveness	Indicates the ability to transform plans into outcomes
Total Assets	Institutional resource capacity	Supports long-term operational sustainability
Total Liabilities	Fiscal obligations and financial risk	Influences fiscal sustainability and risk management
Total Equity	Financial strength and stability	Reflects institutional resilience and long-term viability
Total Revenue	Resource mobilization capacity	Supports fiscal independence and development financing
Non-Tax State Revenue (PNBP)	Revenue diversification	Reduces dependence on central budget allocations
Audit Opinion	Accountability and transparency	Strengthens public trust and institutional credibility

The indicators presented in Table 2 demonstrate that government financial reports provide more than accounting information. Each indicator reflects an aspect of fiscal governance that influences economic performance, institutional effectiveness, and development outcomes. Consequently, public financial management should be understood not only as a financial control mechanism but also as a strategic component of economic governance.

Additional Discussion after Table 1

The financial indicators presented in Table 1 reveal several important economic insights. First, the increase in budget realization by 12.57% indicates improved implementation capacity and stronger utilization of public resources. High budget execution rates are often associated with more effective delivery of government programs and development initiatives.

Second, the growth in total assets by 8.25% suggests continued strengthening of institutional capacity. Asset accumulation may reflect investments in infrastructure, technology, and administrative resources that support the Ministry's operational effectiveness. Such improvements can contribute to better public service delivery and stronger fiscal governance.

Third, while liabilities increased by 10.76%, total assets remained significantly higher than liabilities, indicating relatively stable financial conditions. Nevertheless, continued monitoring of liabilities remains important to ensure long-term fiscal sustainability and effective risk management.

Finally, the increase in total revenue by 20.66% demonstrates improved fiscal resource mobilization. Although non-tax state revenue declined during the same period, overall revenue growth suggests that the Ministry continues to strengthen its financial management capacity. These findings support the argument that transparent financial management contributes not only to accountability but also to broader economic development objectives.

4. Economic Implications of Fiscal Transparency

Fiscal transparency enhances government efficiency by improving monitoring, evaluation, and accountability processes [4], [7], [12]. Financial reports provide information regarding budget execution, expenditure performance, and resource utilization, enabling decision-makers to identify inefficiencies and implement corrective actions.

Sustainable economic development requires effective management of public resources over the long term [10], [11]. Fiscal transparency contributes to sustainability by promoting accountability, reducing waste, and strengthening fiscal discipline [4], [5].

Investors and businesses rely on transparent governance systems when making economic decisions [10], [14]. Fiscal transparency provides information regarding government performance, fiscal sustainability, and policy consistency, all of which influence investment confidence [4], [13].

Transparent financial reporting supports sustainability by enabling early identification of fiscal risks and improving decision-making regarding public expenditures and liabilities [5], [7], [19].

5. Policy Challenges and Future Directions

Despite the positive financial performance demonstrated by Indonesia's Ministry of Finance, several challenges remain in strengthening fiscal transparency and public financial management [1], [2]. As governments operate in increasingly complex economic environments, financial management systems must continuously adapt to evolving fiscal demands, technological developments, and stakeholder expectations.

One of the primary challenges is maintaining high levels of fiscal transparency while managing increasingly large and complex financial information [4], [5], [13]. Government institutions generate substantial volumes of financial data, making it essential to develop reporting systems that are not only accurate but also accessible and understandable to various stakeholders.

Another important challenge relates to the digital transformation of public financial management [18]. Future public financial management systems should move beyond transaction recording toward supporting predictive analysis, risk management, and evidence-based policymaking [18], [19].

Institutional capacity also remains a critical factor in ensuring effective financial governance [7], [15]. Public financial management depends not only on technology but also on the competence of human resources responsible for budgeting, accounting, auditing, monitoring, and evaluation.

Looking forward, future policy initiatives should focus on strengthening fiscal transparency, expanding integrated digital financial management systems, enhancing performance-based budgeting, improving inter-agency coordination, and promoting data-driven policy evaluation [12], [13], [18].

6. Conclusions

Fiscal transparency and public financial management should be recognized as strategic drivers of economic development rather than merely administrative or accounting functions [4], [5], [9]. Government financial reports provide more than information on revenues, expenditures, assets, and liabilities; they also serve as institutional mechanisms that promote accountability, transparency, and effective governance.

By reducing information asymmetry, supporting efficient resource allocation, and strengthening fiscal credibility, transparent financial reporting generates economic value that extends beyond accountability requirements [4], [7], [12]. Public financial management enhances the effectiveness of government spending and improves the utilization of limited public resources.

Evidence from Indonesia's Ministry of Finance financial reports demonstrates positive developments in several key financial indicators during 2023–2024 [1], [2]. Budget realization increased by 12.57%, total assets grew by 8.25%, and total revenues rose by 20.66%, reflecting improvements in fiscal management capacity and institutional performance.

The findings also indicate that government financial reports should be viewed as a form of governance infrastructure. Similar to physical infrastructure, fiscal transparency creates enabling conditions for economic activity by strengthening institutional quality, improving decision-making processes, and enhancing stakeholder confidence.

As governments face increasingly complex economic and fiscal challenges, strengthening public financial management remains essential for achieving sustainable development goals. Investments in financial management systems, reporting quality, fiscal transparency, and digital governance can generate significant economic benefits and contribute to long-term inclusive economic growth [10], [11], [18], [19].

References

[1] Kementerian Keuangan Republik Indonesia, *Laporan Keuangan Kementerian Keuangan Tahun Anggaran 2024 Audited*. Jakarta, Indonesia: Kementerian Keuangan, 2025.

[2] Kementerian Keuangan Republik Indonesia, *Laporan Keuangan Kementerian Keuangan Tahun Anggaran 2023 Audited*. Jakarta, Indonesia: Kementerian Keuangan, 2024.

[3] Kementerian Keuangan Republik Indonesia, “Laporan Keuangan Kemenkeu,” 2026.

[4] International Monetary Fund, *Fiscal Transparency Code*. Washington, DC: IMF, 2019.

[5] International Monetary Fund, *Fiscal Transparency Handbook*. Washington, DC: IMF, 2018.

[6] International Monetary Fund, *Manual on Fiscal Transparency*. Washington, DC: IMF, 2007.

[7] PEFA Secretariat, *Public Expenditure and Financial Accountability Framework for Assessing Public Financial Management*. Washington, DC: PEFA, 2016.

[8] PEFA Secretariat, *Guidance on Public Financial Management Performance Measurement Framework*. Washington, DC: PEFA, 2020.

[9] World Bank, *Public Financial Management and Accountability in an Integrated Fiduciary Assessment*. Washington, DC: World Bank, 2010.

[10] World Bank, *World Development Report 2017: Governance and the Law*. Washington, DC: World Bank, 2017.

[11] World Bank, *World Development Report 2022: Finance for an Equitable Recovery*. Washington, DC: World Bank, 2022.

[12] OECD, *Recommendation of the Council on Budgetary Governance*. Paris, France: OECD Publishing, 2015.

[13] OECD, *Government at a Glance 2023*. Paris, France: OECD Publishing, 2023.

[14] OECD, *Public Governance for Trust and Growth*. Paris, France: OECD Publishing, 2021.

[15] International Public Sector Accounting Standards Board, *Handbook of International Public Sector Accounting Pronouncements*. New York, NY: IFAC, 2024.

[16] INTOSAI, *The Lima Declaration of Guidelines on Auditing Precepts*. Vienna, Austria: International Organization of Supreme Audit Institutions, 1977.

[17] INTOSAI, *The Mexico Declaration on SAI Independence*. Vienna, Austria: International Organization of Supreme Audit Institutions, 2007.

[18] United Nations, *E-Government Survey 2022: The Future of Digital Government*. New York, NY: United Nations, 2022.

[19] M. Cangiano, T. Curristine, and M. Lazare, Eds., *Public Financial Management and Its Emerging Architecture*. Washington, DC: International Monetary Fund, 2013.

[20] A. Schick, "Why most developing countries should not try New Zealand reforms," *The World Bank Research Observer*, vol. 13, no. 1, pp. 123–131, 1998.