

THE RELATIONSHIP BETWEEN EDUCATIONAL QUALITY AND EDUCATION FINANCING IN ISLAMIC EDUCATIONAL INSTITUTIONS

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ABSTRACT

The quality of education is a key indicator in determining the success of human resource development in a nation. In Indonesia's education system, educational financing is considered a strategic factor that can continuously improve educational quality. This study aims to examine the relationship between educational financing and educational quality through a literature review approach by analyzing scholarly sources, international reports, and government policy documents. The findings indicate a positive relationship between financing and educational quality; however, this relationship is neither linear nor automatic. The effectiveness of financing is highly dependent on good governance, professional school management, local government support, and the involvement of the community and private sector. Several challenges are also identified, including unequal distribution of funds, limited financial management capacity at the school level, and weak oversight mechanisms. Therefore, a reform in the education financing system is necessary, with an emphasis on transparency, community participation, and a needs-based approach. Through these strategies, educational financing can move beyond being a mere administrative tool and function as a transformative instrument to improve the quality of education comprehensively and equitably across all regions of Indonesia.

Keywords: *Educational Quality, Education Financing, Governance, Public Policy, Budget Effectiveness*

INTRODUCTION

Education is the primary foundation for developing high-quality, globally competitive human resources (HR). As stated in the Law of the Republic of Indonesia Number 20 of 2003 concerning the National Education System, education aims to develop the potential of students to become individuals who believe, are devoted to God Almighty, have noble character, are independent, and can contribute positively to society (Depdiknas, 2003).

The quality of education is an important indicator in assessing the success of a country's education system. According to Mulyasa (2013), the quality of education includes aspects of the curriculum, the quality of educators, facilities and infrastructure, and the ongoing learning process. This level of quality is greatly influenced by funding that is allocated efficiently and fairly. Global studies also show that appropriate investment in education can improve student learning outcomes and national economic growth (Hanushek & Woessmann, 2015; OECD, 2021).

However, education financing in Indonesia still faces various obstacles, such as unequal budget distribution between regions, low efficiency of fund use, and limited private participation evenly. Although the constitution mandates an allocation of 20% of the State Budget (APBN) for the education sector, the realization in the field still shows a gap between the availability of funds and the achievement of education quality (Ministry of Finance, 2023).

Amid the dynamics of globalization and the industrial revolution 4.0, improving the quality of education through effective financing is an urgent need. Therefore, it is necessary to conduct an in-depth study of the relationship between education financing and education quality to provide an empirical and theoretical basis for policy making.

RESEARCH METHOD

The purpose of this study is to:

- A. Identifying relevant concepts and indicators of educational quality in the context of the national education system.
- B. Analyzing the forms and sources of education financing in Indonesia.
- C. Examining the relationship between education financing and improving the quality of education based on literature studies.
- D. Providing strategic recommendations for policy makers in optimizing education financing to support the quality of national education.

This research was conducted through a library research approach, by analyzing various scientific sources such as national and international journals, institutional reports, academic books, and government policy documents. Through this approach, it is expected to obtain a complete and comprehensive understanding of the dynamics of financing and quality of education in Indonesia.

RESULTS AND DISCUSSION

1. Concept of Educational Quality

A. Definition of Educational Quality

The quality of education in general can be defined as the level of success of the education system in achieving the goals that have been set, both in terms of input, process, and output. According to Sallis (2002), quality in education refers to the extent to which educational institutions are able to meet the expectations of students, society, and the world of work.

Suyanto (2014) stated that the quality of education includes aspects of the process and results of education that reflect the ability of educational institutions to carry out their duties optimally. In addition, Bruner (1996) emphasized that the quality of education must be seen from the ability of students to apply the knowledge and skills they have acquired in real life.

B. Education Quality Indicators

The quality indicators of education in Indonesia have been formulated in

eight National Education Standards (SNP), which include: (1) content standards, (2) process standards, (3) graduate competency standards, (4) educator and education personnel standards, (5) facilities and infrastructure standards, (6) management standards, (7) financing standards, and (8) education assessment standards (Minister of Education and Culture Regulation No. 20 of 2016).

OECD (2021) adds that the quality of education must also take into account the dimensions of equity, efficiency, and relevance to the needs of the 21st century.

C. The Importance of Quality Education

High quality education contributes directly to social and economic development. UNESCO (2020) reports that improving the quality of education is positively correlated with increasing national productivity and long-term economic growth. Countries with quality education systems tend to have a high human development index (HDI).

D. Challenges in Quality Improvement

Various challenges still hamper the improvement of education quality in Indonesia. Among them are:

- a) Geographical and socio-economic disparities.
- b) Lack of equitable distribution of quality teachers.
- c) Inequality of access to technology and educational facilities.
- d) Limited education budget in underdeveloped areas (BPS, 2023).

A study by Suryadarma & Jones (2013) shows that the biggest obstacle to improving quality in Indonesia is weak education management and the less than optimal use of available education funds.

The quality of education is a fundamental component in forming superior human resources. To achieve this, an integrated education system with effective financing, policies, and management is needed.

2. Concept of Education Financing

A. Definition of Education Financing

Education financing is all forms of expenditure allocated for the implementation and development of education. Supriyono (2012) defines education financing as all sources of funds used to support educational activities, both in terms of operations, development, and long-term investment.

The World Bank (2020) emphasizes that adequate and targeted financing is key to providing inclusive and quality education.

B. Sources of Education Funding

Sources of education funding in Indonesia can be categorized into three, namely:

- a. Government: through APBN/APBD (allocation of 20% of the national budget).
- b. Community: such as school fees, donations, and foundations.
- c. Private: through corporate social responsibility (CSR) programs, industrial cooperation, and donor agency grants (APINDO, 2021).

C. Allocation of Funds and its Impact on Quality

Research by LPPM UGM (2020) shows a positive correlation between the amount of education fund allocation and increased student learning outcomes, especially in schools located in 3T (Disadvantaged, Frontier, and Outermost) areas. However, this impact is only significant if the funds are managed transparently and efficiently.

OECD (2021) also emphasizes the importance of monitoring and evaluation systems in ensuring that large funds actually result in quality improvements.

Chart 1: Indonesia's Education Budget Allocation (2018–2023)

Year	State Budget (Trillion)	Education Allocation (Trillion)	Percentage of State Budget (%)
2018	2220	444	20.0%
2019	2461	492	20.0%
2020	2540	508	20.0%
2021	2750	550	20.0%
2022	2714	542,8	20.0%
2023	3061	612,2	20.0%

Source: Ministry of Finance of the Republic of Indonesia, *Our State Budget 2023*

Interpretation: During the 2018–2023 period, the allocation of the education budget remains consistent at around 20% of the total APBN, in accordance with the constitutional mandate. However, the effectiveness of fund use is the main determining factor in improving quality.

Graph 2: Comparison of Education Quality Index Between Provinces (2022)

Data is taken based on the Education Development Index (IPP) score, a composite indicator of educational participation, literacy rates, and facilities and infrastructure.

Province	IPP (Score 1–100)
Jakarta	83,4
yogyakarta	81,9
West Java	76,2
East Kalimantan	74,7
West Papua	63,5
Papua	58,9

Source: Central Bureau of Statistics, *Indonesian Education Statistics 2023*

Interpretation: Regional disparities remain a major challenge. Regions with

better access to financing and educational infrastructure tend to have higher quality indices.

D. The Role of the Private Sector in Education Financing

Private sector involvement is increasingly important in financing education, especially in innovation, vocational training, and empowering schools in the regions. APINDO (2021) noted that several large companies have allocated CSR budgets specifically for education, which are directed at scholarships, procurement of learning facilities, and teacher training.

Sustainable, inclusive, and accountable financing is a prerequisite for realizing high quality education. Synergy between government, society, and the private sector is the main key to realizing effective education financing.

3. Analysis of the Relationship between Quality and Education Financing

A. Theoretical Relationship between Funding and Quality of Education

Theoretically, education financing is an important input in the education system that affects the quality of education services, teaching and learning processes, and learning outcomes. Psacharopoulos and Woodhall (1985) explain that "educational investment is a major determinant of economic growth and individual income, especially when resources are efficiently allocated and well managed".

Hanushek and Woessmann (2015) added that "it is not spending per se that improves learning outcomes, but how effectively that spending is used" (p. 38). In other words, the effectiveness of the use of funds is more important than the absolute amount.

B. Empirical Findings in Indonesia

Research by LPPM Universitas Gadjah Mada (2020) shows that schools receiving BOS funds with transparent management experienced an increase in the average UN score. The report states that "schools with high financial accountability experienced a 12–18% increase in UN scores compared to schools with weak financial management" (LPPM UGM, 2020, p. 24).

However, data from the Ministry of Finance shows that "The national education budget allocation is indeed large, but its realization and impact are not evenly distributed, especially in remote areas." (Ministry of Finance, 2023, p. 19). The 2022 IPP graph shows that DKI Jakarta recorded a score of 83.4 while Papua only scored 58.9, reflecting the disparity in education quality.

C. Strengthening Factors of the Relationship between Funding and Quality of Education

Although theoretically and empirically there is a positive relationship between funding and education quality, the real impact of funding is largely determined by various enabling factors. Some of these are:

a. Professional School Management

Principal leadership and internal school management play a central role in optimizing the use of funds. Schools that implement the principles of transparency and accountability in budget management tend to be able to

utilize funds for the procurement of learning facilities, teacher training, and curriculum updates.

Suryadarma and Jones (2013) stated that *“headmasters who are competent in planning and budgeting are better able to translate funds into measurable improvements in teaching and learning”*(p. 117). In this regard, investment in training of principals and management teams is essential.

b. Proactive Local Government Policy

Local governments have a vital role in ensuring that education funding is translated into quality education services. Regions such as Yogyakarta and Central Java show that the allocation of education funds from the APBD equipped with affirmative policies can accelerate the increase in local education HDI.

According to data from the Ministry of Education, Culture, Research and Technology (2022), districts/cities that have special Regional Regulations (Perda) regarding education financing have shown an increase in school participation of 10–15% in the last 3 years.

c. Partnership with Private Sector and Community

The involvement of the private sector through CSR (Corporate Social Responsibility) programs and the community through participation in school committees are factors that leverage education financing. The APINDO report (2021) states that *“corporate CSR programs contributed over IDR 1.2 trillion to educational initiatives in underserved areas between 2019 and 2021”*(p. 33). This strengthens financing especially in the non-formal and vocational sectors.

D. Barriers to Optimizing the Financing-Quality Relationship

Although the potential for quality improvement through financing is large, there are various structural and technical barriers that interfere with optimizing these relationships, including:

a. Inefficiency in Use of Funds

stale lies in the weakness of needs-based planning. Many educational units do not have the technical capacity to prepare a School Work Plan and Budget (RKAS) that is responsive to real challenges. BOS funds, for example, are often used only for routine expenses without targeting teacher competency improvement or improving the quality of learning.

UNESCO (2020) emphasized that *“in many developing countries, increased educational budgets do not automatically result in better learning outcomes due to systemic inefficiencies, corruption, and lack of monitoring”*(p. 73).

b. Corruption and Lack of Accountability

Cases of misuse of education funds still occur in various regions. According to the Indonesia Corruption Watch (ICW) report, during 2020–2022, the education sector was one of the three largest sectors with the most corruption cases. This shows that external supervision by the public,

inspectorate, and legal institutions is still ineffective.

c. Access and Infrastructure Gaps

Data from BPS (2023) shows that 34% of schools in Eastern Indonesia do not yet have stable internet access, and 27% still lack decent classrooms. This causes financing to be suboptimal because basic learning facilities have not been met.

d. Capacity of Human Resources of Fund Managers

Many schools, especially in remote areas, do not yet have human resources trained in educational accounting or digital-based financial management. This causes delays in reporting, budget mismatches, and even fear of using funds due to concerns about administrative risks.

CONCLUSIONS AND SUGGESTIONS

The analysis that has been done shows that there is a positive but not automatic correlation between financing and the quality of education. Financing is an important prerequisite, but not sufficient. The impact of financing on quality is highly dependent on the effectiveness of planning, transparency of implementation, and strict supervision. In other words, without good governance, large financing will not produce significant quality improvements.

OECD (2021) concludes that *"financial inputs must be aligned with systemic reforms and performance incentives to deliver quality learning outcomes"* (p. 55). In the Indonesian context, a comprehensive approach is needed: improving governance, increasing the capacity of school human resources, strengthening the role of the community, and building a data-based evaluation system to ensure that every rupiah spent has a direct impact on learning.

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