Models of Financing in Education

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ABSTRACT

Educational financing is a vital component of the education system that plays a significant role in ensuring equitable access, improving quality, and enhancing the efficiency of educational implementation. This study examines various education financing models implemented in Indonesia, ranging from government and community-based sources to philanthropic and social solidarity alternatives such as ta'awun funds. The purpose of this article is to explore and analyze the models of education financing. The method used is a literature review by collecting information from various sources relevant to the topic. The results indicate that Indonesia applies a mixed financing system, which is a modification of several international models, such as the Power Equalizing model, the Foundation Plan, and direct subsidy schemes like the School Operational Assistance (BOS). Previous studies emphasize the importance of careful planning, strong supervision, and accountability in managing education funds. Furthermore, the decentralization of education requires synergy between the central and local governments to ensure effective budget utilization. In conclusion, no single model is entirely ideal; therefore, a combination of models that are adaptive to the socio-economic conditions of each region, while considering the principles of equity, efficiency, and sustainability, is necessary. With effective financing, education in Indonesia is expected to become a key driver of human resource development and national progress.

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1. Introduction

Education plays a fundamental role in human development and in enhancing a nation's competitiveness. To achieve an inclusive, equitable, and high-quality education system, financing becomes a crucial determinant (World Bank, 2019). Without adequate and efficiently managed funding, it is challenging for educational institutions to perform their functions optimally.

As one of the key components of the education system, financing requires more in-depth conceptual examination and meticulous research to ensure that the management of educational funding is well-targeted and aligned with established policies. Furthermore, educational financing serves as one of the essential factors in the success of education; in fact, without proper funding, educational activities cannot be carried out effectively. Therefore, the management of educational financing requires a well-formulated concept and systematic planning to establish a sound national financing system (Wirian et al., 2022).

Educational financing models vary widely, depending on fiscal policy, economic structure, and the social context of each country. In general, educational financing models are classified into three main types: public financing, private financing, and mixed or public–private partnership (PPP) models (Ferdi, 2013). Each model has different implications for accessibility, efficiency, and the sustainability of the education system.

In developing countries such as Indonesia, educational financing still faces numerous challenges. Although the constitution mandates a minimum allocation of 20% of the state budget (APBN) for the education sector, its realization and distribution have not been fully effective (Ministry of Finance of the Republic of Indonesia, 2023). On the other hand, alternative financing models such as scholarships, income-contingent student loans, and endowment fundshave begun to be adopted, although they remain in the developmental stage and require stronger regulatory support (Tamam, 2018).

From the above discussion, it can be concluded that the financing model chosen by an educational institution will determine the direction of the policies established by education managers. The more prudent the choice of model, the more strategic and effective the decision-making process and the subsequent steps in educational development will be.

2. Research Methodology

This article is written using a literature-based approach, drawing on various sources, including books, scientific journals, and scholarly articles from relevant websites related to the topic under discussion. In addition, in writing this article, the author reaffirms and formulates the main concepts.

3. Results and Discussion

Educational financing essentially emphasizes the distribution of educational benefits and the financial burden that must be borne by society. In simple terms, cost refers to the monetary value expended to support the educational process or services provided to students. Educational financing is an investment in human resources that generates both monetary and non-monetary benefits.

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An abundance of educational funding sources does not guarantee improved quality if not planned properly, appropriately targeted, well managed, supervised, and supported by strong accountability. Weak sanctions against fund misuse, the absence of deterrent effects, low moral standards, and other factors can undermine the effective management of education financing (Mesiono & Haidir, 2021). The model of educational financing management in Indonesia is essentially a modification and combination of various financing models applied in other countries around the world.

Several studies have explained the role of educational financing management in improving the quality of education:

a. Huda et al., (2022) emphasize that managing educational financing requires a well-developed concept and planning system to formulate Indonesia's national education financing framework within the context of regional autonomy. Both national and local levels are significantly influenced by financing in education. As one component of the education system, financing requires in-depth theoretical study and careful research to ensure the proper use of available funds. The ideal financing model for a region depends greatly on various local conditions and may involve adopting one or combining two or more existing models. In Indonesia, financing cannot be separated from central government subsidies, despite the authority granted under the Regional Autonomy Law. This is due to disparities in natural resource potential, low local revenue (PAD), limited public awareness of educational investment, and other factors.
b. Musthafa (2017) found that the use of a ta'awun-based educational financing model could enhance transparency in educational financing at Madrasah Aliyah Mu'allimin Mu'allimat Muhammadiyah Garut. The implementation of educational financing management at this institution had not yet fully optimized ta'awun funds as a rich, abundant, and sustainable source of educational financing. The financing model adopted combined the flat grant and guaranteed percent equalizing models, prioritizing ta'awun funds as an alternative through the integration of financing models.
c. Wirian et al., (2022) similarly concluded that the ideal financing model for a given region depends heavily on local conditions and may involve adopting one or combining multiple models. In the Indonesian context, educational financing remains inseparable from central government subsidies, even with the authority provided by the Regional Autonomy Law.
d. Mesiono & Roslaeni (2021) suggested that the Power Equalizing and Foundation Plan models are both effective and efficient, with potential for further development. In the Power Equalizing model, very wealthy districts are required to return part of their collected school taxes to the state treasury to support less affluent districts. Factors influencing school financing include: (1) rising prices; (2) changes in teachers' salaries; (3) changes in population and an increasing percentage of children in public schools; (4) rising educational standards; (5) an increase in the age at which children leave school; and (6) growing demand for higher education.
e. Rida Fironika K., (2015) explained that Indonesia's education financing system is influenced by government policies and operates under both centralized and decentralized

systems. The cost of education in Indonesia has never been inexpensive, especially when compared to the average income of the population, which is often insufficient to meet the need. The long-awaited dream of free education—anticipated since Indonesia's independence—emerged with the introduction of free primary and junior secondary education. This development was particularly welcomed because the government provided Bantuan Operasional Sekolah (BOS; School Operational Assistance) funds to cover the rising costs of textbooks, miscellaneous school fees, inadequate teacher salaries, and other expenses.

Abundant sources of educational funding do not guarantee quality improvement if they are not properly planned, misallocated, mismanaged, lack supervision, have low accountability, and are not accompanied by strict sanctions for violations—thereby failing to create a deterrent effect—coupled with low morale and other management-related issues (Mesiono & Haidir, 2021). The model of educational financing management in Indonesia is, in fact, a modification and combination of various educational financing models applied in other countries.

In principle, educational financing models have two main aspects: allocation and revenue generation. Regarding these models, there are four main types: (1) full subsidies from primary to higher education; (2) free higher education for learners up to a certain age; (3) free education up to senior high school, with higher education requiring tuition fees while still receiving subsidies; and (4) self-funded education at all levels. Potential funding sources may come from industry partnerships or corporate social responsibility (CSR) programs, alumni associations, or contributions from parents/guardians. Several educational financing models, along with their advantages and disadvantages, are presented below (Gaol, 2020).

In Indonesia, it is difficult to adhere strictly to a single model due to varying conditions across schools. Ideally, multiple stakeholders—central government, local government, parents, and the community—should contribute to educational costs. In practice, several models may be modified into an optimal hybrid that suits the educational and socio-cultural context of each region.

The most suitable financing model for Indonesia is a combination of the Power Equalizing model and the Foundation Plan model. The Power Equalizing model requires wealthier districts to return a portion of their collected school taxes to the state, which can then redistribute these funds to poorer districts. Under this system, each region receives funding proportional to its fiscal capacity (regional budget/APBD). Combining the strengths of both models can create an effective financing system, allowing more educational objectives to be achieved with available resources.

Increased efficiency in educational financing reduces the funds required to achieve goals, enabling a greater number of programs to be implemented within the same budget. This approach ensures a balance between resource supply and educational needs, minimizing obstacles to goal achievement. If educational financing becomes effective and is no longer monopolized by political interests, Indonesia has the potential to progress significantly—both in education and in the economy. When a nation's education system is well-developed, its economy often improves correspondingly (Wirian et al., 2022).

In Indonesia, the government is obligated to fund educational activities across various ministries, such as the Ministry of Defense, Indonesian National Police, Ministry of Law and Human Rights, National Land Agency, Ministry of Health, Ministry of Industry, Ministry of Energy and Mineral Resources, Ministry of Tourism and Culture, and others. However, educational activities in these ministries and institutions must align with the definition of education as stated in Article 1, Paragraph (1) of Law No. 20 of 2003:

"Education is a conscious and deliberate effort to create a learning atmosphere and process in which learners actively develop their potential to possess spiritual strength, self-control, intelligence, noble character, and the skills needed by themselves, society, the nation, and the state."

4. Conclusions

Based on the foregoing discussion and analysis, it can be concluded that educational financing in Indonesia is a highly complex and crucial aspect, as it involves equitable access, educational quality, and efficiency in resource utilization. Theoretically and empirically, educational financing is not limited to the allocation of funds; it must also take into account proper planning, management, supervision, and accountability.

Although educational funding sources in Indonesia are relatively abundant—through various schemes such as the State Budget (APBN), School Operational Assistance (BOS), and other subsidies—in practice, quality improvement is not automatically achieved if there is misallocation, weak oversight, low accountability, and the absence of deterrent effects for mismanagement violations.

Therefore, the development of an educational financing system in Indonesia should be directed toward an efficient, equitable, and adaptive design that ensures affordability without compromising quality. A combination of well-planned, transparent financing models that are tailored to regional contexts will be key to sustainably improving the quality of national education.

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