

CONCEPTUAL ANALYSIS OF WORKING CAPITAL MANAGEMENT IN EDUCATION: AN EDUCATIONAL FINANCIAL MANAGEMENT PERSPECTIVE

Mardivta Yolanda^{1*}, Hamdi Abdul Karim^{2*}

¹² Universitas Islam Negeri Sjech M. Djamil Djambek Bukittinggi, Indonesia

EmailCorrespondence: mardivtay@gmail.com, hamdiabdulkarim@uinbukittinggi.ac.id

©2024 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution-ShareAlike 4.0 International License-(CC-BY-SA) (<https://creativecommons.org/licenses/by-sa/4.0/>)

DOI : <http://dx.doi.org/10.30983/icmie/>

Abstract

Working capital management is a crucial aspect in maintaining operational stability and sustainability of educational institutions. This article aims to conceptually analyze working capital management in the context of educational financial management through a library research method. This study examines various literatures and theories related to the components, strategies and challenges of working capital management in educational institutions, both formal and non-formal. The results show that the effectiveness of cash management, receivables, inventories and short-term liabilities greatly affects the quality of education services. In addition, careful financial planning, operational cost control and periodic evaluation are key to ensuring adequate working capital. This article also highlights the need to apply the principles of efficiency, accountability and transparency in education financial management. This study is expected to be a theoretical reference for managers of educational institutions in developing effective and sustainable working capital management policies.

Keywords: *working capital management, education, financial management, efficiency, institutional sustainability*

INTRODUCTION

Working capital management in educational institutions is a crucial aspect that supports the continuity of operations and the achievement of educational goals. Working capital, which includes current assets such as cash, accounts receivable and inventory, as well as short-term liabilities, serves as the main driver of an institution's daily activities. If working capital is not managed properly, educational institutions can face financial difficulties that have a direct impact on service quality, program sustainability and stakeholder satisfaction levels.

In the context of educational financial management, the success of an institution depends not only on the amount of funds available, but also on the ability to allocate and manage these funds in an efficient and effective manner. Therefore, an in-depth understanding of working capital management is very important for managers of educational institutions. Unfortunately, there are still many educational institutions, especially at the school and madrasah level, that have not implemented a structured financial management system, including in terms of working capital management.

Management is very necessary in moving an organization, (Hartono et al., 2023) define management as the art of carrying out everything through humans.

management includes five functions, namely: planning (planning), organizing (organizing), leading (leading), coordinating (co-ordinating), and controlling (controlling).

The library research method is used in this study to examine various theories, concepts and previous research results relevant to working capital management in the education sector. The main objective of this study is to provide an in-depth theoretical understanding of how working capital should be planned, used and evaluated in educational institutions. Thus, this article is expected to be a reference for policy makers, education managers and researchers in improving the efficiency of education financial management.

RESEARCH METHOD

This research uses a qualitative approach with a library research method. This method aims to explore, understand, and analyze various concepts, theories, and results of previous research relevant to working capital management in educational institutions. The data used in this study were sourced from various scientific literature, such as reference books, national and international journal articles, research reports, and policy documents related to education financial management. The steps taken in this research include:

1. Identify sources of literature relevant to the topic, with the criteria that the literature is published in at least the last ten years, relevant to the theme of working capital management and education finance, and comes from credible academic sources.
2. Collecting literature data through searches on scientific databases such as Google Scholar, DOAJ, ResearchGate, and university digital libraries.
3. Content analysis was conducted on the selected documents and literature to find important patterns, conceptual approaches, and findings that can be used as the basis for developing a theoretical synthesis of working capital management in education.
4. Drawing conclusions is done descriptively-analytically based on the results of the literature review that has been analyzed systematically.

RESULTS AND DISCUSSION

1. The concept of Working Capital Management in the context of education

Quality education is the expectation of all students and parents. This expectation is an expensive investment that must be supported by costs. Various forms of promotion in order to attract students include free financing of education development contributions. With the free education program, it is the school's responsibility to manage the funds received from the government. This is the reason for the importance of financial management in the free education program of education units, because there are so many school reviews that fund BOS (School Operational Assistance). Each school has its own details in managing its finances, especially in schools that offer completely free classes (Mushthofa et al., 2022).

The education budget or education costs are one of the key factors that support

the learning process to achieve a good quality school, so education financing must be managed as much as possible. With that, the stages of education financing management need to be considered. (Nurlaya, 2020) Because if it only has sufficient funding but is not managed effectively and efficiently, it will not achieve a quality education goal. (Nurhamzah et al., 2020)

Harsono quoted by Sonedi et al, Education financing can be classified into four categories, namely government education costs, parent or community education costs, donor education costs, business education costs and education costs of the educational institution itself. (Sonedi et al., 2017) Education financing expressed by Harsono has included education financing models in various types of financing, ranging from independent to collective financing. Education financing regardless of the type of source becomes the support of education in order to run well.

Working capital in educational institutions refers to short-term financial resources used to finance the daily operations of the institution, such as salary payments, purchase of office stationery, procurement of teaching materials, and facility maintenance costs. Based on a literature review (Supriadi, 2018), working capital consists of current assets (cash, accounts receivable, inventory) and short-term liabilities (accounts payable, accrued expenses).

In the context of education, especially Islamic educational institutions or private schools, working capital is not solely sourced from business results, but also comes from student fees, grant funds, government assistance, or community donations. This makes working capital management more complex and demands high accountability. Unlike business companies that pursue profit, educational institutions aim for the sustainability of services and the achievement of the vision and mission of education. Therefore, every dollar used from working capital must reflect the efficiency, usefulness and transparency of the use of funds.

According to (FAHMI, 2023) what is meant by working capital is a company's investment in short-term assets of cash, securities, inventory and receivables. Therefore, in order to realize a working capital concept that is in accordance with the expectations of the company, a management science must be applied that can provide concept direction in accordance with what is meant in the rules of working capital management. Working capital management is related to the management of current assets, cash, accounts receivable and inventory and the procedures for funding these assets. According to (Dekrita, 2021) the function of working capital in hospitals can finance daily hospital operations. Hospitals will be able to operate more efficiently, if they have sufficient capital and do not experience financial problems. Here are some functions of working capital: 1) if the company has sufficient working capital, during a crisis, the company will be protected if there is a decrease in the value of current assets; 2) the company can provide credit terms for its customers more leniently and favorably; 3) the company's operations can run more efficiently, because the company does not experience difficulties when obtaining the necessary products or services; and 4) by having capital, the company will be able to pay all its obligations in a timely manner.

The company can have a sufficient amount of inventory in order to serve its customers more smoothly. According to (Dekrita, 2021), an indicator of the short-term financial position of an organization and also a measure of overall efficiency. Working capital is obtained by subtracting current liabilities from current assets. This ratio shows whether the company has sufficient assets to cover its short-term debt. This concept is called net working capital. Net working capital (NWC) is the difference between current assets and current liabilities.

2. Effective Working Capital Management Strategy

In a plan there are steps to arrange future education financing in order to facilitate the implementation of education free of educational financing donations and can run well and achieve the operational activities of educational institutions effectively and efficiently (Mushthofa et al., 2022). Education management is a series of activities to plan, organize, motivate, control, and develop all efforts in managing and utilizing human resources, facilities and infrastructure to achieve educational goals (Sianturi et al., 2022)..

The process of management activities in the world of education is a system consisting of sub-systems that are interrelated with one another. these activities are a unity that affects each other. Planning, organizing, mobilizing, and supervising cannot be separated from the others even though their implementation is carried out by different work units. If the integration of the activity process can be carried out properly, then the integration of the activity process becomes a cycle of activity processes that can support the development and improvement of work quality (Daud, 2023)

Efforts to achieve educational goals must be planned by taking into account existing resources, situations and conditions in order to achieve effective goals. All related resources and the implementation of these activities need to be coordinated integrally in order to achieve a harmonious cooperation in achieving these goals. The integration of organizational work requires direction, encouragement, coordination, and effective leadership. The implementation of all these activities must be controlled, monitored, and evaluated for effectiveness and efficiency.

Financial management of education financing, including planning, organizing, implementing, monitoring and evaluating the entry and exit of funds, efforts to explore sources of school funding such as cooperative activities and efficient use (Sianturi et al., 2022)

Effective working capital management strategies involve thorough financial planning, execution and evaluation. Some of the strategies identified from the literature include:

- A. Wise cash management, through monitoring cash inflows and outflows. Educational institutions should have monthly financial projections so as not to experience a shortage of funds in the middle of the road (Sumarno & Gimin, 2019)
- B. Accounts receivable management, especially from delinquent students. Strategies such as granting waivers or gradual payment schedules can help maintain cash

stability.

- C. Inventory control, such as stationery or teaching materials, is done with a recording system and periodic evaluation. Uncontrolled inventory can cause waste and absorb funds inefficiently.
- D. Periodic evaluation of current liabilities, such as debts to suppliers or monthly bills, is important so that the institution does not accumulate a liability burden and maintain its financial reputation.

These strategies need to be supported by accurate financial information systems, human resource management skills, and management commitment to the principles of efficiency and accountability.

3. Challenges of Working Capital Management in Educational Institutions

Literature studies show that the main challenges in managing working capital in educational institutions, especially small and medium-sized ones, lie in managerial capacity and limited funding sources (Dewi & Darma, 2017). Some common challenges include:

- A. Dependence on a single source of income, such as student tuition fees, makes the institution very vulnerable when there are payment arrears or a decline in the number of students.
- B. Lack of training and financial literacy of managers, leading to errors in budgeting, lack of recording transactions, and the absence of accurate financial reports.
- C. The absence of accountability and transparency systems, especially in traditionally managed institutions, poses a risk of corruption or misappropriation of funds.
- D. The absence of reserve or emergency funds, making it difficult for institutions to deal with unexpected events such as disasters, damage to facilities, or delays in aid funds.
- E. Overcoming these challenges requires policy interventions, human resource capacity building, and the establishment of a sustainable internal audit and monitoring system.

CONCLUSIONS AND SUGGESTIONS

Based on working capital management in educational institutions plays a crucial role in ensuring the smooth operation and sustainability of educational services. Through this study, it can be concluded that an in-depth understanding of the elements of working capital, such as cash, receivables, inventory and short-term liabilities, along with their management strategies, greatly affects the effectiveness of financial management of educational institutions. Good working capital management practices can not only improve the efficiency of the use of funds, but also prevent liquidity crises and provide opportunities to develop sustainable education programs. Therefore, principles such as careful planning, close supervision, transparency and accountability should be the cornerstones of working capital management.

For educational institutions, it is recommended to develop a structured and professional financial management system, especially in the aspect of working capital

management, to ensure operational sustainability and improve service quality and For financial managers, it is important to increase capacity and competence in terms of planning, implementation, and evaluation of working capital management through continuous training and mentoring.

REFERENCES

- Daud, Y. M. (2023). Peran Kepala Sekolah Dalam Pengelolaan Manajerial Sekolah. *Intelektualita*.
- Dekrita, Y. A. (2021). *Kinerja Keuangan Rumah Sakit Badan Layanan Umum Daerah: Tinjauan Manajemen Kas, Piutang, Modal Kerja, Hutang, Dan Sumber Daya Manusia*.
- Dewi, A., & Darma, G. S. (2017). Proses Rekrutmen, Seleksi, Pelatihan, Penempatan Dan Kinerja Karyawan. *Jurnal Manajemen Bisnis*.
<https://journal.undiknas.ac.id/index.php/magister-manajemen/article/view/329>
- Fahmi, M. I. (2023). *Pengaruh Modal Usaha Dan Inovasi Produk Terhadap Perkembangan Umkm Dengan Digital Marketing Sebagai Variabel Moderating Dalam Perspektif Ekonomi Islam* Repository.Radenintan.Ac.Id.
<http://repository.radenintan.ac.id/28816/>
- Hartono, L. B., Affandi, A., & ... (2023). Strategi Pengelolaan Modal Kerja Untuk Meningkatkan Kualitas Laporan Keuangan Pada Rumah Sakit Umum Daerah (Studi Kasus Pada Rsud Blud Di Wilayah *Ekonomis: Journal Of*
<http://ekonomis.unbari.ac.id/index.php/ojsekonomis/article/view/1543>
- Mushthofa, A., Munastiwi, E., & ... (2022). Manajemen Pembiayaan Pendidikan Berbasis Bebas Sumbangan Pembinaan Pendidikan. In ... *Manajemen Pendidikan*. Pdfs.Semanticscholar.Org.
<https://pdfs.semanticscholar.org/A119/F80a676aaa74a0caae073e1343d404047702.pdf>
- Nurhamzah, E. Q., Syah, M., & Suryadi. (2020). Conceptual Model Of Quality-Based Education Financing Management In Modern Pesantren. *Jurnal Pendidikan Dan Kebudayaan*, 5(2), 131–151.
- Nurlaya, L. (2020). Pengaruh Manajemen Pembiayaan Pendidikan Dan Fasilitas Pembelajaran Terhadap Mutu Sekolah (Penelitian Pada Smk Swasta Se- Korwil Iii Kabupaten Bandung). *Al-Hasanah : Jurnal Pendidikan Agama Islam*, 5(1), 1–8.
- Sianturi, R., Aini, N., & Khaerunnisa, G. (2022). Konsep Standar Dan Ruang Lingkup Pengelolaan Pendidikan. ... *Pendidikan Anak Usia Dini*.
<https://jurnal.umj.ac.id/index.php/yaabunayya/article/view/14392>
- Sonedi, Z, J., & M, M. (2017). Manajemen Pembiayaan Pendidikan Bersumber Dari Masyarakat. *Fenomena*, 1(9), 25. <https://doi.org/10.21093/fj.v9i1.702>
- Sumarno, S., & Gimin, G. (2019). Analisis Konseptual Teoretik Pendidikan Kewirausahaan Sebagai Solusi Dampak Era Industri 4.0 Di Indonesia. *Jurnal Ilmiah Ilmu*.
- Supriadi, A. (2018). Analisis Efektivitas Modal Kerja Terhadap Rentabilitas Perusahaan (Studi Kasus Pada Perusahaan Koperasi Kpri Kanca Winaya, Kecamatan Klari.

