

Education Financing Governance in *Pesantren*: An Explanatory Study

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ABSTRACT

This study aims to 1) Identify the problems of financing education in Islamic Boarding School (in Bahasa: *Pesantren*) and 2) Identify the factors that cause problems in the education financing governance in *Pesantren*. This research was conducted using qualitative methods through in-depth interviews. The research subjects were *Pesantren* in Deli Serdang with criteria for large, medium, and small sizes. The results of the interviews were transcribed, reduced, and analyzed theoretically. The results indicate that there are still limitations in the management of education financing, especially in implementing good governance. These limitations result in weak *Pesantren* funding, resource capacity, and competitiveness. Therefore, *Pesantren* need to formulate a framework and implement the values of good governance in managing their education financing to achieve a competitive advantage.

Keywords: *Good Governance, Pesantren, Educational Financing, Islamic Boarding School*

1. INTRODUCTION

Education financing is an important and inseparable component in implementing the teaching and learning process [1]. Educational institutions at all levels, whether preschool, school, to university, are organizations that, in their operations, require funds to mobilize all available resources. The ability of educational institutions to manage these funds is a key success factor that is generally associated with an analysis of basic needs and priority scales in achieving the objectives of their strategic programs gradually and sustainably. Interestingly, the allocation of funds owned by educational institutions is often quite limited, while education financing itself is a complex variable and requires large resources. Therefore, education funds need to be managed effectively and efficiently for the achievement of educational goals.

In addition, the management of education financing needs to be applied normatively and sociologically because the school entity is a non-profit institution. This condition causes educational institutions to have a responsibility to society, especially students' parents. Schools need to have accountability and transparency regarding the source and use of funds to provide professional education services. Schools are required to; 1) managing the use

of funds in a transparent and accountable manner, 2) having cost-effectiveness and efficiency, 3) minimizing misuse of funds, 4) having creativity in exploring funding sources, and 4) placing a competent and professional treasurer [2]. In the context of organizational governance, these expectations are comprehensively reviewed in the concept of good governance.

In the last two decades, the concept of good governance in public sector organizations has begun to be seriously investigated along with the growing demands for public service innovation [3]. However, the literature that discusses governance in education is still limited. In fact, good governance is very strategic to increase competitiveness in the field of education. Decentralization of governance in the field of education can encourage school performance as an independent organization. Furthermore, to find a framework of good governance that follows the characteristics of educational organizations, continuous studies are needed to identify the unique characteristics of the education sector and then adapt the framework of good governance in the private sector that has developed earlier [4].

Governance actually does not aim to improve business performance or increase market value but

rather to increase transparency and efficiency in managerial aspects [5]. Good governance becomes important when an entity wants to review leadership qualities, ensure effective management, and a system of checks and balances in reviewing responsibility for each managerial success and failure [5]. The concept is certainly very relevant to the essence of the public sector, which is not profit-oriented. School accountability to various stakeholders in the management of education financing actually requires good governance.

According to the United Nations [6], good governance focuses on three key aspects, namely transparency, accountability, and participation. In the concept of good governance, education funds must be managed and recorded properly to contribute to producing quality learning and various other activities that support the achievement of the strategic goals of a school [7]. This concept is in line with the National Education System Law no. 2 of 2003, which mandates that educational services and programs are basically designed to develop the potential of students to become human beings who believe and fear God Almighty, have a noble character, are healthy, knowledgeable, capable, creative, independent, and become democratic citizens. And be responsible. Achieving these educational goals automatically becomes the responsibility of all educational institutions.

Among the various educational institutions in Indonesia, *Pesantren* is an educational institution that has the most activities for students to achieve educational goals. This is because *Pesantren* is an educational institution with a dormitory system. In addition, learning activities in *Pesantren* are very complex, with various extracurricular and co-curricular activities. This is because, although initially, *Pesantren* were educational institutions that only studied Islamic religious knowledge, nowadays *Pesantren* also use the national curriculum in their learning so that the educational services provided by *Pesantren* include learning according to the national curriculum and special curriculum according to the objectives of Islamic education in *Pesantren*.

The consequences of a massive dormitory system and curriculum system make *Pesantren* face more complicated problems related to the management of education financing than other educational institutions. This is because, in addition to the costs of teaching and learning activities in the classroom, *Pesantren* also have to manage the cost of meals for students, dormitory maintenance costs, the costs of various other activities for students such as scouting

activities, arts, speech exercises, sports and other activities that make education financing management in *Pesantren* more efficient. Complex and complicated compared to other educational institutions.

Research by Setiowati [8] and Shunhaji et al. [9] indicates that although it has been managed according to educational institutions' standards, *Pesantren's* specific adequacy and inadequacy standards have yet to be determined. In addition, the education financing system in *Pesantren* has not been designed in a participatory manner. Therefore, it still depends on the policies of the *Pesantren* leadership consisting of the chairman of the foundation, deputy leadership of the *Pesantren*, and the treasurer of the *Pesantren*. In fact, seeing the complexity of education financing management, *Pesantren* should have a standardized education financing management model concerning the values of good governance. Based on these problems, this study aims to 1) Identify the problems of financing education in *Pesantren*; and 2) Identify the factors that cause problems in the management of education financing in *Pesantren*. This study is explanatory as an initial review of education financing governance in *Pesantren* in Deli Serdang, North Sumatra. The results of this study will be useful in improving and developing a framework for good financing governance in *Pesantren*.

2. METHOD

This research uses a qualitative approach with the type of case study. Case studies are used because the research is intended to obtain comprehensive, in-depth, and systematic information about the governance of education financing in *Pesantren*. This study is an emic study that reviews phenomena from the point of view of the research subject as an entity or case that has uniqueness based on the perspective of the research subject [10]. The *Pesantren* that became the research locations were three *Pesantren* in Deli Serdang with organizational size categories: small boarding schools, medium boarding schools, and large boarding schools. The in-depth interview informants were the head of the madrasah from the subject *Pesantren*, namely 1) Darul Arafah Raya; 2) Al Azhar As Sharif; 3) Darul Ihsan. The informant is seen as credible because he is assumed to be the head of the madrasah, mastering various knowledge related to financing management in the *Pesantren* where the unit of analysis of this study is the organization. In addition, the madrasa principal can present credible documents that the research team can observe during visits for in-depth interviews. In-depth interviews with target respondents focused on information related to

the practice of managing education financing in *Pesantren* [11,12].

After obtaining information from the respondents, the data were transcribed and analyzed by qualitative studies, then consulted with relevant theories and studies. The primary data sources in this study were the respondents, while literature, documents, and archives were categorized as secondary sources to confirm and review the information obtained from the respondents [11]. The data analysis process is carried out in stages 1) data validity; 2) data reduction; 3) display data, and 4) conclusion drawing/verification [12,13]. The process is carried out to ensure the credibility of the data, the relevance of the data to the objectives to be achieved, and the theoretical relevance of the phenomena encountered.

3. RESULT AND DISCUSSION

Based on the in-depth interviews, there are financing problems, especially related to the availability of funds to be managed. So that the *Pesantren* has a narrow budgetary space. The three *Pesantren* that are the research subject rely on self-funding, which is obtained entirely from students' tuition fees. Meanwhile, other sources such as grants, funds from the government, and business unit profits are not the priority targets of fundraising. Even *Pesantren* always assume that funds from these sources do not exist in every fiscal year despite several efforts to raise funds. Madrasah leaders use this conservative principle to avoid budget plans not being accommodated in the current year. So that in planning, always consider a definite budget allocation, namely from student tuition.

If reviewed based on applicable regulations, the Law of the Republic of Indonesia Number 18 of 2019 concerning *Pesantren* article 48 states that the sources of funding for *Pesantren* come from the community, the central government, local governments, and other legal and non-binding sources following the provisions of the legislation. . Based on the law, *Pesantren* have the right to obtain education funding from the government, both central and local, the community and other legitimate sources. Therefore, the opportunity to maximize the existing potential to obtain education funding is actually open to *Pesantren*. However, it is suspected that there are other problems so that *Pesantren* are less agile in raising funds and/or managing funds more productively, thereby increasing public trust in channeling funds to the *Pesantren* in question.

When discussing issues related to the study of

Pesantren development, the researchers found information about two things that triggered the weak performance of *Pesantren* in raising funds, namely 1) the availability of capable human resources in conducting development studies, preparing grant-raising proposal documents, and being sensitive to information on grant funds that can be proposed; and 2) the low motivation of human resources to work due to low incentives or uncertainty about the welfare they will get. This is certainly a special concern in the management of *Pesantren* financing. The limited knowledge controlled by the organization through the human resources in it will slow down organizational performance. In fact, one of the important agendas of organizational governance is to ensure that the human resources owned have continuous capability improvement so that these human resources can contribute to optimizing organizational performance [14]. This is increasingly important because public sector organizations must produce public services to the community effectively [14]. Therefore, public services that are not optimal will result in service dissatisfaction and, in turn, will eliminate public trust in public services provided by a public entity.

Brown [15] revealed that the public sector should manage the quality of human resources, so they have actual expertise and have work productivity as expected. To achieve this, organizations must accommodate knowledge acquisition, skill development, reward, and maintain HR motivation [15,16]. Thus, HR capabilities often do not appear by themselves. However, it is closely related to how organizations maintain work motivation and learn from human resources. Because in reality, human resources in public sector organizations, especially educational institutions, do not just work; they must continue to learn to master change and adapt continuously. Therefore, in facing this tough job, HR needs to have a strong drive both in cognitive and material aspects, which are actualized in skill development programs and incentives for their performance. If this is not available, performance stagnation will likely occur, and even individual reluctance to excel in their work [14,15]. Therefore, in this finding, it is reasonable to suspect that the stagnation of *Pesantren* in fundraising occurs due to organizational limitations in optimizing funding sources from various stakeholders. Meanwhile, the root cause of this condition leads to two aspects, namely 1) limited capabilities and expertise of human resources; and 2) low work motivation due to the lack of work incentives that can be obtained by HR.

If reviewed based on its objectives, [17] revealed that at least the management of education financing

seeks to: 1) Increase the exploration of sources of education costs; 2) Creating reliable control over the finances of educational institutions; 3) Improving the effectiveness and efficiency of the use of funds in educational institutions; 4) Improving accountability and transparency of fund management in educational institutions; 5) Minimizing budget abuse in educational institutions; 6) Regulate existing funds to support the achievement of educational goals; 7) Build a sound, accessible, and safe financial management system from fraud; and 8) Increase the participation of education stakeholders in education financing [17]. Based on the available data, some of these educational financing objectives have been practiced in *Pesantren*. However, some aspects have not been put into practice, especially in small-scale *Pesantren*. In addition, several aspects have been practiced but are not managed formally and administratively systematically.

As discussed in the previous section, *Pesantren* have a less than optimal performance of extracting costs to increase the extraction of educational funding sources. He continued, in terms of increasing reliable control over the finances of educational institutions, the subject *Pesantren* has actually carried out control efforts that are technically carried out at every meeting, which is held regularly every three months, every semester, and every year. One of the meeting agendas was to evaluate the use and submission of the budget from each unit. Each unit will be responsible for the used and submitted funds evaluated to produce considerations in making future decisions. However, the interesting issue is that the evaluation is only carried out by the finance division or division and the foundation. There is no independent unit or special unit internally management tasked with assessing and evaluating the performance of the budget implementing units. In this aspect, subject boarding schools are vulnerable to subjective evaluations on finance and foundations and are prone to conflicts of interest. Furthermore, the tendency of evaluation tends to be quantitatively based on the value of the funding needed compared to the qualitative aspect of the output of an activity that might help *Pesantren* achieve its organizational goals. Actually, this aspect targets effectiveness and efficiency in the use of funds and minimizes budget abuse. However, as stated earlier, the evaluation has not been carried out using a careful administrative procedure. Testing the efficiency and effectiveness of the use of the budget should be tied to the targeted outputs and their achievements. On the other hand, the assumption of efficiency cannot be equated with cheap terminology. Many previous studies have indicated that the budget for the

implementation of education requires a large allocation of funds because, in fact, the budget required to produce quality education is expensive and has complex outcomes in measuring its success [18-21]. Therefore, in addition to budget evaluation must be carried out by an independent unit, the budget evaluation must also be carried out with broad and measurable indicators related to the achievement of educational goals, not solely on the number of funds spent. In addition, educational institutions as education providers must have a varied and broad strategy in collecting funding to maintain the sustainability of development activities within the organization. This is because educational organizations are organizations that carry out routine activities in education and teaching and various strategic and development activities to produce quality education and teaching following the needs of the times. This is according to the purpose of education financing to regulate existing funds so that it is effective to support educational goals. So that the orientation of budget evaluation is not on the nominal budget but on the achievement of educational goals itself.

Furthermore, in the aspect of increasing accountability and transparency in the management of funds in educational institutions, there have been efforts to increase accountability in the work meetings and evaluations conducted routinely above. However, the responsibility given is only to the foundation and the finance department. Furthermore, based on information from respondents, the accountability aspect has actually been practiced at the Subject *Pesantren*. However, the accountability of each unit head is only carried out on the foundation and treasurer, while the accountability to stakeholders is only carried out on the Government. In contrast, the essence of the accountability of public entities is also to the user community and the general public. In this case, when reflecting on the funds obtained by the *Pesantren*, mainly from tuition fees from the students' (santri) parents, then accountability should also be reported to the students' parents and the general public, whether or not they are in contact with the operations of the *Pesantren*. In addition, this is important in generating transparency in budget management so that the user community and the general public know the flow of funds they provide or donate to *Pesantren*. This aspect of transparency and accountability, in turn, results in the credibility of the *Pesantren*, where that credibility will generate public trust. From this belief, *Pesantren* will have a bargaining position to get grants and have an image so that many students want to be registered in a *Pesantren*. This aspect is targeted at the

aim of increasing the participation of education stakeholders in education financing management.

Then, in terms of building a financial management system that is sound, easily accessible, and safe from fraud, efforts have been made in the subject *Pesantren*. The three subjects have used a standardized financial reporting system (single entry) in financial reporting, and the finance department is in charge of budget and activity reporting. Meanwhile, the digitalization of the financial system is still moving towards an information technology system. Some services have used payroll and virtual accounts. However, some of the users and internal human resources of the *Pesantren* are still comfortable using the manual transaction system. In fact, the informant revealed that *Pesantren* had made efforts to build a reliable and efficient financial information system. However, the problem occurs in the user's low capability in the use of information systems. Furthermore, *Pesantren* actually need to focus on developing accounting information systems and being integrated with *Pesantren* management information systems for internal management purposes. This will facilitate decision-making and data transparency in using the budget and the achievements of the activities implementation.

Based on the review above, research findings based on in-depth interviews show that from the aspects of the objectives of education financing management proposed by [17], the subject of *Pesantren* has shown efforts to achieve good education financing management. However, these efforts have not been optimal, and there are still many aspects of financing management that are well managed by the subject *Pesantren*. Especially in efforts to produce transparency and public accountability, develop human resources (both teachers and administrative and financial personnel), use of financial and management information systems, and minimal fundraising. These three things become obstacles to institutional innovation produced by *Pesantren*.

In the governance of education financing in educational institutions, efforts are made to increase fundraising. The availability of funds is a crucial aspect of the implementation of quality education. According to Government Regulation No. 48 of 2008 concerning Education Funding, education funding is a shared responsibility between the Government, local governments, and the community. This means that educational institutions must make maximum efforts to obtain funding from the community. This can be achieved by increasing public confidence in the

management of education financing in educational institutions. Therefore, there are three key issues in good governance, namely, 1) transparency, 2) accountability, 3) and participation. The community must be involved as a stakeholder. For this reason, the community must know what the collected funds are used for, how their activities are achieved, and what involvement and benefits they can contribute to achieving the goals of a public entity. Thus, public trust was born to invest their funds in public institutions, especially educational institutions. Furthermore, to ensure these three aspects, *Pesantren* must have competent human resources. Meanwhile, to obtain or produce competent human resources, an organization must meet the needs of life, which are indicated by the fulfilment of both extrinsic and intrinsic motivation. In its operationalization, this motivation is often proxied by welfare and certainty.

4. CONCLUSION

The results of this preliminary study conclude that the *Pesantren* in Deli Serdang does not yet have a standardized model of education financing management and has not been regulated based on the principles of good governance. The education financing management that has been carried out so far has only used modest management that has been in effect from the past until now, meaning that there has been no significant development and innovation in the governance of education financing. The bad impacts of these limitations include, 1) there is no financial planning that is oriented towards the academic outcomes of students; 2) funding sources only rely on student tuition fees and government assistance, where *Pesantren* are less than optimal in seeking other funding sources, and 3) Weak management of the welfare of human resources which has an impact on the weak work commitment of staff. Therefore, *Pesantren* need to develop and implement the principles of good governance in the management of their education financing. Further research can develop a framework for good education financing governance to be a reference for *Pesantren* to implement it. Good education financing governance practices can support the competitive advantage of *Pesantren* and achieve their educational goals effectively.

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