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CHALLENGES AND EFFECTIVE STRATEGIES IN MANAGING EDUCATION FINANCING

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ABSTRACT

The management of educational financing is a crucial aspect in ensuring the achievement of quality, equitable, and just national education goals. However, its implementation in Indonesia continues to face several significant challenges, such as limited government budgets, disparities in fund allocation between regions, and low levels of transparency and accountability in financial management. This study employs a qualitative approach using a literature review method to thoroughly examine these challenges and formulate effective strategies to overcome them. The findings indicate that several strategic approaches can be implemented, including the application of performance-based budgeting, diversification of funding sources through partnerships with the private sector and international donors (CSR, scholarships, and international cooperation), development of productive business units within educational institutions, and the digitalization of financial systems through e-budgeting and e-reporting. Furthermore, legal foundations such as Law No. 20 of 2003 on the National Education System, along with supporting policies like BOS (School Operational Assistance), PIP (Smart Indonesia Program), and DAK (Special Allocation Funds) for education, serve as vital pillars to ensure sustainable educational financing. It is expected that the results of this study will contribute to policy formulation and the implementation of more effective and sustainable education financing management practices in Indonesia.
Keywords: *Education financing, budget management, performance-based budgeting.*

INTRODUCTION

Education is the main foundation in forming superior and highly competitive human resources in the era of globalization. The success of a nation in development cannot be separated from the quality of education it has (Ali, 2009). To achieve quality education, comprehensive and sustainable management is needed, including in the financing aspect. Education financing has a vital role in supporting the entire learning process, curriculum development, improving educator competence, providing facilities and infrastructure, and ensuring accessibility and equality of education services for all levels of society (Sianturi et al., 2024).

One of the main challenges in managing education financing is the limited allocation of funds from the government, both at the central and regional levels. Although Law Number 20 of 2003 concerning the National Education System has stipulated that the education budget is at least 20% of the APBN/APBD, the realization and optimization of the use of this budget still faces many obstacles. Not infrequently, education funds are used to finance the administrative needs of the education bureaucracy, not to directly improve the quality of learning. As a result, educational

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institutions, especially those in remote or less developed areas, still have difficulty meeting their basic operational needs. This condition is exacerbated by the low capacity of financial management at the education unit level, which often does not have competent human resources in financial management. (Inkiriwang, 2020).

The funding gap between developed and underdeveloped regions is also a serious problem. This gap creates a striking disparity in the quality of education, both in terms of facilities, teaching staff, and student learning outcomes. Regions with high economic potential tend to be able to provide adequate funding, while regions with fiscal limitations must rely entirely on central government assistance or other external funding sources. (Mbato, 2022). This inequality not only violates the principle of justice in education, but also hinders efforts to equalize access and quality of national education.

In addition, another challenge that is no less important is the lack of transparency and accountability mechanisms in the management of education funds. Many reports mention the misuse or inaccuracy of the target use of the education budget, either due to weak monitoring systems or low community participation in decision-making. This causes the community to become apathetic towards the management of education funds and reduces public trust in educational institutions. (Nasional, 2014). In fact, transparency is one of the main principles in good educational governance, which can encourage efficiency, effectiveness, and integrity in the use of educational resources.

Many private schools, especially small and medium-sized ones, rely heavily on student fees as their main source of funding. When an economic crisis or social change occurs that impacts parents' ability to pay, private educational institutions also experience operational difficulties. (Nasional, 2014). This becomes more complicated when there is no adequate financial support from the government for non-state educational institutions, even though they also contribute greatly to achieving national education goals.

Facing these challenges, an effective, innovative, and sustainability-oriented education financing management strategy is needed. One of the main strategies is to strengthen performance-based planning and budgeting, where fund allocation is based on measurable performance achievements and education quality indicators. This approach not only increases the efficiency of budget use, but also encourages accountability and more tangible results. Schools and educational institutions need to have a clear strategic plan, as well as performance indicators that can be evaluated periodically.

Another strategy is diversifying sources of education funding. The government and educational institutions are encouraged to establish strategic partnerships with the private sector, civil society organizations, and international donor agencies in the form of Corporate Social Responsibility (CSR) programs, scholarships, grants, and so on. Through this collaborative approach, the burden of funding does not only rely on the state budget or student fees, but involves various parties who care about the progress of education. In addition, educational institutions can also develop productive business

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units or certain legitimate educational services that do not interfere with the main function of education.

It is also important to develop a transparent and participatory financial reporting and audit system. The involvement of the community, school committees, and independent supervisory institutions in the budget evaluation process is essential to prevent misuse of funds. By utilizing information technology, a digital-based education financial management system (E-budgeting and E-reporting) can be implemented to improve efficiency, speed up the administration process, and open up access to information widely to the public. The strategy of strengthening the capacity of financial management human resources cannot be ignored. Principals, treasurers, and financial administration staff need to receive regular training on the principles of good financial governance, applicable regulations, and technical skills in preparing accountability reports. Without competent human resources, effective education financial management will be difficult to achieve, even if the system and tools are available.

Equally important is the need for regulations and policies that support equal access and quality of education. The government needs to ensure that School Operational Assistance (BOS) funds, the Smart Indonesia Program (PIP), and various other financing schemes are distributed on time, on target, and strictly monitored. For regions that are geographically and economically disadvantaged, affirmation is needed in the form of additional funds or special programs to guarantee the right to equal education.

Management of education financing cannot be separated from the overall education management system. It is not just a technical administrative problem, but also concerns aspects of social justice, collective responsibility, and a long-term vision of the future of the nation's generations. In this increasingly complex and dynamic era, only with effective, transparent, and inclusive financing governance can the national education system truly become a driving force for progress and social justice.

RESEARCH METHOD

This type of research is descriptive qualitative research with a literature review method or library research. (Fiandi, 2022) which aims to study and analyze in depth various challenges and effective strategies in managing education financing based on relevant literature sources. Data were collected through searching and reviewing scientific books, research journals, laws and regulations, education policy reports, and academic articles that discuss education financing issues. All data were analyzed descriptively-analystically with data reduction techniques, theme classification, and content interpretation to obtain a complete and systematic understanding. Through this approach, the study seeks to provide a comprehensive theoretical and conceptual picture of the problems and strategic solutions in managing education financing that can be used as a reference for practitioners, academics, and policy makers in the field of education.

RESULTS AND DISCUSSION

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1. Understanding and Urgency of Education Financing

Education financing is one of the vital components in the education system that plays a direct role in the success and sustainability of the learning process at all levels. In general, education financing can be interpreted as all forms of expenditure or investment allocated to support educational activities, whether from the government, the community, or the private sector. (Papilaya, 2022). Dalam hal manajemen pendidikan, pembiayaan menjadi pilar penopang yang memungkinkan berbagai fungsi Pendidikan seperti pengadaan sarana-prasarana, peningkatan kompetensi guru, pengembangan kurikulum, serta pembiayaan operasional harian dapat berjalan secara optimal dan berkelanjutan.

According to Tilaar, (2006), education financing is a form of long-term investment that is not only aimed at human development from an intellectual aspect, but also spiritual, moral, and social. In this perspective, education financing is not only seen as a financial burden, but as strategic capital to produce superior generations in the future. This is in line with the opinion Psacharopoulos, (1985) which emphasizes that every rupiah invested in the education sector will produce long-term economic and social benefits, such as increased work productivity, reduced poverty levels, and increased democratic awareness.

The urgency of education financing is further strengthened by the fact that modern education requires a lot of support from facilities and technology. In the digital era like today, learning is no longer limited to conventional classrooms, but has expanded to online learning, hybrid, and information technology-based learning models. All of these forms of transformation require a sufficient budget and efficient financial management so that the quality of education is maintained and educational gaps can be minimized.

From a national policy perspective, the urgency of financing education is reflected in the mandate of the 1945 Constitution, Article 31 paragraph (4), which states that the state is obliged to allocate an education budget of at least 20% of the State Budget (APBN) and the Regional Budget (APBD). This provision emphasizes that the state has the primary responsibility to ensure the availability of adequate funds for the entire education process. (Idris, 2010). However, in reality, the implementation of this mandate often faces challenges, both in terms of technical aspects of allocation, efficiency of use, and transparency and accountability.

Furthermore, education financing also plays a role in ensuring justice and social inclusion. One of the main goals of education is to provide fair learning opportunities for all citizens regardless of socio-economic background. Without proportional financing support that favors marginalized groups, it will be difficult to realize equitable and just education. (Kusumawati et al., 2023). This is in accordance with the concept of education for all which emphasizes the importance of universal access to education, especially for children from poor families, children with special needs, and those living in remote areas.

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In addition to being an instrument of equality, education funding is also a tool to improve the quality of learning. Many studies have shown that schools with sufficient funds are better able to provide a conducive learning environment, have trained teachers, and use the latest learning media and technology. Conversely, lack of funds often results in low quality learning, high dropout rates, and minimal teacher motivation in carrying out their duties.

The urgency of education financing is also clearly seen in the high dependence of educational institutions on daily operational funds. In practice, many schools have difficulty paying honorariums for honorary teachers, electricity, water, building maintenance, and procurement of office stationery. If not supported by a solid and sustainable financing system, the learning process in these schools is threatened with disruption, and could even stop completely. (Desniati, 2019). This is where the importance of a financing system lies, which does not only depend on one source, but must be diversified by involving various stakeholders such as the private sector, donor institutions, and community contributions through mutual cooperation.

In the framework of long-term national development, education funding must be positioned as a priority investment. Developed countries in the world have shown that their economic and technological progress is greatly influenced by the strength of their education systems. Countries such as Finland, South Korea, and Japan, allocate significant education budgets and make education the center of all development policies. They are aware that the quality of human resources is the main key to winning the increasingly competitive global competition. (Abdoellah, 2016).

Indonesia as a developing country also has a great opportunity to increase global competitiveness through improving the education financing system. For this reason, it is necessary to reform the education financial system that emphasizes transparency, efficiency, and sustainability. The government must ensure that every allocated fund really reaches those in need and is used according to its designation. On the other hand, educational institutions must also strengthen an accountable and professional financial management system. (Rusdiana, 2021).

In addition, in the context of regional autonomy, local governments are also required to be more creative and innovative in exploring local funding sources. A collaborative approach between local governments, the business world, and civil society can open up new financing opportunities that are more flexible and adaptive to local needs. Thus, the challenge of financing education is not only the responsibility of the central government, but also the collective responsibility of all elements of the nation.

In closing, it can be emphasized that education financing is not just a matter of financial technicalities, but is an integral part of the strategy for human development and national civilization. Without adequate financing, the education system will be crippled, and the ideal of educating the nation will be difficult to achieve. Therefore, all stakeholders in the field of education must realize the importance of building a fair, efficient, and sustainable education financing system as a foundation for quality education for all.

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A. Legal Basis and Policy for Education Financing in Indonesia

Education financing in Indonesia cannot be separated from the legal basis that underlies its implementation. As a country based on law, every aspect of the national education system must have a clear regulatory basis, including in terms of funding. This legal and policy basis is important to ensure certainty, accountability, and equal access to quality education for all citizens. In this context, the Indonesian government has regulated education financing through laws, government regulations, and technical policies that serve as guidelines for implementation in the field.

B. Law Number 20 of 2003 concerning the National Education System

Law Number 20 of 2003 concerning the National Education System (UU Sisdiknas) is the main legal umbrella in the implementation of education in Indonesia. In this law, especially in Articles 46 to 49, it is emphasized that education funding is a shared responsibility between the government, regional governments, and the community. This law establishes the principle that every citizen has the right to receive education, and to realize this right, the state is obliged to provide an adequate budget (Indonesia, 2005). In Article 49 paragraph (1), the National Education System Law emphasizes that:

"Education funds other than teacher salaries and civil service education costs are allocated at least 20% of the State Budget (APBN) and the Regional Budget (APBD)."

This provision shows a constitutional commitment to education financing as a national development priority. This budget allocation is an important instrument to ensure access, equity, and improvement of the quality of education at all levels and regions of Indonesia.Alokasi Minimal 20% APBN dan APBD untuk Pendidikan

One of the main pillars in the basis of education financing policy in Indonesia is the allocation of at least 20% of the APBN and APBD, as stated in Article 31 paragraph (4) of the 1945 Constitution, and emphasized in the National Education System Law.

This allocation reflects the seriousness of the state in making education a national priority. The use of these funds covers various educational needs such as the construction and maintenance of school infrastructure, educator salaries, procurement of learning tools, student welfare programs, teacher training, and strengthening school management. However, in its implementation, the use of 20% of the education budget is often a challenge. Many parties have highlighted that most of this budget is actually absorbed for employee expenses, especially teacher salaries and allowances, so that fiscal space for innovative programs and developing the quality of education is limited. (Ngadirin, 2018).

C. Education Financing Support Policy

To implement the mandate of the law and encourage efficiency and effectiveness of education financing, the Indonesian government has also established a number of technical policies that serve as operational instruments. Among the most prominent policies are:

D. School Operational Assistance Program (BOS)

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The BOS program was launched by the government in 2005 as a concrete form of direct financing to educational units. This program aims to free students from the burden of operational costs of education, especially for elementary and junior high school levels. BOS allows schools to fund non-personnel needs such as procurement of stationery, books, electricity, water payments, and extracurricular activity costs. The BOS program is an instrument of decentralization of education finance, where schools are given the authority to manage funds based on the School Activity and Budget Plan (RKAS). Along the way, the BOS program has evolved into Regular BOS, Affirmative BOS, and Performance BOS, in order to target 3T (underdeveloped, frontier, and outermost) areas and schools with good performance (Cetrayon et al., 2023).

E. Smart Indonesia Program (PIP)

The Indonesia Pintar Program is a form of cash social assistance provided directly to students from poor families through the Indonesia Pintar Card (KIP). The main objective of PIP is to prevent children from underprivileged families from dropping out of school due to financial constraints. PIP is provided to elementary school to high school/vocational school students registered in the Integrated Social Welfare Data (DTKS). PIP provides support for personal education costs such as purchasing uniforms, textbooks, stationery, and school transportation costs. This program is very important as part of an equity-based financing approach, where funds are directed to the community groups that need it most. (Ngiode & Erwinsyah, 2020).

F. Special Allocation Fund (DAK) for Education

DAK Education is part of the transfer of central funds to regions that is specifically directed towards infrastructure development and procurement of educational facilities and infrastructure. DAK is usually used for classroom rehabilitation, laboratory construction, libraries, and procurement of learning media. DAK policy is directed at reducing disparities between regions, especially between urban and rural areas. DAK also functions to support the implementation of the national curriculum through the fulfillment of national education standards (SNP) from the aspect of facilities and infrastructure (Simanjuntak et al., 2024).

The legal foundation and policies for education financing in Indonesia are designed to ensure that education can be delivered in a fair, high-quality, and sustainable manner. Anchored in the National Education System Law (UU Sisdiknas) and the constitution, the mandatory allocation of at least 20% of the national and regional budgets (APBN/APBD) must be fulfilled by both central and local governments. Complementary policies such as BOS (School Operational Assistance), PIP (Smart Indonesia Program), and DAK (Special Allocation Fund) for education demonstrate a concrete effort to implement equitable and targeted financing. For these legal frameworks and policies to function optimally, strict supervision, transparency in reporting, and improved financial management capacity at the educational unit level are essential. Community involvement is also a crucial factor in safeguarding the education budget from misuse and ensuring that it remains focused on quality and equitable access to national education.

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G. Key Challenges in Managing Education Financing

Although Indonesia has a strong legal framework and various supporting education financing policies, implementation on the ground still faces numerous complex challenges. Education financing in Indonesia involves not only the amount of funding but also the efficiency, equity, and effectiveness of budget utilization, as well as the transparency and accountability of its management. If not addressed systematically, these issues may hinder the achievement of national education goals—to educate the nation and improve the overall quality of Indonesia's human resources.

H. Inequality in Allocation and Distribution of Education Funds

One of the main challenges in financing education in Indonesia is the ongoing inequality in the allocation and distribution of funds between regions and levels of education. Remote and underdeveloped areas often receive a budget that is disproportionate to their actual needs, both in terms of the number of students, geographical conditions, and the availability of facilities and infrastructure. This can also be seen in the disparity in the quality of education between developed areas and 3T (Disadvantaged, Frontier, and Outermost) areas. Many schools in remote areas do not yet have basic facilities such as decent classrooms, toilets, laboratories, and internet access, while schools in urban areas are relatively more complete (Jannah, 2024).

I. Dominance of Employee Expenditure in the Education Budget

Although the education budget has been set at a minimum of 20% of the APBN and APBD, in reality most of these funds are absorbed for employee expenditure, especially teacher salaries and professional allowances. This causes the remaining budget for developing the quality of education, strengthening the curriculum, teacher training, and innovative learning activities to be very limited. For example, in many regional financial reports, employee expenditure can reach more than 70% of the total education budget, leaving less than 30% for other needs. As a result, many schools have difficulty financing quality improvement programs, teacher training, or developing digital-based learning support facilities.

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J. Lack of Transparency and Accountability in the Use of Funds

Another crucial problem is the lack of transparency and accountability in the management of education funds, both at the central and educational unit levels. Although the government has implemented an application-based reporting system such as BOS Online or ARKAS (School Activity and Budget Plan Application), not all schools

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K. Lack of Community Participation in Education Financing

In the National Education System Law, education financing is a shared responsibility between the government, the community, and families. However, in practice, community participation is still relatively low. Many parents hand over the full responsibility for financing to the state, without playing an active role in supporting the operational costs of education at their children's schools. This is exacerbated by the misconception that all education should be free. In fact, schools still need support from parents and the community for additional activities that are not funded by BOS or the government budget, such as literacy programs, character education, and strengthening extracurricular activities.

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L. Budget Limitations for Secondary and Higher Education

The focus of education funding in Indonesia still tends to be heavy on basic education, so that secondary and higher education levels have not received proportional attention. In fact, the challenges of education at this level are increasingly complex, especially in facing the Industrial Revolution 4.0 which demands mastery of technology and high competence. Many high schools/vocational schools and universities lack laboratory facilities, digital libraries, and research and development (R&D) budgets. Students from low-income families have not all been able to access scholarships equally (Anindita, 2024).

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M. Mismatch between Budget Planning and Realization

A classic problem that also continues to occur is the gap between budget planning and realization. Many regions prepare education budget plans without being based on accurate data, or do not consider the real needs of educational units. As a result, there is often a mismatch between the designed programs and implementation in the field. This disparity is also seen in the RKAS-based budgeting process which sometimes does not match the implementation, so that schools have difficulty realizing innovative programs due to administrative rigidity or delays in disbursement of funds. (Anindita, 2024).

Education financing in Indonesia is faced with various challenges that require serious attention and comprehensive solutions. Problems ranging from distribution inequality, dominance of employee spending, minimal accountability, to lack of community participation reflect that financing is not enough to only rely on the size of the numbers, but also on its effectiveness and usefulness. To overcome this, comprehensive reform is needed in the planning, implementation, and supervision of the education budget. The government needs to encourage a needs-based financing system, strengthen the capacity of school financial managers, and integrate information technology in education financial management. The involvement of the community, business world, and philanthropic institutions also needs to be strengthened so that education financing does not only depend on the APBN/APBD, but becomes a collective movement to build a smarter and more competitive future for the nation.

N. Effective Strategies to Overcome Challenges in Education Financing

Quality education requires adequate, sustainable, and efficient financing support. Although the Indonesian government has allocated at least 20% of the APBN and APBD for the education sector, challenges in management, inefficiency, and limited financing are still crucial issues. Therefore, innovative and effective strategies are needed that can address these limitations. These strategies include the implementation of performance-based budgets, diversification of financing sources, development of education business units, and the use of digital technology in financial management.

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O. Implementation of Performance-Based Budgeting

Performance-based budgeting is an approach that emphasizes the relationship between fund allocation and the output and outcome produced. In the context of education, this means that every funding allocation must be directly linked to improving the quality of education, equalizing access, and efficient use of funds. With this system, educational institutions will be more responsible in using the budget. Evaluations are

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P. Diversification of Funding Sources

Relying on the state budget as the sole source of education funding is very risky, especially amidst economic fluctuations or fiscal restrictions. Therefore, it is important for the education sector to diversify funding, namely by involving non-government sources:

Q. Corporate Social Responsibility (CSR)

Large companies can be involved in funding educational programs as part of their social responsibility. For example, building laboratories, teacher training, or scholarships for underprivileged students in their operational areas.

Scholarships from Foundations or Donor Institutions

Many national and international foundations provide educational funds, such as the Tanoto Foundation, Ford Foundation, and UNESCO. This diversification opens up greater opportunities for students to obtain quality education without the burden of costs.

R. International Cooperation

Cooperation with international donor agencies or friendly countries, such as the DAAD (Germany), Chevening (UK), or USAID scholarship programs, can expand access to higher education financing.

S. Development of Productive Business Units in Educational Institutions

Educational institutions, especially Islamic boarding schools, vocational schools, or universities, have great potential to develop productive business units as a source of independent income. These businesses can be in the form of agriculture, animal husbandry, printing, cooperatives, or even digital products and training services. These business units not only support the operational costs of the institution, but also become a means of learning entrepreneurship for students. In fact, several private universities have been able to finance most of their operations through internal productive

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businesses. For this strategy to be effective, professional management and good governance are needed. Educational institutions must also be given training and technical support to manage businesses in a modern and competitive manner.

T. Implementation of Digital Financial System (e-Budgeting and e-Reporting)

Digitalization of financial system is a strategic step to increase efficiency and accountability of education financing. With e-budgeting system, budget planning is done electronically with integrated system, so the process is faster, transparent, and minimizes deviation. Meanwhile, e-reporting allows educational institutions to report budget realization in real-time and standardized. Systems such as ARKAS (School Activity Plan and Budget Application) and SIPLah (School Procurement Information System) developed by Kemendikbud are successful examples of digitalization of education financing. In addition, data integration through digital system also helps the government in making data-based decisions (evidence-based policy) and responding to school needs more quickly (Nurhalimah et al., 2024).

Strategies to overcome the challenges of education financing cannot be done partially, but rather through a holistic approach that combines the principles of efficiency, accountability, and innovation. The implementation of a performance-based budget ensures that the funds allocated truly have an impact on the quality of education. Diversification of funding sources expands the reach of funding and strengthens the independence of educational institutions. On the other hand, the development of productive business units and the digitalization of the financial system strengthen the economic resilience of institutions and encourage clean governance. However, the success of this strategy depends on the synergy between the government, educational units, the private sector, and the community. Training, supportive regulations, and an incentive system are needed for institutions that are able to manage financing effectively and innovatively. With the right strategy, the challenges of education financing in Indonesia can be transformed into opportunities towards quality, equitable, and sustainable education.

CONCLUSIONS AND SUGGESTIONS

The management of education financing in Indonesia faces various challenges such as budget constraints, unequal distribution of funds, and low efficiency and accountability of budget use. To overcome this, an effective and sustainable strategy is needed, including the implementation of performance-based budgeting to ensure efficient use of funds, diversification of funding sources such as CSR and scholarships to expand funding, development of productive business units in educational institutions to support financial independence, and utilization of a transparent and integrated digital financial system. Through this strategic approach, the management of education financing can be more responsive, accountable, and oriented towards improving the quality of education evenly and sustainably.

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