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QUALITY ORIENTED EDUCATION FINANCING MECHANISMS

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ABSTRACT

Improving the quality of education depends on a financing mechanism that focuses not only on the amount of funds, but also on the effectiveness and efficiency of their utilization. This study analyzes the concepts, models and challenges of quality-oriented education financing through a literature review of relevant literature and policies. The results show that large budget allocations do not automatically improve the quality of education, so a results-based approach, such as performance and needs-based financing, is needed. The main challenges include limited human resource capacity, suboptimal data systems, complex bureaucracy and regional disparities. Overcoming these obstacles requires strengthening the capacity of education managers, improving data systems, simplifying regulations, and cross-sector collaboration between the government, schools, businesses and communities. Adaptive, inclusive and accountable education financing reforms are expected to support the creation of a quality and sustainable learning process, and build a superior and highly competitive generation in the future.

Keywords: *Education Financing, Education Financing Mechanism, Education Financing Management*

INTRODUCTION

Education has a central role in building the quality of human resources and improving the nation's competitiveness. The success of the education system is strongly influenced by the availability of sufficient funds and their targeted distribution. For decades, governments in various countries have increased education budgets to expand access and improve the quality of education. However, an increase in the budget is not necessarily always followed by an improvement in quality, so a financing approach is needed that not only focuses on the amount of funds, but also on the results achieved (Fironika K, 2015).

A quality-oriented approach to education financing requires efficient and effective use of funds to support student learning outcomes. The main focus is not only on the distribution of funds, but also on their utilization to improve the education process, such as improving teacher competence, providing adequate facilities, and implementing a performance-based evaluation system. Evaluation of the financing model that has been implemented is key to assessing its effectiveness.

In Indonesia, although the education budget allocation has reached 20% of the state budget as required by law, the challenges in improving the quality of education are still considerable. Indicators such as PISA results, dropout rates, and quality inequality between regions show that increased funding has not fully impacted on education outcomes. This condition confirms the need for a financing system that not only

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emphasizes the distribution of funds, but also the effectiveness of their use in supporting quality learning processes (Mesiono & Haidir, 2020).

The input-based financing model that has been dominant often ignores educational outcomes. In fact, orientation to outputs and outcomes is one way to ensure that every fund spent actually contributes to improving quality. Countries that have successfully improved the quality of education generally apply a performance-based financing system, where incentives are given based on certain achievements. This system encourages schools and local governments to be more accountable for educational outcomes (Wirian et al., 2022).

In addition, quality education financing also requires transparent and accountable governance. Without proper monitoring and evaluation, education funds are at risk of being misused or not used optimally. Therefore, all stages from planning, implementation and evaluation of the education budget must be carried out thoroughly and data-based. Strengthening the capacity of school management and improving financial literacy for stakeholders is also an important part of this effort.

Various studies show that countries with high quality education not only allocate large amounts of funds, but also implement a strategic and measurable financing system. This approach combines the principles of equity, efficiency and effectiveness. For example, Finland and South Korea emphasize financing based on needs and outcomes, not just the number of students or facilities. This is an important lesson for other countries that want to improve the quality of education through financing reform (Mesiono & Roslaeni, 2021).

Based on the dynamics above, an in-depth study of quality-oriented education financing mechanisms is needed. This study is expected to provide a comprehensive picture of how the financing system can be directed to support the continuous improvement of education quality. Through a literature study, this article will discuss the theories, models and practices of education financing that have been implemented in various countries and different contexts.

This study aims to identify the principles of education financing that can drive quality improvement and provide recommendations for strategies that are relevant in the Indonesian context. By reviewing various literatures, it is hoped that this article can make a scientific contribution to policy makers, education practitioners and academics in designing a more effective, efficient and results-oriented financing system. Education financing reform is part of a larger vision to build a superior and competitive generation.

RESEARCH METHOD

This research applies a literature study approach as the main research method. This approach is carried out through searching and reviewing various relevant literature sources, such as textbooks, scientific articles, research reports, and education policy documents that are publicly accessible. The focus of the study was directed at understanding the concepts, principles and application of education financing mechanisms that emphasize quality. The literature used is selected from publications

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that have gone through a credible academic process and are in accordance with the topic of discussion.

The data was analyzed in a descriptive-qualitative manner by categorizing the information found into main themes, such as the financing model, the effectiveness of budget utilization and the impact of financing on the quality of education. From this process, a synthesis of ideas was developed to provide a comprehensive picture of education financing practices that focuses not only on the amount of funds but also on the quality of their utilization. The findings of this study form the basis for the discussion and recommendations of the research.

RESULTS AND DISCUSSION

1. Concept of Quality-Oriented Education Financing

Education financing that emphasizes quality requires that funds be used in a planned manner to improve student learning outcomes. The main focus is not only on the amount of funds allocated, but on how effectively these funds are used to create quality education processes, such as teacher training, curriculum development and the provision of supporting learning facilities. This approach stems from the understanding that the main goal of education is to improve quality, not just expand access or build infrastructure. In practice, this approach encourages changes in the process of planning and evaluating education budgets, where governments or education institutions begin to use outcome indicators such as improved literacy and numeracy as a measure of financial effectiveness. This is different from the traditional approach that assesses performance based on budget absorption. The success of financing is measured by its impact on the quality of education, not just by the amount of funds used (Retno et al., 2024).

Quality-focused financing policies usually require a clear and consistent performance measurement system. Indicators of learning outcomes, education service user satisfaction and graduation rates are part of the evaluation system. The existence of these indicators allows for objective and data-driven decision-making regarding the allocation of funds and increases accountability for the use of education funds at the regional and school levels (Supriatna et al., 2023). The implementation of the quality-based financing concept must also take into account local conditions and the ability of budget managers in the field. Inequalities between regions, differences in school management capacity and the availability of accurate data can be a challenge. Therefore, there is a need for technical assistance and capacity building so that schools and local governments can manage education funds optimally. The quality of financing is not only determined by the system but also by the competence of the actors involved in education management.

2. Financing Models and Strategies that Support Quality

Various education financing models have been developed to support quality improvement. One model is performance-based financing, in which schools or educational institutions receive additional funds based on the achievement of

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certain quality indicators. This model aims to encourage schools to be more results-oriented and innovative in the learning process. Although it has the potential to improve quality, the implementation of this model requires an appropriate and fair evaluation system so as not to create new inequalities between schools.

Another widely applied strategy is needs-based financing, in which the distribution of funds is tailored to the characteristics and conditions of each school. Schools that face greater socioeconomic challenges, for example, will receive a larger allocation of funds to catch up. This approach aims to reduce quality disparities between regions and between types of schools so that all students have equal learning opportunities.

Decentralization of education budgets to the school level is also increasingly being adopted. Under this strategy, schools are given greater authority to plan and spend budgets according to local needs. This can improve efficiency as decisions are made based on real conditions on the ground. The success of this strategy largely depends on the management and leadership capacity at the school level, so strengthening governance is an important factor in supporting the success of financing decentralization (Zein, 2016).

The implementation of these strategies is not free from challenges in the field, such as limited human resources, lack of data to support decision-making, and resistance to change. Therefore, in addition to designing appropriate financing strategies, institutional reforms and capacity building of the education system as a whole are necessary. The synergy between good policy and strong implementation will determine the extent to which education financing can actually improve the quality of education.

3. Challenges in Implementing Quality-Based Financing

The implementation of education financing that focuses on quality faces a variety of complex challenges. One of the main obstacles is the limited capacity of human resources at the local and school levels. Many budget managers do not fully understand the principles and strategies of quality-based financing, so quality improvement programs often do not run optimally. Differences in understanding also lead to variations in policy interpretation and implementation. The technical training organized has not reached all regions equally, so there are still practices of managing funds that are not in accordance with standards. Policy reform is not enough without strengthening the capacity of implementers in the field. In addition, the inadequate education data system is a major obstacle in implementing quality-based financing. Many education units struggle to provide accurate and up-to-date performance data, even though the success of this approach relies heavily on data as the basis for budget allocation and evaluation. Data mismatches or delays can lead to poorly targeted policies. In some areas, the information technology infrastructure does not yet support efficient data reporting and the low level of data literacy among education managers makes matters worse. Without strong information systems, performance-based financing policies are difficult to implement effectively.

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Therefore, improving the data system is a very important foundation (Aprilliantoni et al., 2024).

Weaknesses in the bureaucratic system also slow down the budget disbursement process in schools. Convoluted administrative procedures cause delays in the disbursement of education funds, so many school programs cannot run as scheduled. Uncertainty over the timing of disbursements makes it difficult for schools to develop annual activity plans. This problem is exacerbated in remote areas where there are logistical and coordination obstacles between agencies. Principals and treasurers are often faced with the dilemma between following procedures or meeting urgent needs. This bureaucratic inefficiency means that financing fails to play its role as a driver for improving the quality of education. Simplification of procedures is needed so that schools can innovate more freely (Komariyah et al., 2022).

Resistance to change is also a barrier to implementing a quality-based financing system. Many education actors at the technical level still feel comfortable with the old approach and perceive budget management only as an administrative task, not as a quality improvement tool. This perception means that evaluations of the effectiveness of the use of funds are rarely carried out on a regular basis. Innovations in budget planning are minimal because they are perceived as risky and unfamiliar. The absence of incentives to innovate reinforces the status quo. To overcome this, a more participatory and sustainable change communication strategy is needed. Organizational culture transformation is key to successful policy implementation (Harbes et al., 2024).

Another challenge is the difference in infrastructure and resource readiness between regions. Schools in urban areas are generally better prepared in terms of technology, human resources and access to training. Meanwhile, schools in underdeveloped areas often lack in various aspects, from internet networks to teacher quality. These inequalities create huge differences in the capacity to absorb and utilize education funds, so general policies often do not have an equitable impact. Without an affirmative approach, the quality gap between regions will widen. The government needs to ensure that the design of financing policies takes into account specific local contexts and needs in order to achieve equitable education quality (Fihana, 2024).

4. Evaluation and Recommendation on Strengthening Financing Mechanism

Evaluations of the education financing system show that the orientation towards the quality of learning outcomes is still weak. The majority of evaluations highlight administrative aspects such as budget absorption and report compliance, while the real impact on improving the quality of education has not been the main indicator. This gap means that policies tend to pursue formality without regard to effectiveness. In addition, there is no evaluation mechanism that truly involves all stakeholders. Without a comprehensive and participatory evaluation, financing reform will only be a technocratic agenda. Therefore, the evaluation system needs to

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be redesigned to be more results-oriented and evidence-based. Good evaluation will guide more targeted policies.

Strengthening the capacity of human resources in education units is an important recommendation in improving financing mechanisms. Many principals and treasurers still have difficulties in preparing performance-based budget plans. They need training that is not only technical but also strategic in designing effective budgets. The current training programs are one-way and not contextualized. An adaptive training approach to the local conditions of each school is needed. In addition, a mentoring system from superior schools to developing schools can be an effective mentoring strategy. Technical support from the education office should also be strengthened so that schools do not feel that they are working alone. With capacity building, schools will be more confident in managing the budget optimally.

The utilization of information technology is the main solution in overcoming the constraints of budget reporting and evaluation. An integrated education information system can provide real time data on school performance, which can be used as the basis for a more objective and fair allocation of results-based funding. Fast and accurate data access will also speed up the evaluation and decision-making process. The development of this system needs to be accompanied by training in the use of technology for school staff and education offices. The government must also ensure adequate internet infrastructure, especially in the 3T (Disadvantaged, Frontier and Outermost) areas. A good digital system not only makes management easier but also increases public transparency of the education budget.

The regulatory aspect also needs to be updated to better support the quality-based approach. Many current regulations are too rigid and limit schools' flexibility in adjusting budgets to actual needs. New regulations should maintain accountability but allow room for innovation. oversight mechanisms should also shift from mere document verification to evaluating the substance of the use of funds. Results-based supervision will encourage schools to focus more on achieving educational quality. Regulations also need to encourage collaboration across sectors, including with businesses and civil society organizations. Simplifying regulations is the first step to making financing more responsive to education needs.

Synergy between the government, the private sector and the community is the foundation for strengthening the education financing system. Businesses can contribute through CSR funds, technology support or skills training programs. Public involvement in budget oversight will increase accountability and public trust. This partnership must be contained in a clear and mutually beneficial policy framework. The government needs to act as a facilitator, not just a regulator. By involving many parties, financing sources will become more diverse and sustainable. This synergy opens up opportunities to create an education system that is more adaptive, inclusive and oriented towards long-term quality (Sutansyah & Ramdani, 2023).

CONCLUSIONS AND SUGGESTIONS

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Improving the quality of education depends on a financing mechanism that not only focuses on the amount of funds, but also on the effectiveness and efficiency of their utilization. The planned and measured distribution of funds, as well as a focus on student learning outcomes, is key in creating a quality education process. Indicators of successful financing must also shift from budget absorption to tangible achievements in the quality of education, such as improved teacher competence and student learning outcomes.

The implementation of quality-based financing still faces various challenges, ranging from limited human resources, suboptimal data systems, to complicated bureaucracy. Inequalities in readiness between regions and resistance to change also increase the barriers to policy implementation. Strengthening the capacity of education managers, improving data systems, and simplifying regulations are strategic steps that need to be prioritized so that financing really has an impact on improving quality.

Collaboration between the government, schools, businesses and communities is an important foundation in building an adaptive and sustainable education financing system. This cross-sector partnership not only expands the sources of funds but also improves the transparency and accountability of budget management. Through strong synergy, it is expected that the education financing system in Indonesia will be able to support the creation of a superior and highly competitive generation in the future.

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