

HOW PUBLIC SECTOR MANAGEMENT AFFECTS ECONOMIC PROGRESS

Hotmaria Hertawaty Sijabat

Fakultas Hukum Universitas 17 Agustus 1945 Jakarta

sijabathotmaria@gmail.com

Abstract

Public Sector Management is the process of planning, organizing, managing and controlling resource and policies mostly within and around the government and its institutions in order to enhance service delivery to its clients and facilitate economic activities. It includes a set of activities and strategies that a government and its public entities involve themselves in when administrating resources in the nation, formulating and enforcing policy instruments, and rendering services and buildings needed for the economic growth and welfare of the public. The basic findings are quite clear that Public sector management has a positive and significant effect on the level of economic productivity, competitiveness and innovativeness. Sound fiscal and monetary policies, strategic investments in infrastructure and the right mix of education and health policies and systems turned out to be effective in fostering an environment that supports economic growth. The study also notes that there are certain traits such as transparency, accountability and accountability that are critical to the effective management of these institutions in order to respond the changing global requirements. It appears that well organized and managed public sector is pretty much essential for rounding up and sustaining growth of a specific economy in its desired direction.

Keywords: Management, Public Sector, Economics.

Introduction

In a context of globalisation and increasing sophistication of economic development processes, public sector management emerges as one of the most critical factors in defining the scope and pace of economic development. Those responsibilities are carried out on a large scale by the public sector and its institutions whose nature consists in creating the necessary conditions for the advancement of the economy and the welfare of the nation.

Public sector management is a key weapon in nation building and development. This function promises among other things, strategic management, human resource management, policy evaluation, management of government resources, and administration of government policies/programs (Staňková & Papadaki, 2020). If such approaches are adopted, the public sector will enhance productive activities, equitable distribution of resources, and enhance the standard of people's lives. It has also been argued that effective and accountable management of the public sector aids in the provision of public services which are efficient and reliable, thereby enhancing the credibility of the mandarins and the institutions. This in return earns the praise of the people of the community (Ghani, 2023).

In a developing global sphere, the prominence of public day-to-day management is also growing. It is very much relevant in this case as the speed and the appropriate responses that these management teams will give to the crisis events, economic, natural or health crises like that of COVID-19, are largely dependent on the public sector management (Fenwick & Johnston, 2022). In addition, towards the achievement of Sustainable Development Goals, coordinated innovative and flexible public sector management is critically important in engaging various players involved to maximize scarce resources and safeguard development activities from collapse. Hence, the enhancement of the capacity and quality of public sector management is not just a requirement but rather a perspective resource for development and well-being of society for every country (Narula & Sachdeva, 2020).

As the efficiencies in the country's public sector management system improve, proportional rise in economic development and growth is likely to occur through several possible channels. Primarily, by ensuring availability of appropriate basic operating facilities, the public sector has a way of enhancing the efficiency and effectiveness of economic activities. In addition, there are regulations that would limit the risks associated with making investment and even fiscal policies that would make the economy stable and conducive for business (Sachdeva and Narula, 2020). Finally, public services of a comprehensive nature can effectively raise a population's wellbeing and improve the nation's Human Capital (Sachdeva & Narula, 2023).

Nevertheless, when looking at the status quo in most of the nations, one still identifies numerous shortcomings in public sector management. Usually, this suffers from problems such as bureaucratic lethargy, corrupt activities, lack of systems of accountability, and incapacity to address issues in a given time frame which hamper the growth of the economy. These issues are even more pronounced in developing countries and affect their economic performance (Persson & Wallo, 2022).

Some previous research has attempted to establish a relationship between the quality of public management and the pace of economic growth in the country. For instance, a study conducted by the World Bank in 2019 concluded that countries with effective governments tend to experience enhanced economic growth. The effect is different, specific aspects of management and organization in public sector might be favorable for different areas of economic development, and studies in this area still need to be accelerated (Narula & Sachdeva, 2020).

With respect to this public sector management is of high importance in in so far as being a developing country Indonesia attempts to reduce economic competition. Emergence and stabilization of bureaucratic structures, restructuring public service delivery, and combating corrupt practices have been placed as primary issues to be tackled by the new regime in power. Nonetheless, the degree to which these initiatives

contribute to economic growth is still an issue that remains to be addressed by empirical studies (Twaliwi et al., 2021).

In this particular study, the public sector management and its bearing on the economic development in Indonesia has been thoroughly examined in order to identify the possible relationship more conclusively. By looking for the reasons of this relationship more, it is hoped that useful information will be provided to the policymakers on how to formulate and implement public sector management that will lead to greater economic growth.

Research Methods

The study in this research uses the literature research method. Literature research method, also known as literature study or literature review, is a research approach that focuses on collecting, analysing and synthesising information from various written sources relevant to the research topic. (Hidayat, 2009); (Afiyanti, 2008).

Results and Discussion

Concept of Public Sector Management

Public Sector Management is a specific area of management science which relates to the management of organisations and institutions that are in the 'public domain' or whose fundamental purpose is to serve the public good. This discipline incorporates the processes of planning, organising, leading and coordinating resources for public service with the overriding aim of increasing the efficiency, the effectiveness, and the accountability in the delivery of service to the public (Zabeen et al., 2023). Public Sector Management is distinct from management practiced in the private sector since it has particular features like the public interest, politics and performance assessment complexities. (Ayee, 2024).

Public Sector Management encompasses different aspects mostly focused on the management of the public organizations including public finance management, management of human resources in the public sector, formulation and implementation of public policies, performance of public organizations, governance and ethics in public service (Olaoye, 2024). Further, the discipline also includes the underlying structures such as management of changes in public organizations, introduction of innovations into the provision of public services, management of public projects, and interaction of public entities and between public and private, and civil organizations. Understanding this wide field, Public Sector Management is essential in determining how governments and public organizations satisfy the needs and the expectations of the people (Lemonakis & Zairis, 2020).

Scope management with regard to public organisations lays down some managerial principles that are followed in the administration of such public bodies.

Legalism found in both social and civic structures: (1) Accountability: which means being accountable of action and decisions made to the public, while allowing for external as well Biased Societal Factors in Completions: (2) Transparency; Openness of information and the processes of decision making (3) Efficiency and effectiveness to the goals stated seeks optimal use of the resources so that the goals are achieved whilst (4) Responsiveness: the ability to castrate the needs and aspirations of the people (5) Justice and equality act on the principle of fairness and nondiscrimination (6) Integrity to include honesty or ethics in handling public services (7) Community participation: involvement of the public in the processes of policymaking (8) Orientation to the public interest special attention to the recreation getting needs of the society (9) Professionalism pars caretise, quality of service and service whatever denotes (10) Innovation: in the quality of providing service to come up with new ideas and ways an improvement of the service offered. They strengthen on one another and yield a good public administration system that is focused in enhancing the public welfare (Medoye, 2020).

Management of public sector and management of private sector profile different aspects in every sense. The first glaring difference is that public sector management operations have their main goal of serving the needs of the wider public while private sector management operates on profit making. Secondly, public sector sources of revenue are from the state budget(cuff taxes and other revenues) whereas the private sector goes for private investment or shareholders (Ndraha, 2024). Third, performance in the public sector is affected by a difficult environment with politics, regulation and public opinion, whereas in the private sector decisions are relatively easier to make. Forth, the assessment of effectiveness within the public management framework is more complicated and covers social factors and politics, whereas efficiency in the private sector can be gauged through financial results. Fifth, the public is much more interested in aspects of transparency of the government and accountability than shareholders in the public sector, shareholders' interests seem to be more dominant. And lastly, tendency in the public sector is the moving of innovative activity inside the frame of strict bureaucratic rules, however, the private sector does not have this limitation as to enhance competitive abilities (Katuse, 2023).

Economic Progress

Such indicators of economic development may include parameters which are quantitative indicators designed to demonstrate how a country or region has progressed economically. Some of the basic indicators are: (1) – Gross domestic product (GDP) which is the monetary worth of all the goods and services produced in a given timeframe; (2) – Income per head, or the average income of total population; (3) – Inflation rate which is explained as an explain the overall rise in prices of goods as indicated by the consumption of goods basket; (4) – Rate of Unemployment, which

gives a percentage of those who are jobless in relations to those who are able to work; (5) – Surplus or deficit in trade of a country; (6) – Net amount of investment made by foreigners; (7) – Index that shows quality of people’s lives in terms of education, health and economy: Known as Human Development Index (HDI); (8) – Inequality in distribution of financial resources; (9) – Stability of the rate of currency exchanges; and (10) – Progress of business industries and the service industry. Such indicators are interrelated and portray of the economic status and progress of a country so that they serve as guides to formulation of economic policies and evaluating progress (Ricucci, 2021); (Kiforenko, 2023).

There are a number of factors that are interrelated and intricate in influencing the economic development of a country in general. There may be a number of such factors which include: (1) The natural resources that involve the endowments as well as resource management; (2) Human resources that direct towards education as well as the level of skills of the working force and even productivity; (3) Technology and innovation which enhances competitive advantage; (4) Investment, which can be domestic or foreign, such is the engine of development; (5) Government policies that are in existence in form of laws, incentives, and development policies; (6) Political stability and security helps to stimulate the environment and encourage economic activities; (7) Transportation and other communication facilities as well as energy force activities requiring production and distribution; (8) An organized and workable banking and financial structure; (9) International commerce as well as openness of the economy; (10) Extolling work values and entrepreneurship by means of culture and the society; (11) The geographical attributes and weather conditions in the context of production and consumption; and (12) Political and economic scenarios outside the country. The level and pace of economic development in any given nation is thus, a function of the way the interaction and equilibrium of all these particular aspects takes center stage (Rana, 2021).

The Relationship between Public Sector Management and Economic Progress

There exists a close and mutually responding relationship between public sector management and economic progress. Efficiency in Public Sector Management is increasingly seen to foster the economic progress of a nation, whereas good economic performance, in turn, creates conducive environment for enhanced public management. Many features associated with the above are interconnected and influence the overall level of society’s welfare (Bisogno, 2024).

To begin with, appropriate Public Sector Management stimulates the development of economies. With well-designed policies, proper controls, and good service delivery, government might attract investments, boost output and generate employment. For instance, if the government makes use of sound monetary policy, implements open budgetary practices, and has an equitable tax system, economic

activities and investors' confidence can be enhanced. Also, state expenditure to build infrastructure, advance education, and develop health care may enhance a country's competitiveness, as well as the quality of its human capital (Choi, 2023).

At the same time, economic development also has inputs and results for better public sector management. Due to strong economic development, governments are able to increase the range and quality of public services like institutions, meaning that the coffers will be filled with more taxes and other forms of revenue. This includes technology acquisition and other administration reform support expenditures to modernize public administration and earnings and skills enhancement for the civil service personnel as well as more advanced development programs to be implemented (Britchenko, 2024). Moreover, with the increase in wealth of a society also increases the demands from the society about the efficiency of the public sector services, thereby forcing the governments to become even more efficient and accountable (Corduneanu, 2022).

This positive interplay creates a virtuous cycle where developments in Public Sector Management fuels further economic growth which also precipitates more advances in public sector management. Still, it would be good to mention that its positive reverse effects can only be correctly utilized if sufficient measures are taken to avoid negative externalities. Poor Public Sector Management includes corruption, which falls under a variety of improper governance structures denied growth (Cohen, 2024). On the other hand, there are times when there will be almost no economic development rendering the government powerless to enhance public service delivery or infrastructure (Blackman, 2021). Hence, the optimization and harmony of Public Sector Management and the processes of economic development are very essential in meeting the need for balanced and sustainable development in a country.

The Effect of Public Sector Management on Economic Progress

Likewise, the management of the public sector Management also plays a big role in Economic Progress and development of the country. Designed and put in place by this sector helps create an environment that is favorable for economic growth as it is a major player in policy development and policy execution. And most especially since effectiveness and efficiency in public sector management can also serve as a strong lever to push for overall economic advancement (Caperchione, 2024).

Further, another dimension through which Public Sector Management might affect Economic Progress is through the provision of adequate regulatory and policy frameworks. Having sound fiscal and monetary policies can lead to investment, promote consumption, and help sustain the economy. For instance, reasonable expenditure controls, right rates of interest, and just taxation, among others, tend to create an environment for business to thrive and people's spending ability increases. Furthermore, effective but not oppressive regulation can serve to protect consumer

and investor rights while at the same time promoting vigor and competitiveness in the market (Chesoli & Wafula, 2020).

The management of the public sector also contributes to the provision of infrastructures and public services essential for promoting economic activities. Political spending in roads, ports, airports and the information superhighways, certainly brings about positive and economic activities such as trade and distribution of goods and services (Nwankpa, 2022). In the same vein, the effective functioning of well-structured education and health systems has also been significant in raising the quality of the people, who are an important ingredient in economic development. Other public services, such as business licensing that is cheaper and takes less time, are equally expected to provide an impetus towards the growth of the private domain by promoting new business ventures (Rana, 2021).

Moreover, good governance and clean politics in terms of transparency and accountability are essential for economic advancement. Such governance enhances the faith of local and foreign investors in the economy of a country. This may help to attract more investments, enhance productivity, and promote creativity (Kamaruddin & Abeysekera, 2021). The introduction of information technology in the public sector, in particular, makes public services more effective, less bureaucratic and less subject to corruption, making the business environment more dynamic and competitive. As such, good PSM is not only conducive to achieving temporary economic gains, but sets a stage for growth and advancement of the economy in a welfare-efficient manner (Bulat & Perciun, 2021).

Conclusion

In Public Sector Management, the aims are well targeted towards the advancement of the economy and it encompasses a number of tasks. Arguably, proper policy making, infrastructure development, provision of necessary public services, and exercising of good governance, sets a proper environment for growth of the economy. Overall, these factors lead to enhanced levels of productivity, competitiveness, and innovation in the economy. Investor's faith is encouraged as well as an environment for business through the management of the public sector with an emphasis on accountability and transparency.

But it should be borne in mind that the public sector management can achieve desirable effects for economic development if and only if it is carried out consistently, with a need for changing the setup as per the global scenario. The public sector must evolve at all times with the technology, the global economy, and globalization, and new phenomena like climate change and epidemics. In this manner, public sector management becomes a valuable instrument in creating wealth that is both sustainable and inclusive economic development. For this reason, it is of utmost importance to

focus on improving the primary functionality and the efficiency of the domestic public sector management.

References

- Afiyanti, Y. (2008). Focus Group Discussion (Diskusi Kelompok Terfokus) sebagai Metode Pengumpulan Data Penelitian Kualitatif. *Jurnal Keperawatan Indonesia*, 12(1), 58–62. <https://doi.org/10.7454/jki.v12i1.201>
- Ayee, J. R. A. (2024). Introduction: Public Sector Management and Economic Governance Revisited. *Public Sector Management and Economic Governance in Ghana*, Query date: 2024-09-25 06:06:38, 1–23. https://doi.org/10.1007/978-3-031-56964-7_1
- Bisogno, M. (2024). Environmental Reporting. *Public Sector Financial Management*, Query date: 2024-09-25 06:06:38, 65–82. https://doi.org/10.1007/978-3-031-55135-2_5
- Blackman, D. (2021). GOVERNANCE AND SYSTEMS: WHY PUBLIC SECTOR PERFORMANCE RESEARCH APPROACHES ARE CHANGING. *Handbook on Performance Management in the Public Sector*, Query date: 2024-09-25 06:06:38. <https://doi.org/10.4337/9781789901207.00007>
- Britchenko, I. (2024). Financial and Economic Tools of Project Management in Public Sector. *Economic Affairs*, 69(1). <https://doi.org/10.46852/0424-2513.2.2024.20>
- Bulat, I., & Perciun, R. (2021). Internal Audit Management and Leadership in the Public Sector. *Economica*, 1. <https://doi.org/10.53486/econ.2021.115.072>
- Caperchione, E. (2024). Green Budgeting. *Public Sector Financial Management*, Query date: 2024-09-25 06:06:38, 27–43. https://doi.org/10.1007/978-3-031-55135-2_3
- Chesoli, Dr., & Wafula, J. (2020). IMPACT OF PUBLIC DEBT ON ECONOMIC GROWTH IN THE PUBLIC SECTOR IN KENYA: A CRITICAL REVIEW OF LITERATURE. *EPH - International Journal of Business & Management Science*, 6(4), 8–21. <https://doi.org/10.53555/eijbms.v6i4.108>
- Choi, J.-W. (2023). *Ethics Management in the Public Sector*. Query date: 2024-09-25 06:06:38. <https://doi.org/10.61145/cqng8362>
- Cohen, S. (2024). Popular Reporting. *Public Sector Financial Management*, Query date: 2024-09-25 06:06:38, 99–109. https://doi.org/10.1007/978-3-031-55135-2_7
- Corduneanu, R. (2022). Fostering Resilience in the Public Sector – Implications for Public Service Motivation. *Critical Perspectives on International Public Sector Management*, Query date: 2024-09-25 06:06:38, 113–122. <https://doi.org/10.1108/s2045-794420220000007009>
- Fenwick, J., & Johnston, L. (2022). A Stronger Public Sector? The New Public Enterprise. *Critical Perspectives on International Public Sector Management*, Query date: 2024-09-25 06:06:38, 57–67. <https://doi.org/10.1108/s2045-794420220000007005>
- Ghani, E. K. (2023). A Qualitative Investigation on Risk Management Implementation in the Malaysian Public Sector. *Economic Affairs*, 68(2). <https://doi.org/10.46852/0424-2513.2.2023.30>
- Hidayat, D. N. (2009). DIKOTOMI KUALITATIF – KUANTITATIF DAN VARIAN PARADIGMATIK DALAM PENELITIAN KUALITATIF. *Scriptura*, 2(2). <https://doi.org/10.9744/scriptura.2.2.81-94>

- Kamaruddin, K., & Abeysekera, I. (2021). Intellectual Capital and Sustainable Economic Performance in the Public Sector: The Context of the New Public Management in Malaysia. *Sustainability*, 13(14), 7885–7885. <https://doi.org/10.3390/su13147885>
- Katuse, P. (2023). Direct Marketing in the Kenyan Public Sector. *Palgrave Studies of Public Sector Management in Africa*, Query date: 2024-09-25 06:06:38, 43–65. https://doi.org/10.1007/978-3-031-17863-4_3
- Kiforenko, O. (2023). EFFECTIVE PUBLIC ADMINISTRATION OF AGRICULTURAL ECONOMY SECTOR TO ADVANCE A COUNTRY’S ECONOMIC DEVELOPMENT. *International Scientific Conference „Business and Management“*, Query date: 2024-09-25 06:06:38. <https://doi.org/10.3846/bm.2023.1014>
- Lemonakis, C., & Zairis, A. (2020). Crisis Management and the Public Sector: Key Trends and Perspectives. *Public Sector Crisis Management*, Query date: 2024-09-25 06:06:38. <https://doi.org/10.5772/intechopen.90855>
- Medoye, D. T. (2020). Crisis Management in Nigeria’s Public Sector and the Impact of the Organised Labour Union: Interrogating the Nexus between Industrial Harmony and Political Stability. *Public Sector Crisis Management*, Query date: 2024-09-25 06:06:38. <https://doi.org/10.5772/intechopen.89562>
- Narula, S., & Sachdeva, T. (2020). Achieving Sustainability through GST: A Step Towards Economic Growth. *International Journal of Public Sector Performance Management*, 1(1), 1–1. <https://doi.org/10.1504/ijpspm.2020.10048238>
- Ndraha, A. B. (2024). Digital Workforce Planning and Management in the Public Sector. *Advances in Human Resources Management and Organizational Development*, Query date: 2024-09-25 06:06:38, 23–40. <https://doi.org/10.4018/979-8-3693-2889-7.ch002>
- Nwankpa, E. (2022). IMPLICATIONS OF PUBLIC SECTOR BUDGET DEFICIT FINANCING ON ECONOMIC GROWTH IN NIGERIA: 2003-2018. *International Journal of Advanced Studies in Economics and Public Sector Management*, 10(1), 104–119. <https://doi.org/10.48028/ijprds/ijasepsm.v10.i1.08>
- Olaoye, A. A. (2024). Contribution of Cloud Accounting to Employment and Economic Growth: An Evaluation from Nigerian Public Sector. *Business & Management Compass*, 68(1), 14–24. <https://doi.org/10.56065/e3s1ev85>
- Persson, M., & Wallo, A. (2022). Automation and Public Service Values in Human Resource Management. *Progress in IS*, Query date: 2024-09-25 06:06:38, 91–108. https://doi.org/10.1007/978-3-030-92644-1_5
- Rana, T. (2021). Embedding a Risk Management Framework in Public Sector Governance, Performance, and Accountability Practices*. *Public Sector Reform and Performance Management in Developed Economies*, Query date: 2024-09-25 06:06:38, 49–68. <https://doi.org/10.4324/9781003004080-4-6>
- Riccucci, N. M. (2021). Diversity Management and Women in Public Sector Workforces. *Managing Diversity in Public Sector Workforces*, Query date: 2024-09-25 06:06:38, 101–135. <https://doi.org/10.4324/9781003176534-6>
- Sachdeva, T., & Narula, S. (2023). Achieving sustainability through GST: a step towards economic growth. *International Journal of Public Sector Performance Management*, 11(4), 494–509. <https://doi.org/10.1504/ijpspm.2023.131346>

- Staňková, P., & Papadaki, Š. (2020). A comparison of economic and non-economic efficiency of private and public hospitals in the Czech Republic. *International Journal of Public Sector Performance Management*, 6(3), 402–402. <https://doi.org/10.1504/ijpspm.2020.107769>
- Twaliwi, C., Ugwuanyi, G. O., & Efanga, U. O. (2021). Budget Evaluation and Economic Development in Nigeria. *Journal Dimensie Management and Public Sector*, 2(2), 51–62. <https://doi.org/10.48173/jdmpps.v2i2.99>
- Zabeen, M., Sayeeduzzaman, M., & Islam, A. B. (2023). Community Based Tourism for Socio-Economic Development: Role of Public and Private Sector. *International Journal of Hospitality & Tourism Management*, Query date: 2024-09-25 06:06:38. <https://doi.org/10.11648/j.ijhtm.20230702.13>