

## Economics and Education Financing: Literature Review

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### Abstract

*This research analyzes the basic concept of education financing and how it impacts on improving the quality of education. This research uses book research methods. As education managers and stakeholders, the government and society have made various strategic efforts to achieve this. National education standards are one of the government's tasks. One of the eight national standards set by the National Education System Law Number 20 of 2003 is financing standards. Education financing is an important part of education management. Public awareness to bear the costs of education will essentially give the community the strength to be responsible for the provision of education. Implementation of PP no. 19 of 2005 has implications for the need to develop financing standards which include standardization of education cost components which include operational costs, investment costs and personal costs. In accordance with the amended 1945 Constitution, the Indonesian State has given the government a mandate to set the education budget at 20 percent of the state budget as stated in Article 31 Paragraph 4*

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### Abstrak

Penelitian ini menganalisis konsep dasar pembiayaan pendidikan dan bagaimana hal itu berdampak pada peningkatan kualitas pendidikan. Penelitian ini menggunakan metode penelitian buku. Sebagai pengelola dan pemangku kepentingan pendidikan, pemerintah dan masyarakat telah melakukan berbagai upaya strategis untuk mencapai hal ini. Standar pendidikan nasional adalah salah satu tugas pemerintah. Salah satu dari delapan standar nasional yang ditetapkan oleh Undang-Undang Sistem Pendidikan Nasional Nomor 20 Tahun 2003 adalah standar pembiayaan. Pembiayaan pendidikan merupakan bagian penting dari manajemen pendidikan. Kesadaran masyarakat untuk menanggung biaya pendidikan pada hakekatnya akan memberikan suatu kekuatan pada masyarakat untuk bertanggungjawab terhadap penyelenggaraan pendidikan. Pelaksanaan PP No. 19 Tahun 2005 membawa implikasi terhadap perlunya disusun standar pembiayaan yang meliputi standarisasi komponen biaya pendidikan yang meliputi biaya operasional, biaya investasi dan biaya personal. Sesuai dengan UUD 1945 yang telah diamandemen, Negara Indonesia memberikan amanat kepada pemerintah untuk menetapkan anggaran pendidikan 20 persen dari anggaran belanja negara seperti tertuang pada pasal 31 Ayat 4.

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## 1. INTRODUCTION

Education is a long-term investment in human resources that has strategic value for the continuity of human civilization in the world. Indonesia places education as important and primary (Nurhadi, 2004: 23). Schools as one of the educational channels, formal institutions are responsible for the continuity of the learning and learning process, in the education system. Education costs are an instrumental input component which is very important in preparing human resources through the provision of education in schools (Supriadi 2010: 3)

The government realizes the importance of quality education for the Indonesian nation in the era of globalization. Therefore, the government continuously strives to improve the quality of National Education. In line with this, the Government together with the House of Representatives have enacted Law Number 20 of 2003 concerning the National Education System. Furthermore, to ensure the implementation of quality education based on National Education Standards, Government Regulation Number 19 of 2005 concerning National Education Standards has been stipulated. In its implementation, education financing has been regulated in PP Number 48 of 2008 concerning Education Financing Standards. This is to clarify the free and quality education launched by the government, so that in its implementation there are no misunderstandings. As stated in PP Number 48

of 2008 article 2 paragraph 1, education funding is a joint responsibility between the government, regional government and the community.

Management comes from the word management (administration). Management comes from the word to manage which means to arrange, administer or administer. Many definitions have been put forward by experts. All of which leads to the understanding that management is the art and science of planning, organizing, arranging, directing and supervising resources to achieve predetermined goals. Management according to Udaya (1995) provides the formulation that management is: The process of achieving organizational goals by carrying out activities from four main functions, namely planning, organizing, leading and controlling. Thus, management is a continuous activity. Education management is a series of activities or the entire process of controlling the collaborative efforts of a number of people to achieve educational goals in a planned and systematic manner which is carried out in a certain environment, especially in the form of formal educational institutions.

Meanwhile, financing can be defined as the ability of the education system to manage education funds efficiently. Financing appears as an input used for every educational activity. It is not only related to knowing or analyzing the source of funds, but also how to use funds effectively and efficiently. So it can be defined that education financing management is all activities related to structuring the sources, use and accountability of education funds in schools or educational institutions. Finance and financing are resources that directly support the effectiveness and efficiency of education management. Its implementation requires the ability to plan, implement, evaluate and account for the management of funds in a transparent manner to the community and government.

## **2. RESEARCH METHOD**

The research method in this article is to use a literature review method with a narrative review type. Review articles were obtained through the Google Scholar search engine and the ProQuest, Science Direct and PubMed databases using keywords in Indonesian, namely, Economy, Financing, and Education and in English Economics, Financing, and Education. Using literature studies and descriptive analysis, which reveals the concept of empowerment which is linked to commitment in an organization.

## **3. RESEARCH RESULTS AND DISCUSSION**

### **3.1 Management of Education Financing**

#### **a. Understanding Financing**

Finance and financing are one of the resources that directly support the effectiveness and efficiency of education management. In the implementation of education, finance and financing are very determining potential and are an inseparable part in the study of educational management. The definition of costs according to Supriyono is the economic sacrifices made to obtain goods or services. In language, costs can be interpreted as expenses, in economic terms expenses can be in the form of money or other monetary forms. (Dedi Supriadi, 2004) in his book defines costs as all types of expenditure relating to the provision of education in the form of money, goods and energy (which can be priced in money). According to Hasbullah, school financing is the activity of obtaining costs and managing the education income and expenditure budget. 3 Costs in this sense are types of expenditure both in the form of goods and energy for the purposes of providing education. Education financing basically focuses on efforts to distribute the benefits of education and the burdens that must be borne by society. The cost element is a determining factor in the budgeting mechanism. Determining costs greatly influences the level of efficiency and effectiveness of institutional/organizational activities in achieving certain goals. Meanwhile (Fattah, 2000) defines education costs as the amount of money generated and spent for various educational needs including teacher salaries, professional equipment upgrades, procurement of tools and textbooks, office stationery

(ATK), extracurricular activities, management activities, education, and educational supervision. Costs are a determining element in the budgeting mechanism. Determining costs will influence the level of efficiency and effectiveness of activities in an organization that will achieve a certain goal. Activities carried out at low costs and the results are of good quality can be said to be carried out efficiently and effectively. To understand the concept of education financing, it is necessary to know the meaning of seven important concepts related to financing which include (1) cost objects, (2) cost management information, (3) financing, (4) finance, (5) budget (budget), (6) costs, and (7) cost drivers.

Education financing, is an activity relating to the acquisition of funds (income) received and how these funds are used to finance all educational programs that have been determined. The income or sources of education funds received by schools are obtained from the APBN, APBD, and the community or parents. Bowen explains in more detail that: Revenues are derived from several sources: federal, state, and local appropriations, tuitions, gifts and grants from private individuals and corporations, endowments, and sales of goods and services. The revenue theory of educational costs is subject to an important qualification. As for how these funds are used, according to John, Morphet and Alexanders, each school should establish plans that are priorities for comprehensive education funding. Comprehensive planning of a school financing program involves making critical decisions in the following areas: a) The educational program that must be funded, b) The tax system used to finance the program, c) The system for allocating state funds to regions or areas schooling.

#### b. Types of Education Financing

Costs in education include direct costs and indirect costs. Direct costs consist of costs incurred for the purposes of implementing teaching and student learning activities in the form of purchasing learning tools, learning facilities, and teacher salaries. Meanwhile, indirect costs are in the form of lost profits (earnings forgone) in the form of lost opportunity costs (opportunity costs) sacrificed by students while studying. Meanwhile Supriadi divides costs into three categories, namely:

- a. Direct costs and indirect costs: Direct costs are all expenses that directly support the provision of education. Indirect costs are expenses that indirectly support the educational process but enable the educational process to occur at school, for example student living costs, transportation costs to school, snack costs, health costs, and opportunity costs.
  - b. Personal costs (private costs) and social costs (social costs): Personal costs are family expenses for education or also known as household expenditure. Social costs are costs incurred by society for education, either through schools or through taxes collected by the government and then used to finance education. The costs incurred by the government are basically social costs.
  - c. Costs in the form of money (monetary costs) and non-monetary costs. Costs in education include direct costs and indirect costs. Direct costs consist of costs incurred for the purposes of implementing teaching and student learning activities. Most direct costs come from the school system itself, such as tuition fees, and donations from students' parents for education or which are paid by students themselves to purchase equipment to carry out their education process, such as books, equipment and pocket money. Meanwhile, indirect costs are in the form of lost profits in the form of opportunities lost and sacrificed by students while studying.
- #### c. Sources of education costs

Regarding the source of costs, Bray stated that education costs are the total input that can be obtained from the government, family, community and other relevant agents. The 1945 Constitution of the Republic of Indonesia (Amendment IV) states that every citizen has the right to education, every citizen is obliged to attend basic education and the government is

obliged to pay for it, the government seeks and organizes a national education system, which increases faith and piety as well as noble morals in order to educate life of the nation, the state prioritizes an education budget of at least twenty percent of the State Revenue and Expenditure Budget (APBN) as well as the Regional Revenue and Expenditure Budget (APBD) to meet the needs for the implementation of national education; The government advances science and technology by upholding religious values and national unity for the advancement of civilization and the welfare of mankind.

At the school level, education costs are obtained from subsidies from the central government, regional government, student fees and community donations. In this case, as recorded in the School Activity Plan and Budget (RKAS), the majority of education costs at the school level come from the central government, while for private schools they come from students or foundations. In 1991/1992, 92.39% of primary school (SD) tuition fees came from the central government, only 0.23% from regional governments, 6.98% of student fees were accommodated through BP3 (Education Assistance Agency). ) 0.20% from the public, 0.20% from other sources

Broadly speaking, sources of educational financing at a school can be grouped into three sources, namely:

- a) Government, whether central, regional or both, which is general or specific and intended for educational purposes;
- b) Parents or students;
- c) Community, both binding and non-binding. The government's limited ability to meet educational funding needs and responsibility for meeting educational funding needs is a shared responsibility between the government, parents and the community.

#### **4. CONCLUSION**

From the explanation above, it can be concluded that education requires money. Funding for education must be paid more expensively because education is an investment. Human Capital in the form of abilities and skills obtained through education, self-study, learning while working requires costs incurred by the person concerned. Acquiring skills and abilities will result in a very high rate of return on a person's income. Education is the responsibility of the state and society, our responsibility together, including in terms of financing. The role of the community in supporting education costs is very important, including saving which is useful for financing education. Education costs are all expenditures both in the form of money and non-monetary as an expression of the sense of responsibility of all parties (society, parents and government) towards educational development so that the desired educational goals are achieved effectively and efficiently, which must continue to be explored from various sources, resources, maintained, consolidated, and administratively organized.

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