



Managing State Finances Amid Globalization; Challenges And Opportunities

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Abstract

The increasing complexity and dependency of the global financial system are among the impacts of globalization on Indonesia's financial management. Globalization is often associated with the economy, politics, and society globally. This phenomenon indicates an increasing interconnectedness between countries worldwide. As a result, globalization creates broader impacts, influencing nearly every aspect of human life at the local, national, and global levels. The approach used in this study is qualitative with a literature review method. The results show that state financial management must be carried out in an orderly manner, in compliance with laws and regulations, and executed with high efficiency, economy, and effectiveness. Human resource competence becomes a critical element of achieving optimal state financial management. Globalization, a complex phenomenon involving economic, political, social, and cultural integration worldwide, is a process that accelerates interactions and exchanges between individuals, companies, governments, and institutions across different parts of the world. Globalization has become a significant factor influencing the regulation of state financial management. In the era of globalization, Indonesia faces unique challenges and opportunities in managing its finances. Some affected aspects include economic dependency due to Indonesia's increasing global connectivity through international trade, foreign investment, and capital flows. This affects state revenue and fiscal policy, as global economic fluctuations can impact tax revenue, commodity prices, and domestic financial market conditions.

Keywords: *challenges, finance, globalization. management, opportunities*

A. Introduction

The Unitary State of the Republic of Indonesia has a primary objective, as stated in the fourth paragraph of the 1945 Constitution, namely to protect all the people and territory of Indonesia, to promote public welfare, to educate the nation's life, and to play a role in maintaining world order based on freedom, lasting peace, and social justice. Based on these objectives, the state has a great and noble responsibility.¹ First, the state is obligated to protect and ensure its citizens' security, comfort, and peace by providing optimal protection in their daily activities. Second, the state is also obligated to guarantee the welfare of its citizens by meeting their needs and continuously striving to improve their standard of living.

Third, the state must educate its citizens by providing adequate and proper education. Fourth, the state must maintain world order so society can carry out daily activities in a comfortable and conducive environment. Overall, the state is required to enhance the welfare of its people so they can live comfortably, safely, and peacefully. Infrastructure, facilities, and various other supporting elements are needed to achieve these objectives. *State finance* is a crucial element that the government can utilize to achieve these goals.

¹ Romli Atmasasmita, "Tiga Paradigma Hukum Dalam Pembangunan Nasional," *Jurnal Hukum PRIORIS* 3, no. 1 (2016), <https://doi.org/10.25105/prio.v3i1.354>.



Based on the provisions of Law No. 17 of 2003 on State Finance and Law No. 1 of 2004 on State Treasury, significant changes related to state finances and assets have been outlined. These laws reflect the spirit of reforming the management of state finances and assets based on the values of good and clean governance. Principles such as transparency, accountability, participation, and professionalism are expected to drive efficiency and effectiveness in their management, thereby contributing to the welfare of the people and the state of Indonesia.²

Good governance and clean governance,³ including transparency and fiscal accountability, are critical factors in maintaining the integrity of the Unitary State of the Republic of Indonesia (NKRI), which demographically consists of 726 ethnic groups with 116 local languages, six types of religions, around 16,000 large and small islands, and a population of over 230 million people. Transparency and fiscal accountability⁴ are expected to reduce potential sources of conflict based on ethnicity, religion, race, and intergroup (SARA) issues, as well as mutual distrust between the central government and local governments and among local governments themselves. Ultimately, any conflicts that arise could impact neighboring countries and, on a global scale, influence international policy.

Globalization is often associated with the economy, politics, and society worldwide.⁵ This phenomenon indicates an increasingly close relationship between countries worldwide, where goods, services, capital, and labor flow has become faster and more fluid. Although often linked to technological advancements and economic liberalization, globalization has broader impacts and influences nearly every aspect of human life at the local, national, and global levels.

Despite the impact of globalization, Indonesia remains one of the largest developing countries in the world. Economic policies that support trade and investment liberalization have been integrated into Indonesia's national development strategy since the early 1980s.⁶ This effort aims to strengthen Indonesia's economic ties with global markets and expand its

² Efendi Sugianto, "Sumber Pendapatan Negara Menurut Cendekiawan Muslim Imam Al-Mawardi," *STUDIA: Jurnal Hasil Penelitian Mahasiswa* 5, no. 2 (2020).

³ Lina Marlani, "Penerapan Nilai-Nilai Etika Bagi Birokrasi Pemerintah Dalam Mewujudkan Good Governance Dan Clean Government," *Jurnal Ilmiah Administrasi Negara* Vol 4, No (2017).

⁴ Anggit Sulistiawan, Budi Ispriyarso, and Aprista Ristyawati, "Bentuk Dan Mekanisme Perencanaan Keuangan Daerah Yang Partisipatif Guna Mewujudkan Akuntabilitas Publik," *Jurnal Pembangunan Hukum Indonesia* 1, no. 2 (2019), <https://doi.org/10.14710/jphi.v1i2.146-157>.

⁵ M.H. Dr. Zulfi Diane Zaini, S.H., "Kedudukan Hukum Ekonomi Indonesia Dalam Perspektif Globalisasi Perdagangan," *Buletin Hukum Kebanksentralan* 12, no. 1 (2015).

⁶ Nabila Prahaski and Hendra Ibrahim, "Kebijakan Perdagangan Internasional Terhadap Pertumbuhan Ekonomi Negara Berkembang," *Jurnal Minjo Polgan* 12, no. 2 (2023), <https://doi.org/10.33395/jmp.v12i2.13292>.



access to international financial and technological resources. Globalization influences many aspects, including how a country manages its finances. Planning, budgeting, and public fund expenditure are crucial to maintaining economic stability and supporting sustainable development. However, state financial management faces various challenges and opportunities in the current era of globalization, which must be carefully considered.

The increasing complexity and dependency of the global financial system⁷ is one of the main impacts of globalization on the financial management of the Indonesian state. The growing integration of global financial markets presents new challenges for the Indonesian government, particularly in implementing fiscal and monetary policies. A country's economic and financial stability can be directly affected by changes in global commodity prices, interest rates, and currencies, requiring the government to take a clear stance.

Furthermore, one of the primary issues in state financial management is fiscal competition among countries.⁸ Nations compete to offer fiscal incentives to companies and investors to attract investment and expand their market share. This can increase pressure on state revenues and limit fiscal policy flexibility when allocating public funds to critical infrastructure, education, and health sectors. On the other hand, globalization also provides Indonesia with many opportunities to manage its state finances. Technology transfer and best practices in financial management, simplifying business and investment processes, and increased access to international funding sources can be crucial for the government to strengthen the state financial system and support sustainable economic growth.

Indonesia's financial management has undergone significant changes in the past few decades. After the Asian financial crisis of 1997-1998,⁹ the Indonesian government implemented fiscal reforms aimed at improving transparency, the tax system, and state financial management. These measures have increased international investors' confidence in Indonesia's fiscal policies and promoted stable and sustainable economic growth. Despite significant progress, Indonesia still needs help managing how state funds are used. Addressing corruption, complex bureaucracy, and the lack of transparency and accountability in state financial management is crucial. Additionally, global economic uncertainty and

⁷ Syahril Sidiq, "Interseksi Hukum Dan Ekonomi: Analisis Komprehensif Terhadap Dinamika Regulasi Dan Dampaknya Terhadap Pertumbuhan Ekonomi," *Muhammadiyah Law Review* 7, no. 2 (2023), <https://doi.org/10.24127/mlr.v7i2.2767>.

⁸ Rhandu Inzay et al., "Sistem Informasi Pemerintahan Daerah Dalam Perencanaan Pendapatan Dan Belanja Daerah," *Jurnal Inovasi Penelitian* 2, no. 10 (2022).

⁹ Indonesia Investments, "Indonesia Investments," *Housing Backlog Indonesia to Fall to 6.8 Million Units by 2019?*, no. April (2016).



unexpected shifts in financial markets can make it more difficult for the Indonesian government to plan and manage its finances.

In addition to presenting challenges, globalization offers Indonesia opportunities to manage its finances. Strong economic growth in some developed and developing countries can increase demand for goods and services from Indonesia.¹⁰ This can help boost domestic revenue and economic growth in the country. Furthermore, advances in communication and information technology have opened up new opportunities for monitoring and managing state finances, such as improving accountability, effectiveness, and transparency.

It is crucial for Indonesia to understand the impact of globalization on state financial management thoroughly and to identify the challenges and opportunities it faces. Therefore, the government and other stakeholders can devise appropriate plans to strengthen the state financial system, improve the quality of financial management, and ensure future economic growth that is inclusive, sustainable, and competitive.

Moreover, public demands on the government have also changed due to globalization. There is a growing public awareness of their rights, such as the right to receive fair public services and participation in economic and political decision-making processes. As a result, the Indonesian government must be able to respond to these demands by enhancing transparency, accountability, and public involvement in state financial management. Understanding the impact of globalization on the use of state finances in Indonesia has become crucial. Through a deep understanding of the challenges and opportunities faced, the Indonesian government can develop appropriate strategies to optimize state financial management in navigating the increasingly complex global dynamics.

Indonesia is also involved in regional and multilateral cooperation in the context of economic globalization to enhance economic integration and increase access to global markets. Indonesia strives to improve domestic economic competitiveness and expand market access for its products through various trade and investment agreements. However, alongside the benefits, this cooperation also presents challenges in the form of increasingly intense competition with other member countries.

In addition, in Indonesia, the adoption of Information and Communication Technology (ICT) has increased due to globalization. ICT has changed the way people interact with each

¹⁰ Anna Milasarah Ritonga, "Tantangan Dan Peluang Ekonomi Global Di Tahun 2023: Proyeksi Pertumbuhan Dan Risiko," *Circle Archive* 1, no. 2 (2023).



other, work, and do business. Developing e-commerce, fintech, and other digital services has opened up new opportunities in financial services and business. On the other hand, the Indonesian government must address financial regulations, cyber security, and personal data protection due to the presence of these technologies. Managing Indonesia's financial expenditure is becoming increasingly complex and challenging amidst these changes. Understanding globalization's impact on the country's financial management is crucial because the Indonesian government must be able to sustain sustainable fiscal policies and competitiveness while responding to these rapid and unexpected global changes. Based on the background described, the focus is on the issue of national financial management amidst globalization, along with its challenges and opportunities.

B. Research Methods

The researchers to examine the management of national finances amidst globalization, challenges, and opportunities. This research uses the literature review method.¹¹ A literature review collects literature and information by exploring various sources, such as books, writings, and other relevant sources related to the research object.

C. Results and Discussion

1. Globalization and Its Relationship With the Management of a Country's Finances

The book "Globalization and Its Discontents" (2002), written by Joseph E. Stiglitz,¹² criticizes the negative impacts of globalization, especially on developing countries. He points out that the financial market liberalization promoted by international institutions such as the IMF often leads to economic instability because it is implemented too quickly and without adequate preparation. Stiglitz emphasizes the importance of strict regulations to maintain transparency and accountability in financial markets. He criticizes international policies that reduce the sovereignty of developing countries and are often not aligned with local needs. According to him, globalization has worsened economic disparities and only benefits the economic elite while most of the population remains poor. Stiglitz argues that globalization should be directed towards the well-being of all parties with more inclusive policies focusing on social justice, labor protection, and human rights.

¹¹ Fuad Fuad and Said Munawar, "The Principle Of Maqashid Shari'ah In Handling Covid-19 Pandemic In Indonesia," *QISTIE* 16, no. 1 (2023), <https://doi.org/10.31942/jqi.v16i1.7956>.

¹² Mari Pangestu, "Globalisation and Its Discontents: An Indonesian Perspective," *Asian-Pacific Economic Literature* 26, no. 1 (2012), <https://doi.org/10.1111/j.1467-8411.2012.01340.x>.



On the other hand, the book "The Great Convergence: Information Technology and the New Globalization" (2016), written by Richard E. Baldwin,¹³ discusses how advances in information technology have accelerated the process of globalization, including in the context of regulating a country's finances. He explains that information technology has drastically altered the dynamics of international trade and finance. Countries need to update their regulations to accommodate rapid changes in technology and global market dynamics, such as increased cyber security, tighter oversight of digital transactions, and international cooperation in addressing new challenges from globalization driven by technology.

In his book "Globalizing Capital: A History of the International Monetary System" (2008),¹⁴ Barry Eichengreen provides an in-depth analysis of the history of financial globalization and the influence of the international monetary system on a country's financial regulation. Eichengreen explores how financial globalization affects countries' fiscal policies. With the increasing integration of global financial markets, countries must pay more attention to market reactions to their fiscal policies. Eichengreen shows that the evolution of the international monetary system significantly impacts a country's financial regulation. Changes in this system reflect and influence how countries manage their economic policies, address financial globalization challenges, and navigate the complexities of the international financial markets.

The book "The Development Agenda: Globalization, Poverty, and Inequality" (2007), written by José Antonio Ocampo, considers the impact of globalization on economic development and financial regulation in developing countries.¹⁵ Ocampo highlights the importance of sustainable and inclusive fiscal policies that address the basic needs of society and promote sustainable economic growth. He also emphasizes the need for attention to efficient public spending investment in infrastructure and human resources.

In the article "Public Finance Management in Indonesia: Review and Lessons Learned" (2015), Kuncoro presents an in-depth review of public financial management in Indonesia. He evaluates various policies and practices that have been applied in public financial management and analyzes the effectiveness and challenges the Indonesian government faces

¹³ Richard Baldwin, "The Great Convergence: Information Technology and the New Globalization," *Ekonomicheskaya Sotsiologiya*, 2017, <https://doi.org/10.17323/1726-3247-2017-5-40-51>.

¹⁴ Richard N. Cooper and Barry Eichengreen, "Globalizing Capital: A History of the International Monetary System," *Foreign Affairs* 76, no. 2 (1997), <https://doi.org/10.2307/20047965>.

¹⁵ Emil Evenhuis et al., "Rethinking the Political Economy of Place: Challenges of Productivity and Inclusion," *Cambridge Journal of Regions, Economy and Society*, 2021, <https://doi.org/10.1093/cjres/rsaa043>.



in managing state finances. He discusses the reforms in state financial management that have been carried out, including steps to improve transparency, accountability, and efficiency.¹⁶ Kuncoro also highlights the implementation of performance-based budgeting systems designed to ensure that public funds are used more effectively and in line with established development goals, as well as to strengthen internal monitoring and auditing to prevent misuse of public funds and build public trust. He also emphasizes the importance of policy continuity, sustainable reforms, and the need to strengthen institutional capacity and human resources in the public finance sector.

2. State Financial Management: Opportunities and Challenges

The implementation of the national development set by President Joko Widodo through Presidential Regulation No. 18 of 2020 on the National Medium-Term Development Plan (RPJMN) for the years 2020-2024 with the vision of "Realizing Indonesia as an Advanced, Sovereign, Independent, and Character-based Country Based on Mutual Cooperation." This vision is translated into nine strategic missions known as the "Second Nawacita," designed to address various challenges and seize every development opportunity in various sectors.¹⁷ According to Law No. 17 of 2003 concerning State Finance, state financial management includes all activities involving planning, implementation, accounting, reporting, accountability, and oversight. In Law No. 17 of 2003 concerning State Finance, specifically articles 1 and 2 explain that State Finance refers to all of the state's rights and obligations that can be valued in monetary terms, as well as everything, whether in the form of money or goods, that the state can own about those rights and obligations. Furthermore, in that law, state financial management is regulated in Article 3, which states that state finances are managed in an orderly, compliant with laws and regulations, efficient, economical, effective, transparent, and accountable manner while considering a sense of justice and appropriateness. This management includes all planning, procurement, utilization, monitoring, and accountability activities.¹⁸

Based on Law Number 17 of 2003, *state finances* can be defined as all of the rights and obligations of the state that can be measured in terms of money, as well as everything,

¹⁶ Haryo Kuncoro, "Fiscal Competition Among Local Governments after Fiscal Decentralization," *Business and Entrepreneurial Review* 5, no. 1 (2016), <https://doi.org/10.25105/ber.v5i1.1010>.

¹⁷ Desy Maritha, "Digital Leadership Di Era Digital Transformation," *Jurnal Transformasi Administrasi* 12, no. 02 (2022), <https://doi.org/10.56196/jta.v12i02.226>.

¹⁸ Presiden Republik Indonesia, "Undang-Undang Nomor 17 Tahun 2003 Tentang Keuangan Negara," 49 Demographic Research § (2003).



whether in the form of money or goods, that can be owned by the state about the implementation of those rights and obligations (Article 1 paragraph 1). This definition, historically and conceptually, actually follows the definition of state finances that was produced in the Indonesische Comptabiliteit Wet (ICW) seminar held on August 30 - September 5, 1970, in Jakarta and had previously been proposed in the theory of state financial law by Van der Kemp.

The scope of state finances covers various broad aspects, so proper and efficient management is needed to ensure optimal use of funds. In line with the principles of good governance, the management of state finances must be carried out orderly, compliant with regulations, and implemented with high efficiency, economy, and effectiveness. In addition, transparency and accountability are also essential aspects that must be considered, along with a sense of justice and propriety that must always be upheld. Article 3 of the State Finance Law emphasizes the importance of management based on these principles to achieve the desired results.

Human resources competence (HR) is critical to achieving optimal financial management. Competent and experienced HR is needed to ensure that state finances are managed well. It's shows that HR competence significantly impacts state financial accountability. Research and study by Hanafiah, Abdullah, and Saputra (2016) reveals that HR quality affects financial management at the regional level.¹⁹ Another riset also found that HR competence directly impacts the effectiveness of regional financial management.²⁰ Therefore, the government must ensure the availability of competent HR to achieve effective and accountable financial management.

These results are consistent with research conducted by Simatupang, Ratnawati, and Susilatri (2017), which shows that the higher the HR competence, the more effective and efficient financial management will be. The quality of government financial management is greatly influenced by the level of HR competence the government possesses. Astini, Fauzi, and Widodati (2019) also state that competent HR is crucial in ensuring sound financial management.

¹⁹ Rizky Rasmana Hanafiah, Syukriy Abdullah, and Mulia Saputra, "Pengaruh Akuntabilitas, Transparansi, Kapasitas Sumber Daya Manusia, Dan Pengawasan Intern Terhadap Pengelolaan Keuangan Daerah," *Jurnal Akuntansi* 5, no. 4 (2016).

²⁰ Febrianto Eka Putra Mulyono, "Pengaruh Efektivitas Penerapan Sistem Informasi Pengelolaan Keuangan Daerah, Kompetensi Sdm, Pemanfaatan Teknologi Informasi, Dan Penerapan Sistem Pengendalian Intern Pemerintah Terhadap Kualitas Laporan Keuangan Pemerintah Daerah," *Journal of Experimental Psychology: General*, 2016.



Since the proclamation of independence in 1945, Indonesia has had the authority to independently manage state finance. Although in the early days of independence, Indonesia still heavily relied on Dutch legacy products in managing finance, over time, state finance management has continued to undergo changes. These changes have occurred due to various factors, including the development of the national situation and demands from the international community. This transformation shows that the management of state finance must continue to adapt to the dynamics of time and evolving needs, with competent human resources playing a crucial role in this process. Human resource competency is the key to ensuring effectiveness and efficiency in managing state finance amidst ongoing changes.

Globalization is a complex phenomenon that involves economic, political, social, and cultural integration worldwide.²¹ It is a process that accelerates interactions and exchanges among individuals, companies, governments, and institutions worldwide. Globalization can be observed in various fields, ranging from international trade, investment, technology, and information to culture and environment. The main dimensions of globalization include sectors such as economic, technological, political, and socio-cultural. The economic dimension of globalization involves market integration, international trade, foreign direct investment, and global production.

This creates economic interdependence among countries and increases the flow of goods, services, capital, and labor worldwide. Multinational companies have become key players in the global economy, integrating cross-border supply chains and taking advantage of the benefits of global markets. Advances in Information and Communication Technology (ICT) have significantly driven globalization. The internet, mobile phones, computers, and other digital technologies have connected people worldwide in ways never before possible. This facilitates instant communication, information exchange, and cross-border collaboration without geographical barriers.

Globalization also encompasses political dimensions, including the formation of international institutions such as the United Nations (UN), the International Monetary Fund (IMF), and the World Bank. These organizations shape global policies, address transnational issues such as peace and security, and promote cooperation among countries in various fields. Globalization not only creates economic and political interconnections but also brings about

²¹ Analisa Pengaruh Pertumbuhan et al., "GLOBALISASI DALAM DINAMIKA KONTEMPORER: STUDI KASUS PERUBAHAN SOSIAL DAN TRANSFORMASI BUDAYA," *JECTH: Journal Economy, Technology, Social and Humanities* 1, no. 2 (2023).



changes in culture and social values. The flow of information and global mass media allows local cultures to spread more widely, while migration and human mobility result in more excellent cultural mixing in various parts of the world.

The impact of globalization is broad and complex, affecting various aspects of society and the country. Some of the impacts of globalization include increased international trade, economic growth, and access to global markets for developing countries. However, challenges, such as economic inequality between countries and changes in market structure, can result in economic disparities. Globalization has significant political impacts, including increased interdependence between countries, the formation of regional and international alliances, and the increased role of global institutions in addressing global issues such as climate change, peace, and security.

In Indonesia, globalization has become an essential factor influencing the regulation of state financial management.²² In the era of globalization, Indonesia faces unique challenges and opportunities in managing its public finances. Some aspects affected include economic dependence. Indonesia is increasingly connected to the global economy through international trade, foreign investment, and capital flows. This affects state revenue and fiscal policies, as fluctuations in the global economy can impact tax revenue, commodity prices, and domestic financial market conditions. Globalization also influences Indonesia's political process and policy-making. In the era of globalization, decisions on national economic and financial policies are not only influenced by internal factors but also by pressure from global markets, international organizations, and foreign policies. Countries, including Indonesia, often respond to global economic dynamics by adjusting fiscal, monetary, and trade policies. One central aspect of globalization is global financial integration, where the financial markets of countries interact more closely.²³ Indonesia is no exception, and its domestic financial market is increasingly connected to the global market through capital flows, portfolio investments, and foreign exchange trading. This can have significant impacts on the country's financial stability, especially in terms of exchange rate volatility, market liquidity, and capital flows. Indonesia's financial management regulation should consider these factors to mitigate risks and ensure financial system stability. With globalization, Indonesia is often expected to

²² Cut Sah Kha Mei Zsazsa and Ridwan Nasution, "Transformasi Birokrasi Di Indonesia," *All Fields of Science Journal Liaison Academia and Society* 3, no. 2 (2023), <https://doi.org/10.58939/afosj-las.v3i2.617>.

²³ Agus Suprijanto, "Dampak Globalisasi Ekonomi Terhadap Perekonomian Indonesia," *Jurnal Imiah CIVIS I*, no. 2 (2011).



comply with international standards in managing its finances. This includes international accounting standards, good governance practices, and commitment to transparent and accountable financial management principles. Countries are often evaluated by international institutions, such as the IMF and World Bank, to ensure compliance with these standards in order to support further global economic integration.

Globalization has affected the balance of the global economy by creating new dynamics in international trade, capital flows, and wealth distribution.²⁴ Developing countries like Indonesia must adapt to these changes in their national financial regulations to ensure economic sustainability and inclusive development. In the era of globalization, international financial regulations are becoming increasingly important to ensure the global financial system's stability. Globalization has also strengthened the integration of the global capital markets, allowing investors to invest in various countries and sectors easily. This poses challenges and opportunities for financial management regulations in Indonesia, including portfolio investment management, capital market regulations, and investor protection. In the context of globalization, international trade and foreign investment play a crucial role in national financial regulations. Indonesia must pay attention to cross-border trade in goods and services and the inflow and outflow of capital to manage trade balance, foreign exchange, and investment.

Globalization has strengthened the role of financial inclusion in regulating national financial management. To achieve inclusive and sustainable economic development, Indonesia must ensure that all segments of society have equal and fair access to financial services, including banking, insurance, and investment. For countries like Indonesia that heavily rely on commodity exports, globalization can have significant impacts. Global commodity price fluctuations can affect the country's income and fiscal policies, making it essential for Indonesia to develop economic diversification strategies and risk management to reduce dependence on specific sectors.²⁵

In a knowledge-driven era of globalization, education and quality human resources (HR) are crucial to achieving competitive advantage. Indonesia must invest in education and training to produce HR with the skills and knowledge required to participate in the global economy.

²⁴ Dr. Zulfi Diane Zaini, S.H., "Kedudukan Hukum Ekonomi Indonesia Dalam Perspektif Globalisasi Perdagangan."

²⁵ Yusuf Agung Nugroho and Siti Aisyah, "Pengaruh Kebijakan Moneter Dan Fluktuasi Harga Komoditas Terhadap Pertumbuhan Ekonomi Indonesia Tahun 2011-2021," *Jurnal Ilmiah Indonesia* 7, no. 8.5.2017 (2022).



This includes developing an education curriculum relevant to the needs of the global labor market and promoting innovation and creativity in the educational environment.

Globalization has brought greater attention to environmental issues and sustainable development. As a country with mega-diversity and rich natural resources, Indonesia is responsible for protecting the environment and managing natural resources sustainably.²⁶ State financial management regulations should consider the economic, social, and environmental impacts of economic activities and support sustainable development that respects environmental conservation principles. In the context of globalization, international migration and labor mobility are becoming increasingly common phenomena. Indonesia is one of the countries experiencing significant migration flows, both as recipients and senders of labor. State financial regulations should consider the impact of migration on tax revenues, social expenditures, and economic development at the local and national levels. In an increasingly open global economy, the private sector plays an increasingly important role in economic development and state financial management. Indonesia needs to pay attention to the role of the private sector in creating jobs, generating tax revenue, and contributing to sustainable economic growth. State financial regulations should create a conducive environment for private investment while ensuring that public interests and social justice are well maintained.

Trade and investment policies are also an integral part of globalization.²⁷ Indonesia needs to pay attention to international trade regulations, regional trade agreements, and foreign investment policies in shaping the state's finances. This includes implementing appropriate tariffs and trade barriers, negotiating mutually beneficial trade agreements, and creating an attractive investment environment for foreign investors. In an information-driven era of globalization, civil society and non-governmental organizations (NGOs) are becoming increasingly important in financial governance. Civil society can act as policy watchdogs, social justice advocates, and economic development partners. Indonesia needs to create space for civil society participation in the decision-making process regarding state finances and promote transparency and accountability in public financial management. The tightly interconnected global economy means Indonesia is affected by the volatility of global

²⁶ Nanda Hidayati, Esti Handayani, and Nur Wahyuning Sulistyowati, "Inovasi Berkelanjutan: Pendekatan Kolaboratif Untuk Mengatasi Tantangan Sosial-Ekonomi Di Provinsi Jawa Barat," *Jurnal Pengabdian West Science* 2, no. 6 (2023), <https://doi.org/10.58812/jpws.v2i6.451>.

²⁷ Doni Armando Turnip et al., "Politik Ekonomi As Dan Kondisi Perdagangan Internasional Pasca Pandemi Global," *Madani: Jurnal Ilmiah Multidisiplin* 1, no. 5 (2023).



financial markets. Rapid changes in commodity prices, exchange rates, and capital flows can cause significant economic instability, impacting state financial management. In the era of globalization, Indonesia must compete with other countries in attracting investments, exporting goods and services, and attracting skilled labor. This puts pressure on efficient state financial management to support economic growth and competitive advantage.

Although globalization brings opportunities to access global markets, Indonesia still relies on imports for industries' basic needs, such as energy, food, and raw materials. Fluctuations in the prices and availability of imported goods can challenge the country's financial planning. Economic and trade policies of developed countries and international institutions directly impact Indonesia's economy. Policy changes such as trade tariffs, investment regulations, or trade agreements can affect the domestic market and challenge fiscal policy flexibility.²⁸

D. Conclusion

Globalization and its relation to financial management in Indonesia bring significant changes in the country's economic dynamics. However, some challenges Indonesia faces, such as volatility in global financial markets, dependence on imports, uneven economic growth, global policy changes, and increasing foreign debt, need serious attention. Additionally, uncertainty in the global financial market situation often creates significant fluctuations related to exchange rates, commodity prices, and capital flows, all of which can affect economic stability.

In facing challenges and seizing existing opportunities, Indonesia must adopt a holistic and sustainable approach to managing state finances. This includes developing policies responsive to global and national economic conditions changes, investing in human resources to enhance economic competitiveness, and continuously monitoring state financial policies and programs. Therefore, Indonesia not only faces challenges in managing its public finances but also has excellent opportunities to strengthen the country's economic growth, such as access to foreign capital, expansion of export markets, international collaboration, improvement of financial services, and economic diversification that can strengthen economic growth. By taking the proper steps and seizing existing opportunities, Indonesia can effectively manage state finances amidst the current wave of globalization.

²⁸ Etty Puji Lestari, Isnina Wahyuning Sapta Utami, and Tri Kurniawati R, "Kebijakan Target Inflasi Sebagai Sasaran Kebijakan Moneter Baru Bank Sentral," *Fakultas Ekonomi Universitas Terbuka*, 2014.



To achieve this, competent human resources (HR) with specialized skills in their respective fields are needed, which include knowledge, skills, and attitudes that support success in task implementation. The management of state finances has experienced various improvements over time and still requires highly competent HR. HR competent in managing state finances not only have adequate knowledge, skills, and behavior but also demonstrate strong commitment, can work effectively and efficiently, and always act in the state's best interest. With competent and highly committed HR, state finances can be managed better, supporting success in achieving national goals.

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